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Business management
Standard level
Paper 1

Monday 24 October 2022 (afternoon)

1 hour

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 one question.
- Section B: answer question 4.
- A calculator is required for this examination paper.
- The maximum mark for this examination paper is **[30 marks]**.

Section A

Answer **one** question 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 *Zeat* 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 *Zeat PLC* (line 19). [6]

Section B

Answer the following question.

4. *ELE* is continuing to focus on all three of its divisions.

Car rental division

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. Giselle believes that maintaining high levels of customer satisfaction is an important factor in the car rental division's continuing success.

Zeaf division

Zeaf's MiniC production line, based in the UK, has 125 employees, most of whom have been with the business since 2000.

Currently, approximately 90% of MiniC sales are to customers in the EU, and profit margins for the MiniC air compressors have fallen significantly due to rising costs in the UK. Lucas recommended to *ELE* directors that MiniC production be outsourced to a manufacturer in Hungary in the EU.

Gasoline station division

The gasoline station division accounted for 35% of *ELE*'s operating profits in 2021. *Perrana PLC*, a global supermarket chain, has offered to purchase all of *ELE*'s gasoline stations. The offer significantly exceeds the current market value of *ELE*'s gasoline stations.

Perrana would close the gasoline stations and open supermarkets on the sites. All *ELE* gasoline station employees would face redundancy. *ELE*'s workforce will feel betrayed. Although Hugo is very unhappy about the proposal, Giselle has mixed feelings: she would need to find new locations for her 700 car rental offices, but the sale could help finance the expansion of *ELE* car rentals into India.

- (a) Define the term *redundancy*. [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** factors relevant to the *Zeaf* division in its decision to outsource MiniC production to Hungary. [4]
- (d) Recommend whether *ELE*'s directors should accept the offer from *Perrana* to purchase all of *ELE*'s gasoline stations. [10]

References:

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