

Centre Number						Candidate Number				
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Other Names										
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For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
TOTAL	



General Certificate of Education
Advanced Subsidiary Examination
June 2015

Business Studies

BUSS2

Unit 2 Managing a Business

Thursday 4 June 2015 9.00 am to 10.30 am

For this paper you must have:

- a calculator.

Time allowed

- 1 hour 30 minutes

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 80.
- Questions 1(c), 1(d), 2(c) and 2(d) should be answered in continuous prose. In these questions you will be marked on your ability to:
 - use good English
 - organise information clearly
 - use specialist vocabulary where appropriate.



J U N 1 5 B U S S 2 0 1

Answer **all** questions in the spaces provided.

1 Read the **case study** below and then answer the questions that follow.

The Pennine Leisure Group Ltd

The Pennine Leisure Group Ltd (PLG Ltd) sells a range of different leisure products in northern England. The company has recently set itself the objective of faster rates of growth. Its products include nightclubs, cinemas, restaurants and bingo halls which sell under different brand names and to different groups of consumers. PLG Ltd's overall net profit margin has declined slightly recently and is substantially lower than those of its competitors.

PLG Ltd's promotional mix uses cost-effective ways of communicating with its diverse consumer groups. It sells different products and uses a range of promotional techniques including advertising for its restaurants and merchandising in nightclubs. The company makes increasing and effective use of social media, such as Twitter, alongside internet advertising; some of its customers use the internet extensively. The company's financial position is an important influence on its promotional mix and only a small budget is set annually for promotional expenditure.

The company's products face varied market conditions with some holding dominant market positions despite competitors spending more heavily on promotion. Its nightclubs hosted 30% of the region's clubbers in 2014. However, its bingo halls attract mainly those aged over 50 and only have a 4% market share. Its expensive, gourmet restaurants are targeted at high earners and hold a 3% market share. These markets are changing in size, the restaurant market is growing quickly, the nightclub market is stable, while the bingo hall market is becoming smaller.

PLG Ltd's managers are concerned by the fall in profitability of its cinema operations: its net profit margin on its cinema operations was 3.15% in 2013. The UK cinema market is slowly declining slightly in size. PLG Ltd has attempted to control its costs (which are mainly fixed) with limited success. It is considering increasing its ticket prices by 15% to £6.33 from £5.50 which had been charged throughout 2014. The average price of a cinema ticket in the UK in 2014 was £6.70 and the price elasticity of demand for cinema tickets in the UK is estimated to be -2.0.

PLG Ltd plans to invest £2.5 million to upgrade its cinema facilities including improved seating, bars and food and drink areas. It is considering how to finance this investment. The upgrade will reduce average seating capacity in its cinemas by 10%.

Data for Pennine Leisure Group Ltd's cinema operations in 2014	
Number of cinema tickets sold by PLG Ltd	2 500 000
Estimated price elasticity of demand for food and soft drinks in its cinemas	-0.4
Average cinema capacity utilisation	48.5%
Its market share for cinemas (in northern England)	7.5%
Costs of its cinema operations	Fixed : £10 500 000 Variable : £3 050 000



2 Read the **case study** below and then answer the questions that follow.

Sleepless Nights

Sleep-E-Beds Ltd (SEB Ltd) was founded 3 years ago. Its business model combines beds manufactured to meet customers' individual needs with online-only sales. Customers design their bed on the company's website which contains many combinations of size, materials and mattresses.

The beds are manufactured in the company's UK factory. The company uses the internet to gain feedback from customers on the products and to monitor delivery performance.

The combination of UK manufactured products and the '7-day delivery' promise has seen sales rise rapidly and continually attracts new customers. This rapid increase in sales has caused cash flow difficulties. The company's employees have only just produced sufficient products to match demand. Employees are happy with the pay rates, but dislike simply having to follow instructions and always being under pressure.

The workforce has grown from the initial 20 to 115. Most new workers are appointed solely on the basis of personal recommendations from existing employees. The 72 factory workers operate in three shifts per day and many are learning on the job from more experienced colleagues. Each shift of 24 staff is controlled by one of the 3 factory managers. The directors work 12-hour days trying to sort out a stream of operational problems.

The factory is extremely disorganised with insufficient space and new machinery waiting to be installed. At a crisis meeting, the Operations Director, Bob Palumbo, put forward the following plan to overcome the company's problems.

- Add a new layer to the organisational structure comprising of 12 production supervisors, each responsible for a team of 6 factory workers and reporting to the factory managers.
- Sub-contract 40% of the company's production to one of Europe's largest bed manufacturers based in Poland.
- Appoint a HR manager to introduce better recruitment and selection procedures.

Bob provided the following data to support his proposals.

	Sleep-E-Beds Ltd current data	Target data
Delivery time	15 days	7 days
Customer complaints as a percentage of orders	14%	0.5%
Labour turnover (last 12 months)	42%	5%
Current capacity utilisation	95%	85%
Labour productivity (output per worker per month)	5	12
Faulty products identified and fixed in the factory (as % of total output)	24%	5%

Bob issued a warning: "We have to organise production efficiently to satisfy our customers. The results of our use of the internet to monitor levels of customer service give us plenty of evidence of its importance. Customer service will become even more important once bigger competitors start to try to offer the same flexibility and delivery as we do."



2 (a) Analyse **one** reason why it is important for SEB Ltd to monitor its levels of customer service.

[6 marks]

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2 (b) Analyse the possible benefits to SEB Ltd of introducing a new layer of production supervisors to its organisational structure.

[7 marks]

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2 (c) To what extent do you think that better recruitment and selection procedures will be the most effective way of improving the performance of SEB Ltd's workforce?

[13 marks]

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