

General Certificate of Secondary Education  
June 2006



**BUSINESS STUDIES SPECIFICATION A**

**3132/PM**

**Foundation and Higher Tiers**

**F&H**

**Case Study**

**To be distributed to candidates no sooner than Friday 10 March 2006**

**NOTICE TO CANDIDATES**

You will be given **one** copy of this Case Study for use during your preparation for the examination, which you may annotate as you wish, but which you will **not** be allowed to take into the examination.

You will be provided with a clean copy of the Case Study, along with the question paper, for use in the examination.

You are advised to carry out your own research using this Case Study. It is the business concepts and ideas raised by the Case Study which should be researched.

**DO NOT ASK THE COMPANY FOR MORE INFORMATION.**

**Your teacher is encouraged to give assistance and advice as required.**

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Source: [www.centerparcs.co.uk](http://www.centerparcs.co.uk)

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# Center Parcs

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## Background

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Center Parcs (UK) plc is a holiday operator which specialises in short break village holidays. It has four holiday villages in the UK, each set in forest locations.

These are:

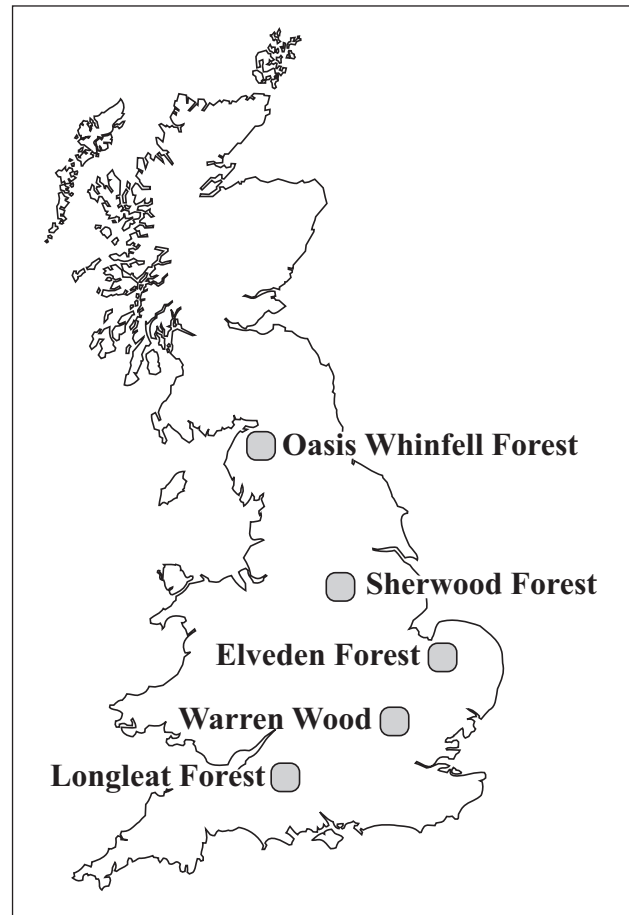
- Sherwood Forest in Nottinghamshire
- Longleat Forest in Wiltshire
- Elveden Forest in Suffolk
- Oasis Whinfell Forest in Cumbria

In December 2004, Center Parcs announced that it had applied for planning permission to open a 5th village, Warren Wood at Woburn in Bedfordshire. The cost of this project would be £160m.

Center Parcs became a public limited company in March 2005.

**Figure 1**

Map showing the location of Center Parcs villages



**Figure 2**

View of the inside of a Center Parcs' swimming dome



The concept of forest village holidays was developed by Dutch entrepreneur, Piet Derksen. He created the first Center Parcs village in Holland in 1967. The idea was so successful that Center Parcs set up the first UK village, Sherwood Forest, in 1987.

In the UK, the average size of the holiday village is 170 hectares (about 400 acres). Each village is set in a natural forest setting with surrounding lakes.

Each Center Parcs holiday village consists of different types of self-catering accommodation within a woodlands location. Visitors can choose which leisure and health activities they wish to use for an additional fee.

The focus of each village is a dome covered swimming and water centre. Guests can use a wide range of river slides, wave machines, children's pools and Jacuzzis. The temperature is kept at a constant 29°C, allowing the creation of a tropical landscape with exotic trees and plants.

Each village offers a full range of sporting and leisure facilities, both indoor and outdoor. There are also health and beauty facilities and themed restaurants. Each village has its own shops for guests to buy food and other items, should they want to self-cater rather than use one of the village's restaurants.

**Figure 3**  
Leisure activities at Center Parcs



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## Marketing

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### Target Market

Center Parcs' main market consists of families with young children and 'empty nesters' – parents whose children have grown up and left home. Most of its guests are in socio-economic groups ABC1 and live within a three-hour drive of the village they are visiting. Research has shown that more than 60% of Center Parcs' customers have visited one of its villages before.

99% of the 1.2 million visitors are from the UK. About 75% of guests visit in family groups; the remaining 25% are groups of friends or workmates.

53% of Center Parcs' turnover comes from the money which guests pay for their accommodation; 47% of turnover is from onsite spending, such as restaurants and the use of leisure facilities.

The Company is attempting to attract non-family and business customers, such as work colleagues or groups of friends. This is designed to maintain demand during periods outside school holidays. Center Parcs is also trying to increase the number of businesses and organisations that use its conferences facilities.

Center Parcs is particularly interested in attracting what it calls 'premium customers'. These are guests who are less concerned about price than are traditional family customers. Premium customers also tend to spend more money on leisure facilities and restaurants when they are at the holiday villages.

The number of customers visiting the holiday villages and the amount of money each guest spends tends to decrease during an economic downturn, or recession.

**Figure 4**  
Food being prepared in  
a Center Parcs' restaurant



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## Promotion

The Company keeps a database of its customers with personal information, including customers' ages and family details. This database is used for sending mailshots to previous visitors, with updates about the villages and details of any promotional offers.

Center Parcs is marketed mainly through an annual brochure and television advertising, with additional information on teletext and the internet. The television campaign is timed to support the new brochure mailing in September. Further advertising takes place in January, a key time for planning holidays.

The company has an in-house telephone reservations department that deals with both bookings and brochure requests. The computerised system can handle up to 5000 calls per day. More customers are now booking their breaks online through the internet.

## Prices

There are about 800 accommodation units at each of the four villages and 1.3 million visitors stay each year. Each holiday village is open for 365 days a year. Occupancy rates average at about 90%. This means that, on average, nine out of ten accommodation units are occupied by paying guests. There are some seasonal variations, however, as school holidays are more popular than other quieter times of the year.

**Figure 5**  
Typical Center Parcs' village accommodation



Most customers stay for short breaks between their main holidays. Bookings are for Monday–Friday (called midweek bookings) and Friday–Monday (called weekend bookings). A small proportion of customers book for a full week.

There are several types of accommodation at each location. All are equipped to a high standard with their own kitchen and dining area. Guests can choose a layout to suit them, ranging from a one bedroom apartment to a four bedroom villa.

### Examples of Prices

Prices are for the self-catering accommodation, and are not per person.

Executive four bedroom Villa (sleeps max. 8 people)  
Elveden Forest Village, Suffolk

	<b>Weekend</b>	<b>Midweek</b>
August	£1532	£1999
November	£1018	£ 806

Comfort one bedroom Villa (sleeps max. 2 people)  
Sherwood Forest Village, Nottinghamshire

	<b>Weekend</b>	<b>Midweek</b>
August	£367	£395
November	£236	£193

### Examples of Activities Prices

Archery	1 hour	£7.20
Scuba diving	1 hour	£25.50
Fencing	1 hour	£9.20
Art classes	2 hours	£12.30

### Market Research

Guests are asked to complete a questionnaire commenting on their holidays and how Center Parcs might improve the experience. The feedback provided from these questionnaires allows the Company to plan future developments at the villages and to enhance the Center Parcs' brand.



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 Stakeholders
 

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**Employees**

Most of Center Parcs' 5 870 employees work part-time. The Company prefers this method as it gives it greater flexibility in arranging work rotas. It also helps to improve efficiency, as more employees can be used at busy times.

Center Parcs believes that it is important to invest in the training of employees in order to get the best from

them. The Company realises that employees need to be well motivated. One way in which it tries to do this is by rewarding employees' achievements. It also makes sure that there are good communication systems, so staff are kept up to date with company policy. Center Parcs realises that it needs to retain good employees.

Centre Parcs believes it is important that its staff should work as part of a team. The Company states that employees are more productive working in a team than operating individually. Employees are set targets against which they are monitored to see if they are working efficiently.

**Local Economy**

Center Parcs is the main employer in each of the immediate areas in which the villages are located. The local economy benefits financially from the business. Jobs are created at the Center Parcs' villages, and local businesses are used whenever possible to supply goods and services. The employees' wages and suppliers' profits will also generate more wealth in the area when they are spent. Center Parcs must also pay local business rates. This brings more money into the areas in which Center Parcs operates.

**Local Environment**

Local authorities are becoming stricter in giving planning permission for rural locations to be developed as holiday villages.

Great care was exercised in planning the villages so that the impact on the natural forest environment was kept to a minimum. Pressure groups have become increasingly concerned about environmental damage caused by businesses. Center Parcs, however, has received several awards for its commitment to the environment.

**Figure 6**

Adapted from Center Parcs' employment material

Center Parcs' Mission Statement:

**Every day, the perfect break – naturally.**

Guests expect us to deliver the perfect break – through quality facilities and skilled, dedicated staff.

We measure our success by:

- How well we satisfy our guests, staff and other stakeholders;
- By the value we create for our shareholders;
- By our environmental standards.

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## Competition

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There are other UK short break holiday providers, including Butlins, Pontins and Haven. These businesses, however, tend to target a different market sector.

It is estimated that it would now cost at least £120 million to build a new forest holiday village and there would be a lead-time of at least three years. This high level of investment helps to restrict the level of competition.

The growth of low cost airlines has made it cheap and convenient enough for UK residents to take short break holidays in European countries. The exchange rate between the pound and the euro and other European currencies will influence this form of competition.

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## Finances

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**Figure 7** shows extracts from the Company's finances for 2005.

All figures are to the nearest £ million

**Figure 7**  
Extracts from Center Parcs' finances  
(£ m)

	<b>2005</b>
Turnover	230
Cost of sales	35
Gross profit	194
Operating profit	30
Fixed assets	335
Current assets	27
Current liabilities	71

In 2002, the directors of Center Parcs decided to sell off some of the accommodation to another business and then lease it back. The money which Center Parcs received from this sale was used to build additional executive villas and apartments. The company directors believed that investing in higher quality accommodation units would produce a better return.

Center Parcs used to own 3D Education and Adventure Ltd. This subsidiary business offered outdoor activity holidays for unaccompanied young people and school parties. Center Parcs sold off 3D Education and Adventure in 2003 to concentrate on its core business.

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## Issues for the future

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- Center Parcs is trying to attract more business and premium customers. It does not want, however, to deter its core family customers by changing the villages too much.
- Center Parcs has a strong monopoly position in UK short break village holidays catering for customers in socio-economic groups ABC1. It is important that the Company develops its brand name to safeguard itself against any new competitors entering the market.
- Center Parcs is affected by the strength of the economy and by changes in exchange rates. These are influences over which the company has no direct control.
- Center Parcs has plans to expand the villages by building even more executive villas and apartments. Funding for this investment will need to be raised.

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