



**Wednesday 18 June 2014 – Morning**

**A2 GCE BUSINESS STUDIES**

**F296/01/RB** Business Production

**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.

#### **INSTRUCTION TO EXAMS OFFICER/INVIGILATOR**

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## Prince's Paintball Ltd (PPL)

Prince's Paintball Ltd (PPL) operates three paintball centres in the UK, where customers, minimum age 16, play 'paintball'. Paintball is played in a series of games where teams of players use compressed gas powered guns, called 'markers', to shoot paintballs at their opponents and achieve set game objectives. Despite years of sluggish UK economic growth, people seem to have disposable income for paintballing. Often this is because PPL caters for the 'special events' market – birthdays, pre-wedding parties, 'team building' for work colleagues and the like. PPL's Head Office is based at its largest paintball centre near London and its other two centres are in Bristol and Stafford. 5

The Bristol PPL centre is run by Mandy Harris, an ex-army sergeant and excellent organiser. Mandy has a staff team of eight paintball 'marshalls', PPL's minimum requirement for 'quiet' days. On such days, usually Monday to Friday, Mandy takes charge of most of the daily logistics. At weekends, when it is busiest, Mandy is very dependent on hiring extra staff and delegating authority to a number of 'senior marshalls'. Having well trained marshalls means that customers have ample supervision, are safe and receive value for money. In the playing area the marshalls themselves are in danger and it is essential that they adhere to very strict rules. Customer focus is essential, but it used to be easier when the operation was smaller. 10  
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On arrival at Bristol PPL paintball centre, customers are directed to a parking space and then channelled into a mock army-style barracks. Mandy operates a 'production line' where customers pay, sign health and safety forms, pick up their protective clothing, marker, paintballs and mask and congregate in an enclosed square where they give their food order for lunch. Here they are assigned to teams and await a safety briefing. Essential to this process is a safety mask check by one of the marshalls. 20

Lunch consists of various pizza and soft drink options. Pizzas are baked on-site in a special oven, although the dough bases are prepared off-site the day before and brought to the site mid-morning for toppings to be added. Prior knowledge of customer numbers is essential to ensure correct stock levels. Mandy hates to see wasted food. 25

Most of the time staff are overstretched and there are queues at each stage of the customer experience.

Over recent years, huge growth in customer numbers has resulted in considerable economies of scale. However, because of daily variations, Mandy does not agree with PPL's stated objective of '90% capacity utilisation per day'. At its busiest, Bristol PPL accommodated 200 customers one day last summer, a record for the centre, and a frightening experience for Mandy as health and safety requirements were compromised. Overcrowding means less 'gaming time' for customers. It also means less time to manage essential repairs and maintenance of equipment, which sometimes has to occur after the centre has closed. Too many customers turn up without prior booking and Mandy finds herself under-staffed and short of paintballs and food. She hates to 'cut corners' with staffing, but does not want to turn anyone away. Bristol PPL has a number of advance bookings for August bank holiday weekend, and Mandy is sure that on each of these three consecutive days the centre will have 200 customers again. However, some days there will be a series of last minute cancellations. Last Saturday, for example, Mandy was expecting 130 customers but, put off by a poor weather forecast, only 50 turned up. 30  
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Mandy is also frustrated by PPL's restrictive approach to pricing as she feels that it limits her ability to innovate. Any change to pricing at Bristol PPL requires Head Office approval. This is often refused as Head Office likes to keep all three centres operating on the same basis. Mandy would like the flexibility to vary the price. Sometimes she would like to raise prices to cover customers' specific requirements, such as a group which recently wanted a wooden fort. On other occasions, when customer numbers are low, she would like to reduce prices. Head Office operates a full costing approach and apports one third of its own overheads to Bristol PPL. Even though Bristol 45

is the smallest centre, the Head Office costs must be absorbed along with all of Bristol's own overheads. The concept of marginal cost seems to be unheard of and Mandy often tries to explain some of her decisions as 'opportunity cost situations', but Head Office takes no real interest. 50

Bristol PPL's daily total overheads (fixed costs) are £1750 – made up of £850 of Bristol PPL's own overheads and £900 apportioned from Head Office. The average revenue per customer is £35 and the average variable cost per customer is £15. Head Office insists that each separate day is a 'profit centre' and should at least break-even. It even sets a daily target profit level. Given the unpredictable demand, Mandy ignores this business objective. 55

Mandy is ambitious and wants to make an impact at the Bristol PPL centre. For some time she has had her eyes on TeamWork (TW), a local education authority owned organisation, based 15 miles away. TW offers a range of team building activities, such as paintball, raft building and climbing. It only operates on weekdays during term-time and only with a small number of schools. Paintballing at TW is on a very small scale and is exclusively for younger children. The local education authority has been looking to sell TW to the private sector for a number of years and Mandy feels that PPL is ideally placed to buy it. She would like to move TW's paintball and other activities to Bristol PPL's bigger site. Despite Mandy producing a detailed business plan for this proposal, she still feels Head Office will say 'no'. 60  
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