



GCE AS/A level

1082/01

BUSINESS STUDIES

BS2

P.M. THURSDAY, 20 January 2011

1 $\frac{3}{4}$ hours

1082
010001

ADDITIONAL MATERIALS

In addition to this examination paper, you will need:

- a calculator;
- a 12 page answer book.

INSTRUCTIONS TO CANDIDATES

Use black ink or ball-point pen.

Answer **all** questions.

Write your answers in the separate answer book provided.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.

You are reminded that assessment will take into account the quality of written communication used in answers that involve extended writing (question 3(e)).

Answer **all** the questions.

1. Google's small wonder ready to take on the world

Google launched its new 'superphone', Nexus One, in January 2010. It is a pencil-thin handset that is said to be as powerful as some laptop computers. The first purchasers of the phone in the UK will have to pay a hefty £330, plus shipping costs from America, although it will soon be available through the Vodafone network in Europe. This suggests that Google is adopting a **price skimming strategy** for the Nexus One. It hopes that the Nexus One will become **one of the leading brands in this very competitive market**.

Adapted from The Western Mail, 06 January 2010

- (a) (i) What is meant by a *price skimming strategy*? [3]
- (ii) Explain why Google adopted a price skimming strategy when it introduced the Nexus One. [4]
- (b) Why is it so important to Google that Nexus One becomes *one of the leading brands in this very competitive market*? [6]

2. Sigma3

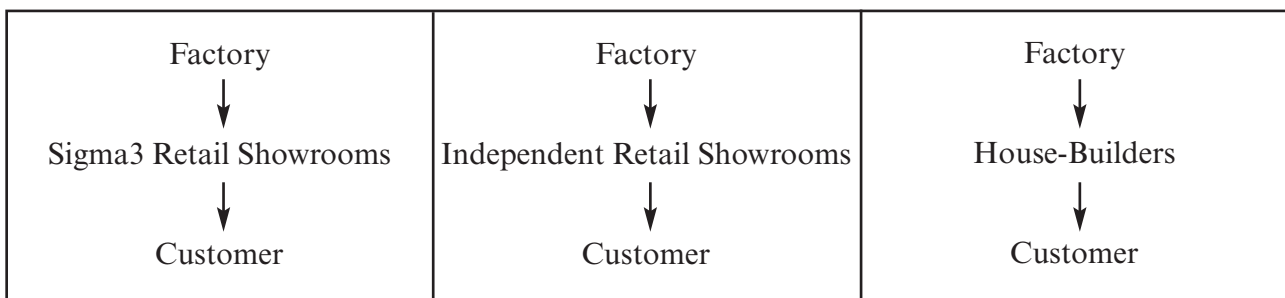
Sigma3 is the largest manufacturer and supplier of fitted kitchens and bedrooms in Wales, employing more than 160 people at its headquarters in Llantrisant. It has built up a reputation for quality since it first started in 1975 and operates at the more expensive end of the market.



Currently it has a total of eleven prestigious retail showrooms across South Wales, Lancashire, Surrey and Sussex. It also has a well-designed website and some impressive brochures for potential customers to read.

In addition to its own retail operation, Sigma3 kitchens and bedrooms are sold nationwide through a variety of independent retail showrooms. The company also sells through well-known house builders and distributors, such as Charles Church, Bellway and Barratt Homes. Its products may also be used in the show homes that these builders use.

Sigma3 Distribution Channels



‘With free design as part of the service, the company prides itself on delivering truly made-to-measure furniture and creative solutions for every lifestyle need. Quality is central to the company’s success. Customer service remains a top priority, along with a high-quality product offering. Together this provides the cornerstone upon which Sigma3 has been built and continues to grow’. (www.sigma3.co.uk)

Bethan Banfield, Sigma3’s marketing manager states ‘I want to ensure that our product range, service and technical support are among the very best in the industry’.

- (a) (i) What is a distribution channel? [2]
- (ii) Explain the possible benefits to Sigma3 of the distribution channels that it uses. [6]
- (b) How can a business, such as Sigma3, ensure that it maintains its reputation for providing ‘quality’ products and services? [9]
- (c) Evaluate the view that the provision of quality goods and services is by far the most important element of Sigma3’s marketing mix. [8]

3. Steve Rogers is a successful entrepreneur who owns ten restaurants employing over 200 people.

Four years ago, Steve bought up two restaurants in the Manchester area. The two restaurants are run by managers: Jason runs 'The White Fox', and Anna runs the 'The Grange'. Steve's experience has taught him that one key to business success is to keep costs under control, and every six months he meets with each restaurant manager to agree a budget and discuss any other issues that he has concerns about.

Anna was excellent at both preparing and meeting her budget, but Jason always spent far too much on ingredients and never met his budgeted cost target. In addition, his restaurant always had to sell more meals each month than Anna's before breaking even. Steve Rogers produced the table below to illustrate to Jason his concerns.

Table 1

	The White Fox	The Grange
Fixed Costs per Month	£6,600	£7,700
Average variable cost per meal	£9	£6
Average selling price per meal	£20	£20

Although The White Fox was very popular, and the staff were happy in their work, Steve Rogers felt it should be more profitable. This profitability problem was also apparent in a number of his other restaurants where managers were tending to overspend on the budgets that they had agreed with Steve. He therefore decided to set up a separate **purchasing department** which would, in future, buy everything that all ten of his restaurants needed.

Whilst Anna's financial management and marketing skills were impressive other problems were apparent at The Grange. Staff turnover was very high and the thirty staff who currently worked there had all recently signed and sent a letter to Steve complaining about how unhappy and bored they were in their work. They pointed out that Anna constantly monitored their work and never consulted them, showing no trust in them whatsoever. When he showed the letter to Anna, she responded by saying that they were the best-paid restaurant workers in the area. Steve was disappointed with this response as he had already talked to Anna in the past about her '**Theory X**' **approach to the management of her staff**. He asked her to try to resolve the problem by thinking of more imaginative ways in which she might motivate those people who worked for her.

Managing people was never easy: Steve reflected that if he could combine the talents of both Jason and Anna, he would have the ideal restaurant manager.

- (a) Using the figures in Table 1, calculate how **many more meals per month** The White Fox has to sell to break-even when compared with The Grange. (Show your workings.) [4]
- (b) Consider **both** the benefits and drawbacks of budgeting to Steve Rogers' business. [8]
- (c) Explain **two** advantages to Steve of setting up one purchasing department for all of his restaurants. [4]
- (d) Explain what is meant by Anna's *Theory X approach to the management of her staff*. [4]
- (e) Evaluate various ways in which Anna could improve the motivation of her staff. [12]

BLANK PAGE

BLANK PAGE

BLANK PAGE