

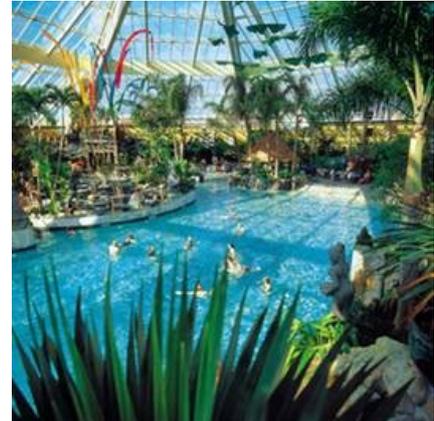
# Examinations

## Center Parcs Business Studies Question Writing Guide

**The Question:** Discuss whether penetration pricing would be the most appropriate pricing strategy for Center Parcs to use for its new conference business customers. (8 marks)

**Marks:** 4 marks for understanding the theory and applying it to the business and up to 4 marks for offering appropriate solutions.

**How Much to Write:** 8-10 sentences in 4 paragraphs



### How to write it:

Introduction	Rephrase the question	1-2 sentences
Advantages	Good things about Penetration pricing for Center Parcs	3-4 sentences
Disadvantages	Bad things about penetration pricing for Center Parcs	3-4 sentences
Conclusion	Decide if they should use penetration pricing or another strategy and why.	1-2 sentences

### Pricing Strategies

- **Cost Plus** – When you price something more than it costs
- **Competitive Pricing** – Pricing below your competitors
- **Loss-leaders** – Pricing below your cost price
- **Skimming** – Pricing high to begin with and then lowering the price
- **Penetration** – Pricing low to begin with and then increasing the price when you have market share or brand loyalty.
- **Price discrimination** – Pricing according to who you are.

### About Center Parcs

Center Parcs offers short break holidays all year. As the leader in the UK short break holiday market, Center parcs's rooms are occupied 90% of the time. Center Parcs provides an exceptional short break experience in a forest location.

The Center Parcs concept is to provide a range of outstanding leisure facilities, set in a forest, which is protected and looked after. Center Parcs has four Villages in the UK; Sherwood Forest in Nottinghamshire, Elveden Forest in Suffolk, Longleat Forest in Wiltshire and Whinfell Forest in Cumbria. Each village is about 400 acres in size and provides high quality accommodation in fully equipped Villas, Apartments and Lodges, which are set amongst trees and streams. Each Village offers a wide range of sports and leisure activities plus lots of restaurants, bars and shops and a superb Aqua Sana Spa facility. Woodland, water and a natural healthy environment are the essential parts of a Center Parcs break.

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## Question Cut Out Cards

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## Sample Answer

Introduction	Center Parcs is hoping to extend its product offering to include conferencing business and is considering the use of Penetration pricing to do so.
Advantages	The key advantage of using penetration pricing is that it might encourage business customers to try their conferencing facility, because of the low price and it could lead to a rapid build up clientèle and the possibility of using word of mouth as a promotional tool. As opposed to skimming, which might mean a slow start for the operation and there seems little need to price this as a loss-leader given the popularity of the villages.
Disadvantages	However there are several disadvantages. Firstly it might cheapen the center parcs brand, because it is currently positioned as a premium brand in the holiday sector and secondly one questions the need to develop an awareness of that brand, because they are already a market leader. It seems unlikely that business people would be unaware of the holiday villages although they might be unaware of the conference facilities. They are not the first entrant into the market so it is important to take note of existing competitors and some form of competitive pricing is important. Furthermore there is a large number of people already coming to the villages and quite a number of them maybe in a position to host a conference. Perhaps it is best to communicate it to these customers first and then expand out to the wider business world. The use of discriminatory pricing would allow Center Parcs to encourage loyal customers by offering them a discount and select other potential clients with tempting offers.
Conclusion	In conclusion penetration pricing is not the best strategy for Center Parcs in this venture, because of the possible damage to the overall brand. However to encourage customer numbers it is recommended that they use discriminatory pricing to gain initial market share.

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## Teacher Notes

This question was designed for GCSE Business studies, but also could be used for Travel & Tourism or revision for A-levels.

There are a number of ways that you could deliver the question:

- You could simply ask students to answer the question
- For slightly weaker students you could provide the guide
- For very weak students you could provide the sample answer and perhaps cut out the cells for a mix and match exercise
- The guide could also be used for self and peer assessment after they have written the assignment.
- The question could also be done in groups