

# OCR

Oxford Cambridge and RSA

**Wednesday 17 June 2015 – Afternoon**

**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.

## **INSTRUCTION TO EXAMS OFFICER/INVIGILATOR**

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### Bashir Cars Ltd (BCL)

Bashir Cars Ltd (BCL) is a used car sales business which was started by Adrian Bashir in 1996. Adrian launched the business selling cars to the local market and slowly built up a reputation for reliability and honesty. After two years of trading, the business managed to break-even and it has traded profitably ever since. All of the shares in BCL are owned by Adrian and his family.

Adrian started BCL when he was made redundant from a car manufacturing business where he had been an engineer for 20 years. His love of cars, combined with the ability to assess the quality of a used car, led him to buy a small building with a car park on the outskirts of Granthorpe. Each week he attended car auctions and bought up to three cars in varying conditions which he would service and then sell. 5

In those early days of the business, Adrian worked alone, doing all of the work himself. However, as the business became more profitable, Adrian decided to employ some workers so that he could expand the business. Now BCL has a much larger site on one of the main roads into Granthorpe and it employs seven people: two mechanics, two administration staff and three salespeople. 10

Expansion is still a key objective for BCL and Adrian recently paid a marketing firm to research the local market and recommend some strategies for growth. Tables 1 and 2 show a summary of some of the findings of that market research. 15

#### Used car sales in the Granthorpe area for 2014

Used car sales businesses (within 10 miles of Granthorpe)	Value of used car sales in 2014 (£000s)
Wilson Peugeot*	1450
Collins Renault*	1300
Bashir Cars Ltd	1000
Castles BMW*	750
Star Independent Car Sales	500

\*Franchise dealerships which also sell new cars

**Table 1**

**Findings from a random sample of customers who purchased a used car from BCL between October 2014 and February 2015**

Number of used car customers questioned	50
Average number of cars test driven at BCL before a purchase was made	3
Most important factors influencing buyer behaviour	<ul style="list-style-type: none"> <li>• Price of the car</li> <li>• Condition of the car (including mileage, service history, bodywork, etc.)</li> <li>• Make (brand) of car</li> <li>• Running costs (including fuel consumption, road tax, insurance, etc.)</li> <li>• Reputation of the business</li> </ul>

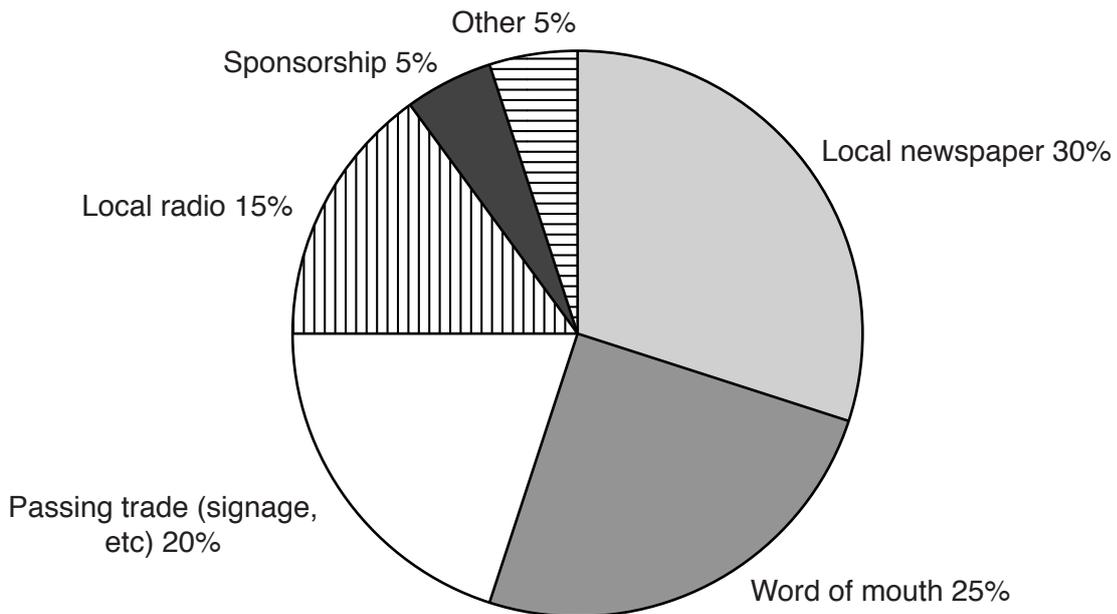
**Table 2**

Adrian understands the importance of promotion in gaining the attention of customers. He uses the location of the business next to a busy road to promote the used cars by placing the 'best buys' on the grass verge next to the road each day. This, combined with a large sign facing the road, gives the business a reasonable amount of passing trade. 20

BCL also places a weekly advertisement in the local newspaper with some of the best used car details and prices. In addition, BCL has a 10 second advertisement on a local radio station which has a catchy jingle and which mentions the location of the business. This advertisement is repeated once an hour. 25

When a car is purchased the customer is asked to identify which promotion method initially attracted them to BCL. The results of this research are shown in Fig. 1.

**Percentage of customers who were initially attracted to BCL by each promotion method**



**Fig. 1**

The price of a used car depends on a number of factors. Each used car sales business will choose how to price its cars so that they attract customers and allow a reasonable profit to be made. BCL uses a competitor-based pricing strategy when setting a price for used cars. When a car arrives it is assessed by one of the salespeople and a mechanic and the details entered onto an electronic database. These details are then compared to other similar used cars available in the area and BCL will price the car to be lower than any other car of the same age, condition and brand. This allows BCL to advertise that the business has the lowest prices in the area. BCL also offers a price guarantee (see Fig. 2).

### The BCL price guarantee

***“If you can find an identical car for less at a competitor business within 5 days, we will refund the difference in price.”***

**Fig. 2**

Adrian is aware that competition in Granthorpe for car sales is high and that the majority of total sales are made by the three franchise dealerships: Collins Renault, Wilson Peugeot and Castles BMW. Each of these businesses also sells new cars of the brand linked to their franchise agreement. This gives them a competitive advantage over BCL and makes Adrian wonder if BCL should become a franchise dealership as well.

The Ford Motor Company has recently been in contact with Adrian to enquire if BCL might become a franchise dealership which would sell Ford branded cars. Ford is the market leader in new retail car sales in the UK and a well-recognised brand name in the market. There are many other benefits which Ford offers to its franchisee retail dealers. These include access to new cars at a reduced cost, help with administration and accounting systems, full signage showing status as a Ford franchise dealership, training, and the support of an experienced Ford Main Dealer as a mentor.

Adrian has done his figures and if he agrees to become a franchise dealership he expects to double BCL's sales turnover within the next two years.

However, to cope with the extra business, BCL would have to expand significantly. This would involve purchasing the land next to BCL's current premises which would double its size and allow more room for stock. BCL would also need to increase its number of employees. In addition, it is typical for franchise dealerships to be set challenging car sales targets, to be required to invest in up-to-date servicing equipment and to maintain very high standards of customer care.

After 20 years of being an independent car sales business and the person in charge of his own company, Adrian, together with his family, must now decide whether or not to join a multinational brand.

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