

Thursday 20 June 2013 – Morning

A2 GCE BUSINESS STUDIES

F293/01/RB Marketing

RESOURCE BOOKLET

Duration: 2 hours

To be given to candidates at the start of the examination



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.

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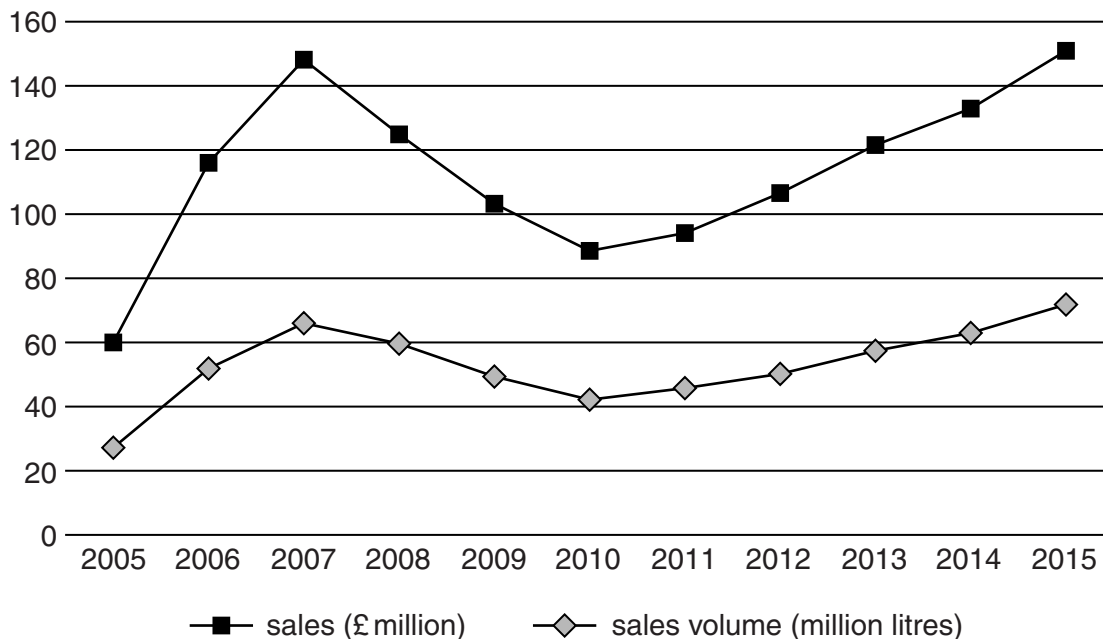
Smooth Operator Ltd (SOL)

Smooth Operator Ltd (SOL) was launched by Tanya and Rebecca Atkinson in the years following their university studies. It brought fruit smoothie drinks to the market place from an initial operation which started on a very small scale in Tanya's kitchen. It produced products for sale at local markets featuring fresh, locally-farmed ingredients. Back then, the only employees were Tanya and Rebecca and the product range included just five different flavours of smoothie. 5

Tanya and Rebecca were sitting in the reception area of their venture capitalist partners, Phoenix Investment Ltd (PIL), waiting for a meeting. They were reflecting on the ups and downs of their business over the 12 years since it had been launched. How things had changed. SOL, with the help of PIL, is now the market leader in the smoothie market in the UK and has successfully managed to launch across Europe. The product range has grown to 36 different flavours and production has expanded, alongside increased market share and market size. SOL now has an impressive 76% market share in the UK. SOL products are now stocked in over 10000 outlets using a vast distribution network backed by a substantial advertising and branding strategy based around the wholesome and healthy attributes of the product. 10

Tanya has recently undertaken some extensive market analysis of the smoothie market and has identified some key trends (see Fig. 1). 15

Fig. 1 – UK & Europe market trends and forecast for smoothies 2005–2015



Tanya and Rebecca were meeting with PIL to talk about the future business strategy for SOL. On the back of the predicted growth projections for the UK and European markets, Tanya and Rebecca are keen to look to the future and have planned a radical new proposal for the strategic growth of the business; to enter the smoothie market in the USA. 20

Their presentation to the PIL directors started with the following facts and figures about the USA market obtained through some desk-based research:

- Rapid growth in the USA smoothie market over the past five years.
- USA smoothie market to reach US\$3 billion by the year 2015.
- Market growth in the USA expected to be 10–13% over the next five years. 25
- Relatively low barriers to entry to the USA market.
- Health and fitness trends in the USA continue to develop, backed by government support.
- There are five key players in the USA smoothie market with the current market leader being 'Jumbo Juice'. 30

Tanya concluded her part of the presentation with the message that “building the brand, that is Smooth Operator, will be the key to success in the USA market”. She turned to Rebecca who was outlining the strategy by which they intended to achieve this objective, with the financial backing of PIL.

Rebecca proposed a marketing strategy based on key information gained from an analysis of the UK and European business, detailing some key lessons to be learned around price sensitivity and added value analysis of the product range (see Table 1). 35

Table 1 – Forecast price sensitivity – SOL Smoothies 2013

Price	£1.89	£1.99	£2.09	£2.19	£2.29
Quantity demanded – UK and European market	102 million units	96 million units	90 million units	78 million units	69 million units

Rebecca emphasised in her presentation that price and value for money, based on branding and added value of the product, were vital and getting this right for the USA market would be critical, as well as an efficient and effective distribution strategy. 40

Finally, Rebecca turned to the issue of the promotional and targeting strategy. “This is the most innovative element of the ‘USA Strategy’. The plan is to spend as little on conventional promotional techniques as is possible”, said Rebecca. The response from her audience was somewhat predictable.

“How are we going to achieve that?”, questioned Bob Charles, CEO of PIL. 45

“Quite simple, through 21st century social network marketing approaches and returning to our original strategic form and thinking small”, Rebecca responded. “Our proposal focuses on initially targeting one test-market, the state of California, USA. There would be a limited distribution model and a fully managed social network marketing strategy to build brand awareness and loyalty. It is effective and innovative. People trust their friends, what they say and recommend. We can tap into this trust.” 50

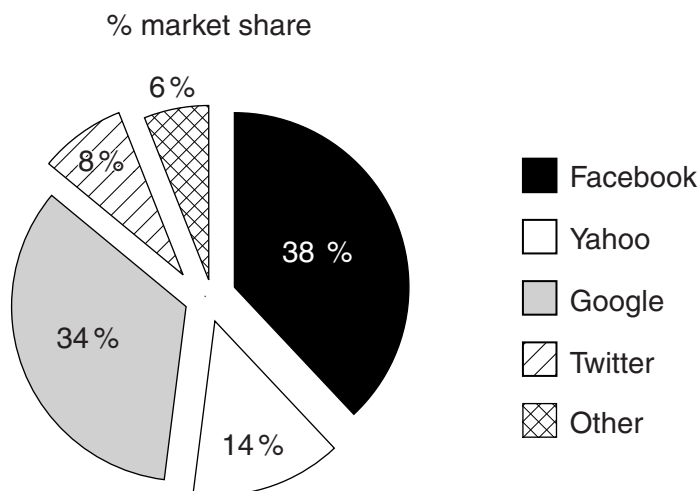
Rebecca supplied two slides to the meeting (see Figs 2 and 3):

Fig. 2 – SOL desk market research – USA

Smooth Operator – ‘USA Strategy’

- “People share, read and generally engage more with any type of content when it is surfaced through friends and people they know and trust” Facebook 2011
- 93% of US adult Internet users are on Facebook
- The USA has 164 million Internet users with 152 million ‘Facebookers’
- 1 out of every 8 minutes spent online in the USA is spent on Facebook
- The average Facebook user spends over 11 hours per month on guess what... Facebook!

Fig. 3 – Social networking market share – USA



Tanya finished the presentation with the financial implications: a substantial investment would be needed to support the proposed USA strategy in terms of productive capacity, human resources, etc. There would be risk involved, but the potential rewards for business growth and financial returns could be enormous.

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