



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
January 2009

Business Studies
Assessment Unit AS 1
assessing
The Competitive Business
[AT111]



THURSDAY 8 JANUARY, MORNING

TIME

1 hour 30 minutes.

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 **(c)**, **(d)** and **(e)**
and question **2** parts **(c)**, **(d)** and **(e)**.
Figures in brackets printed down the right-hand side of pages 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.

The Real Olympics Competition

Never mind the athletics. The real battle in Beijing was not the struggle to top the medal table, but the multi-billion dollar fight between two giant brands intent on conquering the fastest growing sportswear market in the world. Adidas is estimated to have spent \$190m (£100m) and Nike around \$150m (£79m), on promotional activities aimed at Chinese consumers.

Adidas sponsored the actual Olympic Games which allowed it to put its brand on the uniforms of all the officials and volunteers associated with the events. Nike responded by sponsoring the Chinese teams in 22 out of 28 Olympic sports. Both companies recognise the importance of promotion within the marketing mix and have invested heavily to strengthen their trademarks, shown in **Fig. 1** below.

Fig. 1: Trademarks of Nike and Adidas

Nike: The Swoosh

Adidas: Three Stripes

Although the Chinese market is currently much smaller than that of the USA, it has been growing at 30% annually for the past five years. It is estimated that it could be bigger than the USA market by the year 2025. Paul Pi, the Vice President of Adidas Marketing in China stated, "If you want to lead globally, you have to lead in China."

The real race was outside the Olympic zone. Adidas has opened stores at the rate of two per day and will have 5000 shops in China by the end of the year. One such store, recently opened near the Birds Nest Olympic Stadium, is currently the largest sportswear store in the world. Nike has slightly fewer outlets but its main store has a prime site in Beijing's premier shopping district.

Adapted from 'The real Olympics competition: Nike and Adidas claim China's heroes' in The Guardian, Monday 18th August 2008

- (a) Outline what is meant by the promotion element of the marketing mix, using an example to illustrate your answer. [4]
- (b) Explain **two** advantages to Chinese consumers of having both Nike and Adidas operate in their sportswear market. [4]
- (c) Analyse the main factors that Nike and Adidas may have considered when deciding how much to spend on promotional activities associated with the Olympic Games. [8]
- (d) Discuss how Adidas might be influenced by the degree of competition it encounters. [12]
- (e) Evaluate **two** ways by which Nike might achieve competitive advantage in a market such as China. [12]

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

Rolls-Royce Motor Cars Enters a New Market Segment

One of the world's most exclusive luxury car manufacturers is attempting to attract even more super-rich customers. Rolls-Royce has unveiled its new Phantom Coupé car. Primary market research indicated that while many clients enjoyed being driven around in their cars by chauffeurs, others enjoyed driving themselves. The Phantom Coupé is aimed at this latter group who want to drive their own cars.

Priced at over £300,000 each, the Phantom Coupé is notably sportier than other Rolls-Royce models, with a considerably more modern feel to its interior. Its 6.7 litre V12 engine ensures a superb driving experience. All components used in manufacture are of the highest quality and skilled workers play a major role in the assembly of the cars.

“We've entered a completely new segment for Rolls-Royce with this car,” says Rolls-Royce Motor Cars' Chairman, Ian Robertson. In an interview with BBC news, he indicated that there would be plenty more models to come in the years ahead. “The overall car market is growing at three to four per cent per year,” explains Mr Robertson, “whereas the ultra-luxury car market is up hundreds of per cent in recent years.”

It is a trend that has been mostly driven by England-based luxury car manufacturers. For example, Bentley's sales have risen from less than 1000 cars in 1998 to over 10,000 last year. Aston Martin sold 700 cars in 1998 rising to more than 7,000 in 2007. Rolls-Royce, the smallest of the three luxury car manufacturers, sold more than 1,000 cars last year. All are reasonably optimistic about their prospects despite problems in world financial markets. In a sense, their products are recession proof.

Adapted from 'Rolls-Royce and rivals face challenging times' found at <http://news.bbc.co.uk/1/hi/business/7404568.stm>

- (a) Explain what is meant by a market segment, using an example to illustrate your answer. [4]
- (b) Explain **two** primary market research methods that Rolls-Royce might have used to collect data. [4]
- (c) Analyse the main factors that Rolls-Royce might have considered when setting the market price for the new model. [8]
- (d) Evaluate the need for a company such as Rolls-Royce to have an effective quality policy. [12]
- (e) Discuss Rolls-Royce's strategy of concentrating on the ultra-luxury segment of the car market. [12]

THIS IS THE END OF THE QUESTION PAPER

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