

**ADVANCED GCE
BUSINESS STUDIES**

Further Marketing

FRIDAY 25 JANUARY 2008

2874

Morning

Time: 1 hour 30 minutes

Additional materials (enclosed): Answer Booklet (8 page)

Additional materials (required):
Calculators may be used.



INSTRUCTIONS TO CANDIDATES

- Write your name in capital letters, your Centre Number and Candidate Number in the spaces provided on the Answer Booklet.
- Read each question carefully and make sure you know what you have to do before starting your answer.
- Answer **all** the questions.
- If you use additional sheets of paper, fasten the sheets to the Answer Booklet.

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.

Ravenscroft Jewellers

Situated in a small town in North Worcestershire, Ravenscroft Jewellers is both a manufacturer and retailer of fine jewellery. The family run business was founded in 1950 and, in addition to producing its own collections, Ravenscroft Jewellers also sells top international brands such as Rolex, Omega, Cartier and Tag Heuer.

Ravenscroft Jewellers also offers a bespoke (individual) jewellery design and alteration service and has highly skilled designers and a workshop. 5

Trained gemmologists (experts in the field of gemstones) on-site include Alf Ravenscroft, the owner, who is also the managing director and son of the founders. This on-site experience enables the business to buy and sell precious gems and antique jewellery, and also provide informed valuations. 10

Ravenscroft Jewellers offers a collection of luxury jewellery and gift items, including watches and leather goods. The culture of the business is to provide not only the finest individual products, but also the best service, whether it be design, creation, after sales care, repairs or valuations.

Ravenscroft Jewellers has grown consistently over the last ten years or so due to a strong focus on quality. Market research carried out by Alf showed the following: 15

- socio-economic groupings are largely A and B;
- 90% of customers live within 15 miles of the store;
- 70% of purchases are gifts;
- typical age profile is 40–55;
- customers prefer to deal with fully trained and experienced staff. 20

There is a large range of products and prices on offer. The cheapest products sell for just a few pounds. However, it is common to hold stocks of diamond rings which retail at over £10000. The pricing of goods in the shop can be quite tricky to manage. Alf has tried many approaches, but he is aware that price reductions have little or no impact on sales of the higher priced items. However, sales of cheaper items (silver rings, etc.) benefit from price reductions. Recent changes in price and the impact are shown in Table 1 below. 25

Table 1 Price changes and impact on sales

Product	Price before change	Price after change	Sales at previous price	Sales at new price
Gold Diamond Ring	£750.00	£600.00	8	9
Watch Strap	£9.99	£7.99	26	39
Silver Gem Ring	£40.00	£30.00	20	28

Higher mark-ups can be made on the bespoke jewellery. Customers can ask for a specific design to be developed into individualised products. It is common to add on 500% to the identified costs. Alf would clearly like to do more of this work and has researched ways of accessing this market. Alf is also keen to do more work in the antique jewellery market. 30

Ravenscroft Jewellers has an extensive product portfolio. Alf is interested in how he might use the Boston Matrix to assess Ravenscroft Jewellers' wide product range and to adapt its marketing strategy to maximise the potential of each type of product. Alf has tended to focus on classic items which are most likely to be consistently in demand, though the shop also sells fashion jewellery. Whilst many items take a long time to sell, only a few have to be sold off cheaply. Clearly, display and personal selling are important components of the promotion strategy. 35

Alf has begun to look to the future. He has a successful business which he would like to develop further. He has considered the development of a website to widen the customer base of the services provided by Ravenscroft Jewellers. Other businesses in the industry who have a website seem to have done quite well and, given the nature of the customers, he feels that there could be something to be gained from doing the same. He feels that he should also consider specific below-the-line methods of promotion. 40

Answer **all** questions.

- 1 (a) Analyse **two** ways in which market segmentation could assist Alf in meeting the needs of his customers. [6]
- (b) Using Table 1, Alf calculates that the price elasticity of demand for watch straps is -2.5 .
 - (i) Calculate the price elasticity of demand for silver gem rings. [4]
 - (ii) Analyse **two** ways in which an understanding of price elasticity of demand could aid Ravenscroft Jewellers in setting prices. [6]
- (c) Develop and justify a pricing strategy for Ravenscroft Jewellers. [16]

- 2 (a) Discuss the advantages to Ravenscroft Jewellers of having an extensive product portfolio. [10]
- (b) Advise Alf on a promotion strategy which he could use for Ravenscroft Jewellers. [16]

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