

### Challenge task 1:

Tesco's 'Doomsday Exercise'



# 'MARKETS'

[https://www.theguardian.com/business/2020/may/03/how-tesco-doomsday-exercise-helped-it-cope-with-the-coronavirus?utm\\_term=Autofeed&CMP=tw b-gdnnews&utm\\_medium=Social&utm\\_source=Twitter#Echobox=1588512561](https://www.theguardian.com/business/2020/may/03/how-tesco-doomsday-exercise-helped-it-cope-with-the-coronavirus?utm_term=Autofeed&CMP=tw b-gdnnews&utm_medium=Social&utm_source=Twitter#Echobox=1588512561)

Within Business we have to look at the short-term and long-term impacts a situation or an influence may have on a Business. This particular example is how Tesco has managed to deal with the rapid rise in demand due to the Coronavirus.

1. What did Tesco do as part of their 'Doomsday Exercise'?
2. What are the short-term benefits of Tesco being able to meet customer demand for products?
3. What are the long-term benefits of Tesco being able to meet customer demand for products?
4. Challenge: Could you suggest what may have happened to Tesco if they weren't able to meet demand at this particular time.

### Challenge task 2:

Since the onset of the Coronavirus and the UK lockdown, one topic that has frequented the business pages is cash flow.

# 'PLANNING'

The unprecedented fiscal interventions by the government aims to prevent industrial scarring and the furloughing of workers via the job retention scheme. This will no doubt prove to be extremely beneficial but some firms will suffer. Car manufacturers face significant fixed costs which must still be paid regardless of production. One UK firm which has been 'scrambling' to save cash is Jaguar Land Rover. It is estimated that a shutdown of UK operations costs this company £1bn a month. JLR is known for its R&D and has expanded its operations in the UK to support electric car development; fitting with changing market conditions and external pressures.

The new Jaguar XJ is the company's latest addition to its electric vehicle (EV) portfolio and is touted as the rival to the Tesla Model S. When Jaguar's production facilities reopen, management are faced with two choices:

1. Do they continue development of the car ready for the launch in 2021?  
OR
2. Prioritise production of the most popular cars in their portfolio; Range Rovers and Land Rover Defenders?

Consider the benefits and drawbacks of each option. Which one should they choose?

### Challenge task 3:

# 'CAPACITY UTILISATION'

## 'Crispy Capacity'

At A Level we study a topic called 'capacity utilisation', which is a measure of the extent to which the productive capacity of a business is being used. It is an important concept as:

- It is often used as a measure of productive efficiency
- Average production costs tend to fall as output rises – so higher utilisation can reduce costs for a business
- Businesses tend to produce as close to full capacity (100% utilisation) as possible

To practice this theory, you will need to follow the instructions below:

- 3 bags of crisps – any will do! A useful way to think of this is that the crisps are customers and that the bag is a coffee shop!
- Open up one big of crisps and use a sticky label to label this, Bag A.
- Empty the contents onto a table and count how many crisps are in the bag. This number needs to be noted down (this is the bags current output).
- Place the crisps back into Bag A.
- Open the other bags of crisps and empty the contents onto a table. You then need to fill Bag A to its maximum, counting how many extra crisps it takes to fully fill the bag. Add this number to the original number to work out the total capacity.
- Once you have worked out how many crisps it takes to reach capacity, you can then work out the capacity utilisation of Bag A.

1. What are the benefits of operating at full capacity?
2. What are the drawbacks of operating at full capacity?