

THE KEY FUNCTIONS OF OPERATING A BUSINESS



Multiple choice

- | | | | |
|-----|---|-----|---|
| 1. | D | 11. | D |
| 2. | C | 12. | B |
| 3. | A | 13. | A |
| 4. | B | 14. | C |
| 5. | D | 15. | C |
| 6. | A | 16. | C |
| 7. | B | 17. | D |
| 8. | C | 18. | C |
| 9. | B | 19. | D |
| 10. | A | 20. | C |

Matching terms

n/a

Short answers

Question 1

- (a) Patrick would need to carry out market research into his competitors and potential customers. By looking at other travel services he might find a gap in the market, and by conducting market research on different age groups and attitudes, he could identify what demographics his target market would most likely possess.
- (b) (i) For his trips to have a competitive advantage, Patrick must be able to offer something unique on his tours. He would require a strong knowledge of the countries to do so.
- (ii) For his tours to be successful, Patrick would require an appreciation for European and Asian cultures. Tolerance and understanding would be vital and could be helped by having family or close associates in the areas he intends to visit.
- (iii) In what is already a large industry, it may take some years for his business to be a success. This would require constant motivation and a strong desire to be successful.

Question 2

- (a) A mass market occurs when the product being marketed could count almost everyone as a potential customer. A mass market encompasses a large proportion of a population, meaning the product has general appeal to customers with varying attributes.

A niche market is one defined by a very specific set of attributes. A product aimed at a niche market targets only people with specific attributes under the assumption it would not be desired by others – otherwise it would be a mass market product.

- (b) The value of a product is a balance between price and quality. To be value competitive, the product could have the same price as a competitor but be of a significantly higher quality.

Similar to value, benefits distinguish a product in the depth of what the product offers. By offering extensive benefits, such as reward points for credit cards, the price can be raised above competitors without similar benefits and yet stay competitive.

A typical method of gaining competitive advantage is to undercut the competition and gain market share. However, some products price themselves far above the competition to create a sense of quality and elitism e.g. Ferrari motor vehicles.