

Centre Number						Candidate Number				
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For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
TOTAL	



General Certificate of Education
Advanced Level Examination
January 2012

Applied Business

BS11

Unit 11 The Marketing Environment

Friday 20 January 2012 9.00 am to 10.30 am

You will need no other materials.

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. Do not write outside the box around each page or on blank pages.
- 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 1(d), 2(c) and 3(b) should be answered in continuous prose. In these questions you will be marked on your ability to:
 - use good English
 - organise information clearly
 - use specialist vocabulary where appropriate.



J A N 1 2 B S 1 1 0 1

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

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

Item A

The UK hotel market

The UK hotel market can be split into three segments:

- budget hotels, with limited facilities and basic services but offering the lowest room prices
- mid-market hotels, with more facilities and a wider range of services than budget hotels but with higher room prices
- up-market hotels, with a full range of facilities and services but with the highest room prices.

The economic recession in 2009, experienced by the UK and other European economies, reduced the demand for UK hotel rooms by business travellers, as businesses looked to reduce their costs. However, more UK leisure travellers booked their holidays in the UK to avoid the increased cost of foreign holidays.

In general, leisure travellers are not willing to pay as high a price for hotel rooms as business travellers. The switch in demand from business to leisure travellers during 2009 made it difficult for UK hotels to maintain their prices. The average price of a UK hotel room fell between 2008 and 2009 and was not forecast to increase until 2011, as shown in **Figure 1**.

Figure 1: Average price of a UK hotel room 2008–2011

	Actual		Forecast	
	2008	2009	2010	2011
Average price	Figures are not reproduced here due to third-party copyright restraints			

During 2009, the larger budget hotel chains, such as *Travelodge*, took over some struggling hotels. They also began to target mid-market hotel customers who were attracted by the offer of lower hotel room prices. At the same time, up-market hotels lowered their prices in order to gain customers from mid-market hotels.

Mid-market hotels lost more sales than other hotels in 2009. Faced with increasing competition, it was thought that many mid-market hotels might not survive the economic recession and that budget and up-market hotels would eventually dominate the UK hotel market. To avoid this, mid-market hotels needed to improve their competitive position by focusing on what they do best: offering a better range of facilities and services than budget hotels but at a price that represents value for money. For the owners of mid-market hotels, a recovery in the UK economy could not come soon enough.

Source: www.hospitalitynet.org



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2 Read **Item B** and then answer the questions that follow.**Item B****Travelodge challenges for market leadership**

At the end of 2009, two hotel chains, *Premier Inn* and *Travelodge*, dominated the UK market for budget hotel rooms. *Premier Inn* was the market leader with a 38% market share. *Travelodge* had a market share of 25%.

Traditionally, in this market, effective customer research requires hotel managers to carry out surveys to understand customer needs. Large hotel chains also use focus groups to explore the views of customers in greater detail. The information provided by these types of customer research helps hotel chains to understand how they might increase their market share.

In its efforts to challenge for market leadership, *Travelodge* also makes significant use of the internet. In 2009, 87% of customer bookings were placed through its website or other online hotel booking websites. This helps to keep operating costs down and, in part, allows *Travelodge* to offer low room prices.

Travelodge uses the internet to improve its marketing activities. For example, in 2009, it produced software for the Apple iPhone that locates nearby *Travelodge* hotels, allowing customers to book rooms using their mobile phones. It also used Google's 'YouTube' service to run a promotion campaign with the objective of raising awareness of the hotel chain.

The internet also helps *Travelodge* to carry out market research. It uses a service, provided by Google, called 'Google Analytics'. This allows *Travelodge* to analyse information about the internet browsing behaviour of consumers visiting its websites. *Travelodge* uses this service to analyse, for example, how many people viewing one of its 'YouTube' promotional videos go straight to the *Travelodge* website and how many users book a *Travelodge* room within 30 days after viewing the promotional video. This type of information allows *Travelodge* to understand how consumers respond to promotion campaigns delivered through the internet.



2 (a) Using **Item B**, explain **one** reason why *Travelodge* carries out customer research.

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

Item C

Accor

Accor is a global hotel business offering 15 different hotel brands. These brands cover all three segments of the hotel market, which are budget, mid-market and up-market hotels. In 2009, approximately 60% of its 4100 hotels, across the world, were in the budget segment. In 2009, *Accor's* largest market was within Europe, the Middle East and Africa (the EMEA market), where it had 56% of its hotels.

Accor has established a strong market position in the EMEA and operated more hotels than any other competitor in 2009. However, it has found it harder to develop its business in the North American market (USA, Canada and Mexico), where several competing branded hotel chains have already established a strong position.

In order to continue to expand, *Accor* focused on newly emerging economies such as China. In China, the demand for hotel rooms, across all segments of the hotel market, is increasing rapidly. In 2009, *Accor* had 86 hotels operating in China and had hotels in all three segments of the market. **Figure 2** provides some information on the hotel market in China.

Figure 2: Information on the Chinese hotel market

Issue	Information
The economy	Growing rapidly and already the second biggest economy in the world. Increasing number of Chinese have high disposable incomes and are looking for ways to spend this on leisure activities.
Market position	In 2010, <i>Accor</i> was ranked third in terms of the number of hotels operating in China.
<i>Accor's</i> competitive advantage	Established in China for 20 years and perceived as offering high quality in the budget segment.
Social and ethical issues	Business in China is often carried out through a complex network of social relationships and it is difficult for new foreign businesses to establish themselves.
Competition	Risk of too many hotel rooms in the budget segment. Only 17% of the market is supplied by branded hotel chains such as <i>Accor</i> .

Source: www.accor.com



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