



88095011



**BUSINESS AND MANAGEMENT
HIGHER LEVEL
PAPER 1**

Friday 13 November 2009 (afternoon)

2 hours 15 minutes

INSTRUCTIONS TO CANDIDATES

- Do not open this examination paper until instructed to do so.
- Read the case study carefully.
- Section A: answer two questions.
- Section B: answer the compulsory question.
- Section C: answer the compulsory question.

SECTION A

Answer **two** questions from this section.

1. (a) Identify **two** fixed costs and **two** variable costs for *Les Maisonnettes*. [4 marks]
- (b) Using data from appendix 4, calculate the current ratio and the acid test ratio of *Les Maisonnettes* in the financial years 2005 and 2008. [4 marks]
- (c) With reference to the figures calculated in part (b), analyse the reasons for the changes in the liquidity position of *Les Maisonnettes*. [7 marks]

2. (a) Describe **two** non-financial incentives that are being considered by Sophie. [4 marks]
- (b) With reference to Sophie, explain **two** features of a “paternalistic leadership style” (lines 96–97). [4 marks]
- (c) Analyse how Sophie’s leadership style may need to change as *Les Maisonnettes* grows over time. [7 marks]

3. (a) Outline how writing a business plan (line 92) could help *Les Maisonnettes* achieve its growth objectives. [4 marks]
- (b) Explain **one** cost and **one** benefit to *Les Maisonnettes* of being a small organization. [4 marks]
- (c) Analyse the effects of the introduction of e-commerce to future marketing strategies for *Les Maisonnettes*. [7 marks]

SECTION B

Answer *the compulsory* question from this section.

4. (a) Describe **two** differences between the marketing of goods and the marketing of services (*lines 65–66*). [4 marks]
- (b) (i) Explain **two** disadvantages for *Les Maisonnettes* of operating in a niche market (*line 40*). [4 marks]
- (ii) Explain how Sophie could develop her human resource requirements to cope with variations in demand for accommodation. [4 marks]
- (c) Recommend changes to **two** elements of the existing marketing mix to help Sophie minimize the effects of fluctuations in demand for accommodation at *Les Maisonnettes*. [8 marks]

Additional information

There is no additional information in this paper for Sections A and B.

SECTION C

Answer **the compulsory** question from this section.

5. On the recommendation of the *Association Française d'Ecotourisme (AFE)*, Sophie met with financial consultants, *Eco-Strat*. *Eco-Strat* are passionate about eco-tourism and advise clients about the opportunities they provide and helped Sophie map out future strategic options. Sophie decided not to develop the education centre (**Option 2**) and was advised against expansion as a luxurious eco-tourist retreat (**Option 3**) given forecasts of a European economic slowdown. However, she is excited about the imaginative proposals presented by *Eco-Strat* to help market and operate the business more effectively (**Option 1**).

Sophie is determined to make the *Les Maisonnnettes* brand central to her business plans, which she will implement through a series of joint ventures involving local food and wine suppliers prepared to let her “own brand” their goods under the *Les Maisonnnettes* label. She believes this will add value to both the products and services offered, while increasing profit levels for her business and that of her partners. *Eco-Strat* proposes three possible business opportunities to promote the *Les Maisonnnettes* brand:

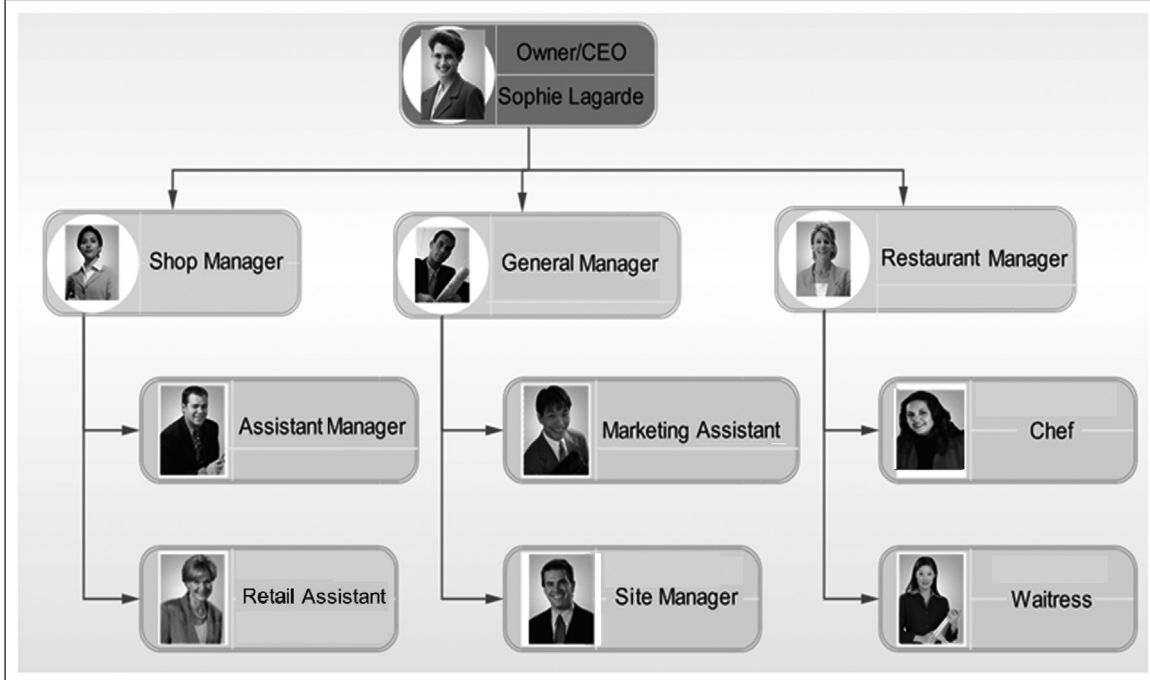
- A Selected *Fly-Fare* flights offer a “regional lunch pack” including local cheeses, wine and produce carrying the *Les Maisonnnettes* label. The packs include “tasting guides” on the products and discount vouchers from the suppliers.
- B “Guest” chefs from local restaurants offer traditional cookery lessons using *Les Maisonnnettes* produce. Ingredients used will be offered for sale after the lessons.
- C The family grocery shop operates as a separate profit centre supplying *Les Maisonnnettes* branded items.

Eco-Strat strongly recommends that Sophie produces a clearer strategy for developing human resources. They suggest she introduces a more formal organizational structure (see Item 1), offer share options and performance bonuses as well as promoting a shared vision (see Item 3) for the business.

- (a) Identify **two** driving forces for, and **two** restraining forces on, Sophie’s proposals to change the operations of the business. [4 marks]
- (b) Explain how the proposed strategy for developing the human resources of *Les Maisonnnettes* may affect employee motivation and performance and staff turnover. [8 marks]
- (c) Analyse the role and importance of own-branding to *Les Maisonnnettes*. [8 marks]
- (d) Using information contained in the case study and in Items 1 to 7, and with reference to *Eco-Strat*’s proposals, to what extent can Sophie achieve her strategic goal to market and operate the business more effectively (**Option 1**)? [10 marks]

Additional information

Item 1: Proposed organizational chart for *Les Maisonnettes* and shop



Item 2: Economic data as at October 2009

Indicator	France <i>forecast</i>			UK <i>forecast</i>		
	2010	2011	2012	2010	2011	2012
Inflation (%)	1.6	2.5	2.8	2.6	2.9	2.0
Economic growth (% change in GDP)	1.3	1.0	2.0	1.4	0.8	2.2
Interest rate (%)	3.0	3.5	3.25	4.5	4.75	4.0
Exchange rate (£:€)				1.14	1.10	1.05

Item 3: Memo from Sophie Lagarde to all staff Ref: Vision Statement

I would like your views on the proposed vision statement and objectives below:

“Les Maisonnettes offers a unique tourist experience and within five years will become the premier eco-tourist destination in the region. At all times we will promote the best local produce to enhance commercial and employment opportunities in the region.”

Corporate Objectives:

- to create a committed and supported team, which share our values
- to care for our visitors, the local environment and our staff
- to educate our visitors about the region and its culture
- to develop cooperative ventures with local entrepreneurs
- to make a positive impact on local people and their livelihoods.

Item 4: Forecast cash flow for Les Maisonnettes: March to August 2010

	(€000 rounded up)					
	March	April	May	June	July	August
Cash sales	8	18	20	23	30	33
Credit sales and other income	4	9	10	14	18	20
Salaries and wages	20	20	23	23	23	23
Overheads	6	8	12	17	18	18
Purchase of capital items		4	6			
Opening bank balance	18	4	- 1	- 12	- 15	- 8
Closing bank balance	4	- 1	- 12	- 15	- 8	4

Item 5: Competitive analysis of the eco-tourism industry in the region of Millau

Competition within the market:

At present there are few operators in this niche market, but there have been 150 applications to join the AFE over the last year and the numbers are rising.

Barriers to entry:

There are few barriers to entering the market, except that eco-tourists research the market in depth and are aware of bad practice. Profit levels tend to be low.

Bargaining power of customers:

Most customers are independent travellers, for whom price is not the major issue.

Threat of substitutes:

There are many potential substitutes if customers do not perceive eco-tourism as different to normal holidays. There is an oversupply of holiday accommodation.

[Source: adapted from *Regional Tourist Authority*, June 2008]

Item 6: Estimated elasticities of demand for eco-tourism						
Elasticity	France <i>forecast</i>			UK <i>forecast</i>		
	2009	2010	2011	2009	2010	2011
Price	0.5	0.7	0.5	0.4	0.9	0.4
Income	1.3	1.0	2.0	1.3	1.6	1.2
Advertising	1.0	1.4	1.3	1.5	1.7	2.0

[Source: adapted from <http://mktrends.com/>, 25 April 2008]

Item 7: Projected visitor numbers to the region of Millau						
	Domestic			From UK		
	2010	2011	2012	2010	2011	2012
(000s)	480	620	680	245	210	250

[Source: adapted from *Regional Tourist Authority*, June 2008]