UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education
Advanced Subsidiary Level and Advanced Level

BUSINESS STUDIES **9707/21**

Paper 2 Data Response **October/November 2012**

1 hour 30 minutes

Additional Materials: Answer Booklet/Paper

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READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.
Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
You may use a soft pencil for any diagrams, graphs or rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

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

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **4** printed pages.

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1 Tiger Skateboards (TS)

The research and development (R&D) team at TS has produced a new design of skateboard. This design incorporates greater strength, less weight and the latest design in roller technology. It is estimated that the new board can go 10% faster than is currently possible. Professional research has shown that these features are important to competitive skateboarders. The boards could be made using mass customisation to meet the design requirements of customers. There is intense competition in the skateboard market.

Haim is an AS Level Business Studies student. He has done a customer survey for TS. Haim produced the following results based on a sample of 10 of his friends.

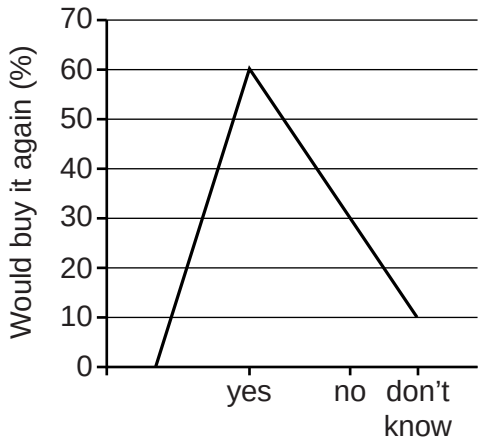
Figure 1: Haim's survey

Question 1: What do you use your skateboard for?
Competition 20%, fun 70%, other 10%.

Question 2: Are you pleased with the customer service you receive?
Fully satisfied 20%, average 50%, dissatisfied 30%.

Question 3: What do you think of the brand name 'Tiger'?
Well known 30%, never heard of it 20%, other 50%.

Question 4: Would you buy the product again?



The TS R&D team has impressed the senior managers. Although the team work in an old warehouse and pay is less than at competitors, the team has excellent new ideas every year. 'That's because we let them get on with it and don't tell them what to do' said Jo, the Managing Director. The team has won awards for innovation. It travels all over the world to conferences where it is recognised as the best team in the industry.

However, Jo is worried about the sales team. Targets were not being met despite strong management. The company provides sales people with higher than average salaries, the best company cars the firm can afford and many perks. These have not led to the increase in sales to retailers that had been expected. Wendy, the Marketing manager, said: 'Things were better when we paid the sales team commission and bonuses. We've made things too easy for them.'

(a) Explain the following terms:

(i) mass customisation (line 5) [3]

(ii) sample (line 8). [3]

(b) **(i)** Suggest **two other** forms of graphical presentation for the answers to question 4 in the survey shown in Figure 1. [2]

(ii) Briefly explain **two** reasons why Haim's survey results are unreliable. [4]

(c) Analyse why the relationship between customers and the business (the 4Cs) will be important to TS if it decides to launch the new product. [8]

(d) Discuss the factors influencing motivation of the R&D team and motivation of the sales team at TS. [10]

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2 Bestmove partnership (BM)

BM are a firm of real estate agents, organising the sale of houses for homeowners. One of BM's corporate objectives is to achieve internal growth. BM successfully expanded from a local business to a national business. It now has offices in all the major cities. Local success was built on customer recommendations, while national success is a result of carefully targeted advertising and effective use of Internet search engines.

Following the successful years, there has been a large decline in BM's business due mainly to a decrease in the demand for houses. Each city office is making a significant loss.

John, the Managing Director, noticed that the housing market is growing in some other countries. He thinks there is an opportunity to open an office in your country. John has prepared the following estimates for this office.

Table 1: Forecast costs and revenues for the office in its first year ($000)

Revenue	100
Direct Costs	50
Other Expenses	20
Net Profit	30

John needs to consider factors such as the market for houses, the employment situation and competition in your country.

Fred, the Operations manager, would prefer to achieve cost savings rather than expanding in another country. He thinks that there is a lot of waste because of poor information systems. The firm currently uses the following systems.

- Paper-based systems for recording houses for sale and clients' addresses.
- Three separate computer systems:
  - ➢ computer 1 tracks progress on each house sale
  - ➢ computer 2 is used for staff pay and other human resource records
  - ➢ computer 3 produces accounts and other management information.

Information is not coordinated or kept up-to-date. Time is wasted finding the right information to use.

BM receives its revenue a week after the sale of a house is completed, which is on average two months after the house has been first advertised for sale.

BM's costs include rents, local taxes, advertising in newspapers and on the Internet, wages and commission.

(a) Explain the following terms:

(i) corporate objectives (line 2) [3]

(ii) internal growth (line 2). [3]

(b) **(i)** Refer to Table 1. Calculate the net profit margin for the first year. [2]

(ii) Briefly explain why cash flow might be a problem for BM. [4]

(c) Analyse the extent to which process innovation (improving information flows) could help BM. [8]

(d) Evaluate the factors that John needs to consider before opening the BM office in your country. [10]

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