Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/22**

Paper 2 Data Response **May/June 2018**

1 hour 30 minutes

No Additional Materials are required.

8582045105

READ THESE INSTRUCTIONS FIRST

An answer booklet is provided inside this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Answer **all** questions.
The businesses described in this question paper are entirely fictitious.

The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **4** printed pages and **1** Insert.

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CAMBRIDGE International Examinations

1 Online Travel (OT)

OT is a private limited company in country X that sells international holidays on the internet. All of OT's current range of holidays are to sunny places with beaches. Customers can search and purchase the holidays through the OT website.

Each employee at OT has a contract of employment. OT employees work in three main areas of the business:

- technical specialists who keep the website updated. The specialists work in shifts so that the website can be updated 24 hours a day, 7 days a week.
- customer service employees who chat online and on the telephone to customers who need extra help to purchase their holiday.
- operations employees who negotiate with the suppliers of holidays and carry out quality checks.

In recent years demand for beach holidays has fallen, particularly among younger consumers. Due to this fall in demand, OT has made the decision to make 20% of the workforce redundant.

The Marketing manager has carried out some market research to identify new markets OT might decide to enter (See Fig. 1).

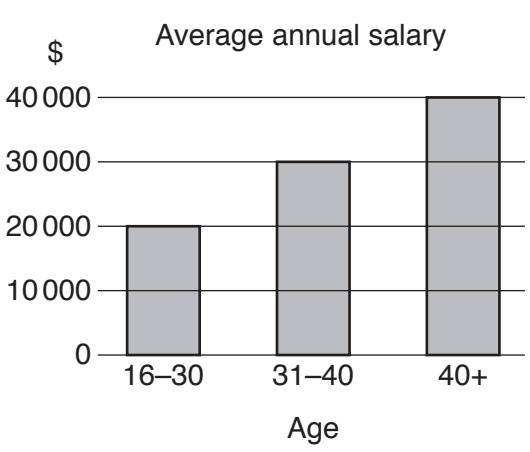
Fig. 1: Market research data

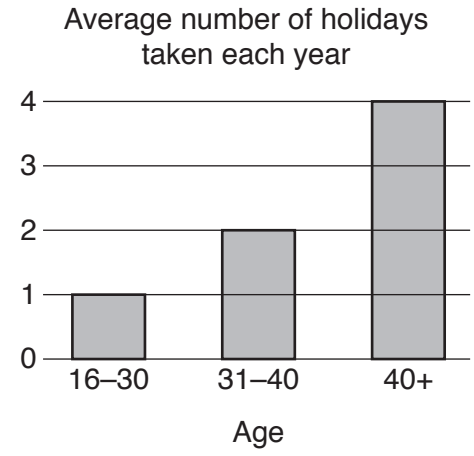
Primary research: A quota sample, based on age (in years)

Number of respondents who would prefer each type of holiday.

Age	16–30	31–40	40+
Skiing holidays	65	30	5
Safari holidays	15	40	40
Cruise holidays	20	30	55

Secondary research: Characteristics of each age group in country X





The Board of Directors has decided to target the 16–30 age group with low-priced skiing holidays. There is a limited budget for the marketing of these holidays. OT will need to rely on the internet to develop the marketing mix.

(a) (i) Define the term 'private limited company' (line 1). [2]

(ii) Briefly explain the term 'contract of employment' (line 4). [3]

(b) (i) Refer to Fig. 1. Identify the age group with the highest average income. [1]

(ii) Refer to Fig. 1. Calculate the percentage of the whole sample who would prefer skiing holidays. [2]

(iii) Explain **one** possible disadvantage to OT of using secondary market research. [3]

(c) The redundancies at OT will affect the employees.

Analyse the effect on **two** stakeholders, other than employees, of the decision to make 20% of employees redundant. [8]

(d) Recommend how OT can use the internet in the marketing mix for holidays aimed at the new target market. Justify your recommendation. [11]

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2 Umpire Umbrellas (UU)

UU is a private limited company that sells umbrellas with pictures it prints on them. All of the pictures on the umbrellas are printed using batch production. The umbrellas can be used to shelter from the rain or as a shade from the sun.

The company has two main markets: consumer and business. UU sells individual umbrellas to consumers. These have pictures of famous people or places on them. They are mainly sold through UU's website. UU produces 20 000 of each design.

The business market for UU is made up of businesses that want their logo printed on a large number of umbrellas. UU guarantees all business orders are delivered within 10 days. Recently, UU received an order from a large bank for 10 000 umbrellas with the bank logo printed on them. The bank gave an umbrella to any customer who opened a new account. The fixed cost for the order was $2000 and the variable costs were $0.75 per unit. UU made $3000 profit on the order.

UU's Board of Directors has been considering two different options to grow the business.

Option 1: UU would sell franchise opportunities to entrepreneurs who can print and sell UU branded umbrellas to the consumer market in the entrepreneur's local area. These entrepreneurs would pay a fee to UU as well as 10% royalties on the profits. In return UU would provide the machinery needed to print the umbrellas. The franchisee would be required to purchase all of their inventory from UU.

Option 2: UU would increase its product portfolio by selling other goods to the business market, such as pens, USB sticks and clothing. This would require external finance to purchase the machinery needed to be able to print on these products. The market for these is growing but is very competitive.

(a) (i) Define the term 'consumer' (line 4). [2]

(ii) Briefly explain the term 'variable costs' (line 11). [3]

(b) (i) Calculate the total revenue of the order from the large bank (lines 7–12). [3]

(ii) Explain **one** reason why UU needs accurate cost data. [3]

(c) Analyse **two** advantages to UU of using batch production. [8]

(d) Recommend which of the two options for growth UU should use. Justify your answer. [11]

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