

SECTION A

Answer all parts of Question 1 after reading Evidence A, Evidence B and Evidence C

Evidence A**Ad of the Week: Tio Pepe chases the thirtysomethings**

Changing purchasing patterns have led to a decline in the sales of sherry, with an estimated 25% fall in consumer demand compared with 1996 and volume also down 3% per year. A new press and radio campaign is designed to appeal to the growing number of people in their thirties who are very serious about food and the drinks that go with it.

(Source: adapted from the *Daily Telegraph*, 4 June 2002)

Evidence B**Hell's Kitchen serves up hot sherry sales for sponsor**

The TV show *Hell's Kitchen* has helped increase the demand for its main sponsor, Tio Pepe. Sales in Tesco of Tio Pepe sherry rose by 40% during the two week series and at Sainsbury's by 25%.

Since March 2001, Tio Pepe's owners, Gonzalez Byass, have spent about £6 million on advertising with annual sales increasing by about 100,000 bottles to more than 500,000.

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(Source: adapted from *The Times*, 11 November 2004)

Evidence C**Punch Taverns financial highlights**

	2004	2003	2002
Turnover	£638m	£429m	£392
Operating profit	£323m	£227m	£202
Profit before tax	£156m	£113m	£93
Earnings per share	48.8p	39.3p	27.4p

Punch Taverns run pubs throughout the UK. They have the aim of attracting the best work force, training them well and developing their pubs so that each Pub is different – reflecting its target market. In addition, they look to make money from selling more than just beer. Punch Taverns try to market themselves as being different to other firms.

Analysts are concerned about the impact of extending a smoking ban to pubs and restaurants. Such a move in Ireland led to a fall in sales of 30% and revenues of 16%. Analysts are also concerned that a downturn in the business cycle might hit hard luxury items, such as eating out.

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(Source: adapted from www.punchtaverns.com and *The Independent on Sunday*, 14 November 2004)



1. (a) What is meant by:

(i) purchasing patterns (Evidence A, line 1)

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(ii) consumer demand (Evidence A, line 2)

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(iii) advertising (Evidence B, line 5)

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(b) Examine the possible factors affecting the demand for a product such as sherry.

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(c) To what extent does the financial information support the view that profitability has improved for Punch Taverns?

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SECTION B

Answer EITHER Question 2 OR Question 3 after reading Evidence D and Evidence E

Write your answers in the spaces provided.

If you answer Question 2 put a cross in this box .

2. (a) Explain **two** possible benefits of “open sky aviation” (Deregulation).

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(b) Examine the possible content of a business plan for the Airbus A380.

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(c) Assess the likely extent of the effect of an “open sky” on a company such as Airbus.

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(d) Critically assess the likely effect of the dominance of Boeing and Airbus on competition and choice in the airline market.

Dotted lines for writing the answer.

(10)

(Total 30 marks)

Q2

Two empty boxes for marking.



OR

If you answer Question 3 put a cross in this box .

3. (a) Explain some of the likely reasons for a merger between **two** airlines such as BA and American Airlines.

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(b) Examine ways in which Boeing could extend the product life cycle for its "ageing" 747.

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(c) Assess the possible dangers of changes outside its control to a company such as Airbus.

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(d) Critically assess the impact of the EU on growth of trade for member countries.

Dotted lines for writing.

(10)

(Total 30 marks)

Q3

TOTAL FOR SECTION B: 30 MARKS



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SECTION C

Answer EITHER Question 4 OR Question 5

4. (a) Examine **two** methods a company such as Punch Taverns might use to make its market grow further. **(10)**

(b) Evaluate the possible effects of a downturn in the business cycle on companies such as Punch Taverns. **(20)**

(Total 30 marks)

Q4

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OR

5. (a) Examine some of the possible effects on economic growth of a successful “open sky” agreement. **(10)**

(b) Critically assess the view that governments should intervene in markets such as that for air travel. **(20)**

(Total 30 marks)

Q5

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**Indicate which questions you are answering by marking the box (☒).
If you change your mind, put a line through the box (☒) and then indicate your new question with a cross (☒).**

Chosen question number: **Question 4** **Question 5**

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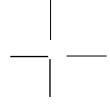
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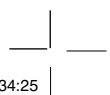
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TOTAL FOR SECTION C: 30 MARKS

TOTAL FOR PAPER: 90 MARKS

END

