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Business management

Higher level

Paper 1

Monday 24 October 2022 (afternoon)

1 hour 15 minutes

Instructions to candidates

- Do not open this examination paper until instructed to do so.
- A clean copy of the **business management case study** is required for this examination paper.
- Read the case study carefully.
- A clean copy of the **business management formulae sheet** is required for this examination paper.
- Section A: answer two questions.
- Section B: answer question 4.
- A calculator is required for this examination paper.
- The maximum mark for this examination paper is **[40 marks]**.

Section A

Answer **two** questions from this section.

1. (a) Outline **two** ways in which the “place” element of the four Ps of the marketing mix is relevant to *ELE*. [4]
- (b) Explain the advantages **and** disadvantages of the methods *ELE* uses to appraise employees in its car rentals division (lines 73–80). [6]
2. (a) Outline **one** advantage **and** **one** disadvantage for *ELE* of changing to cellular manufacturing in the *Zeet* factory (line 34). [4]
- (b) Explain the importance to *ELE* of e-commerce. [6]
3. (a) Outline **one** advantage **and** **one** disadvantage for *ELE* of internal recruitment (lines 69–72). [4]
- (b) Explain suitable internal sources of finance that *ELE* could have used to take over *Zeet PLC* (line 19). [6]

Section B

Answer the following question.

4. In 2010, *ELE* owned 4.5% of the European Union (EU) car rental market. In 2019, *ELE*'s car rental division had revenues of EUR 0.9 billion in a market worth EUR 16.8 billion. Initially, *ELE* only provided car rentals in its gasoline stations in Belgium. By 2014, *ELE* had expanded the service to its stations in France, Spain and the UK.

In 2016, Giselle also reorganized *ELE*'s car rental offices so that each office operated as a profit centre. An entrepreneurial approach was adopted. Office teams received substantial bonuses if they exceeded profit targets, but only offices that met their targets qualified for these bonuses. These targets were set, without consultation, by Giselle. Over a five-year period, targets were met by 85% of offices. Giselle's reorganization was not welcomed by employees.

In 2021, Monica recommended that *ELE* trial the business model she had proposed for the new In3T brand in two major cities in the EU for one year: if successful, the brand and its model could then be launched in all major cities in the EU. Monica said, "We must do it. I'm convinced that our rivals will adopt this business model within two years. If we don't act now, we will be left behind and our rivals will beat us to it."

Giselle, however, disagreed strongly. She had built the car rental division from its inception. She believed high levels of customer service and well-trained staff were two reasons why the car rental division remained successful. She was also unhappy with the EUR 100 million cost and payback of three years.

- (a) Define the term *profit centre*. [2]
- (b) (i) Calculate *ELE*'s market share for car rentals in 2019 (*show all your working*). [2]
 (ii) Explain **one** reason why *ELE*'s market share has grown. [2]
- (c) Explain **two** reasons why *ELE*'s employees may have resisted the reorganization implemented by Giselle. [4]
- (d) Using information from the case study and the additional information above, discuss Monica's proposal to launch In3T. [10]

References: