

Evidence A:**Premier Inn and the Leisure Market**

Whitbread is one of the UK's largest leisure and hotel companies. It owns the Premier Inn hotel brand. Premier Inn is an example of a "budget" hotel chain and offers a simple, clean room with a bathroom to each customer.

In 2009 the UK economy was in the recession phase of the business cycle and many people expect that leisure spending in the UK will fall. Despite this, Premier Inn has continued to do well, with profits increasing to £300 million. Prices for a room in a Premier Inn start from as little as £50 per night. Experts believe that the "budget" market segment of the hotel industry will treble in size by 2027.

Source: adapted from <http://www.whitbread.co.uk> and <http://www.premierinn.com> accessed on 7 January 2009

Evidence B:**New investment**

Premier Inn has made a large investment in a new telephone booking system that allows customers to book a room in any one of the company's hotels much more quickly. New advanced speech recognition software has reduced the time telephone bookings take from 7 minutes to less than 3 minutes. Trevor Elliot, development manager at Premier Inn, said "we expect that the investment... will boost productivity, allowing the company to make big savings". This should allow the company to improve its competitiveness.

Source: adapted from <http://www.speechtechmag.com/Articles/News/Industry-News/Premier-Travel-Inn-UK-Deploys-ScanSoft's-Speech-Based-Booking-System--30780.aspx> accessed on 2 January 2009



Evidence C:**Luxury Beds**

Vi-Spring produces some of the finest beds in the world. The company manufactures its products in its factory in Plymouth, UK. Every bed is hand made by craftsmen using only the best materials. Vi-Spring's latest model, the "Monarch", is priced at almost £25,000 and is one of the world's most expensive beds. The bed has over 3,000 springs and can be found in luxury hotels across Europe and America. Owners also include footballer David Beckham. Vi-Spring exports many of its beds abroad. Customers include luxury hotels and the super-rich.

Source: adapted from <http://www.vispring.co.uk> accessed on 3 January 2009

Evidence D:**Government Policies**

The government used different policies to try to reduce the worst effects of the economic downturn. It:

- cut Value Added Tax (VAT) from 17.5% to 15%
- provided incentives to businesses to help them survive
- brought forward spending plans on constructing new roads and building new schools and hospitals
- spent money on large projects such as the 2012 Olympic Games in London.

It hoped that this spending would help to boost the economy, but it needed to raise money by borrowing up to £100 billion.



Evidence E:

Expansion

In 2009 Premier Inn was considering a £100 million expansion programme. The expansion will be targeted in London since the company expects the 2012 Olympic Games to generate more demand for its London hotels from foreign tourists. It is expected that the expansion will lead to large cost savings in the long-run.

Source: adapted from <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/2787820/Premier-Inn-grows-ready-for-Olympics.html> accessed on 6 January 2009



Section A

Answer ALL of the questions in this section.

1. (See Evidence A)

(a) Using an example, explain what is meant by the term '*business cycle*'.

.....

.....

.....

.....

.....

.....

(4)

(b) Using an example, explain what is meant by the term '*market segment*'.

.....

.....

.....

.....

.....

.....

(4)



Leave
blank

.....

.....

.....

.....

.....

.....

.....

(8)

Q1

(Total 16 marks)



3. (See Evidence B)

By the end of 2008 Premier Inn had revenues of £1,200 million. Its cost of sales was £200 million and the overheads were £700 million. This resulted in gross profits of £1,000 million and operating profits of £300 million.

(a) Calculate the operating profit margin. Show the formula used and your workings.

.....
.....
.....
.....
.....
.....

(4)

(b) Identify and explain **one** way in which Premier Inn could increase its profit.

.....
.....
.....
.....
.....
.....

(4)

(c) Identify and explain **one** way Premier Inn could benefit from the level of profit it makes.

.....
.....
.....
.....
.....
.....

(4)

(Total 12 marks)

Q3



4. (See Evidence E)

(a) Identify **two** stakeholders of Premier Inn.

.....
.....
.....
.....

(2)

(b) Explain which **one** of the two stakeholders you chose in (a) above will be **most** affected if the company decides to expand, and why.

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

(6)

(Total 8 marks)

Q4



6. (See Evidence C)

(a) Using an example, explain what is meant by the term '*export*'.

.....
.....
.....
.....
.....
.....

(4)

(b) Identify and explain **one** difficulty for a business like Vi-Spring in selling its product abroad.

.....
.....
.....
.....
.....
.....

(4)

(Total 8 marks)

Q6



BLANK PAGE



Leave
blank

.....
.....
.....

(8)

Q7

(Total 10 marks)

TOTAL FOR SECTION A: 70 MARKS



At the start of 2009, The Bank of England had reduced interest rates from 5% to 1%.

(c) Explain **two** ways this might have helped businesses such as Premier Inn and Vi-Spring.

Part 1

.....

.....

.....

.....

.....

(4)

Part 2

.....

.....

.....

.....

.....

(4)



Leave blank

(See Evidence D)

(d) Assess the success of increased government spending in helping to boost the UK economy.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(6)

(Total 30 marks)

Q8

TOTAL FOR SECTION B: 30 MARKS

TOTAL FOR PAPER: 100 MARKS

END



BLANK PAGE

