

**ADVANCED GCE UNIT
BUSINESS STUDIES**

Further Marketing

FRIDAY 26 JANUARY 2007

2874

Morning

Time: 1 hour 30 minutes

Additional materials: Answer Booklet (8 pages)
Candidates may use calculators in this examination.



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

This document consists of **4** printed pages.

The Garden Service (TGS)

The Garden Service (TGS) was founded in 1998 by Paul Greetham. Paul had started his career in various aspects of landscaping including private gardens, horticulture and commercial work with a large regional business. Frustrated by his employer's lack of vision on projects and its use of bland materials, he decided to go it alone.

Following hours of leaflet drops and other small-scale promotions, he found that work soon came his way. Equipped with only the most basic of tools and a wheelbarrow in the boot of his family car, he began to develop the business and the rewards of his hard work quickly followed. 5

Paul now employs a team of eight workers who complete work to his very high standards. Recently, Paul decided it was time to expand the business further. An opportunity has arisen to join forces with a local garden produce supplier, Better Gardens (BG). BG has a retail outlet with products available to the trade market and to retail customers. The owner of BG, Andy Pembleton, agrees with Paul that working with TGS will present the following advantages: 10

- provide the opportunity to 'showcase' the work of TGS; 15
- reduce costs with the benefit of improved economies of scale;
- spread the risk;
- provide an opportunity for increased profits.

Paul also feels that the link with BG would give mutual benefits and would encourage customers of BG to consider TGS for their gardening work. There is much to consider and Paul feels that market research would be useful to assess whether customers would be interested in such a link. Paul is unsure how best to carry out such research and is keen to minimise sampling error. 20

The range of services offered by TGS currently includes full landscaping, garden clearance, minor garden upkeep work, brickwork, pond installation and timber decking work. Paul was initially quite keen to work locally but he has widened the customer range as the business has increased in size. He is aware that the industry relies heavily on word of mouth and this is easily achieved in a small local area. Other promotion based activities include the continued use of leaflet drops and the development of a simple website. The website acts as a means of illustrating the range of services on offer, plus there is a facility to contact Paul to request a visit. 25 30

Paul is aware that the local market for gardening services is highly competitive. He often quotes for work only to lose out due to cheaper competition. Paul is now aware that his market is price inelastic, though this varies over the year. His approach to setting prices for work is to calculate a daily rate for his and his workforce's time depending on the type of work carried out. Labour charges per worker can range from £90 to £175 per day. Smaller jobs are charged by the hour with £12.50 per hour being fairly typical. Materials and other items are charged at cost plus a relatively small percentage mark-up. A summary of three recent, and varied, quotes is shown in Table 1 opposite. 35 40

Table 1 Recent Quotes

Quote One – Small garden wall	Quote Two – Ongoing gardening work (lawns, hedge trimming etc.)	Quote Three – Major landscaping work	
Labour charge: 2 days for one worker @ £120 per day. Materials: cost £80 plus 20% mark up	Labour charge: £12.50 per hour. Three hours per week for eight months per year	Labour charge: 15 days for two workers @ £140 per day per worker. Materials: cost £4000 plus 20% mark up	45

Paul feels that he needs to consider different ways of pricing the services provided by TGS. Paul is also aware of the need to stay loyal to his large number of existing customers who tend to require small 'tidying work'. This can cause a conflict with his desire to carry out larger, more lucrative projects. The seasonal nature of the gardening industry acts as a major constraint. 50

Paul feels that he needs to develop a clear marketing plan given the many issues and constraints that he faces. He feels that, in marketing terms, his objectives are to increase sales and to increase customer awareness of TGS. Despite his initial enthusiasm, Paul remains to be fully convinced by the link with BG. He could also try to increase his efforts in the commercial markets, e.g. pub gardens. He also made recent contact with a firm of house builders. 55
60

Answer **all** questions.

- 1 (a) Analyse the benefits of a website in the promotion of the services provided by TGS. [6]
- (b) (i) Using Table 1, calculate the final price quoted to the customer wanting the major landscaping work (Quote Three). [4]
- (ii) Evaluate different ways that Paul could set prices for the services provided by TGS. [16]
- 2 (a) Analyse how Paul can ensure that he keeps sampling error to a minimum when carrying out market research. [6]
- (b) Develop and justify a market research strategy for gathering information for the proposed TGS/BG link. [10]
- (c) Develop and justify a suitable marketing plan for TGS. [16]

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