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# AS BUSINESS

Paper 2 Business 2

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## Insert

Source 1: Play Equipment Ltd

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## Play Equipment Ltd

Play Equipment Ltd (PE) is a UK-based manufacturer of playground equipment such as slides, swings and climbing frames. PE Ltd makes and sells the equipment to business customers such as theme parks, holiday parks and schools. PE Ltd uses a sales team to promote its products to these business customers. PE Ltd has been running for 14 years. Until recently it had high market share in this competitive market and was known for its excellent quality equipment. 1  
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The operations manager believes that the raw materials supplier PE Ltd uses is to blame for its recent loss of market share. PE Ltd has used the same supplier for the last 5 years. However, in the last 18 months, there have been many faults reported with the raw materials. This has resulted in complaints from some of the businesses that PE Ltd supplies. The operations manager has returned the last shipment of raw materials used for the equipment, due to poor quality. The costs of the raw materials have increased, and so have the storage costs. The current supplier has not been able to offer just-in-time delivery. The operations manager thinks PE Ltd needs to find a new supplier before the situation gets worse. 10

The marketing manager is worried about the brand image of PE Ltd. In the last 2 years, PE Ltd has lost some of its brand loyalty. PE Ltd has faced tough competition from well-known toy brands that operate with lower unit costs. The shareholders of PE Ltd have expressed a desire to expand the markets in which the company sells. The shareholders want PE Ltd to start targeting individual customers, such as families who are looking to put play equipment in their homes and gardens. They have asked the managers of PE Ltd to undertake market research into this potential market to gather relevant data. Many of the managers disagree with this suggestion. Their intuition is to remain with the current market. However, the shareholders have asked the managers to produce a decision tree to decide whether to target the new market. If PE Ltd does decide to target individual customers directly this will significantly increase the number of potential customers. The marketing manager will need to create a new promotional mix. The finance manager would need a £50 000 loan to pay for the new promotional mix. 15  
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PE Ltd uses a range of financial and non-financial methods of motivation. The employees complete training every year to ensure they are aware of updates to machinery and processes. PE Ltd offers all employees the opportunity to work in the different departments, and managers use delegation to avoid employees becoming bored in their roles. The employees are paid below the industry average wage, but they can earn bonuses for hitting monthly productivity targets. Despite these incentives, labour turnover has increased from 10% to 35%. Employees have left due to better wages and higher bonuses being offered by competitors. PE Ltd's employees have many skills which can be used in other industries and this makes them hard to retain. It is difficult to recruit skilled employees due to lots of competition for workers in this rapidly expanding market. 30  
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**Figure 1:** Selected annual productivity data for PE Ltd

	<b>2021</b>	<b>2022</b>
<b>Number of employees</b>	102	108
<b>Number of products made</b>	25 500	27 648
<b>Labour productivity</b>	250	256

**Figure 2:** Selected financial data for PE Ltd

	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Monthly fixed costs</b>	£21 000	£27 000	£30 000
<b>Selling price per unit</b>	£280	£300	£342
<b>Variable cost per unit</b>	£102	£120	£142
<b>Units sold per month</b>	800	1 200	1 850
<b>Overdraft balance</b>	(£85 000)	(£100 000)	(£150 000)
<b>Retained profit</b>	£100 000	£50 000	£30 000
<b>Receivables due</b>	£20 000	£25 000	£70 000

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