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Cambridge International AS & A Level

BUSINESS **9609/41**

Paper 4 Business Strategy **October/November 2023**

1 hour 15 minutes

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You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.

INFORMATION

- The total mark for this paper is 40.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **4** pages. Any blank pages are indicated.

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Performance Vehicles (PV)

Jack (a mechanic) and Jimmy (a car salesperson) set up PV as a private limited company in 2010. PV was initially financed through savings and a personal bank loan. The capital raised was used to finance a car sales showroom, a workshop and tools.

PV bought previously owned cars at low cost, repaired any faults and sold them in its showroom.

Timeline of PV

2010–2011	Competition in PV's market is high. Business objective of sales maximisation with a focus on low prices. Low-cost local advertising is used to establish the business. Cash flow is variable and profit margins low.
2012	Jimmy identifies a niche market to restore and sell rare old cars. A strong brand identity develops and profit margins increase.
2013	Specialist magazines are used to exploit growing brand awareness. Business objective changes to profit maximisation.
2014	PV features in a television programme about the restoration of rare old cars. Sales increase by 50%. Recruitment of experienced mechanics.
2015	PV accepts a two-year contract to appear in the car restoration television programme (see **Appendix 1**). Pricing method changes to skimming.
2016	Sales continue to grow rapidly as the PV brand becomes better known. PV purchases a large industrial unit and invests in specialist technology (see **Appendix 2**).
2017	Television contract ends. Sales decline for the first time.
2018–2021	PV sponsors FAST, a Formula 2 car-racing team (see **Appendix 3**). Sales do not grow.
2022	PV finds it increasingly difficult to recruit experienced mechanics.

Influences on PV's future business strategy

A business analyst was commissioned to produce a report into influences on new business strategies for PV (see **Appendix 4**).

The report suggests that electric vehicles are a growing market. Jack does not want to retrain to work on electric vehicles. He decides to retire and sells his share of the business to Jimmy.

Jimmy wants his business to become the market leader in modifying rare old cars to run on electric power. Jimmy has found a venture capitalist with extensive experience of new power technologies. She is very keen to invest in sustainable and ethical products.

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Appendix 1: Data about the two-year contract to appear in the car restoration television programme (2015)

- Niche audience of people who like car restoration.
- Estimated viewing figures of 2 million worldwide.
- PV will not receive a fee from the television company, but PV's logo and product placement will appear in every programme.
- PV is allowed to sell branded merchandise, made popular by the programme, on its website.

Appendix 2: PV purchases land and invests in technology in 2016

- New industrial unit financed by mortgage.
- Gearing ratio increases to 75%.
- New specialist technology financed by retained profit.
- Quality improvements marketed as a unique selling point (USP).
- PV reduces its marketing budget.

Appendix 3: Key Formula 2 sponsorship data 2018–2021

	2018–19	2019–20	2020–21
Annual sponsorship costs ($m)	2	3	4
League finishing position	3	2	7
TV viewing figures per race (m)	15	16	20
Target demographic	Male 45–60	Male 45–60	Male 45–60

Appendix 4: Extract from report into influences on new business strategies

- Growing consumer interest in sustainable production methods.
- Disposable incomes are rising fastest in the 18–30 age range.
- Global agreement to reduce carbon emissions.
- Advances in battery technology will reduce future cost of electric vehicles.
- Large car manufacturers are investing heavily in research and development.
- Criticism of governments for low investment in electric vehicle charging infrastructure.
- Rising congestion charges / banning of petrol vehicles in some major cities.

Answer **both** questions.

1 Evaluate PV's marketing strategy between 2012 and 2021. [20]

2 Advise Jimmy on the extent to which external influences will impact on the success of PV's future business strategy. [20]

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