

## A Level Business - Summer Task

Read the Case Study on EuroAir below. Answer the questions that follow.

### **Case Study: EuroAir is on the charm offensive!**

EuroAir's love/hate relationship with the consumer over the last twenty years cannot hide the fact that the low fares airline is the market leader in Europe for short-haul flights. Profits have been consistently rising, however new Chief Marketing Officer, Stewart Cherry, isn't willing to accept complacency. His first significant plan since joining the company has been to launch the airline's new "business class" that offers flexible tickets, extra baggage and "premium" seating. The corresponding catchy (but very expensive) advertising campaign will communicate the new proposition to business travellers and introduce the strapline "Of course Business can be simple".

Cherry is an uncompromising character and is a straight talking executive. His message is simple - EuroAir cannot continue to ignore the needs of a very lucrative market segment - the business traveller. Features of the new "business class" include flexible tickets, with passengers able to change their ticket free of charge up to one hour before departure, fast-track through airport security, an increased baggage allowance of 20kgs and priority boarding. The London hub continues to be a large market for EuroAir, but the airports they fly in and out of are all outside the London city centre. Cherry was very aware that changes to its service were needed to benefit the frequent flier business customer.

These features come at a slightly higher price than usual economy tickets, but the tickets are not just exclusive to business travellers. Cherry worked closely with the customer relations team to investigate the worrying results of recent annual customer satisfaction surveys. He believes his plans are simply a response to the concerns that customers have voiced.

However the strategy which is very close to his heart, is to expand EuroAir's product portfolio across other market types. The launch of "EuroSleep" Japanese pod style budget accommodation and "EuroCar" car rental is expected to be launched in the next 12 months. Stewart Cherry faced significant pressures from the board in terms of these moves, as some members were unwilling to separate the links the company had created over the last ten years with reputable hotel chains, such as Premier Inn and car rental companies, such as Hertz. The plans eventually got accepted, but marketing critics wonder whether Stewart Cherry is trying to change too much too soon!

In order to assess the viability of the investment the firm has decided to carry out investment appraisal techniques and is forecasting the initial investment to modify their service to cost £1 million. The finance department have budgeted for the following returns in the first 4 years of operation:

Year 1: £300,000

Year 2: £400,000

Year 3: £600,000

Year 4: £700,000

1. Analyse 2 benefits of EuroAir offering 'business class' on all their flights. (9 marks)
2. Calculate the payback period for the new strategy. (Show your workings). (3 marks)
3. Calculate the ARR for the new strategy for EuroAir. (Show your workings). (3 marks)
4. Assess whether investment appraisal techniques such as payback period and ARR will guarantee the success of the strategy to offer 'business class' tickets. (16 marks)

## Notes on the summer task (read carefully they will support your completion of the summer task):

The questions are about the information in the Case Study - use it throughout your answers!

Look at the number of marks being awarded for each question and ensure your answer contain the required level of detail. Use the question structures below to support.

For the 16 mark assess question you must make sure you cover **both** sides of the argument. Weigh up the pros and cons of investment appraisal techniques as well as discuss other important information which may be needed by the business to inform their final strategic decision.

- Your work must be handwritten (unless you have exam access arrangements to use a laptop).
- **The work is due on your 1<sup>st</sup> business lesson during the week commencing 2<sup>nd</sup> September and no later than Friday 6<sup>th</sup> September.**
- If you have any problems, please feel free to contact Miss Carroll (Head of Business and Finance): [j.carroll@hautlieu.sch.je](mailto:j.carroll@hautlieu.sch.je)

This exam structure guidance will support you to answer the questions:

### A Level 9/12 Mark Answer Structure

<b>A point:</b>	With evidence from context / case study...
<b>Because:</b>	Explanation ... Evidence/data from context/case study ...
<b>Consequence:</b>	Which means ... evidence / data As a result ... evidence / data Leading to ... evidence / data Therefore ... link to question
<b>Depends on (12):</b>	What factor does your point depend on e.g. leadership styles / PESTLE factors / PED / competition / stakeholders etc ... link to context / evidence

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*If the question asks you to analyse – one paragraph should be for and the other against. If it asks you to analyse benefits, both paragraphs should be positives. If the question asks you to analyse disadvantages or drawbacks, both paragraphs should be drawbacks.*

### A Level 16/20 Mark Answer Structure

<b>A point FOR:</b>	With evidence from context / case study...
<b>Because:</b>	Explanation ... Evidence/data from context/case study ...
<b>Consequence:</b>	Which means ... evidence / data As a result ... evidence / data Leading to ... evidence / data Therefore ... link to question
<b>Depends on (20):</b>	What factor does your point depend on e.g. leadership styles / PESTLE factors / PED / competition / stakeholders etc ... link to context / evidence

<b>A point AGAINST:</b>	With evidence from context / case study...
<b>Because:</b>	Explanation ... Evidence/data from context/case study ...
<b>Consequence:</b>	Which means ... evidence / data As a result ... evidence / data Leading to ... evidence / data Therefore ... link to question
<b>Depends on (20):</b>	What factor does your point depend on e.g. leadership styles / PESTLE factors / PED / competition / stakeholders etc ... link to context / evidence

<b>Evaluation ODDO:</b>	
<b>Overall:</b>	To some extent, I (dis)agree ... because .... (E1)
<b>Drawback</b>	of your answer / benefit of other answer ... (E2)
<b>Depends on:</b>	What does your answer depend on e.g. short term vs Long term; PESTLE; PED; leadership? (E3)