

OXFORD CAMBRIDGE AND RSA EXAMINATIONS
ADVANCED GCE
F293/RB
BUSINESS STUDIES
Marketing
RESOURCE BOOKLET

To be given to candidates at the start of the examination.

FRIDAY 11 JUNE 2010: Afternoon
DURATION: 2 hours

SUITABLE FOR VISUALLY IMPAIRED CANDIDATES

READ INSTRUCTIONS OVERLEAF

INSTRUCTIONS TO CANDIDATES

- The information required to answer questions 1–6 is contained within this Resource Booklet.
- Do **NOT** hand this Resource Booklet in at the end of the examination. It is not needed by the Examiner.

INSTRUCTION TO EXAMS OFFICER/INVIGILATOR

- Do not send this Resource Booklet for marking; it should be retained in the centre or destroyed.

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ANDY'S HEALTH CLUB (AHC)

Andy's Health Club (AHC) is a business based in the Midlands. It specialises in providing excellent health club facilities where the successful formula is a strong emphasis on fitness, exercise and the healthy lifestyles of its members. The club provides its members with a wide range of exercise and well-being opportunities with a fully equipped gymnasium, featuring the latest in cardiovascular and resistance training equipment. 5

AHC was established 15 years ago and has successfully developed over this time. The owner, Andy Langlands, set up the health club after several years as a successful international hockey player. He has always valued the advantages of personal fitness and a healthy lifestyle and he was given the opportunity to take over a failing health club close to his home in Cannock. Andy was able to secure the investment needed to develop the facilities and the business was 're-launched' as Andy's Health Club. 10 15

In addition to the gymnasium, AHC now offers a range of facilities: 20

- Andy's Café – a café/bar serving a range of healthy nutritional products;**
- a luxurious health and beauty salon offering a range of feel-good treatments for both male and female clients;** 25
- Pilates classes – the low impact, non-aerobic way to boost strength and suppleness;**
- physiotherapy support – aiding post-operative, accident or sports injury recovery;** 30
- personal training – working out on a one-to-one basis or in very small groups;**
- sauna and steam rooms.**

Andy is keen to continue the investment in AHC and he is considering a number of future development opportunities. He appreciates that AHC cannot expand in every way and he feels a real sense of opportunity cost in his decisions. He has recently carried out some market research using a variety of methods. A review of the marketing effort was also required. He contemplated the following marketing options:

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Option A: Consider a review of the pricing strategies used by AHC. Members currently pay a monthly fee, with additional charges for some of the extra services provided. Andy feels that prices could either be increased for some services or incorporated into a higher monthly fee.

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Option B: Review all aspects of promotion. AHC already has a website but relies mostly on strong recommendations and word of mouth. Increased competition in the local area worries Andy. He feels that he could be more aggressive in AHC's advertising.

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Option C: Increase further the services provided. Andy has considered building squash courts, areas to provide for a crèche and/or a larger fitness studio. Each idea has been costed and, in the short term, only one of them is affordable. Andy appreciates that any development of facilities will impact on all aspects of AHC.

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Andy is aware that he might need to consider more than one option. He recently attended a local marketing conference on ‘Improving opportunities through successful marketing’ and was interested in understanding how he could apply some of the techniques he had heard about. **70**

Andy knows that AHC has a range of customers who are interested in different aspects of the services provided. He feels the time is right to carry out further extensive market research amongst the current membership of AHC. He is interested in assessing the members’ views on Option C. The investment involved would mean that any decision to expand could not be taken lightly. He is considering a variety of sampling methods and he has started to plan the research. **75**
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In terms of pricing approaches, Andy feels that AHC’s prices are competitive. In consideration of the possible new services, he feels that AHC could use price discrimination. Demand for AHC’s services varies, depending on the time of day and day of the week. Based on his existing services he feels that a Pilates class could have two prices relating to ‘peak’ and ‘off-peak’ periods. He did the following costings for the Tuesday classes (see Table 1 overleaf). **85**
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TABLE 1

TUESDAY PILATES ONE-HOUR CLASSES – MAXIMUM CLASS SIZE 20	
Cost of Instructor	£12.00 per hour
Cost of Overheads	£3.00 per hour
Average number of members attending (daytime)	10
Average number of members attending (evening)	18
Price charge for attendance	£4.00

Given the higher demand for the evening classes, Andy felt that it was possible to achieve greater returns on these classes. At certain times in the week classes are over-subscribed. He wonders about his idea to change AHC's pricing approach.

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Andy has much to ponder. He remains aware of the need to consider all aspects of the running of AHC. Attending a conference on marketing, however, should not stop him thinking about the other functional areas of his business.

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