

**ADVANCED GCE  
BUSINESS STUDIES**

**2879**

Business Thematic Enquiry

**MONDAY 21 JANUARY 2008**

Afternoon

Time: 1 hour 30 minutes

**Additional materials (enclosed):** Answer Booklet (8 page)

**Additional materials (required):**  
Calculators may be used



**INSTRUCTIONS TO CANDIDATES**

- Write your name in capital letters, your 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 for each question 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.

This document consists of **6** printed pages and **2** blank pages.

## Quick Serve plc

Quick Serve plc (QSP) is a small company which has been operating in the east of England from a base in Cambridge for many years. The business sells or leases copying equipment and provides maintenance and repair services for customers on the customers' premises. QSP also provides consumables such as paper and binders if customers wish to purchase them.

QSP's market is currently limited to an area within a 25 mile radius of Cambridge. The main customers are schools, colleges, local authorities and small businesses. There is a very small market for incidental office items sold from the QSP shop in Cambridge. 5

In the last four years, competition has grown and QSP is steadily losing market share. Rapidly changing technology has greatly increased the costs of providing equipment and services to customers. This has added to the pressure on QSP and the business may struggle to break even in the current financial year. 10

The Directors are looking for ways to reverse the trend and increase profits. They are aware that any solution has probably got to both increase revenue and decrease costs. They are looking at ways to find more customers, as well as ways to reduce staff costs. The key to more customers is probably better service. When machines break down all customers look for immediate attention. 15  
But, as the data in Table 1 shows, the service provided by QSP is getting poorer.

**Table 1: Customer Service Record 2005-2007**

Year	Quarter	Average Response Time	Average Service Time
2005	1	Five hours	Two hours
	2	Four hours	Two hours
	3	Four hours	Two hours 10 mins
	4	Five hours	Two hours 15 mins
2006	1	Seven hours	Two hours 30 mins
	2	Six hours	Three hours
	3	Seven hours	Three hours
	4	Next day	Three hours
2007	1	Late next day	Three hours 30 mins
	2	Three days	Four hours
	3	Three days	Four hours
	4	Three days	Four hours

The reasons for the service problems are partly because QSP is losing customers and the consequent reduction in service staff. QSP has lost many of its experienced staff, and current staff, probably influenced by the poor performance of the business, are less motivated and less skilled. Several customers have threatened to take their business elsewhere.

The Directors have agreed on three possible ways in which their position may be improved. 35

**Option 1:**

A merger with a similar business based in Peterborough. This is a neighbouring but different region, although the Peterborough firm has taken some of QSP's customers. This business has a very similar capital base and is experiencing many of the same problems as QSP. The combined potential market would be much bigger; service could be offered more economically and more reliably. There would be cost savings from a reduction in the number of service and office staff employed. 40

**Option 2:**

Engaging in more effective direct marketing. This would require a strategy to promote the shop and extend the product range, as well as training service staff to market products among customers. The opportunity exists because only 20% of regular QSP customers use QSP products. 45

**Option 3:**

Combining a marketing effort locally with a substantial increase in service and maintenance charges for those customers beyond a 15 mile radius of Cambridge. This would enable significant improvements in response times to be achieved and make the current local customer base more secure. It could make it easier to attract more customers in this area. 50

All three options would be likely to cause staff unrest and, in the case of options one and three, redundancies. There are two members of the service staff who live outside the 15 mile zone who might be prepared to service businesses outside the zone on a part time commission basis.

Table 2 shows the estimated outcomes for each of the three options.

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**Table 2: Forecast Outcomes for the Three Options**

Options	Increased Revenue (£000s)	Costs (£000s)	Other Factors	Net Result (£000s)	Risk
1	120 – 200	140	Redundancies Motivation	–20 to +60	Low
2	200 – 1500	250	Marketing Effort	–50 to +1250	High
3	100 – 800	100	Human and Marketing	Zero to +700	Medium

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**Required:**

Write a report to the Board of Quick Serve plc advising which of the three options might be most likely to provide the best chance for long term survival of Quick Serve plc. In writing your report, you should use the evidence given in the case. You should also use any evidence you have gathered from a study of the problems and strategies associated with making decisions to ensure survival. The title of your report must be:

**Which of the options available to Quick Serve plc is most likely to provide the best chance of the long term survival of the business?**

**Complete both tasks below:****Task 1**

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

- (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.**

[10]

**Task 2**

Write your report.

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 appropriate evidence 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, 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.

[80]





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