

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS**

**Advanced GCE**

**BUSINESS STUDIES**

**2874**

Further Marketing

Wednesday **26 JANUARY 2005** Morning 1 hour 30 minutes

Additional materials:  
Answer Booklet

**TIME** 1 hour 30 minutes

**INSTRUCTIONS TO CANDIDATES**

- Write your name, Centre number and candidate number in the spaces provided on the answer booklet.
- Answer **all** questions.
- If you use extra sheets of paper, fasten the sheets to the answer booklet.
- Read each question carefully and make sure you know what you have to do before starting your answer.

**INFORMATION FOR CANDIDATES**

- The number of marks is given in brackets [ ] at the end of each question or part question.
- The total number of marks for this paper is 60.
- You will be awarded marks for the quality of written communication where an answer requires a piece of extended writing.

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**This question paper consists of 3 printed pages and 1 blank page.**

## Bowen Toys Ltd (BTL)

BTL is a designer, manufacturer and retailer of indoor and outdoor activity toys. It has over eighty years experience of providing equipment for playgrounds in schools and public recreational areas. Ten years ago the business started production of a range of children's play and sports equipment specifically for private households.

BTL is currently managed by Philip Bowen. He is supported by his wife Jane and their two daughters, Sarah and Eleanor. The business remains a family concern, with Philip being a direct descendent of the original founder, Patrick Bowen. Philip and Jane have backgrounds in education and psychology and both try to be involved in the design and development of new products. Philip spends an increasing proportion of his time managing the production facility. Marketing aspects of the business are the main tasks of Sarah and Eleanor. This division of responsibility has created some conflict in recent times.

BTL has an extensive product range with the main focus on climbing frames, slides, swings, swing accessories, trampolines and football goals. It has a reputation for quality and reliability. Philip likes to promote the 'family nature' of the business and all employees benefit from a generous profit sharing scheme. Increased government spending has encouraged sales in the schools market to grow steadily in recent years. Enquiries from France have been encouraging due to the development of a company website. The website has boosted sales to private individuals. A table of products related to BTL's UK market share is shown in Table 1 below.

**Table 1: Existing Products – Analysed by % UK Market Share**

	2001	2002	2003	2004	Market potential
<b>Climbing frames</b>	9%	12%	14%	17%	Near maturity
<b>Slides</b>	18%	18%	18%	18%	Mature
<b>Swings and accessories</b>	15%	13%	12%	9%	Decline
<b>Trampolines</b>	10%	13%	15%	17%	Growth
<b>Football goals</b>	No sales	No sales	3%	4%	Introduction

Sarah is keen to capitalise on this positive trend and feels that further moves into the 'sports' market could generate even more business. Sarah has carried out initial market research among existing customers and would like to introduce a range of basketball, netball, table tennis and badminton products.

Eleanor agrees, but she would also like to consider diversification into other garden toys such as croquet, four-in-a-row, garden chess, tumble bricks and skittles. There is a need to carry out research to support her ideas. This option would involve buying in completed products to sell to complement the existing BTL product range.

Philip would like to further develop the overseas markets. The website has helped but there are issues related to the cost of distribution. He is concerned about how much the final price charged to a customer increases when delivery costs are added. He compared the price of similar orders using the present pricing system and an alternative one proposed by Jane. Jane feels that the delivery charges should relate more to the distance travelled rather than the present idea based on total value of the order (See Table 2). At present, all UK sales are delivered from the company warehouse in Devon using a team of drivers who have been with the firm for many years. European sales are dealt with either by using the same system or by hiring a specialist carrier. Philip has had some discussion with agents in Germany and Spain. He is also aware of the major opportunities presented by an expanded European Union.

**Table 2: Delivery Charges**

Current Delivery Charge (UK):		New Proposal (UK):	
Total Order Value	Delivery Charge	Distance Travelled	Delivery Charge
Up to £100.00	£10.00	Up to 30 miles	£10.00
£100.01–£200.00	£20.00	31–60 miles	£20.00
£200.01–£300.00	£30.00	61–120 miles	£30.00
Over £300	£40.00	Over 120 miles	£40.00

BTL will need to consider the options very carefully. Jane would prefer a period of consolidation but the opportunities that appear to exist are too much of a temptation for Philip, Sarah and Eleanor. At a recent meeting it was agreed to carry out an assessment of the products currently offered by BTL. Eleanor planned to use her knowledge of both the Boston Matrix and Ansoff's Matrix to assist in this.

A number of issues remain. A typical sale to a private customer is generally at a higher profit margin than one to a local authority or school. In terms of any future sales push, where should the main emphasis be? What about overseas? What research is needed?

Answer **all** questions.

- 1 (a) Analyse the possible marketing objectives that BTL may have. [6]
- (b) A customer living 20 miles away purchases items with an order value of £180. Using Table 2, calculate the percentage change in the **final price** which would be charged to the customer if the new method of calculating delivery charges is implemented. [4]
- (c) With consideration of both the UK and overseas markets, discuss the factors that BTL should consider in developing an effective distribution strategy. [16]
- 2 (a) Using the Boston Matrix, analyse the current product mix of BTL. [6]
- (b) Discuss how knowledge of Ansoff's Matrix might assist BTL in consideration of the options available. [10]
- (c) Advise BTL on the strategy needed to gather appropriate market research data in consideration of the options available. [16]

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