



AS

BUSINESS

Paper 2 Business 2

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Source 1: Parkside Theatre

Parkside Theatre

Parkside Theatre is a small independent cinema that shows films but also hosts music, comedy and drama events. It is based in a historically important town centre building built in the late 1890s. This building has been renovated using a government grant; a condition of the grant was that the style of the building was preserved. 1

The business has been owned by the Sanderson family for several generations. They are keen that the business is managed in such a way that the building's architecture is protected, but Parkside Theatre must generate a return on investment. 5

Lorna has been the general manager of the business for six years. She has full control of day-to-day management. Lorna has been working to improve the capacity utilisation of the cinema. The directors have set her a capacity utilisation target of 70%. 10

Figure 1: Average cinema attendances at Parkside Theatre 2019

	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Weekly total
Attendance	220	175	-	223	354	629	575	
Maximum capacity	400	400	-	400	400	800	800	

Note: the cinema is closed on Wednesday and has two shows on Saturday and Sunday.

The cinema is in an area that has a small tourism industry, causing increasing attendances during the summer. There are also peaks of demand at Christmas and Easter, linked to school holidays. Incomes in the area have risen faster than the national average over the last 10 years (as shown in **Figure 2**) and are forecast to continue to do so.

Lorna has used hunches, based on intuition, in order to decide on projects, such as introducing comedy events to make greater use of the facilities. Some of these projects have been successful. 15

Part of Lorna's role is managing cash inflows and outflows. She has a financial objective of maintaining a positive cash flow.

The core cinema business is staffed by a small team of permanent employees; most are part time and have been at the business for many years. Parkside Theatre has gained praise for its staff training, winning awards in 2017 and 2018. 20

'Our Place'

Rising demand for venues hired for business meetings and conferences led Lorna to believe this could be an opportunity for Parkside Theatre. A large, unused room could be developed to create several small meeting rooms, but required investment from the owners for modernisation. The work would remove some internal historical features. 25

The board of directors of Parkside Theatre were concerned that competition was well established in the local area. They insisted that they could only support the investment if Lorna adopted a scientific decision-making process and that she presented evidence to support the project. 30

Lorna completed a range of primary and secondary market research into the demand for meeting venues. She interviewed local business managers about services they would expect. She then completed detailed analysis to support her argument. A selection of the results is included in **Figures 2 and 3**.

After studying Lorna's evidence, the directors agreed to invest what they felt was a large amount of finance. 35

In April 2019, the meeting rooms launched under the brand name 'Our Place'. The historic exterior of the building is a unique selling point and Lorna chose to set the prices using price skimming. 'Our Place' was promoted to local and regional businesses offering helpful staff, comfortable seating, catering and state-of-the-art IT facilities. 40

To operate 'Our Place' flexibly, Lorna has been unable to offer guaranteed weekly hours of work for employees, although she would have liked to do so. Training is provided during the induction of staff members to achieve high standards of customer service. Staff retention has been low for the staff delivering the 'Our Place' services during the first year, though Lorna has managed to regularly recruit new staff by focusing on the local student population. 45

Lorna recognises that the future demand for Parkside Theatre services depends on changes in the external environment but thinks her decision-making has a greater impact. She realises this may not be true for managers in all businesses.

Figure 2: Selected data from secondary research

Annual growth in income (UK) 2009–2018	1.3%
Annual growth in income (locally) 2009–2018	2.3%
Annual growth in the market for meeting venues (UK 2015–2018)	4.5%

Figure 3: Selected data from Lorna's primary research

Research based on interviews with 20 local businesses that rent meeting rooms	
Do you rent rooms more than once a month?	45% yes
How satisfied are you with local meeting venues?	20% satisfied
If choosing a meeting room, what is the most important factor?	
• Price	55%
• IT facilities	20%
• Comfort/surroundings	20%
• Staff/customer service	5%

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