

Wednesday 22 June 2016 – 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.

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Bib Retail Ltd (BRL)

Bib Retail Ltd (BRL) produces software applications (apps) that can run on computers, smartphones and tablet computers. The business specialises in producing games that are free to download. BRL makes revenue from customers who choose to buy extra content for the game and from other businesses advertising within the game.

The UK software market is estimated to be worth £1.6bn, with the market expected to grow by 1.4% in the next year. There are four dominant businesses including IBM and Microsoft. These businesses account for over 45% of the market.

Apps are usually sold through online retailers such as Google Play and Apple App Store. At any one time, customers can choose from over a million apps to download from many different businesses. Customers can search the online retailers by the name and brand of the app, as well as the type of app. Apps are ranked in terms of popularity and the more popular and well known apps are likely to appear at the top of search results.

BRL is a small business within the software market, but it has developed a good reputation for innovative apps. BRL's main objective is to grow its business in terms of the number of downloads, and through this objective to increase revenue from advertising and extra content.

BRL specialises in business simulation game apps. The business has a portfolio of five games that are available for download (see **Table 1**). The life cycle for the average game is 6–12 months.

BRL product portfolio

Name of game	Stage of product life cycle	Category within Boston Matrix	Percentage of BRL revenue in 2015
Bib's Enterprise Antics	Maturity	Cash cow	40%
Bib's Strategy Saga	Decline	Dog	20%
Bib's Chaotic Management	Introduction	Problem child	10%
Bib's Advertising Adventure	Maturity	Cash cow	30%
Bib's Demon Decisions	Development	—	0%

Table 1

Each app that BRL sells is branded as 'Bib's'. The name originated from the first app that BRL sold. The lead character was Bib, a disorganised entrepreneur who needed help with setting up his business. Since then Bib has appeared in every app that BRL has sold. The brand is especially important to BRL because of the product life cycle of each game.

Bib's Demon Decisions is due to be launched in the next month. The app focuses on the decisions that entrepreneurs make and how these can lead to business success and failure. It will be recommended by a famous entrepreneur. To help BRL devise a suitable marketing strategy for the new app, the business completed some primary market research. BRL used a quota sample of its current customers. The quotas were based on age categories and used the data that customers had submitted when downloading one of BRL's apps. This data often comes directly from a social media account, such as Facebook. Each customer was given one week to test the product. **Fig. 1** includes an extract of the market research data.

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Extract of market research data

- 80% of respondents enjoyed playing the game
- 70% of respondents would not spend any money on the game, they would just use the free elements
- 30% of respondents would spend an average of £1 per week on extra content in the game
- The majority of respondents would download the game from an online retailer, such as Apple App Store or Google Play
- Below-the-line promotion was shown to be most effective for the new game

Fig. 1

BRL does not use television advertising to promote individual apps. However, the business has been testing the use of television advertising to increase awareness of the brand, especially among adults. Whilst the games are popular with children, the adult market has more disposable income. The advertisements have been shown during television programmes between 9.30 am and 11 am. In May, BRL decided to increase the frequency of these advertisements. The details are shown in **Table 2**.

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Television advertising data

Month	Cost of television advertising (£000s)	Quantity of downloads (000s)	Brand awareness among children	Brand awareness among adults
April	62	250	45%	6%
May	93	300	45%	9%

Table 2

BRL has focussed on apps for the UK market, but there are a growing number of customers who download the games overseas. One of the biggest app markets is Japan. The Japanese app market has been growing rapidly and some sources suggest that apps revenue may increase at an even faster rate than the UK market.

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To make the games more accessible to Japanese customers, BRL will need to redevelop the games to change some of the content and the language used. It will also be necessary to heavily promote to this market because the Bib's brand will be unknown.

The Finance Director has estimated that the cost of redevelopment and promotion is likely to be £2 million. It is estimated that this could have a payback period of three years based on some research of the Japanese market. BRL would need to find external finance to fund this.

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In a recent board meeting, the Operations Director and the Human Resource Director disagreed about the idea of targeting the Japanese market.

"Our games have such a relatively short product life cycle, that we struggle to keep up with the development of games for the UK market, let alone having to spend time and resources making the apps appropriate for the Japanese market as well," argued the Operations Director.

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"Yes but we can hire more people who have the skills to do this for us and in the long run we will see more benefit than cost," replied the Human Resource Director.

"While that may be true, many of these employees will need to have technical skills to develop the software. Are you going to spend your time touring Japan looking for people with the right skills?" asked the Operations Director.

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The Marketing Director stayed quiet, unsure as to whether this might be in the best interests of the business or not.



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