



Oxford Cambridge and RSA

Friday 24 May 2019 – Morning

A Level Business

H431/01 Operating in a local business environment

Resource Booklet

Time allowed: 2 hours



INSTRUCTIONS

- This is a Resource Booklet.
- You should refer to it when answering the examination questions in Section B, which are printed in a separate booklet.
- The business described in this Resource Booklet is a real business.

INFORMATION

- This document consists of **4** pages.

Go Race!

Ross James loves cars and car racing. After leaving university with a degree in computer science, he worked for a company which owned a number of go-karting tracks around the UK. He worked his way up to become General Manager of a track by the age of 25. Getting to this level involved working nearly 70 hours a week and he eventually thought that, if he was going to work that hard, he might as well work for himself.

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The cost of opening a similar business was too much for Ross. Go-karting needs a lot of land and the cars need to be bought, insured, serviced and repaired. It occurred to Ross that an indoor racing simulation experience would be more straightforward.

Raising finance was still a problem; very few racing simulation businesses existed and the banks that Ross spoke to claimed that there was not enough data on which to base a lending decision. They were also reluctant to lend to Ross because, despite having management experience, he had never run his own business.

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After a year's planning, Ross eventually managed to obtain some loans from his family. The business was established as a private limited company in May 2018. Ross sold shares to friends but he remains the majority shareholder.

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To save money, Ross decided to take out a 10-year lease on a property, rather than buy it. Some of the technology is also leased. Ross was able to gain sponsorship from a company that manufactures his simulators' steering wheels. This arrangement suits them both; funds are generated and the sponsor gets hundreds of people seeing the brand name and using its product.

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Go Race! offers advanced, professional simulated racing, using 15 racing simulators, which are connected so that customers can race against each other. Ross feels that the business has a number of unique features (**see Fig. 1**).

The unique features of Go Race!

- Customers can choose between a wide variety of cars (including Formula 1) and racing circuits.
- Screens are large and the quality of the graphics and sound is extremely good.
- Unlike go-karting, simulated racing means that a group of customers can 'be together' the whole time, not just at the start and end of a race.
- Someone who wants to race on their own can 'race against the clock' in a practice session.
- Lap times and other data are available on the business' website immediately after the race.

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Fig. 1

Ross' knowledge and understanding of the changing nature of the software he uses is a great help to the business, in terms of knowing what is on offer from suppliers and how to fix it, if there is a problem.

An initial problem was to get over the issue of, 'Why would I go there when I could do this on a games console at home?' As Ross explains, "Potential customers often think that it will be like playing a game. It isn't. It's like real racing. That is why, before the race, we offer detailed

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instructions on things like steering and braking. That's important if customers are to really enjoy their experience. We also market it as a social event, particularly for groups."

Ross quickly realised that advertising in the local newspaper was a waste of time; the business' demographic is mainly 18–35 year olds who, in his experience, prefer to get their news electronically. Ross also believes they tend not to listen to local radio. Marketing is carried out via the company's website which shows the services available and contains links to Facebook, Twitter and YouTube. Go Race! also relies on recommendation by word of mouth and from websites such as Trip Advisor.

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Ross employs three staff. One works full-time, flexibly across the week, and there are two part-time staff on zero-hour contracts. One of these is actually a regular customer of Go Race! who wants some extra money to fund his racing there. Other business costs include regular replacement of the software and graphics cards which also have to be updated frequently. The simulators themselves depreciate in value quite quickly.

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Demand varies by day and time of the week; evenings and weekends are the busiest. Customer numbers are increasing (**See Fig. 2**) but it is difficult for Ross to forecast demand accurately.

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Monthly customer numbers for Go Race! May 2018 to May 2019

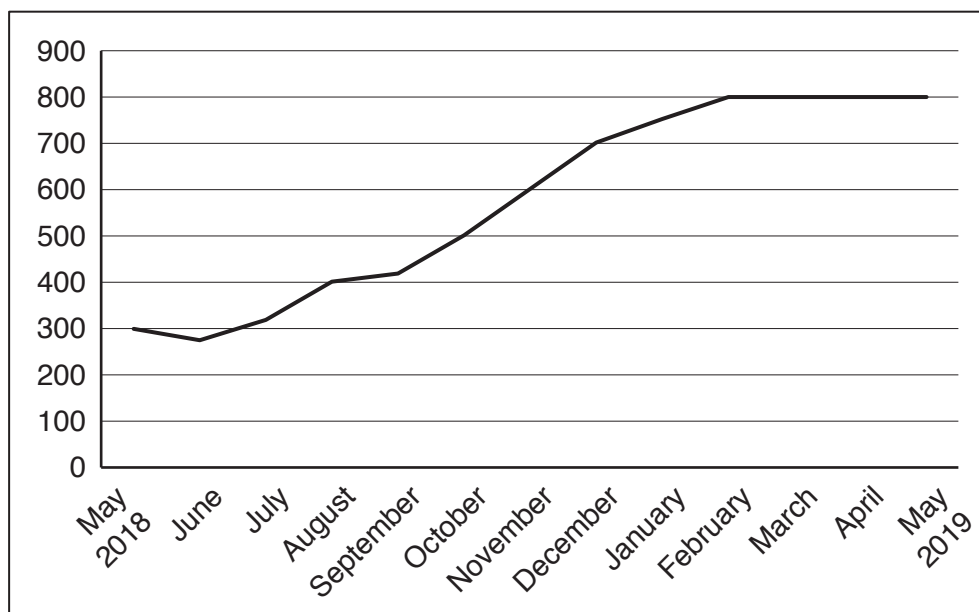


Fig. 2

Prices vary according to the time of day, the number of drivers and the type of race (**see Table 1** over the page). Larger groups of customers (more than 12) get a discount.

A selection of prices charged by Go Race!

Practice session (after 5 pm)	20 minutes £10 per person	40 minutes £18 per person	60 minutes £25 per person
Practice session (before 5 pm)	20 minutes £8 per person	40 minutes £14 per person	60 minutes £20 per person
1 to 12 drivers 'Grand Prix' session (qualifying session and 30-minute race)	£19.50 per person		
Junior party (7–15 years old)	Practice session and one race – £14.50 per child Practice session and two races – £19.50 per child		

Table 1

Go Race! sells various complementary products which include drinks, snacks, racing medals and trophies. Customers can also purchase an extremely high quality DVD of their race which records drivers' names, the speed of the cars and a commentary.

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Ross' strategic objective is to grow the business to earn £50 000 profit per year. Increasing customer numbers and repeat visits are one way to do this but, recently, Ross had the idea of franchising the business. This would involve offering a 'turn-key service' where the franchisee could literally walk into a business with the same brand name and facilities that Go Race! offers and 'turn a key to switch it on'. In other words, the business would be immediately ready to start trading.

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NB: *Go Race! is a real business located in the UK. However, to protect commercially sensitive information, the name of the business and its owner have been changed.*

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