



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2012

Business Studies

Assessment Unit AS 1

assessing

The Competitive Business

[AT111]

THURSDAY 14 JUNE, AFTERNOON



TIME

1 hour 30 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.
Answer **both** questions.

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.

Quality of written communication will be assessed in Question 1 parts (c), (d) and (e) and Question 2 parts (c), (d) and (e).

Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

ADVICE TO CANDIDATES

You are advised to take account of the marks for each question or part question in allocating the available examination time.

- 1 Study the information below and answer the questions that follow.

The Century Old Consumer and the Product Life Cycle

The number of consumers aged 75 years and older is set to increase greatly. According to a study in 'The Lancet' medical journal, half of all babies born since the year 2000 in developed nations will live to be 100 years old. However, few businesses seem to be planning for this.

One brand that is trying to stretch its universal appeal to the century old consumer is Nintendo. The gaming company manufactures a range of products which are aimed at consumers across all age groups. Products such as the Nintendo DS or the Wii were originally aimed at young audiences with games such as Super Mario Bros and Wii Sports. Now they are also targeted at elderly consumers using a number of brain training and fitness games.

Nintendo Chief Executive, Satoru Iwata, describes how he watched an elderly gentleman playing golf using a Nintendo Wii: "I felt immense pride in our work at that moment. I'm sure that with a conventional controller, people like him would never have been able to play our games." The company now supplies its Wii consoles to some care homes for the elderly. Nintendo prides itself on the high quality of its products and attention to consumer feedback.

Nintendo launched a recent Christmas advertising campaign using a celebrity line-up, including Sir Terry Wogan, JLS and Ant and Dec. The company is intending to demonstrate, through its advertising, that it offers something for everyone. Dawn Paine, Marketing Director at Nintendo UK says "This Christmas ... we will be helping the nation play together and have fun whatever their age."

Adapted from "Get your share of the century old consumer" by Lucy Handley, 22nd April 2010 at <http://www.marketingweek.co.uk/in-depth-analysis/cover-stories/get-your-share-of-the-century-old-consumer/3012474.article> and "Nintendo reveals star line up" by Rosie Baker, 4th October 2010 at <http://www.marketingweek.co.uk/sectors/consumer-goods/news/nintendo-reveals-star-line-up/3018887.article>

- (a) Explain what is meant by the promotion element of the marketing mix, using an example from the case study to illustrate your answer. [4]
- (b) Outline what is meant by the term product life cycle, using an example from the case study to illustrate your answer. [4]
- (c) Analyse the main factors that Nintendo may have considered when deciding how much to spend on promotional activities over the Christmas period. [8]
- (d) Discuss Nintendo's strategy of targeting a niche market such as elderly consumers. [12]
- (e) Evaluate whether an organisation such as Nintendo should try to prolong a product's life cycle. [12]

2 Study the information below and answer the questions that follow.

Ikea Ltd

Ikea Ltd has 127 000 employees and 280 stores in 26 countries. It operates 19 outlets in the UK. Its yellow and blue stores are easily recognisable by customers and are stacked with Swedish flatpack furniture, ready to be assembled at home. Typical outlets have ample parking facilities, disabled access and a cafeteria to name a few features, all aimed at making the shopping experience better for customers. The company was founded in 1943 by Ingvar Kamprad. Despite its global ambitions, 79% of Ikea's sales still come from Europe.

Ikea has overtaken Argos as Britain's largest seller of home furnishings. According to market research carried out by Verdict Consulting, Ikea's share of the UK market has risen to 6% while Argos's share has fallen to 5%. Ikea's sales growth of 1% to £1.2 billion went against the trend in the home furnishings market in 2009, which shrunk by 7.4% mainly due to continued weakness in the housing market. The company, which has just decided to begin publishing its financial results on an annual basis, said that the bulk of its 2009 profits were re-invested in expansion projects.

Martin Hansson, Ikea UK and Ireland Country Manager commented, "By staying close to our customers we have understood they are more conscious of price, but do not want to compromise on quality, design or good service. Therefore we have always focused on offering the lowest-priced products across each area of the home." Recent months have seen Ikea launch a planning, delivery and installation service for kitchens and bathrooms. Hansson continues, "By focusing on two key areas – affordability and improved service levels – I am convinced we will continue to see stable, if not increased, visitation to our Ikea stores."

Adapted from "Flat-pack king rises to the top of the pile", The Times, 1/11/10; "Ikea sales up in first ever published results" – <http://www.bbc.co.uk/news/business-11454578?print=true>; "Ikea UK and Ireland's growth continues" – press statement on company website 31/10/10 http://www.idea.com/ms/en_GB/about Ikea/presIPR FILES/IKEA FY10 results 31.10.10.pdf;

- (a) Explain what is meant by quality using an example from the case study to illustrate your answer. [4]
- (b) Explain what is meant by the physical environment element of the marketing mix, using an example from the case study to illustrate your answer. [4]
- (c) Analyse why Ikea might want to further increase its market share. [8]
- (d) Discuss the advantages and disadvantages to a business such as Ikea of operating as a private limited company. [12]
- (e) Evaluate one approach by which Ikea might achieve competitive advantage in the home furnishing market. [12]

THIS IS THE END OF THE QUESTION PAPER

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