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For Examiner's Use

General Certificate of Education
 June 2009
 Advanced Level Examination



APPLIED BUSINESS
Unit 11 The Marketing Environment

BS11

Wednesday 10 June 2009 9.00 am to 10.30 am

You will need no other materials.
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Time allowed: 1 hour 30 minutes

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Answers written in margins or on blank pages will not be marked.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 80.
- Questions 2(c), 3(a) and 3(b) should be answered in continuous prose. In these questions you will be marked on your ability to use good English, to organise information clearly and to use specialist vocabulary where appropriate.

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Question	Mark	Question	Mark
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Answer **all** questions in the spaces provided.

1 Read **Item A** and then answer the questions that follow.

Item A

The UK cinema market

The UK cinema market contains many small independent businesses, each operating one or two cinemas, but market share is dominated by three large businesses. These businesses operate multiplex cinemas. Each multiplex cinema contains several screens.

One way of measuring market share is to compare the number of screens owned by each business with the total number of cinema screens in the UK. In 2007, over 70% of cinema screens were operated by five businesses (**Figure 1**). These businesses had achieved their position through a series of takeovers or mergers with other cinema businesses. The Office of Fair Trading monitored these takeover activities and referred them to the Competition Commission when it believed that consumers would suffer.

Figure 1: Cinema screens operated by the top five UK cinema businesses (2005 and 2007)

Cinema business	2005		2007	
	Number of screens	Market share (%)	Number of screens	Market share (%)
Odeon	822	24.5	825	23.5
Cineworld	728	21.7	741	21.1
Vue Entertainment	501	14.9	581	16.5
National Amusements	237	7.1	237	6.7
Ward Anderson	204	6.1	199	5.7

Cinema businesses rent the films that they show from film production businesses, such as *Paramount Pictures*. Exclusive rights for showing newly released films are given to cinemas for a period of time. During this time, the only way a consumer can watch a film is at a cinema. After this time, the film is released on DVD. In 2000, film production businesses waited an average of 27 weeks before releasing their films on DVD. In 2006, this time was reduced to 18 weeks.

Source: Table: Dodona Research, *UK Film Council*, Text: *UK Film Council*



1 (a) Using **Item A**, describe the degree of competition present in the UK cinema market.

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Question 1 continues on the next page

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2 Read **Item B** and then answer the questions that follow.

Item B is not reproduced here due to third-party copyright constraints.

Source: adapted from *www.realir.net*



2 (a) Explain **one** marketing benefit that *Vue* might receive from taking over two cinema businesses.

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2 (b) Using **Item B**, analyse how *Vue*'s marketing activities could increase its share of the UK cinema market after 2007.

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2 (c) In your opinion, what would be the most effective way for *Vue* to carry out **research** into the products it might introduce to get more ‘people through the doors’ (**Item B**, line 10)? Justify your answer.

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3 Read **Item C** and then answer the questions that follow.

Item C

The threat of technology?

In 2008, some film production businesses, such as *Paramount Pictures*, were investigating the possibility of using online businesses to distribute their films. For example, *Love Film*, a UK online business, offered customers the facility to download films to their computers. Customers could either rent these films for a week or pay to own the film.

However, *Vue*'s Chief Executive Officer did not believe that the film download market represented a real threat to cinema revenues: "For me, the magic starts when the lights go down and you're experiencing something socially with hundreds of other people. That's why I never worry about other home entertainment. We're social beings."

In addition, the film download market was still establishing itself and its growth was limited by the following technological factors.

- Downloading a film still took a long time – on average, about 40 minutes for films in standard quality format and 120 minutes for films in high definition format.
- Watching the downloaded film on television required some technical 'know how' and the purchase of special equipment.
- Each film download business, such as *Love Film*, used a different method to protect the downloaded film from being copied and illegally shared – you could not guarantee that the equipment you had bought to view the film on your television would play the film!

It is recognised that these technological difficulties limit the size of the film download market. However, *Love Film* has managed to reach agreements with several major film production businesses that gives it access to a wide range of film titles. In addition, *Love Film* has the potential to target niche markets by offering film titles from smaller film production businesses based in the UK and mainland Europe. As no physical DVD stock is held – only electronic copies of each film – *Love Film* can afford to offer a very wide range of film titles.

Source: adapted from *The Guardian*



3 (a) To what extent might the film download market present a threat to the revenues of cinema businesses such as *Vue*? Use **Item C** to justify your answer.

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END OF QUESTIONS

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