

**ADVANCED GCE
BUSINESS STUDIES**

Further Marketing

TUESDAY 17 JUNE 2008

2874

Afternoon

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.

Oakford Doors and Windows Ltd

Oakford Doors and Windows Ltd (ODW) is a double glazing company which has been established for over 15 years. In that time the business has built up a good reputation within the local area. Originally, Nick Baldock set up the business to supply hardwood window and door frames and carry out general carpentry and double glazing. Nick's sister Kate helped out with the administration, and a friend James Brogden, helped with the installations and fittings. 5

More recently, the double glazing market has moved from hardwood to UPVC frames. Increased demand for replacement windows and, especially conservatories has helped the business to grow significantly. ODW now employs 20 staff, including 16 fitters. Sales improved when ODW moved to a new showroom and offices six years ago. The firm managed to gain healthy profits until two years ago. Local competition has begun to make it increasingly difficult to maintain growth. 10

Customers are becoming more price conscious and Nick now feels that he must widen the appeal of ODW. He decided to carry out some market research, and enlisted the help of a local 'A' level student, Fiona Lilley, who was keen to complete her Business Studies project on ODW. Nick worked closely with Fiona, developing her pilot questionnaire and agreeing the information that needed to be gathered. Sixty copies of the questionnaire were posted to previous customers on the ODW database and another 40 were left in the showroom. There were 27 replies to the postal questionnaire and 30 of the showroom questionnaires were filled in. Nick and Fiona were concerned that the sampling method was a little biased, but it was convenient allowing the information to be gathered quickly. 15

The market research results from the showroom tended to confirm Nick's belief that price is an issue. The questionnaires completed in the showroom also showed that potential customers' decisions to look elsewhere were more likely to be based on price than on other factors. Price turned out to be less of an issue with previous customers. Nick felt that this might be due to the fact that previous customers would be less likely to admit that they had over paid for work previously done. 20
25

There was further evidence from the postal research which suggested that all respondents felt that the ranges of products were of good quality and that the workmanship scored very highly. This tended to back up James' view. As the chief installer, he has always struggled to see the relevance of marketing. He strongly feels that 'a good product will always sell'. Nick has always taken a wider view of business – that there is a need to integrate all functions within the firm. He feels frustrated when Kate complains about the generous credit terms offered to customers. Kate also feels that the weekly advertisement in the local paper is wasted. 30

Nick now feels that it is time to think ahead. He has been considering a number of options which could take ODW forward. The options are summarised below.

Option 1 – Widen the 'local' customer base. This might involve setting up another showroom in a neighbouring county. This has the attraction of keeping the business doing what it does well. 35

Option 2 – Set up a specialist conservatory cleaning business. This would be relatively easy to establish and would target previous customers. Other customers in need of conservatory and window renovation work could also be easily targeted. 40

Option 3 – Sell a range of additional products. These could include blinds, air conditioning units, under floor heating units and conservatory furniture. At present, this is dealt with by working closely with other organisations. By offering the 'complete' service it might make ODW more attractive to new customers. Once established, this could be quite lucrative given the high mark up on many of these products. For example, it is quite normal to operate on a 400% mark up for conservatory blinds. 45

Nick now feels that he needs to carry out further research to develop an action plan for the future.

Answer **all** questions.

- 1 (a) Analyse **two** possible reasons why the marketing department needs to cooperate with other departments within ODW. [6]
- (b) Analyse **one** advantage and **one** disadvantage of the sampling method used by Nick and Fiona. [6]
- (c) Advise ODW on a strategy needed to gather appropriate market research data in considering the three options available. [16]
- 2 (a) Calculate the final price charged to a customer of conservatory blinds where the costs are known to be £200. [4]
- (b) Discuss how knowledge of Ansoff's Matrix might assist ODW in considering the three options available. [10]
- (c) Develop and justify a marketing strategy which ODW could use if it goes ahead with **both** options 2 and 3. [16]

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