

## Chapter 25: Exam practice question

### Le Sportif Health and Sports Club

1 Define the following terms:

a market research (2)

This is the collection of first-hand (primary) and second-hand (secondary) source data. This data is directly related to a firm's need to establish product, price, promotion and distribution strategies in order to meet customer wants.

b unique selling point (USP). (2)

This is a special feature of a product or service which distinguishes it from competitors. It can motivate consumers to buy and may enable the business to charge premium prices or appeal to a larger market. The USP may be a feature of the product, pricing, promotion or distribution channel.

Apply **Resources table 3a** mark band descriptors.

2 Explain the way focus groups could have been used to provide Le Sportif with market research information. (6)

Define focus group: a group of people who are asked about their attitude towards a product, service, advertisement or new style of packaging. Questions are asked and the group members are encouraged to actively discuss their responses. This may be filmed and the information is used as a source of data for the market research department. Information found this way is thought to be more detailed, although there is a danger of interviewers leading the discussion.

Focus groups could have been used to find out:

- customer views about Le Sportif as it is now
- what changes customers would like
- how customers use the club
- why they think that some customers have moved to the Wellness and Glides clubs
- any other relevant point.

SL: apply **Resources table 1** mark band descriptors.

HL: apply **Resources table 2** mark band descriptors.

At least **three** uses should be identified, explained and linked to the case study for 6 marks.

A justified conclusion is **not** required.

- 3 (HL) Using Porter's Five Forces model, analyse **two** forces that might have affected Le Sportif. (6)

Define Porter's Five Forces model: a framework that analyses an industry as being influenced by five forces. It can be used to establish competitive advantage over rivals, to better understand the industry and to take appropriate strategic decisions. Competitive rivalry is the focus of the other four forces: threat of entry, supplier power, buyer power, threat of substitutes.

Threat of entry: the problem in this case study is that new competitors have already entered the market. This is because:

- the technology needed to enter this service industry is relatively cheap and uncomplicated, although the capital needed to open a fitness club is significant
- distribution channels are easy to access
- there are no legal restrictions on entry
- the service may not be widely differentiated, so extensive advertising may not be required – in this case, word of mouth may be an important factor in loss of clients to other health clubs.

Buyer power:

- buyer preference for other clubs
- other clubs with better pricing structures
- once a membership period has ended the cost of switching to another club is minimal
- buyers can realistically and easily switch clubs

Supplier power: this does not apply to this case study. Other health clubs are not being opened by manufacturers of fitness equipment.

Threat of substitutes: in the model this does not mean substitute products in the same industry. It refers to substitute products in other industries, e.g. a decline in the popularity of fitness clubs if people start going to the cinema instead. There is no evidence in this case study that this is the case, so this is not an appropriate force to consider in response to this question.

Competitive rivalry: this is a combination of the other four factors. It sums up the 'whole picture'. It is hence not a good force to consider for this question as the answer would become repetitive.

HL: apply **Resources table 2** mark band descriptors.

A justified conclusion is **not** required.

- 4 Evaluate the advantages and disadvantages of Le Sportif using market research to guide its new strategy of targeting the family market. (9)

Define targeting: this is a marketing strategy that involves focus of marketing on one particular market segment or niche.

Advantages:

- specific features or USPs favoured by families can be identified
- research can be used subsequently to develop the club in the direction wanted by the customers
- it can reduce the risk of change
- it can predict future demand changes
- it can explain sales patterns
- any other relevant point

Disadvantages:

- the targeting strategy may not be what other existing customers who are not families want
- market research is not always reliable
- restricted sampling possibilities for Le Sportif may mean that results are biased, e.g. if size of sample is not large enough to be representative of all customer types
- it would be useful to survey customers who decided to leave to go to other clubs, to see if this was a result of families joining, but this may not be easy to do; in any case it would help only in terms of assessing the impact of a strategy change after its implementation rather than in advance of such change
- any other relevant point

SL: apply **Resources table 1** mark band descriptors.

(SL questions do not usually go up to 9 marks so the HL table is best used for SL students.)

HL: apply **Resources table 2** mark band descriptors.

A justified conclusion is required.