

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS**

**Advanced GCE**

**BUSINESS STUDIES**

**2879**

Business Thematic Enquiry

Wednesday

**28 JUNE 2006**

Morning

1 hour 30 minutes

Additional materials:

8 page Answer Booklet

**Candidates may use calculators in this examination.**

**TIME** 1 hour 30 minutes

**INSTRUCTIONS TO CANDIDATES**

- Write your name, Centre number and candidate number in the spaces provided on the answer booklet.
- Complete both tasks.
- Write your answers on the separate answer booklet provided.
- If you use extra sheets of paper, fasten these sheets securely to the answer booklet.
- Read the tasks carefully and make sure you know what you have to do before starting your report.

**INFORMATION FOR CANDIDATES**

- The number of marks is given in brackets [ ] at the end of each task.
- The total number of marks for this paper is 90.
- You will be awarded marks for the quality of your written communication.

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**This question paper consists of 4 printed pages.**

### Cedar House Ltd (CHL)

Cedar House is a country house estate in the Midlands owned by the Standish family. The costs of running and maintaining the house and estate have been increasing every year. Anxious to retain ownership, the family formed a private limited company in 1988 to generate income from opening the house and grounds to the public. Progress was slow and it was not until 1991 that the business began to make a profit. Although profits grew over the next ten years, the Directors are worried that there has been no growth in profits for the last four years. There is little they can do to add to the attractions in the grounds and there is no potential for change in the house itself. They have to find ways of attracting more customers to the facilities and activities they already have. 5

Cedar House is open to the public from Easter to the end of October. A breakdown of its sales pattern in 2005 is shown in Table 1. Opening times are 10.00am-3.00pm each day. There are excellent parking facilities, proximity to a main line railway station and a regular bus service. Cedar House entrance charges per person are: 10

Adults	£5	
Children under 13	Free	15
Pre-booked parties of 8 or more	£4	

Available statistics show that there is no falling off in the popularity of days out to large estates but that there is a substantial increase in competition. Comparisons with similar country house estate businesses show that Cedar House prices are above average but that revenue per season is well below average. It is also clear that many of the more successful competitors no longer rely on a simple pattern of pricing but attract customers with a wide range of different promotions. 20

**Table 1: Visitors to Cedar House 2005**

Month	Tickets at the Gate			Pre-Booked Admissions			
	Under 13s	13-60	61+	Parties	School	Coaches	
April*	700	19,600	9,000	950	40	6,160	
May	300	15,440	7,000	920	320	7,060	
June	350	24,720	8,000	1,658	780	9,248	
July	570	31,934	9,245	1,265	460	11,219	
Aug	960	46,259	7,861	1,456	None	21,246	30
Sept	361	44,127	9,167	916	238	10,162	
Oct	127	31,219	5,413	726	172	3,187	

\*Note: Easter Sunday was 27 March and the figures for Easter are included in those for April.

The experience of many competitors of Cedar House is that the demand for this kind of attraction is price elastic and that it is good business practice to offer price concessions as long as control of the scheme is easy. In May 2006, the Directors of Cedar House decided that they must find a more flexible marketing strategy and that they must pay close attention to the rapidly rising operating costs of the business. They first turned their attention to the costs, highlighting one in particular: that of employing labour. 35 40

The present practice is that the full-time estate staff undertake all maintenance and repair and no additional staff are employed during the closed season. From Easter to October the company relies on additional casual employment. Finding staff who only want to work in the season is not easy and for most of the time the company relies on students. The rate of pay is low, but it is comparable to the pay offered for student part-time employment in a local supermarket. However, lateness, absenteeism and labour turnover are all high. This has meant overtime, continuous recruitment and training, and total labour costs which are significantly above budget. In addition, the estate shop and the café are often under-staffed, which means that customer service is poor and waiting times long. The Directors consider that this accounts for low sales in the shop, low takings in the café and a lower return visit figure than most competitors. No strategy to increase the number of visitors will work unless this customer service problem can be solved. Claire Bracewell, who is responsible for staffing, was requested to report back with a potential solution to this problem at the next board meeting at the end of June.

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Secondly, the Directors turned to ways of attracting more visitors. Some research has shown that the most popular approaches by competitors have been:

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- providing vouchers which reduce the cost of a return visit within one month;
- charging for entry to the estate and additionally for a guided tour of the house;
- adopting a more flexible scale of charges for entry;
- introducing a membership scheme (in return for an annual fee, members would be entitled to free entry or reduced entry fees, and a discount on all purchases in the café and the shop);
- entering into a joint venture with the local railway company and the local bus company, which would offer combined travel and entrance at a reduction of 25%;
- sub-contracting the café and the shop to outside traders.

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The Directors doubt whether any one such approach would be sufficient. They are, however, agreed that the labour problem must be solved. When this is achieved a new marketing strategy which is founded on schemes such as those they have already considered will be necessary. A solution to both problems must be in place for the start of the new season, Easter 2007.

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Required:

Write a report for the Board of Cedar House Ltd (CHL) advising it of strategies it might develop to solve its present problems. In writing your report you should use the evidence given in the case. You should also use any evidence you have gathered from studying strategies for survival. The title of your report must be:

How might Cedar House Ltd (CHL) achieve its twin objectives of a more settled labour force and an increase in net profits?

Complete both the tasks below.

Task 1

Write a plan for your report in which you make clear: [10]

- (i) the problem as you see it and the need to solve it;
- (ii) the context in which this problem must be solved;
- (iii) your objectives in your approach to the problem;
- (iv) any assumptions you make and the reasons for them.

You are advised to spend not more than 15 minutes on this task .

Task 2

Write your report. [80]

In it you must satisfy the criteria on which the assessment is based.

You should ensure that you:

- (i) provide terms of reference for the report;
- (ii) select information appropriate for this task. You should use evidence from the case, from business theory and from work you have done in preparation;
- (iii) present and analyse the evidence logically and in line with the objectives you set and the assumptions you made in the plan;
- (iv) consider the situation and arrive at a supported recommendation.