

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Advanced GCE

BUSINESS STUDIES

2874

Further Marketing

Thursday

22 JUNE 2006

Afternoon

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.

Ball Games

Ben White set up Ball Games in 1987 in a small town in the North East of England. Ball Games is now a leading provider of high quality coin-operated entertainment equipment that includes pool tables, pinball machines, table football, jukeboxes and electronic arcade games machines.

Ball Games imports some of these machines but Ben recognised the need to become involved in the manufacture of some products. Ball Games now manufactures a full range of table football machines and is looking to develop this into other sports.

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Ben also saw the need to provide customers with a flexible approach to accessing his products. Ben introduced the concept of 'Rent-a-Tainment' which allows customers to hire the full range of products on a daily basis if required (see Table 1).

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Table 1

Price of rental (Rent-a-Tainment) and retail sale
All prices exclude VAT and Transport

Standard Item	Daily Rental (£)	Weekly Rental (£) (Seven Days)	Fixed Rental (£) (Six Months)	Retail Sale (£)
Party Jukebox	21.00	105.00	1050.00	1200.00
Pinball Table	27.50	137.50	1375.00	1475.00
Table Football	25.00	125.00	1250.00	1450.00
Touch Screen Games Console	30.00	150.00	1500.00	1650.00
Video Games Console	22.00	110.00	1100.00	1250.00
Pool Table	34.50	172.50	1725.00	1800.00

The rental business has proved to be particularly lucrative with a high mark up on cost for daily hire. A longer term rental agreement involves routine maintenance of the equipment. A retail sale carries a guarantee on the equipment for three months. Customers pay delivery and set up charges.

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Ben is aware that the entertainments market is always changing and feels the need to constantly update his product base. Standard products such as table football tend to have a relatively lengthy product life. Video games consoles rarely have a rental life of more than 12 months. He sells his products to all parts of the UK, though for obvious reasons the rental market is largely confined to his local area. The main customer base is youth centres, schools, colleges, pubs and amusement arcades. The rental market is growing amongst private individuals. Ben sees this as something of an opportunity and a challenge. He is constantly thinking of ways to improve his promotional activities. He is aware that the location of Ball Games makes certain aspects of running the business more difficult. He would really like to expand his operation and has considered the prospect of opening new premises in other parts of the UK and even ambitiously looking to Europe. He is aware of the specific distribution issues that need to be considered. He realises that there are plenty of other factors to consider whichever expansion idea he selects.

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A further issue for Ben is the problem of seasonal sales. He has identified, over the last few years, key times when sales rise and when they fall. He would like to be able to forecast sales more effectively so that he can better manage the resources of Ball Games. He has calculated the seasonal variation on a quarterly basis and discovered that sales tend to vary most between the third and fourth quarters of the year as shown in Table 2.

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Table 2 Average cyclical variation

Quarter 1	+£6,000
Quarter 2	+£10,000
Quarter 3	+£59,000
Quarter 4	-£75,000

Ben predicts that the trend line for the third and fourth quarters of 2007 shows values of £295,000 and £300,000 respectively.

Ben has much to consider. He has a meeting arranged with a selling agent based in Madrid which needs careful consideration. He keeps asking himself the question – ‘What do I really want for Ball Games?’

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Answer **all** questions

- 1 (a)** Analyse the likely components of the marketing plan for Ball Games. [6]
- (b) (i)** Calculate the change in predicted sales value between the third and fourth quarters of 2007. [4]
- (ii)** Discuss how an understanding of time series analysis might assist Ben in his sales forecasting for Ball Games. [10]
- 2 (a)** Evaluate the factors that Ben would need to consider before Ball Games expands into Europe. [16]
- (b)** Analyse how Ben could use the product life cycle to help the overall product strategy of Ball Games. [6]
- (c)** Develop and justify a marketing strategy that Ben could employ for Ball Games. [16]

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