

Online Support for Centre Assessors (OSCA)

Exemplar Material Exercise

GCSE 2009 Business

5BS02/01 - Investigating Small Business

Exemplar 2

PREFACE

Exemplar Use

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Notes on the Exemplar

Please note that:

- The exemplar materials are original candidate work and may contain grammatical errors and spelling mistakes.
- Some items may have been removed, such as references to individuals and places. Please refer to the notes by the Principal Moderator for specific references.

Task 4 - What is the most important element of the marketing mix to Luigi's Restaurant?

Luigi's Restaurant in Chesterfield is a small but successful business which has grown in size over the 18 years since it was founded. It is a restaurant primarily, but also offers a take-away service for customers who want to try their food at home. But which element of the marketing mix is most important in its success? In order to find out, I used primary research (questionnaires and an interview with the owner of Luigi's). In addition to the interview, [the owner] agreed to me placing a questionnaire on each seat in his restaurant for customers to fill in. The results are shown in appendix 2.

From my interview¹ with the owner, I asked about the different elements of the marketing mix, to find out how important each was to Luigi's. Below is my analysis of this information.

Price

[The owner] stated that "*We charge a premium price because we feel that our food is of a top quality standard, and worth the extra money for the consumer.*". This is clearly true. They have to pay more money than some others for things such as ingredients for meals as they insist on having the highest quality produce, with an increased need for organic ingredients. These higher costs mean that they must charge higher prices to cover the costs.

My research found that Luigi's charge higher prices than competitors, such as the nearby Gulab Tandoori, and they can get away with charging this higher price because the product is of such a high quality. This premium price also helps to create and support the image that Luigi's has the best quality and highest value restaurant and food available to the consumer.

¹ See Appendix 1 - transcript of interview

The table shows a summary of some of the prices for equivalent main course meals.

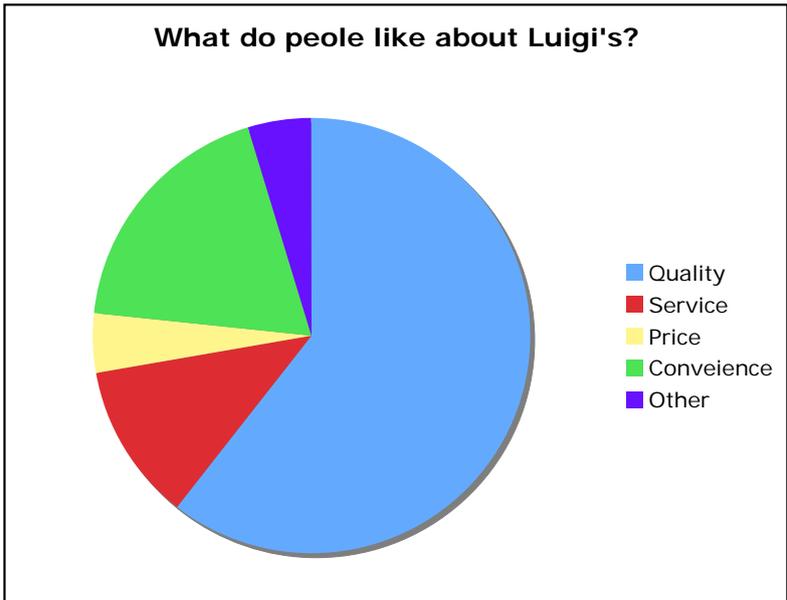
Restaurant	Meal	Price
Luigi's Italian Restaurant	Vegetable Pizza	£10.95
Gulab Tandoori Indian Restaurant	Beef Jalfharezi	£6.60
Asoko Japanese Restaurant	Kaarage (chicken or fish)	£9.00
KFC	Variety Bucket	£5.00

The competitors of Luigi's all offer similar sized meals (with the exception of KFC, which offers a lot more food, but at a considerably lower quality) for a lower price than what Luigi's charges. This could be considered a disadvantage for Luigi's, but it helps contribute to the image of quality.

Product

Luigi's serves high quality, speciality Italian food with an emphasis on organic, natural ingredients. This is the main selling point of the Luigi's restaurant, and one of the main reasons why customers would buy from the business.

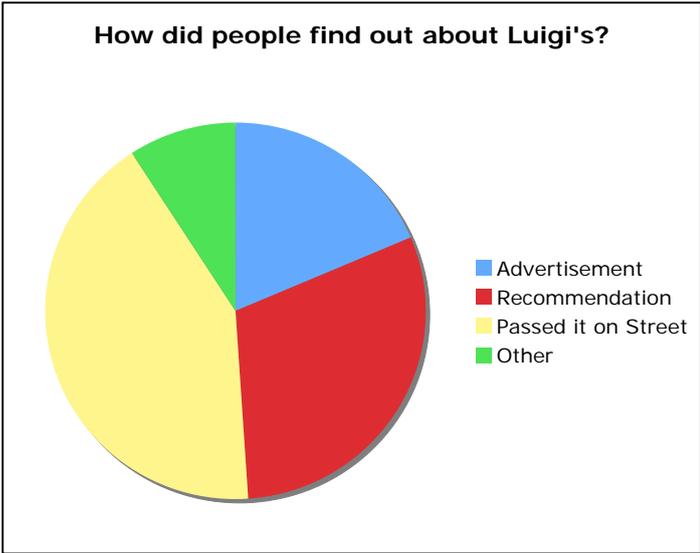
The chart below shows that the majority of people cite the quality of the food as the reason that they choose to eat at Luigi's. Quite a lot also chose the convenience of Luigi's as their reason to purchase from Luigi's. This was because of the take-away service offered, but also because it is situated close to the town centre and a large residential area, as well as lots of parking.



I asked the owner of Luigi's if it would be ok for me to place questionnaires in the restaurants for customers to fill in as they waited for their food, and he agreed that it would be fine. 43 people returned the questionnaires, and the pie charts featured in this report are taken from those results. The full analysis is shown in appendix 2.

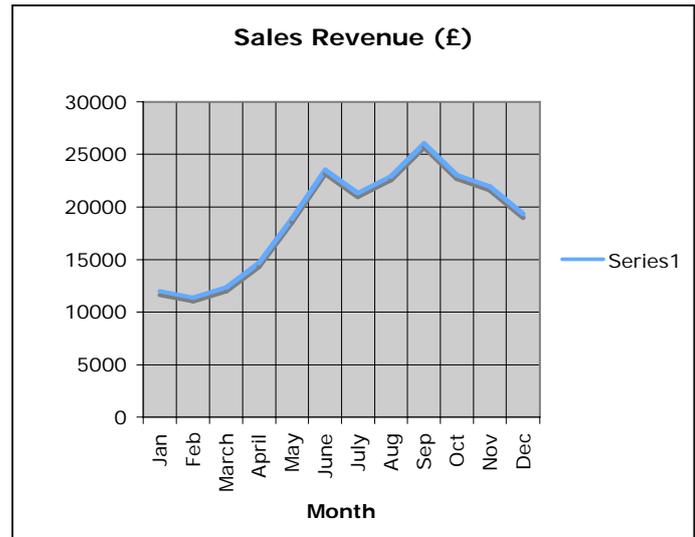
Promotion

Luigi's carries out a range of promotional activities. The business advertises locally using leaflets delivered through doors and a small advertisement in the local newspaper, 'The Derbyshire Times'. The graph below shows that a significant proportion of sales were caused by this advertising, but much more were caused by the customers walking past the restaurant and noticing it, and people being recommended the restaurant by family or friends. This shows that advertising may not be as important for Luigi's as it is for some other businesses.



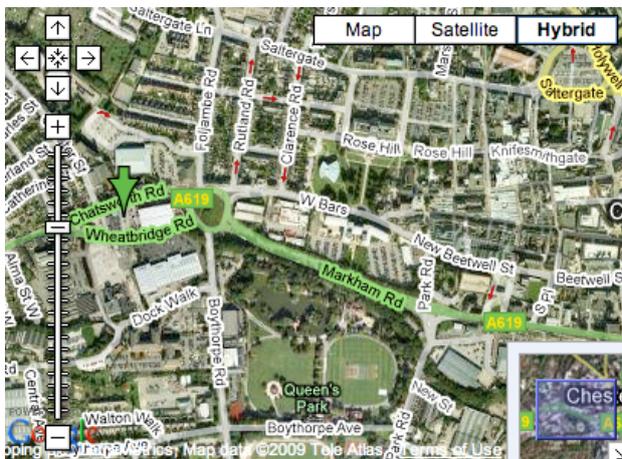
Luigi's has also offered promotions/deals in it's restaurant in an effort to boost sales.

The graph to the right² shows the sales revenue over the year 2008. Midway through April a 3-for-2 meal deal was introduced for customers both eating at the restaurant and for take-aways. As you can see, the sales rose dramatically for the remainder of the year, though they did begin to slide again by the end of the year. The reason the sales stayed higher after the promotion is that the high quality of the product made people want to try Luigi's again, so they returned after originally being persuaded to try Luigi's because of the promotion.



Place

As the map (left) shows³, Luigi's restaurant is situated near the town centre of Chesterfield. This means that a lot of people will be in the area at any time. This means a



Map taken from Google maps.

lot of potential customers for the business. The large and very popular Queen's Park is also very close, and this means a lot more potential customers in the area. Luigi's is also on the very busy Chatsworth Road. This means many people will drive or walk past the restaurant. This would be a great way of getting the business noticed and well known, and could mean more sales than if it was situated somewhere else. As the pie

chart in the promotion section shows, the main way that people found out about Luigi's was them passing it on the street. This clearly illustrates the way that the great positioning of Luigi's gives it a great advantage over rival restaurants and is a major factor behind the success of Luigi's.

² See appendix 2 – detailed sales figures

³ <http://www.thomsonlocal.com/businessfinder.aspx?phrase=Restaurants&where=Chesterfield&ld=1499&hc=648300&pg=1&type=ty&sr=24135&ad=0&pagenav=true&viewmap=true>



On the map on the left, the number 18 represents Luigi's restaurant. The other numbers represent the nearby competitors of Luigi's. Luigi's is slightly away from most of its direct competitors, which can be useful as it means that there will be no other business taking a share of the potential customers who did not plan ahead to eat at Luigi's.

The other businesses are also quite near to the centre of town, but Luigi's still has a major advantage over them, as it is on a very busy main road, whereas the other restaurants are on more quiet roads and it is less likely that people will walk past them. This makes it easier for Luigi's to attract new customers.

Conclusion

All of the aspects of the marketing mix are very important to Luigi's. Price, however, could be the least important. Obviously, it is vital for the price to be reasonable for the customer, but Luigi's charges a premium price to reflect the quality of its product. The price is not what draws the customers to Luigi's. The product of Luigi's is a very high quality and healthy standard of food. This high quality is what makes people want to return to Luigi's, and it is their main selling point. The quality is what allows Luigi's to charge a premium price. Promotions are also very important to Luigi's. While advertising may not draw in a very high proportion of Luigi's customers, the promotions used such as the 3-for-2 meal deal draw in lots of customers for Luigi's, and the quality of the food makes a lot of these new customers return in the future, which means a prolonged period with higher sales revenue. Another important factor for Luigi's is its place. Luigi's is situated in an ideal position, close to many of the large attractions of Chesterfield, and on a large and busy road. This means that lots of potential customers are always in the area, and lots will be drawn in by the appearance and aromas coming from the shop. So, in conclusion, I feel that the price is the most important part of the marketing mix for Luigi's, as it is what draws many customers in, and is what makes them return again. It also means that they can charge higher price for their products.

Appendix 1

Transcript of interview with the owner of Luigi's

When was the business set up?

My father opened the restaurant in 1991 after he was made redundant from his job in Tesco. Back then the business was much smaller, with no take-away service, but after 10 successful years we decided to extend to offer take-aways as well.

What is its main aim?

We aim to deliver high quality, healthy food to people.

You mentioned healthy food, how much of the food is organic or locally sourced?

All of the food is organic. We believe that this food is of the best quality, and is also worth more to the customer. If we want to portray an image of quality, then organic food is a must.

Some of the food is locally sourced. About half I'd say. We source food locally when we can, but sometimes ingredients are needed that are not available in this area. So we have to search further for these foods.

What would you say is your target market?

We aim to make Luigi's accessible for all people, however I would say that our main target market is those people who are willing to pay extra for quality. This could include families who could eat in the restaurant or get food to take-away.

Is there a reason why you chose to set up your business where it currently is?

Yes. Chesterfield is a quite wealthy area, and there are many people on high incomes. This means that more people could be willing to part with their money to afford the premium price that we set on our products. We set up on Chatsworth Road, which is very busy, and near the centre of town. This means that lots of people will notice it. If more people notice the business, then we will get more customers and therefore sales will increase.

Do you use any particular pricing strategy at Luigi's?

We charge a premium price because we feel that our food is of a top quality standard, and worth the extra money for the consumer.

Has there been any promotions or special offers recently, and if so how have they affected sales?

Yes. We recently offered a three-for-two meal deal, which boosted sales quite significantly. It got people in the door to try our food, and once they did they were hooked. Many of these new customers who were trying it for the first time because of the deal became regular customers, so sales and profits have increased in the long term as well as the short term rise because of increased numbers of customers.

Appendix 2

Questionnaire: why choose Luigi's?

Do you think you will return to Luigi's?

- Definitely
- Probably
- Possibly
- Probably not
- Definitely not

Why?

.....

How satisfied are you with the value for money at Luigi's restaurant?

- Very satisfied
- Satisfied
- Unsatisfied
- Very unsatisfied

Why?

.....

.....

How did you find out about Luigi's?

- Advertisement
- Recommendation
- Walked/drove past it
- Other (Please specify below)

.....

What is it that you like about Luigi's?

- Quality of the food
- Good service
- Price
- Convenient
- Other (please specify)

.....

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Exemplar Material Exercise Commentary

GCSE 2009 Business

5BS02/01 - Investigating Small Business

Exemplar Commentary 2

5BS02 GCSE Business

Task 4

Marks

Skill Area	Mark (maximum mark)
Research	11 (12)
Present information/data	7 (8)
Analysis	10 (12)
Evaluation	8 (8)
Total	36 (40)

Comments

Research - data from a wide range of sources with effective selectivity. Information and findings are clearly organised and focussed.

Present information/data - information presented clearly and makes use of a range of methods and formats. Footnotes are used effectively and the work shows good attention to detail.

Analysis - good analysis of the information and data provided. Clear understanding of the marketing mix is demonstrated, with appropriate terminology and concepts used throughout. The primary and secondary data which has been collected is effectively analysed

Evaluation - judgements are drawn throughout the investigation. A developed evaluation is provided and is drawn from the analysis of the data and information included in the investigation. The student has considered the relative importance of different elements of the marketing mix for this business.