

**Thursday 26 January 2012 – 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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**Key's Coaches Ltd (KCL)**

Key's Coaches Ltd (KCL) was established in 1962 in Derry-Londonderry, Northern Ireland, with the aim of providing a high quality, competitively priced coach hire and tour operator business. The mission statement of KCL is stated as:

'To be the leading coach operator in Northern Ireland by providing high quality travel services through an efficient team of well trained and highly motivated staff.'

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Roberta Keys, the daughter of the original owner of the business, and now Managing Director, states on all promotional literature that:

'This mission statement is at the heart of everything we do. We work hard to develop close relationships with all our customers by delivering an efficient, friendly service in all aspects of our business. Customer satisfaction is vital and this is achieved with a friendly, close working relationship.'

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Roberta is keen to develop specific marketing objectives which follow from this mission statement.

Roberta splits her customers into different groups loosely based on the purpose for which the coaches are used. These groups include:

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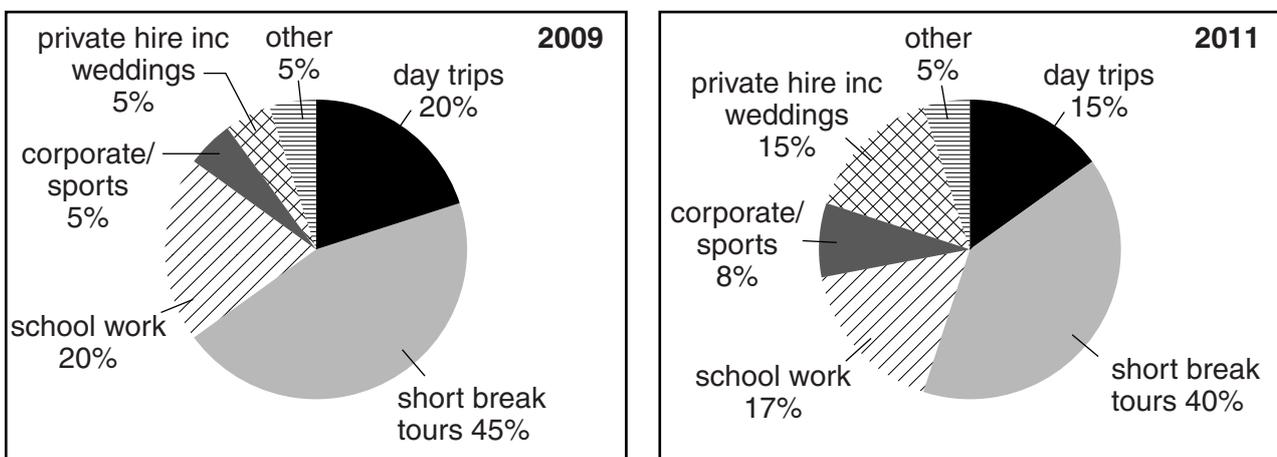
- day trips (to the seaside, etc.)
- short break tours
- school contracts and school trips
- corporate travel
- sporting and golf trips
- church outings
- other private hire including weddings and parties (such as stag and hen parties)

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Roberta is aware that competition in the coach industry is fierce. In Derry-Londonderry there are several coach businesses eager to increase their local market share. She feels that business reputation can often be undervalued by customers keen to discover the lowest prices available. In consultation with the Marketing Director, Alice Brereton, Roberta has looked at sales revenue figures for 2011 and noticed interesting trends when compared with the data from 2009. Alice produced comparison pie charts to show these trends (see Fig. 1).

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**Fig. 1 KCL's market segments 2009/2011**



Overall sales had remained very similar over the two years but Roberta was concerned about the loss of business in KCL's core activities. Alice tried to be a little more positive highlighting the growth in the higher profit activities of the business such as corporate sporting events and stag and hen parties. 30

Alice argued that sending a coach out from the depot incurred more or less set fixed costs. These include driver costs and cleaning costs, etc. Variable costs are largely a function of fuel charges. A mark-up is generally applied to each journey based on the variable costs, added to a smaller mark up on fixed costs. 35

Alice proposed a review of KCL's pricing policy, combined with an approach designed to maximise the revenue gained per passenger. This could include offering additional services to each passenger. Currently all coaches, with the exception of those used for school work, offer air conditioning, DVD player, onboard toilet, refrigeration and tea and coffee making facilities free of charge. In the future, passengers could be charged for onboard snacks and magazines. Alice is keen to make the experience similar to certain airlines. 40

Roberta is interested in this but also feels that revenue could be enhanced by liaising more closely with the corporate customers by offering to provide a complete package. This might include liaising with golf courses, local restaurants, booking theatre tickets, etc. Roberta feels that corporate customers are more interested in stress-free activities and this includes all aspects of planning the package. 45

Roberta is also looking to the future and hopes that KCL can capitalise on Derry-Londonderry gaining status as the first ever UK City of Culture in 2013. The City of Culture is a programme of joyous celebration with an ambitious cultural programme leading up to and including 2013. It is hoped that the profile of Derry-Londonderry will be raised, leading to an increase in demand for the services provided by KCL. Increased tourism in the region presents plenty of opportunities for KCL. 50

Roberta has another issue to consider which could change the way in which KCL operates. The Finance Director of KCL, Jon Hansford, has proposed diversification into the hotel market. One of the popular destinations for coach tours run by KCL is the town of Belleek, situated on the Northern Ireland/Republic of Ireland border. KCL has a contract with the Holden Hotel in Belleek. This involves KCL sending a coach full of passengers to the Holden Hotel most weeks of the year. In the summer months, over 70% of the hotel's rooms are occupied by KCL customers. Jon feels that by buying the hotel it could operate exclusively for KCL, rather than it simply buying hotel rooms when they are required. His figures suggest that an investment of £1.5m could pay for itself within four years. 55

Clearly this would be quite a change for KCL, with implications for all aspects of the operation of the business. Alice feels the need to carry out specific desk research to help evaluate this proposed venture. Roberta and the Board have much to consider at the next meeting in February. 60

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