



Rewarding Learning

ADVANCED SUBSIDIARY (AS)

General Certificate of Education

2015

Business Studies

Assessment Unit AS 1
assessing
The Competitive Business

MV18

[AT111]

WEDNESDAY 10 JUNE, MORNING

TIME

1 hour 30 minutes, plus your additional time allowance.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.

Answer **both** questions.

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.

Quality of written communication will be assessed in Question 1 parts (d) and (e) and Question 2 parts (d) and (e).

Figures in brackets printed at the end of each question indicate the marks awarded to each question or part question.

ADVICE TO CANDIDATES

You are advised to take account of the marks for each question or part question in allocating the available examination time.

- 1 Study the information below and answer the questions that follow.

Greeting Cards

Market research commissioned by the Greeting Card Association reported that during 2012, £1.38 billion was spent on cards. It suggests that, on average, each person in the UK sent 31 cards during 2012.

Mother's Day remains the largest spring season's card-sending event. Demand for Mother's Day cards rose from 29.5 million cards in 2010 to 30.5 million cards in 2011. This could be due to the average price of a Mother's Day card dropping from £1.91 to £1.87 during the same period. The price reduction was influenced by decreasing costs induced by well trained, motivated and innovative staff. The demand for greeting cards appears to be price elastic.

Within the context of the UK labour market, specific geographical areas such as Nottingham, Yorkshire and Lancashire have benefited from the creation of over 100 000 jobs in the creative greeting card industry. Examples of jobs created include publishers, artists, printers and envelope suppliers.

The greeting card industry is highly competitive. While many High Street card shops have closed down, there has been significant growth in on-line cards which has helped to extend the product life cycle. The use of e-commerce and, in particular "Apps" ensure that the greeting card industry does not go into decline. The number of firms in this industry has a major effect on their marketing strategies, especially on their pricing, promotion and research/development decisions.

A strategy employed by on-line card producer Moonpig.com is product differentiation, which it uses to target niche markets. Special events such as Chinese New Year, announcing a pregnancy, and the USA idea of Halloween cards are new market segments which the industry can use to extend the product life cycle.

Adapted from © 2006 - 2015 Greeting Card Association. E&OE. / © BBC News 2015

- (a) Explain what is meant by price elasticity of demand, using an example from the case study to illustrate your answer. [4 marks]
- (b) Calculate the price elasticity of demand for Mother's Day Cards, using the information from the case study. [4 marks]
- (c) Analyse how a card manufacturer such as Moonpig.com may seek to improve the labour productivity of its workforce. [8 marks]
- (d) Discuss the advantages and disadvantages of niche marketing to a business such as Moonpig.com. [12 marks]
- (e) Evaluate the usefulness of the product life cycle, to businesses operating in the Greeting Card industry. [12 marks]

- 2 Study the information below and answer the questions that follow.



John Mills Ltd (JML) started in 1986. Employing a strategy of growth, the company currently employs over 360 staff. It sells products such as kitchen utensils, steam cleaners and skin care products in more than 80 countries worldwide. JML's unique combination of in-store screen promotions in retailers such as ASDA and Menary's, and TV home advertising has ensured that sales continue to rise. JML recently reported annual turnover amounting to £80 million, gained from the sale of innovative household products. JML puts the success of its business down to test marketing. To find 20 winning product lines each year JML needs to test market about a hundred, which involves looking carefully at quality, design and packaging. Testing can cost JML in excess of £1 million per year. One issue with testing is ensuring that you have the right size of sample. If the quota sample is too small then the results from the market research can be misleading.

JML examine ways to gain a competitive advantage. It has achieved this partly through the use of in-store videos. On one video a fountain pen is used to stab a hole in a can of cola and is then seen to still write perfectly. Showing the customer that the nib was up to the task, persuaded customers to buy it. JML offer innovative brands with mass appeal and one way of promoting these is through its on-line digital catalogue, JML Direct.

In 2012 JML and Costcutter Supermarket Group announced a partnership whereby Costcutter stores stock the latest products from JML. JML advertises heavily and its television advertisements are seen in more than 25 million homes each year.

In 2013 JML launched a new mobile phone site which allows its customers to access the full product range on their phones and play the demonstration videos. Jaina Shah, e-commerce Manager at JML explains “Mobile forms a large part of our digital strategy and it is an area that shows no signs of slowing down”. JML sales have doubled since the launch of the e-commerce site and growth is set to continue well into the future.

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- (a)** Explain what is meant by test marketing, using an example from the case study to illustrate your answer. [4 marks]
- (b)** Explain what is meant by quality, using an example from the case study to illustrate your answer. [4 marks]
- (c)** Analyse the factors that JML may have considered when deciding to use television advertising. [8 marks]
- (d)** Discuss the advantages and disadvantages of using e-commerce to a business such as JML. [12 marks]
- (e)** Discuss the benefits and drawbacks to a business such as JML of using quota sampling as a method of sampling. [12 marks]

THIS IS THE END OF THE QUESTION PAPER

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