



Wednesday 18 June 2014 – 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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Skate Nation Ltd (SNL)

With a loud cheer, the launch party for Skate Nation Ltd (SNL) was fully underway. Tomorrow will be the first day of trading for this new business in the busy northern town of Waddington. Skate Nation is a purpose-built skate park targeting some of the latest street sport crazes for young people including street surfing, rollerblading, freestyle skate boarding and BMX racing.

Danny Major surveyed the party in the warehouse where his dream had just become reality. As a grandfather to four boys, he would never have thought that, at the age of 62, he would be opening a skate park facility in his home town. Danny had taken a redundancy payment with three of his colleagues only six months earlier. They had jointly invested in this new venture building a modern facility for the young people of Waddington in a disused warehouse in the centre of the town.

The site was ideal, with plenty of space, good access by public transport and plenty of parking for parents and grandparents to bring their families. The warehouse was relatively cheap to rent; however, the equipment inside and the café area had required substantial investment. Although Danny and his fellow investors had agreed to work in the skate park on a rota basis, an additional 12 staff would also be employed.

Danny was doing an interview for the local newspaper at the launch party. The newspaper wanted to do an article based on the fact that four grandfathers were responsible for the development of SNL with an in-depth feature into their motivation and the research behind the launch.

Danny explained, "We may be granddads, but we are not ready for our slippers just yet! We have all had careers in industry here in Waddington and we not only wanted a new challenge but also to put something back into the community. The idea of a skate park came about from listening to our grandchildren and their friends. They are all crazy about skating, rollerblading and BMX biking but Waddington did not have anywhere for them to do this. Well, it certainly does now."

Over the previous six months, Danny and his fellow investors had been busy conducting their market research. They had spoken at length with their various grandchildren and even conducted some interviews on the streets of the town talking to potential customers of all ages about their ideas. The responses which they received had helped to shape their business proposal, its design and the marketing objectives and strategy on which they had been working.

The responsibility for marketing the new venture was Danny's. His fellow investors had taken on other responsibilities such as the legal elements, finance, staffing and operations. Together, the four investors were sure that they had all aspects of the business strategy covered. Danny had continually advised his fellow investors on the results of the market research from which the marketing plan for the business had been drawn up. His initial findings from the focus group of families included the data in **Fig. 1**.

**Estimated age segmentation percentages for SNL
based on focus group of families**

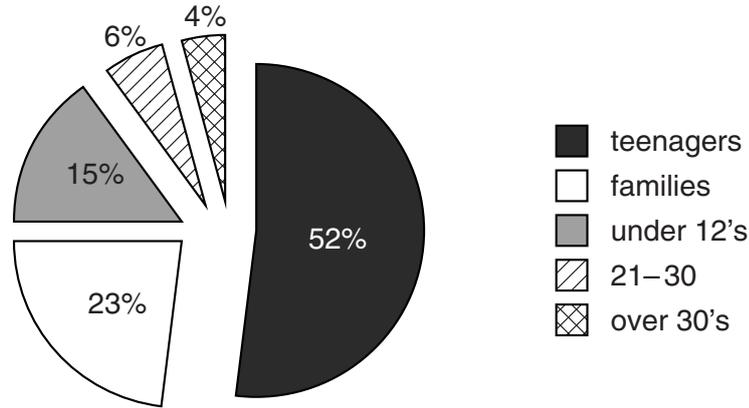


Fig. 1

In addition to this quantitative data, the market research highlighted that this type of 'craze driven' facility has a definite product life cycle. This would require careful management of the marketing mix over time. The need for continual review of the product strategy was also identified. Danny believes and has produced a sales forecast (see Table 1).

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Danny's sales forecast for SNL

Sales forecast for skate park hours	Year 1	Year 2	Year 3	Year 4	Year 5	Annual % growth average
Skate park annual hours demanded (beginners)	77 000	94 000	116 000	142 000	175 000	31.8%
Skate park annual hours demanded (experienced)	35 000	39 000	44 000	49 000	55 000	14.3%

Table 1

Based on the initial pricing market research, Danny presented the following pricing options per hour in the skate park to his fellow investors with an in-depth report on the sensitivity of the pricing proposals (see Table 2).

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Quantity of skate park hours demanded per day

Price per hour	£7.50	£6.00	£4.50	£3.00
Demand	500	620	910	1080

Table 2

The rest of the marketing plan, which was to be used following the launch, was still being written. Some basic advertising had been undertaken in local newspapers and on local radio, but Danny knew that a more targeted, below-the-line, promotional strategy was needed. It was fine to go with mass approaches to publicise the launch, but more thought would be needed in the future. Above all, Danny believed that it was the 'product' which would be the key element in the marketing plan. If the existing warehouse could be changed into a flexible, multi-function 'skate space' which attracted the right target market, customers would come from far and wide to visit it. Danny had explained some of his strategy to his fellow investors that, when established, and well into its product life cycle, word of mouth promotion would not be enough.

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As the launch party drew to a close, Danny and his fellow investors got together as the enormity of the task going forward in growing the business became more apparent to them. Based on their research, business plan and forecasts they were sure that SNL would be a success. However, Danny was now discussing a new business challenge with SNL's investors. Danny had worked on an updated business plan to open a younger children's soft play venue next door! The warehouse next door to SNL had now become available at a bargain rental price and Danny saw this as an opportunity to expand the business.

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They agreed to meet in two days' time when Danny would present his updated plan to open a younger children's soft play venue. With additional investment from the bank, they could diversify the current business and target new market segments. Danny felt an additional advantage of this would be that they could utilise some of the results from the skate park business market research for the new venture. The café facility could be used by both young families from the proposed 'Play Zone' and the customers of the skate park. Danny could only see success in this development and he was confident his fellow investors and the bank would see this as well.

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