

322/01

BUSINESS STUDIES

BS2

A.M. WEDNESDAY, 10 January 2007

(1 hour)

ADDITIONAL MATERIALS

In addition to this examination paper, you will need:

- a calculator;
- an 8 page answer book.

INSTRUCTIONS TO CANDIDATES

Answer **both** questions.

INFORMATION FOR CANDIDATES

Mark allocations are shown in brackets.

Candidates will be assessed on their quality of written communication i.e. the structure and presentation of ideas; the clarity of expression; grammar, punctuation and spelling. Up to three marks will be awarded for written communication.

No certificate will be awarded to a candidate detected in any unfair practice during the examination.

1. Study the information below and then answer the questions that follow.

Heinz Tomato Ketchup - A classic brand

Tomato Ketchup has been a part of Heinz's product portfolio since 1876; just seven years after Henry J Heinz started the company. The famous Heinz label is instantly recognisable the world over and product quality is central to the continued success of the company. The sales revenue of Heinz Tomato Ketchup is huge: the Heinz website tells us that "we use enough tomatoes to fill an Olympic-size swimming pool *everyday* to make enough ketchup for all our fans." Nonetheless, it is constantly seeking ways to maintain its prominent position through market research and **market segmentation**, always looking to add a new ketchup product to the range listed below.

Products Available in UK in 2006	Size
Heinz Ketchup Top Down	460g, 570g, 700g, 910g, 1.2kg
Tomato Ketchup Glass Bottle	342g
Organic Tomato Ketchup	460g
Chilli Flavoured Ketchup	570g
Curry Flavoured Ketchup	570g
Hot 'n' Sizzling BBQ Flavoured Ketchup	570g
Original BBQ Flavoured Ketchup	570g

Packaging has always been an important part of the marketing mix and the now famous glass ketchup bottle was patented in 1882. In 1987 the ground-breaking, highly convenient plastic Heinz Tomato Ketchup bottle was launched and in 2003 Heinz decided to turn the Heinz Tomato Ketchup on its head - revolutionizing the way sauce was served. The latest development to Heinz Tomato Ketchup Top Down bottle is the new design, which has the classic glass bottle shape, but with a cleaner cap and better pouring control. To satisfy what Heinz call "saucy traditionalists", the classic glass bottle still remains on sale.

Adapted from www.heinz.co.uk

1. (a) (i) Explain what is meant by *market segmentation*. [2]
 (ii) Why might Heinz attempt to identify different market segments? [4]
- (b) Explain the importance to Heinz of long established and successful brands such as Tomato Ketchup and Baked Beans. [6]
- (c) Evaluate the view that, in a fast moving consumer goods (FMCG) market, packaging has become the most important element in a firm's marketing mix. [8]

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

Stellios Snacks

Jack Stellios and his daughter Hellena run a snack food business in Bristol based on the lunchtime office trade in and around the City. Since Hellena joined the business six years ago it has grown significantly and they now rent four shops - the original, still run by her father, and three others, run by managers. Hellena, along with an assistant, does all the administration and ordering for each outlet and is based in an office above her father's shop.

At the 2006 annual budgeting meeting, things were not going well. Each of the three managers had presented their 'mini budgets', but Jack, who felt that he knew the business he had established thirty years ago well enough, had produced nothing. His view is that **'the problems involved with the drawing up of budgets makes them not worth the paper they are written on'**.

Hellena was unhappy, with both her father's attitude to financial planning, as well as the performance of some aspects of his shop. His was the only shop still selling kebabs and she pointed out that the **contribution** they were making was a concern and that he should think about not selling them in the future. She presented him with the financial information below in an attempt to persuade him that her advice was correct.

Costs, price and sales of products in Jack's shop in September 2005.

Monthly fixed costs for each shop - £6000

	Sandwiches	Baguettes	Kebabs	Pastries
Selling Price per item	£2.50	£2.75	£2.60	£1.50
Variable Costs	£0.50	£0.60	£2.00	£0.60
Unit Sales - Sept.	2000	2500	400	1200

- (a) With the use of examples, distinguish between the fixed and variable costs that Stellios Snacks is likely to be incurring. [4]
- (b) Using the financial information that Hellena gave to her father, explain what is meant by the term *contribution*. [4]
- (c) Calculate the profit that was made by Jack's shop in September 2005. [6]
- (d) Evaluate Jack's view that *the problems involved with the drawing up of budgets makes them not worth the paper they are written on*. [6]