OCR
Oxford Cambridge and RSA

Level 3 Cambridge Technical in Sport and Physical Activity
05872

Unit 21: The business of sport

Friday 19 January 2018 – Morning
Time allowed: 1 hour 30 minutes

You must have:
- no materials required

First Name		Last Name	

Centre Number						Candidate Number				

Date of Birth	D	D	M	M	Y	Y	Y	Y

INSTRUCTIONS
- Use black ink.
- Complete the boxes above with your name, centre number, candidate number and date of birth.
- Answer **all** the questions.
- Write your answer to each question in the space provided.
- Additional paper may be used if necessary but you must clearly show your candidate number, centre number and question number(s).

INFORMATION
- The total mark for this paper is **70**.
- The marks for each question are shown in brackets **[ ]**.
- Quality of written communication will be assessed in the question marked with an asterisk(*).
- This document consists of **12** pages.

FOR EXAMINER USE ONLY	
Question No	**Mark**
Section A: 1-12	/30
Section B: 13	/5
14	/5
15	/5
16	/5
Section C: 17	/20
Total	**/70**

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Section A

Answer **all** the questions.

1 What is a sports business?

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.....**[2]**

2 Give **two** types of sport businesses in the private sector.

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.....**[2]**

3 Virgin Active Health Clubs are an example of which type of organisation?
Put a tick (✓) in the box next to the one correct answer.

(a) Local Voluntary Organisation ☐

(b) Global Private Organisation ☐

(c) International Public Organisation ☐

(d) National Private Organisation ☐

[1]

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4 The overall business environment is made up of three different sub environments, as shown in **Fig.1**.

From the list below, select the **four** components of the internal environment and enter them into the spaces provided in the diagram:

A. Intermediaries
B. Equipment
C. Other stakeholders
D. Suppliers
E. Finance
F. Employees
G. Competitors
H. Functional responsibilities

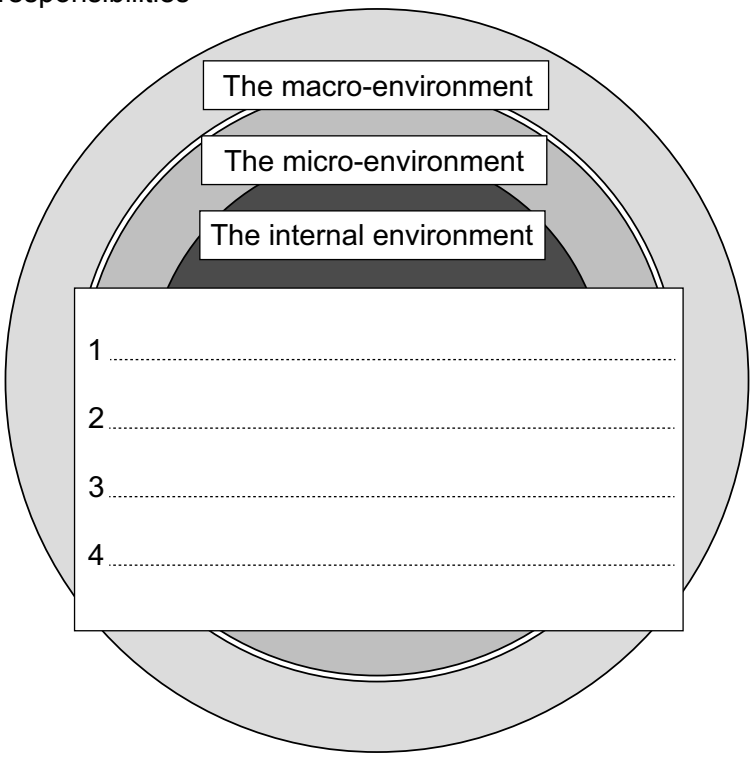

Fig.1.

[4]

5 The macro-environment is made up of several trends and forces. It is often examined using a PEST Analysis.

Outline what each component of a PEST analysis focuses upon.

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.....**[4]**

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6 Pentathlon Limited is a sports retailer and it has had a successful year selling a wide range of sports equipment and clothing across several different countries in Europe.

Explain **four** different ways a sport business such as Pentathlon Limited can measure how successful it has been.

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.....**[4]**

7 Sports betting companies such as William Hill and Bet 365 attract a wide range of customers who are interested in placing bets on the outcomes of professional sporting events.

Describe the benefits for these companies of retaining regular customers rather than having to rely on attracting new ones.

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.....**[4]**

8 Identify **two** roles which volunteers in sport could undertake.

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.....**[2]**

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9 Name **one** right that sport volunteers are entitled to.

.....**[1]**

10 Outline **two** key factors which have an impact on staff recruitment in a sport business.

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.....**[2]**

11 Give **two** characteristics of 'transactional' marketing.

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.....**[2]**

12 Describe **two** key points which help to define what Corporate Social Responsibility (CSR) involves.

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.....**[2]**

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Section B

Answer **all** the questions.

13 Today, Corporate Social Responsibility (CSR) is becoming more important to sport businesses.

Outline, with supporting examples, what CSR involves in sport businesses.

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14 Across all sport businesses, there is now more commercialisation present in their day to day activities.

Using examples, explain how the increasing commercialisation of sports and sports business might feel to consumers.

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.....**[5]**

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15 Volunteers are used in many sporting activities and organisations from local running events to international events such as the Olympics.

Discuss some of the challenges associated with recruiting and managing volunteers.

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16 In all sports businesses, regardless of type, sustainability is vital to the continuing existence of each business.

Describe how sports businesses can try to ensure that they are sustainable.

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.....**[5]**

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Section C

Answer **all** the questions.

How damaging is an Adidas decision to pull its athletics sponsorship?

Adidas has reportedly decided to terminate its sponsorship deal with the IAAF, the governing body of world athletics, amid negative publicity around allegations of doping and corruption. The 11-year deal was set to end in 2019, and according to the BBC, Adidas paid US$33m for the right to be associated with sports ranging from the marathon to the long-jump – a deal worth as much as US$8m a year in terms of cash and products.

Neither Adidas nor the IAAF have directly confirmed or denied the reports but this comes at a time when the IAAF is on its knees after the World Anti-Doping Agency reported that corruption was endemic within world athletics' governing body. Sebastian Coe, IAAF's president since 2015, has robustly defended athletics and the organisation amid a swirling tide of claims, allegations and rumours. Adidas pulling out would be a major blow both to him and to the sport over which he presides.

However, Adidas' reported decision is something of a surprise. The sports brand remained loyal to FIFA during an ongoing corruption probe into football's governing body. The longstanding nature of Adidas' relationship with FIFA may be one reason for such loyalty, unlike its relatively recent links with the IAAF, which may explain why it is said to be jumping ship.

Nor should one forget the "Coe factor" in all of this. Coe brought a 38-year relationship with Nike to his role as IAAF president, an association that attracted widespread criticism. Some felt that his role as a brand ambassador (for which he was paid £100,000 a year) would compromise his presidency, and create a potential conflict of interest. He ultimately terminated the deal, stating that he had only ended his association with Nike because of a perceived conflict of interest rather than a proven one.

While this debate unfolded, Nike's name sat centre-stage of the controversy. Adidas bosses surely can't have been pleased about this, especially as their sponsorship was already becoming embroiled in the emerging doping scandal.

Even so, early termination of a sponsorship deal is a massive strategic call for any business, especially at this level of sport. This suggests that company chiefs are clear in their minds that there is a business case for withdrawal: probably to mitigate some of the reputational damage the company has already suffered, almost certainly to stop consumers associating the Adidas name with doping and corruption allegations.

A decision by Adidas to terminate its deal would be no apocalypse for the IAAF. Former president Lamine Diack previously sold the control of the IAAF's sponsorship rights to a Japanese company, Dentsu. It is Dentsu that sold the rights to Adidas and it will take any financial hit that an Adidas sponsorship termination brings. That said, athletics is damaged goods and early termination will tilt the balance of power in sponsorship negotiations away from the sport and towards prospective sponsors.

Don't bet on there being a mass outbreak of morality though. With a high-profile sponsorship property such as world athletics now up for grabs, it is likely that several of the world's leading sports apparel brands will be taking a close look at filling the gap.

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As the case of Puma and the South African Football Association proved a couple of years ago, just because one company takes the moral high ground doesn't mean its rivals will too. Puma ended its sponsorship over fixing claims only for Nike to replace it. Similarly, it is inevitable that the likes of Nike will be monitoring the current situation very carefully.

Whoever the new sponsors ultimately may prove to be, the revelations could well be era defining. For years, many critics have been calling on sponsors to take direct action against sports and any governing bodies deemed to have been corrupt, immoral or even just badly run. Viewed in these terms, Adidas' decision may be a tipping-point, where the morals of the marketplace begin to dominate corporate decision making. After all, why would any company hang around a sport so tarnished that it might, in the eyes of consumers, become tarnished in the same way?

17 (a)* Analyse the potential impact on both the IAAF and Adidas if the sponsorship deal is terminated.

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(b) Describe the alternative sources of funding open to the IAAF, should Adidas decide to withdraw its sponsorship support.

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(c) What are the benefits and drawbacks of big sponsorship deals as sources of sports funding?

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END OF QUESTION PAPER

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