

Read the information provided before attempting Question 1.

Mobiles and Problem Children

The mobile phone has been one of the most successful products in recent years. The growth in the number of people owning and using a mobile phone has exploded and there are now very few people who do not have one. Children have been an important part of this growth. Children as young as eight are regularly using mobile phones so the market for the product covers a wide range of different market segments. A recent report claimed that 190.5 million mobile phones had been sold in the second quarter of 2005, a 21.6% rise compared to the same period a year before.

As the market for mobiles has grown so has the number of products available. Phone manufacturers from around the world such as *Nokia*, *Samsung* and *Motorola* all have a wide range of handsets at different prices meeting different needs.

Manufacturer	Country of origin
Nokia	Finland
Samsung	South Korea
Motorola	USA

These businesses are always looking to find ways of tempting us to part with our money to buy the latest handset. The latest models offer even more technology and services including video, cameras, calendars, word processing and spreadsheet functions, text messaging and TV.

To continue to increase sales in this market, businesses have to encourage buyers to regularly upgrade their existing phones. Mobile phone manufacturers must find ways of producing new models at regular intervals each with slightly different designs, functions and colours. As each new phone is developed and introduced, existing models become outdated and less desirable in the minds of many consumers. This shortens their product life cycle.

The speed of change in the market means that manufacturers now face problems in adding value. If you have a phone that also has internet capability, a camera, video and text messaging, then what will it take to get you to part with an extra £75 to have access to TV? Some manufacturers are increasingly finding that sales are now slowing down and some new products do not perform as well as might be hoped. Consumers may simply feel they do not need that extra gadget and are not prepared to pay extra for it, preferring to stick with their existing phones.

Most mobile phone manufacturers are global businesses operating in a wide range of different countries. This makes business even more complex. Different countries have different technical standards. This means that a phone manufactured for one country will not always work in another country. This might be a deliberate attempt by governments to protect their home industries from imports.



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Answer all questions in the spaces provided.

1. (a) What is meant by the term *product life cycle*?

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(2)

The launch stage of the *product life cycle* is an important part of the success of any new product.

- (b) Explain ONE way in which a company such as *Nokia* might launch a new product.

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(c) Explain TWO reasons why a business such as *Nokia* might use the Boston Matrix.

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Read the information provided before attempting Question 2.

Communication and Motivation

WebStart is a small business established in 2001 offering a range of Web design services for businesses. *WebStart* provides a complete design service working with clients from initial enquiry right through to the delivery of the final product to the company concerned. *WebStart* has a particular expertise in ensuring that their clients' websites do not break the law.

WebStart has grown quickly; it was started by partners Andy and Kieren in 2001 and now employs 15 staff based in two offices, one in York and the other in Cardiff. Andy and Kieren divide their time between the two offices and have installed the following staff:

Table 1

York	Cardiff
An office manager	An office manager
One web designer	Two full time web designers
A content editor	Two content editors
Two people working on marketing and sales	Two accounts staff
A receptionist	An administrative assistant
	A receptionist

Andy and Kieren are finding that with business growing they are increasingly stretched and would like to expand. However, they also feel that they need to make sure the business is stable before any further expansion.

The demands of the business have caused some internal problems for Andy and Kieren. Both offices would like to see more of them but do not feel they have enough contact with the two. York was the original location for the business but the expansion into Cardiff has caused some friction. Staff at York are envious of the quality of the office and the working environment of staff in Cardiff. They also feel that York has been largely forgotten as Cardiff has grown. There have also been rumours around the York office that staff in Cardiff doing the same jobs are earning better wages than those in York. Andy and Kieren have a strict policy that staff do not discuss or disclose their salary to any other employee.



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As a result, productivity in terms of contracts won and business generated has fallen in York compared to Cardiff. There have been some complaints from customers using the York office that the quality of service has gone down in the last 18 months. As a result two valuable contracts have been lost to rival businesses.

Recently, Andy and Kieren have been discussing a major new contract with clothing giant *Topshop* to redesign and relaunch its website. The contract could be extremely valuable to their business but they must be ready to start work in just three months. If they win the contract they will have to open another new office in London. However, they are not sure whether this expansion is going to benefit them in the long term while they still have problems with their existing business.

2. (a) Examine TWO factors that might be important in achieving high levels of customer service for *WebStart*.

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(b) Using the information in Table 1 and the case study, draw an appropriate organisational structure for *WebStart* assuming it does not open an office in London.

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(d) Explain TWO reasons why Andy and Kieren might have different pay levels for staff doing the same job.

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