



ADVANCED SUBSIDIARY GCE
BUSINESS STUDIES
Business Behaviour

2873/CS

CASE STUDY

To be opened on receipt

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INSTRUCTIONS FOR TEACHERS

- This Case Study **must** be opened and given to candidates on receipt.

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- The business described in this Case Study is entirely fictitious.
- This document consists of **8** pages. Any blank pages are indicated.

WHITFORD POSTCARDS & PRINTING SERVICES Ltd (WPPS)

There is a good chance that if you have sent a postcard home from a holiday in the UK then it started its life in Cumbria. Since 1909, Barrow-in-Furness has been the home of Whitford Postcards & Printing Services (WPPS), one of Britain's leading publishers of picture postcards. When Josiah Whitford arrived in Barrow at the turn of the 20th century, he could have had no idea of the worldwide impact he was to make on the business of postcard publishing, but Josiah was a master with a camera and a natural entrepreneur.

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Over the last 100 years, the business has changed hands many times and is currently owned by Christine and Ricky Bradley. Before buying WPPS in 2003, Ricky had over 30 years experience in management and his wife, Christine, had previously run her own business. Their daughter, Jan, having gained an Honours Degree in Business Studies, before spending a year at the London College of Printing, took over as Managing Director in 2006. Her brother, Toby, took a degree in Graphic Design and Communications and is now in charge of sales and marketing. Since buying the business, the Bradley family has undertaken a planned investment programme extending the factory to accommodate modern pre-press, printing and finishing facilities.

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With recent changes in communication trends, the demand for postcards has fallen dramatically. This has created an enormous challenge for WPPS, to which it has responded by widening its product portfolio. It now offers more general printing services, such as letterheads, business cards, price lists, booklets, flyers and wedding stationery. These products use the same machinery as that used for the postcards, although some changes have to be made to the settings.

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A current enquiry from a potential business customer is indicative of the procedure which WPPS must go through before any order is finally accepted. The potential new customer, J & P Hodson Ltd, a local electrical shop, is enquiring about the printing of letterheads, envelopes and carbonised order forms. Although carbonised forms are a product which WPPS has produced before, the slight complication this time is that the customer wants barcodes printed on the forms. This is something that WPPS has not done before. The production department has put together a costings outline for this enquiry (see Table 1).

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Table 1 – Quote for J & P Hodson Ltd Enquiry

Product	Unit Direct Materials Cost	Unit Direct Labour Cost
Full Colour Letterheads (A4 size)	£ 0.25	£ 0.10
Full Colour Envelopes (DL size)	£ 0.40	£ 0.15
Barcoded Carbonised Forms (A4 size)	£ 0.35	£ 0.10

Notes:

- costs are based on an order of up to 1000 units of each product;
- a machinery software upgrade for the barcode printing will be necessary;
- there is an additional cost incurred by WPPS of £10 for delivering each order.

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The company is always keen to encourage and accept orders from new customers, especially in the non-postcard market. In the past, postcards have made up 100% of WPPS's output. However, the make up of the product mix has altered over recent years due to the changes in communication trends (see Table 2).

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Table 2 – WPPS’s Revenue by Product (%)

	1993	1996	1999	2002	2005	2008
Postcards	100	98	94	81	63	40
Business Printing Services	0	0	0	13	32	51
Wedding Stationery	0	2	6	6	5	9

The traditional holiday postcard was of a slightly saucy cartoon which made a joke of a play on words. However, this has greatly changed, with nearly all of WPPS’s postcards now being photographs of local views and buildings. It produces over 1,000 different images of various seaside locations, as well as other tourist destinations such as Stratford-upon-Avon and York. Due to the cost and time required in setting up all the necessary components involved in producing a postcard, a typical print run will usually be 5,000 postcards of the same design. However, more and more printing firms are now offering a lower quality service with print runs as small as 100, at a unit price close to what WPPS is only able to achieve with a much larger print run.

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Jan has discussed this growing threat with her Production Manager, Hayley Turner. Hayley has already made one suggestion to Jan about how to proceed; move out of postcard production completely. Jan responded immediately. “I am not about to let the history of this company get walked all over, especially in our centenary year. I am all for thinking outside the box, but that idea is out of the room!”

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“But with the decline in postcard sales and the seasonality of the product, maybe we should consider getting out of the market before it pulls the rest of the business down,” replied Hayley. “Given the level of complexity of our printing equipment and the amount of money we have invested in it, I can’t see how we can produce smaller print runs at the sort of prices our competitors are quoting. But equally, the large print runs we currently operate mean that we have to hold lots of excess stock, as most of our smaller retail customers do not want that many cards at a time (see Table 3). Just look at our last few balance sheets, stocks typically make up over 85% of our current assets.”

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Table 3 – Overview of WPPS’s Postcard sales

	Number of stores in category	Percentage of WPPS sales by value	Typical order size by volume
National Wholesalers	3	16%	5,000
Regional Wholesalers	6	27%	2,000
Regional Chain Stores	8	31%	500
Small Independent Shops	Over 600	26%	50

As is always the case with Jan, the strength of the argument made her see the other person’s point of view and she began to think that maybe she was being stubborn in refusing to consider such a dramatic change of strategy.

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“I’ll tell you what”, said Jan, “why don’t you put together a discussion paper on this topic and I will put it on the agenda for next month’s strategy meeting. We can then spend part of the day throwing around some ideas and bouncing them off each other and, hopefully, we can come up with some compromise that is best for everyone.”

“Another interminable meeting where we talk round the houses and then find a ‘happy compromise’ for all”, muttered Hayley under her breath, as she walked out of Jan’s office.

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There is no organisation chart for the business, but if there was one, it would be very flat. As well as the managers, WPPS has 34 employees (see Table 4). All the non-office staff are expected to know how to do each other's job, without any job demarcation. As Cumbria has high levels of unemployment, this has always been accepted.

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Table 4 – The Workforce at WPPS

	Full-time	Part-time	Total
Production	10	5	15
Packing	5	2	7
Warehouse	2	2	4
Office	6	2	8
Total	23	11	34

Jan and her managers have a monthly strategy meeting which lasts a full day. This is part of Jan's aim to involve all managers in decision-making. She is also keen to involve the rest of the staff, to the extent that appropriate members of the workforce are invited to attend relevant sessions of this meeting. Jan has also introduced quality circles to the company, with each department expected to meet formally and informally during a typical month.

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However, there have been early signs of dissatisfaction and recently the 34 employees met, out of hours, to privately discuss their concerns. The particular concerns are the inconsistencies in the contracts of full-time and part-time staff, no clear lines of communication, no training or promotion schemes and a feeling that too much time is being spent on non-productive matters.

Hayley has recently found out about this meeting and can understand some of the workforce's concerns. In particular, Hayley is getting fed up with the way in which Jan is running the business. In Hayley's opinion, Jan is very keen on modern business ideas and phrases, but seems to be more interested in putting them into practice 'for the sake of it', rather than because they are right for WPPS. It appears to Hayley, from what she could remember of the work she covered in her Business Studies GCSE, that Jan is being too democratic, if that is possible.

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Toby Bradley was unaware of these issues surrounding his sister as he considered the changes to WPPS's product mix (see Table 2). He knew it was his responsibility, as Sales and Marketing Manager, to find a way of preventing the complete decline of postcard sales. It was clear that postcards had entered the decline stage of their product life cycle, but he knew that plenty of products had appropriate extension strategies.

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As with any change in a business market, Toby felt it was important to understand not only what that change was, but also why it was happening. A lot had happened in the last 20 years, not just in how people communicate, but also in consumers' holiday arrangements. Although it was important to find out more about these changes before he could make any recommendations for the future of WPPS in the holiday postcard market, Toby was not sure how to approach this research.

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