

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Advanced GCE

BUSINESS STUDIES

2874

Further Marketing

Thursday **26 JANUARY 2006** Morning 1 hour 30 minutes

Additional materials:
8 page Answer Booklet

Candidates may use calculators in this examination.

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.

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

The Day Nursery Ltd

The Day Nursery Ltd (TDN) is a 40 place children's nursery, set in a beautiful rural location, catering for children up to the age of five. TDN was designed and developed by an experienced management team, led and co-owned by Clare Chamberlain and Stephen Davies. It provides high standards of child care in a safe and secure environment, with large gardens which provide ample play areas, including safety surfaces, grassed areas, a children's garden and a woodland area. All children have supervised access to outside play areas throughout the day and are taken on walks in the countryside. All children receive meals appropriate to their age and the time(s) of day in attendance at TDN. 5

TDN employs a team of fully qualified staff whose aim is to provide a caring and happy environment for each child. 10

TDN is currently open from 7am to 6pm, Monday to Friday. The length of the opening hours is popular with parents because of the flexibility it offers to those who work in the nearby towns.

There is considerable competition for TDN from other nursery providers in both the public and private sectors, as well as crèche facilities in shopping centres, health clubs and leisure complexes. However, TDN maintains a healthy number of customers with a waiting list for a high proportion of any year. 15

Stephen Davies, the General Manager, is very proud of the achievements of TDN. The major strength of TDN is the perceived high quality market position which allows it to charge a relatively high price for its services. The fee structure varies depending on the age of the child. Parents are allowed to utilise the nursery on a sessional basis. A summary of the fees is shown in Table 1. 20

Table 1 Fees

Prices (£)	Child age 0–2	Child age 3–5
Full time (per month)	575.00	540.00
Part time (full days)	29.50	27.50
Sessions (mornings)	15.99	14.99
Sessions (afternoons)	14.99	13.99

A minimum of three sessions per week is required.
Morning is 7am–12.30pm; Afternoon 1pm–6pm. 25

Clare Chamberlain, who has responsibility for marketing, is very keen to build on the excellent reputation of TDN and so see an increase in profits. She is often frustrated at having to disappoint parents who make enquiries about places for their children. She has identified a number of possible expansion options.

Option A – The expansion of facilities at the existing TDN site. 30

This is possible due to the generous space currently available. Clare feels that the initial conversion cost would be recovered inside three years. The expansion would allow 15 more children to be accommodated in every session.

Option B – Buying ‘The Play Zone’, another private nursery in a neighbouring village. 35

This would have the advantage of being able to use the existing premises of The Play Zone which have passed all the necessary planning regulations. Its current capacity is 50 children but it has struggled in recent years with a poor reputation. This option will require market research to be carried out.

Option C – The management of a nursery linked to and sited in a well known local health club. 40

Although this would require a fee to be paid to the health club, Clare feels that this would allow the good reputation of TDN to be developed. The nursery would offer the same stimulating and caring environment as TDN and would be a good way of promoting the TDN name. 45

Option D – An after-school club.

TDN would run the club based at a local primary school. The opening hours would be for a twilight session from 4pm until 8pm.

Stephen is a particular fan of this option and he believes that a market exists for longer opening hours. He feels that the TDN brand would appeal to parents with young, school age children (5–8 years). There is even the possibility of operating the TDN club on a Saturday morning. 50

If option D is chosen, there would be a need to consider the prices to be charged to reflect the ages of the children, food and drink offered, and additional staffing and other costs. Clare feels that the price should be more directly in line with the daily rate but charged on an hourly basis. 55

Answer **all** questions

- 1 (a) Analyse the possible **use** of a SWOT analysis in considering the four options available. [6]
- (b) Stating your assumptions, suggest an hourly rate that Clare could use as a price for the twilight session. [4]
- (c) Evaluate the methods that could be used to set prices at TDN. [16]
- 2 (a) Analyse possible methods of sampling that could be used to gather information about The Play Zone (Option B). [6]
- (b) Other than issues of sampling, advise Clare on a strategy needed to gather appropriate market research data in considering **each** of the four options. [16]
- (c) Discuss how below-the-line promotion methods could be used by Clare to increase the numbers attending The Play Zone if TDN goes ahead with Option B. [10]

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