

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Advanced GCE

BUSINESS STUDIES

2874

Further Marketing

Thursday

23 JUNE 2005

Afternoon

1 hour 30 minutes

Additional materials:
8 page 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.
- Write your answers on the separate answer booklet provided.
- If you use extra sheets of paper, fasten the sheets to the answer booklet.
- Read the questions 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.

This question paper consists of 4 printed pages.

Hair Styles

Benita Homer set up her first hairdressing salon in 1993. Sales revenue grew quickly due to the large and loyal customer base that Benita worked hard to develop and maintain. In 1998 she decided that the business needed to expand into larger premises.

The current salon, named Hair Styles, is located at the end of the high street in Oakford, in the East Midlands. It is positioned in such a way that many cars drive past it, though it is located away from some of the more popular high street stores. The premises have three floors consisting of two floors for hairdressing and a third floor which is rented out to a beautician. Benita feels that the location is a strength in many ways but access to car parking is not as good as two other salons in the town. 5
10

The prices at the salon are set at the high end of the market. The majority of the local competition offers cheaper prices for almost all services and products. Benita feels that this is fine because she sees it as confirming her reputation for quality and customer service. The salon has up-to-date magazines and newspapers available, along with complimentary tea, coffee and even wine. 15

Hair Styles has eight full time staff. The two senior stylists, Daniel and Benita, generate over 70% of the sales revenue. Benita's daughter, Louise, helps to manage the business. The salon is open six days a week but most trade is done on Friday and Saturday. This is clearly a problem for Hair Styles as many staff have little to do on weekday mornings. Trade increases later in the day and many clients book an appointment after 5pm. Staff can, therefore, be working late into the evening. Benita is fortunate in having a dedicated group of staff that realise the circumstances and, in particular, that the salon will cater for almost any customer need. Benita has thought about changing the opening hours of the salon. There are many different types of customers and Benita has considered different ways of segmenting them to help her to continue to develop the salon's range of products. 20
25

In terms of marketing, Hair Styles appears to do very little promotion. Louise believes that much more could be done to increase trade in the quiet times in the week. Her knowledge of the 4 P's of marketing leads her to conclude that promotion is the weakest area of the salon's mix. Louise is aware that any adjustment made to one aspect of the marketing mix may have implications for the others. She has prepared a summary of Hair Styles' marketing mix (see Table 1). 30

Benita, however, has a more pressing concern. She has just received a letter from an angry customer who has suffered some hair loss following a visit to the salon. A trainee stylist used a colour solution on the customer and this appears to have led to the problem. Benita needs to consider her knowledge of the law to decide what action to take. 35

Table 1: Marketing Mix of Hair Styles

	Current situation	Potential developments
Product:	<ul style="list-style-type: none"> • Only use best quality dyes, perm solutions • Willing to use up-to-date materials and techniques • Variability in the quality of the stylists' skills 	<ul style="list-style-type: none"> • Expansion of 'Wedding Hair Service' • Introduction of other beauty based services e.g. skin care, nails, tanning, massage and even minor cosmetic surgery.
Place:	<ul style="list-style-type: none"> • Inadequate space to expand/lack of parking 	<ul style="list-style-type: none"> • Move to larger premises • Identify key factors when making decision where to relocate to in the town
Price:	<ul style="list-style-type: none"> • Premium pricing means high profit margins when the salon is busy • Midweek customers are more price conscious • Different prices are charged depending on the experience of the stylist • Wedding Hair Service generates three times the revenue of normal work • Comparison with local competition is shown below (See Table 2) 	<ul style="list-style-type: none"> • Discriminatory pricing in quiet times, possibly as much as a 30% reduction • Investigate the price elasticity of demand of the customers
Promotion:	<ul style="list-style-type: none"> • Spending is low (£100 per month) • Some advertisements in the local newspaper • An entry in Yellow Pages • Window promotions which advertise 'special offers'. 	<ul style="list-style-type: none"> • Increasing promotion expenditure • Trying new promotion ideas

Table 2: Standard Prices

	Colour, Cut/Blow Dry(Ladies)	Gent's Cut	Child's Cut
Hair Styles:			
Benita/Daniel	£70	£15	£12
Junior stylist	£52	£10	£8.50
Competitor			
Senior stylist	£55	£13.50	£10
Junior stylist	£40	£8.75	£7

Answer all questions

- 1 (a) Analyse how market segmentation could assist Benita in assessing the needs of her customers. [6]
- (b) Hair Styles reduced the price of Benita and Daniel's Gent's Cut at quiet times by £3. This led to an increase in the number of gents cuts of 25%.
- (i) Calculate the price elasticity of demand. [4]
- (ii) Discuss the factors which cause customers to buy services and products from Hair Styles. [16]
- 2 (a) Analyse two marketing factors that Benita would need to consider if she decided to relocate Hair Styles. [6]
- (b) Develop and justify a promotion strategy that Benita could employ for Hair Styles. [16]
- (c) With consideration of the law as it relates to marketing, discuss how Benita should deal with the complaint from the angry customer. [10]