INSTRUCTIONS FOR CANDIDATES

This examination has FIVE compulsory questions worth 20 marks each.

1. Do not open this question paper until instructed by the invigilator.
2. All answers must be written in the answer booklet provided.
3. All rough work and notes should be written in the answer booklet.
CASE STUDY

Hughes and Son provides a range of training services to oil and gas industry clients from the UK to the Middle East and the Far East. The company has been in operation for ten years and has two directors, Robert and Elliot Hughes, and a small team of staff. Hughes and Son also regularly sources training contractors when the need arises for additional resources.

Hughes and Son has a steadily increasing demand for its training services and wants to develop a marketing strategy to secure sustainable expansion of its business. The directors previously had an annual marketing budget of $30,000 but plan to increase this to $100,000, roughly 6% of their annual turnover. In making this investment, the directors are very keen to ensure good value for money, while maintaining the highest quality possible. Their plan is to award a contract to an appropriate supplier for a complete marketing package. This contract will involve re-designing the company website and then producing high quality brochures and literature.

Robert and Elliot’s preference is to source from local suppliers in the UK. They perceive that it is easier to manage supplier relationships and build trust, while maintaining the ‘personal touch’ with these locally based suppliers.

The directors have a well-established and trusted relationship with their accountant, Michael Jones, and they often consider supplier sourcing recommendations made by him. Michael suggested a local marketing company run by Amina Kahn, who has an excellent reputation with several of her clients, despite only having been in operation for just over two years. Some of her clients are in the oil and gas industry.

The directors are particularly keen to understand how a marketing company could accommodate their requirements and respond to any changes and updates. They also need to control the costs involved in the contract. Robert and Elliot first undertook online research to investigate Amina’s existing client feedback. The reviews from clients were very positive and therefore a meeting was arranged with Amina. Initially, they had concerns about Amina’s company’s financial stability, particularly its liquidity, given the fact that it has only been trading for two years.

The primary objective of the meeting was to get to know each other and to make sure that Amina, as a potential supplier, understood their exact requirements. During the meeting the directors discussed their requirements and objectives with Amina and were very impressed with the ideas and innovative solutions that she proposed. The directors discussed timescales, price and method of payment with Amina.

The meeting included discussions about how Amina would manage the contract. Amina talked about one of her sub-contractors, Peter Brand Ltd, which supplies good quality, reasonably priced business cards and brochures. Peter Brand Ltd is also a local company with a good reputation and has been in operation for over 20 years.

After the meeting with Amina, the directors wondered whether they should work with an organisation with greater knowledge of the international aspects of the oil and gas industry. Hughes and Son has many clients in the Middle East and the directors are aware of a supplier in the region that is able to provide the services that they require. However, they have concerns about the legal and cost implications, and the potential risks of sourcing internationally.

The directors of Hughes and Son feel that they need to do more supply market research to understand their options.
QUESTIONS

These questions relate to the case study and should be answered in the context of the information provided. You are advised to spend 32 minutes on each question.

Q1  Assess whether competitive tendering might be an appropriate method of awarding the contract for the marketing package.  

(20 marks)

Q2  Describe **FOUR** appropriate selection criteria that Hughes and Son might apply, when it is investigating new sources of supply and selecting new suppliers.  

(20 marks)

Q3  (a)  Outline **FOUR** sources of financial information about suppliers that Hughes and Son could use to assess their financial stability.  

(b)  Explain **TWO** liquidity ratios that may be used in assessing the financial stability of a supplier.  

(12 marks)  

(8 marks)

Q4  (a)  Explain why it is important for an organisation, such as Hughes and Son, to analyse its supply markets.  

(b)  Describe **FOUR** sources of secondary data on suppliers and the supply market that could be used by Hughes and Son.  

(8 marks)  

(12 marks)

Q5  Describe **FIVE** legislative, regulatory or organisational requirements that Hughes and Son would need to consider, if the contract for the marketing package were to be awarded to an international supplier.  

(20 marks)

END OF QUESTION PAPER