

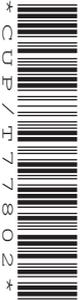
**ADVANCED SUBSIDIARY GCE**  
**APPLIED BUSINESS**  
Unit 4: The Impact of Customer Service

**F243/CS**

**CASE STUDY**

**Thursday 8 January 2009**  
**Morning**

**Duration: 1 hour 30 minutes**



**INSTRUCTIONS TO CANDIDATES**

- This is a clean copy of the Case Study which you should already have seen.
- You should refer to it when answering the examination questions which are printed in a separate booklet.
- You may **not** take your previous copy of the case study into the examination.
- You may **not** take notes into the examination.

**INFORMATION FOR CANDIDATES**

- This document consists of **8** pages. Any blank pages are indicated.

## The Hot Spot

### Michael's Ambition

Michael Pope lives in Moorton, a large industrial town in the north of England. He left school at 16 and studied for a qualification in hair and beauty therapy at a local college. After qualifying, he worked in a hairdressing salon – Hairwaves – on the outskirts of town, but did not really enjoy the job. The wages were poor, cutting hair bored him and he craved more responsibility. On the plane back from a holiday in Benidorm two years ago, Michael told Wanda, his wife, just how much he was dreading going back to Hairwaves on the Monday morning. “I’d love to leave and set up on my own,” he sighed, “but I haven’t a clue what to do.” “Why don’t you open a tanning salon?”, Wanda suggested, “everybody looks great with a tan.” Michael laughed. It was a brilliant idea. Why had he not thought of it before? At college he had enjoyed the module on UV tanning and felt that a tanning salon was just what Moorton needed.

### The Business is Born

As soon as Michael got back to the UK, he handed in his notice at Hairwaves and started to plan *The Hot Spot*, as the business was to be called. He managed to obtain a large bank loan, and, together with some money his father lent him, leased premises in the town centre, close to the large indoor shopping mall and Moorton Sixth Form College. In February 2006, *The Hot Spot* had its grand opening. There was a small reception area and four tanning rooms, each containing a changing booth and a vertical top-of-the-range tanning unit. Prices were set at £5 per ten minute session, although the majority of customers tended to want 20 or 30 minute sessions. Michael soon found that the typical customer was female, around 25 years of age, in part-time employment and living in Moorton.

### A Drop in Numbers

Michael has now been running *The Hot Spot* for nearly three years. Business tends to be constant throughout the year, although just after Easter is the busiest time as people want to build up a tan before their summer holidays. However, over the last few months Michael has noticed a drop in customer numbers. It has now got to the point where he may have to lay off his assistant, Tracie, because he cannot afford to employ her for much longer due to the fall in revenue. The business only has one other competitor in the area – Hardy’s Health Spa – situated on the outskirts of town, which has tanning units similar to *The Hot Spot*’s. However, Hardy’s also offers a range of other beauty treatments as well as having a gym and swimming pool. It does not really have the same customer base as *The Hot Spot*.

### Pricing Strategies

“How can we encourage more people to come to *The Hot Spot*?”, Michael asked Tracie one morning. Looking at the booking sheet, he could see that only ten people were due for a tanning session that day, definitely down on the same time last year. “It could be that we’re just too expensive,” said Tracie. “I know lots of people who would love to have a tanning session but can’t afford it. Maybe we should lower the prices somehow.” Michael was dubious. “I’m not making enough money as it is,” he said. “I’d have to be careful what sort of special deals we offer. I wouldn’t be able to offer them to everyone.” Tracie responded, “but we’re open anyway, and surely it doesn’t cost us that much for each tanning session.”

“I know,” continued Tracie, “why don’t we target Moorton Sixth Form College? I bet that if we offer the students a bit of a discount we’ll get loads of new business.” Michael thought this was a great idea. He discussed some strategies with Tracie, then phoned the local paper, the Moorton Gazette. He asked for an advertisement to be included the next day, detailing the special offers he wanted to run (**see Fig. 1**). Over the next week, Michael saw business increase as students phoned in to book tanning sessions using the discount in the advertisement. Although numbers

were not up as much as Michael had hoped, it was still a good start. "It looks like business is picking up," he commented to Tracie one lunchtime after taking yet another booking.

### **An Angry Mother**

However, just at that minute a woman entered the salon and marched straight up to Michael, waving the advertisement. Michael smiled pleasantly. "Would you like to book a tanning session with us?" he enquired politely. The woman scowled and ripped the advertisement up in front of him. "You're disgusting," the woman screamed. "Not only are you encouraging teenagers like my daughter to bunk off college, but you're encouraging them to get skin cancer at the same time! Are you stupid or something?" Michael tried to explain but the woman shouted over him. "I'll be writing a nasty letter to the Moorton Gazette about you!", she bellowed. "You'd better withdraw this ridiculous offer right away or there will be consequences!" 50 55

### **Another Idea**

"I can't believe that!" Michael cried when the woman had gone. "It's only an advert! We've been doing really well because of it and now I'm being threatened! I hope no-one else in Moorton feels like that about us." Tracie shook her head. "It was bound to upset some people, I suppose. Maybe it's not the target market we should be going for," Michael sniffed. "I bet Hardy's Health Spa doesn't have this problem. I've heard their tanning units are booked solid all year round." Tracie thought for a moment. "I'll tell you what, Michael," she suggested, "as we're quite quiet this afternoon, I'll nip over to Hardy's and do a bit of nosing around. I'll try and discover why they're getting the customers and we're not." Michael nodded. "That's a good idea. Find out what they're doing differently to us." 60 65

### **Regulars**

As Tracie left for Hardy's, she passed two customers in the doorway, arriving for their regular one o'clock tanning session. Sharon and Hayley had been coming to *The Hot Spot* since it opened three years ago. "How are you, Michael dear?" said Sharon, giving Michael a hug. "You look a bit down in the dumps to me." Michael shrugged. "I'm having a nightmare, Sharon. If business doesn't pick up soon, then I'll have to shut down." Hayley looked aghast. "Don't do that! This salon might be a bit tatty around the edges but we wouldn't go anywhere else." 70

The women paid for their sessions and went into their respective tanning rooms. Michael thought for a moment. What had Hayley meant by being 'a bit tatty around the edges'? He glanced around him. He had to admit the place was looking slightly shabby. He tried to see it with fresh eyes. If he was a new customer to *The Hot Spot*, what would he think? Although the tanning rooms themselves were kept immaculate, he had to admit that the reception area was in a poor state. Out of date magazines were strewn around, there was an old sofa that should have been taken to the tip years ago, an overflowing bin and a carpet in dire need of a vacuum. He could see now why customers might be put off. 75 80

### **Loyalty Cards**

Whilst Sharon and Hayley were tanning, Michael reflected on how grateful he was that they and the other regulars kept returning to *The Hot Spot*. He would be stuck without them. Suddenly, he had a brainwave. Why not reward them for their loyalty and encourage them to come even more? He jotted down some ideas for a loyalty card scheme to share with Tracie when she got back from Hardy's Health Spa. "Maybe it's time to concentrate on keeping hold of my existing customers before I attempt to get new ones," he thought to himself. 85

**Research Data**

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A couple of hours later, Tracie returned from her observation at Hardy's Health Spa. "I've written down some notes", she said, handing them to Michael for him to read (**see Fig. 2**). "Although I didn't go in for a tanning session – they were fully booked, anyway - I did get a good look around the place. The staff were lovely. And the place was so modern! I really think we can learn a lot from them". Michael nodded, although in reality he was not sure how helpful the majority of the information was. The free taster session was, at least, something that he had not thought of before but which might be worth risking.

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One thing he was sure of, however, was that if he did not start running *The Hot Spot* as a more customer focused operation, then he was soon going to have serious problems.

## **Come to The Hot Spot!**

Get a year-round tan from our state-of-the-art tanning units!

Special deal for students at Moorton Sixth Form College!

Only £4 per 10 minute session (normal price £5)!

Thursday is 'buy one session get another session free' day!

Block book 20 sessions and get a further 20% discount!

Just quote this advert when you book...

Offers apply Monday to Friday 10am - 4pm only

*The Hot Spot, 16 The High Street, Moorton*

**Fig. 1**

What I found out:

Prices: £9.99 for a 10 minute session.

Customer attributes: Rich, posh and sporty. Average age seemed to be around 35. A good mix of male and female.

Reception area: Clean, modern, customers offered free freshly ground cups of coffee while they waited for their unit to become available. Plasma screens on walls showing music videos. Posters on the wall offering 'free taster sessions'.

Tanning units: Didn't get chance to see, they were all being used. Heard they were good though.

Staff: Very helpful and polite to people both on the phone and face to face. All were wearing uniforms and looked like they knew what they were on about. All had great tans.

**Fig. 2**







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