

**Thursday 14 June 2012 – Afternoon**

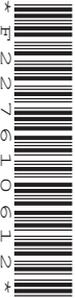
**A2 GCE BUSINESS STUDIES**

**F293/01/RB Marketing**

**RESOURCE BOOKLET**

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

**Duration: 2 hours**



**INSTRUCTIONS TO CANDIDATES**

- The information required to answer questions 1–6 is contained within this Resource Booklet.

**INFORMATION FOR CANDIDATES**

- The information contained within this Resource Booklet is based upon one or more real businesses.
- This document consists of 4 pages. Any blank pages are indicated.

**INSTRUCTION TO EXAMS OFFICER/INVIGILATOR**

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## McClure Sofas Ltd (MSL)

McClure Sofas Ltd (MSL) is a UK manufacturer. The business, set up 40 years ago, designs, develops and produces a range of both traditional and contemporary leather and fabric sofas. All items are handmade in its factory in north London. MSL supplies its products to retailers and interior designers, both large and small, across the UK and into continental Europe. It does not sell 'direct to the public'.

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Recent years have seen a change in customer expectations and a design and development service was added in 2009. This allowed MSL to respond to changing customer requirements and to be at the forefront of the latest design innovations. MSL provides a range of products to cater for almost every occasion, from the classic antique styling of the 1800s to modern day designs. Each item is produced with the greatest of care and to the highest specifications. MSL claims on its website to provide delivery to its customer's location with lead times as short as four weeks. Typical customers include many established hotels, restaurants and embassies both in the UK and abroad. 60% of sales value is concentrated between two major furniture retailers.

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The Managing Director, Al McClure, describes himself as 'driven' and this has led to MSL being a major innovator in the market. He is aware that MSL generally targets the 'high end' of the market, with typical mark-up on costs being very high. MSL's reputation, built on strong customer links and word of mouth, has been crucial in enhancing success.

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Al, along with Marketing Director, Bex Lambert, regularly attend trade fairs and exhibitions. MSL promotes itself through its website and the production of glossy brochures. The design team carry out constant reviews of the product range with consideration of both value analysis and where a particular style of sofa may be in its product life cycle. Much of the work is bespoke and it is common for Bex, or one of her team, to visit potential customers to discuss very specific requirements. This aspect of the 'place' strategy has allowed MSL to gain sales growth of 20% over the last two years. Repeat orders are common and the business is looking to grow further in the next five years.

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One aspect of future growth is to further develop the overseas markets of the business. Al is aware that Eastern Europe is something of an untapped market for MSL. He has already made contact with a possible agent in Prague. Further consolidation in the existing European markets especially, France and Spain is, also possible.

The UK market also presents further opportunities. Bex feels that MSL should embark on fairly extensive market research to obtain a better understanding of the new types of business which MSL could target. As with previous research carried out by MSL, Bex is concerned about sampling error.

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There are two main UK opportunities which Bex is keen to consider. These are:

1. Manufacturing specialised sofas and chairs for consumers with limited mobility. Bex is keen to exploit the possible high mark-ups in this market. If this opportunity were to be adopted there would be considerable impact on all aspects of the business.
2. Direct selling to the public. This would have major consequences for the existing distribution chain and Al is nervous about the effect it would have on MSL's established customers. Direct selling to customers would shorten the distribution chain allowing higher returns for MSL.

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Another agenda item at the next strategic management meeting is the pricing policy used by MSL. Items in the MSL brochure have a stated list price with a variety of discounts. Al feels that customers are often swayed by discounts from a brochure price rather than a more realistic price, being quoted from the outset. On the other hand, Bex is pushing for lower brochure prices to be shown. She is concerned that potential customers are put off making an enquiry by the high prices quoted in the brochure. Bex feels that the analysis of a recent price promotion backs up her argument (see Table 1).

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**Table 1 – Sales of contemporary leather three-seater sofas (brochure prices)**

Financial period	Selling Price	Sales	Costs per item*
Period 1	£750 (normal price)	42	£350
Period 2	£500 (promotional price)	90	£300

\*Costs are based on raw material and labour costs related to numbers produced. Economies of scale are taken into account.

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Pricing strategies, developing new European markets, selling sofas and chairs for those with limited mobility, market research – there was much for the forthcoming strategic management meeting to discuss. Al was wondering what to prioritise to ensure that MSL's growth target is achieved.

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