



**General Certificate of Education
Advanced Subsidiary/Advanced**

322/01

**BUSINESS STUDIES
BS2**

A.M. WEDNESDAY, 9 January 2008
(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.

WHAT TO WEAR

Trinny and Susannah give style advice to customers on Littlewoods' website

Littlewoods, the popular catalogue business, is set to hit internet sales of £500 million this coming year, spurred on by a new online campaign fronted by TV style-queens Trinny and Susannah.

According to a company source, the business is forecasting total sales of £2 billion for the 2007-8 financial year, with internet sales worth a quarter of this total.

Littlewoods signed an agreement with Trinny and Susannah last autumn and it has added features to the website in which the fashion divas offer style advice to women. Its **target market is women under the age of 45**, who currently represent some 85% of Littlewoods' customers.

The growth in internet sales also reflects a move up-market for Littlewoods. Last year, following the collection of **primary data** through extensive market research, Littlewoods poured £30 million into an effort to change its image from an outdated mail order business into a fashionable online retailer.

Recently, Littlewoods hired former Next chairman David Jones to lead the business, working alongside chief executive Mark Newton-Jones, who previously ran Next Directory. The pair had been given responsibility for selling more clothing and electrical items to customers who would normally shop at Next, Debenhams and Marks & Spencer.

Adapted from the Sunday Express 03 June, 2007

- (a) (i) Identify **two** methods of market research that Littlewoods may have employed to collect its **primary data**. [2]
- (ii) Explain the advantages to a retail business, such as Littlewoods, of using primary data. [4]
- (b) How will Littlewoods' decision to target women under the age of 45 influence the marketing mix for the new Trinny and Susannah range? [6]
- (c) Discuss the view that businesses which do not offer their goods for sale on the Internet are likely to fail. [8]

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

JENKINS COACH HIRE LTD.

Jenkins Coach Hire Ltd. is a small family business run by the Managing Director Tom Jenkins. Tom's son, Lloyd, has recently joined the company, having graduated with a Business Administration degree last year. As part of his induction programme, he has spent time with the company's accountants, something which his father regards as vital to his son's understanding of the business, and now his father wishes him to research a project that he has in mind. He is considering an idea to offer coach trips to sites of historic interest, specifically targeted at families with children and school parties. Market research has already been carried out and it has been established which destinations would be of greatest interest to potential customers. A price of £16 per passenger was found to be competitive.

Lloyd was set to the task of estimating the running costs of the proposal and then to carry out a break-even analysis based on his findings. Following some research, Lloyd estimated the variable costs per passenger to be £6. The project was required to cover a proportion of the business' overheads and it was decided that the fixed cost of the project per month would be £8000. The maximum number of passengers per trip would be 40 and, on average, 25 trips would be operated per month.

- (a) (i) Identify **three** stakeholder groups which might have an interest in the accounts of Jenkins Coach Hire Ltd. [3]
- (ii) Explain why **each** of the stakeholder groups identified might have an interest in the accounts of Jenkins Coach Hire Ltd. [3]
- (b) Calculate the maximum profit that the coach trips to sites of historic interest could generate per month. [3]
- (c) (i) Construct a break-even chart, for the coach trips to sites of historical interest, on the graph on page 5. [3]
- (ii) In the box provided write down the number of passengers required per month to break-even. [1]
- (iii) Show the margin of safety on the break-even chart if all the coaches were full for every trip. [1]
- (Tear out page 5 and place it inside your answer book.)**
- (d) Consider the advantages and limitations of the use of break-even charts for a business such as Jenkins Coach Hire Ltd. [6]

Centre Number

Candidate's Name (in full)

Candidate's Examination Number

Tear along dotted line and place this page in your answer book

The number of passengers required per month to break-even is

Break-even chart for coach trips to sites of historical interest per month

