

**ADVANCED GCE UNIT
BUSINESS STUDIES**

Further Marketing

THURSDAY 21 JUNE 2007

2874

Afternoon

Time: 1 hour 30 minutes

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



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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 paper 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.

Wilkins Office Furniture

Wilkins Office Furniture (WOF) is a small, family owned business based in the heart of the Black Country in the West Midlands. The business sells stationery and office furniture to local businesses as far away as Coventry and Wolverhampton.

Dan Wilkins set up the business 15 years ago. At that time he took orders for supplies on his home telephone, with much of the business coming from word of mouth. He made deliveries himself using his large estate car. Initial marketing was done using flyers and leaflets sent through the post. 5

As the customers base increased, Dan decided it was time to invest in premises. Four years ago, the business moved again and now occupies a prime location in West Bromwich. The location is good, in the centre of an industrial region. WOF now employs 12 telesales staff, six warehouse staff and six van drivers. The premises have a large warehouse which allows WOF to sell second hand office furniture as well as a wide range of new products. 10

Dan has built up his customer base by providing a first class reliable service. WOF rarely loses a client to another firm, even though it may not be able to provide the cheapest products. The ability to provide office equipment and supplies quickly and efficiently remains a major selling point. WOF has never invested heavily in promotion. Last year's profit and loss account (year ended November 2006) only showed spending on advertising of £500 per month. 15

WOF saw a decline in sales towards the end of 2006. This worries Dan as the marketing objectives of WOF are to increase sales and to maintain market share. Customers that WOF could previously depend on were no longer buying in the same quantities. The closure of the Rover car factory had further contributed to the decline in the local economy and a number of local businesses which had been good WOF customers had also closed down. 20
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The loss of customers has encouraged Dan to think about ways of developing the business. He has identified a number of possible options which might achieve an increase in sales.

Option A – Increasing the product range

This would allow WOF to become a 'one-stop-shop' which might itself result in larger orders as customers seek convenience in supply. The increased range might include supplying grocery items such as tea and coffee through to IT services. WOF has never been involved with providing IT based products other than printers. Whilst this may involve additional and specialist staffing, Dan feels that an opportunity exists. 30

Option B – Developing a website for sales

WOF has an information based website operating at present but Dan feels that greater opportunities exist to use it to sell goods online. Discounts could be offered to customers who order online because of the reduction in sales staff needed. Dan thought that the use of web selling might increase the geographical range of customers. 35
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Option C – Revamping WOF’s promotion strategy

A number of options exist including the running of competitions, greater use of advertising, or free gifts. One idea that Dan considered is a free cuddly toy with orders above a certain value. His impression of his customers was that many of the buyers of stationery in businesses were female. He felt that a free teddy bear would have more impact than price reductions. Other tactics might include a new image with a new logo.

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Option D – Training the telesales staff to ‘blitz’ promote certain products.

The staff could be offered increased incentives if sales increase. This approach could be combined with the van drivers acting more as sales staff rather than just being involved in delivery. Dan is aware that personal selling techniques can bring great rewards in terms of increased sales.

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Dan has never really considered price changes as a good way of increasing sales or profits. He was, however, keen to monitor the impact of changes in promotion (see Table 1). He did wonder whether the change in sales was due to the extra money spent on advertising. He looked closely at the advertising spend and pattern of sales.

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Table 1

Month (2007)	Advertising spend	Sales change (on previous month)
February	£1200	+10%
March	£700	-8%
April	£700	+3%
May	£840	+7%

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Dan had much to consider. Could he combine some form of the options? Should he try to put them in order of priority? He was aware that whatever he did, the impact would be felt for some time.

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Answer **all** questions

- 1 (a) Analyse **two** factors which might encourage customers to buy products from WOF. [6]
- (b) Dan was keen to assess the effects of the most recent change in advertising expenditure.
- (i) Calculate the advertising elasticity of demand from April to May. [4]
- (ii) Evaluate how Dan might assess the effectiveness of spending on advertising. [16]
- 2 (a) Analyse the possible advantages to WOF of personal selling. [6]
- (b) Develop and justify a marketing strategy that Dan could employ for WOF. [16]
- (c) Assess the effectiveness of Ansoff’s Matrix in helping Dan to decide between the options. [10]

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