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NATIONAL
QUALIFICATIONS
2013

THURSDAY, 23 MAY
1.00 PM – 3.45 PM

BUSINESS
MANAGEMENT
ADVANCED HIGHER

100 marks are allocated to this paper.

Candidates should spend 15 minutes reading the case study material and the questions.

Answer **all** questions in Section One (50 marks).

Answer **two** questions in Section Two (50 marks).

Note: The questions are printed on a separate sheet inserted inside the front cover of this paper.



STV GROUP plc

Background Information

STV Group plc is based in Glasgow. It is a Scottish media company which incorporates broadcasting and production of television programmes and internet services, which it sees as its core functions. The Group also sells advertising airtime on television and advertising space on the Internet. STV Group holds licences for North Scotland and Central Scotland, allowing it to produce dedicated regional programming for over 3.5m viewers across Scotland each week. STV Productions, together with its sister company, Ginger Productions, has produced a wide range of programmes for a variety of networks, including top quality drama like *Taggart* and *Rebus* for ITV1.

Non-core Businesses

Recently the Group has sold the last of its non-core businesses including Virgin radio. It also sold the cinema advertising company Pearl & Dean for £1 in 2010. Pearl & Dean is currently the second largest cinema advertising contractor in the UK with an iconic brand in the film world, covering 1478 screens, and has a 36.6% share of the market by admissions. Due to its contract with Vue cinemas, Pearl & Dean had to pay a minimum rent regardless of the size of the audience. This meant it had been making a loss. Because of the contract with Vue, in 2009 the Group increased its provision for future losses from £13.3m to £14.3m. STV Group wanted to reduce its exposure to this uncapped trading risk.

STV's Strategy

Internet

A main part of STV's strategy is to become Scotland's local media company. STV is committed to delivering high quality public service content and it has continued to enhance this through the introduction of new platforms and the launch of STV Local. STV Local is a series of websites with information about local areas eg different towns and cities in Scotland. The websites contain information including "what's on", and "news" specific to the local area.

In 2011 STV launched 3 new hyper-local websites in Edinburgh (websites which cover different areas within towns or cities) to add to a growing number across Scotland. The Edinburgh websites give STV 19 hyper-local sites and it plans to cover 75% of Scotland's population through hyper-local sites, ending up with 100 or more of them. Each website is run by a professional journalist working in partnership with representatives of the local community, whether from the local authority, emergency services or arts and sports groups.

Whilst other mainstream media reduce services to local marketplaces, STV has taken a contrary view, seeing a service and commercial opportunity with the development of STV Local. The Group wants to ensure STV branded services are available anywhere and at any time in Scotland, while trying to tap new sources of advertising—in this case classified. The low cost structure will enable the venture to be profitable and it is estimated that breakeven might only be 18 months away.

Television

Other local plans involve launching a new Edinburgh edition of its 30 minute *STV News at Six* programme to add to the current services from Glasgow and Aberdeen. All 3 will continue to carry national and international news, but STV has identified that the most popular part of their news show is when it serves the ultra-local. The STV strategy fits in with the Government's enthusiasm for creating more local television in the UK.

Growth

STV is expanding organically in a number of ways and also through relationships and partnerships with other organisations to deliver sustainable growth.

Broadcasting

STV's content team continues to increase commissions from other broadcasters, including the BBC, and ITV, to produce programmes providing clear evidence of its capability and creativity. In 2010 STV Productions produced 25 more hours of programming than in previous years including *Antiques Road Trip* for BBC 2 and *Missing Mums* for Sky Real Lives. This has reduced dependence on ITV to 30% of total programme sales compared with 80% in the past.

Advertising

Another part of STV's stated ambition is to increase its share of display advertising in Scotland. The aim is to develop closer relationships with advertisers beyond the traditional 30-second spot to get into everything from sponsorship and market research to product placement, which is now permitted on UK television.

Digital Media

STV is continuing to extend its reach through the development of new methods to provide audiences with an increased choice of ways in which they can access STV's content. Chief Executive Rob Woodward has called STV "Scotland's digital media company". These platforms include a High Definition service and further enhancement of the Video on Demand service through the highly commended STV Player.

Exhibit 1 gives information on STV's digital media platforms.

Partnerships and Joint Ventures

In 2010 STV entered into a joint venture with US production company, Kinetic Content. The 2 companies work closely together to develop brand-new formats to be pitched to broadcasters both in the UK and the US.

Exhibit 2 gives some examples of partnerships and joint ventures.

[Turn over

Opting out of the Network

Recently STV has dropped some of the ITV network programmes it thought would not play well in Scotland or cost too much. There were complaints about dropping programmes like *The Bill* and showing STV's own produced or acquired content but, on the whole, viewers responded well. STV achieved an increase in audience share against ITV itself across the all-important peak period. However 95% of programmes are from the the ITV network, to which STV pays a considerable sum of money. STV is mindful that it is a Scottish based service, independent of ITV, and therefore has a clear responsibility to produce a balanced schedule relevant for audiences in Scotland.

Instead of *Downton Abbey*, STV showed the new series of *Taggart* and matched ITV's 33% audience share. Other programmes shown—about 5% of the peak-time programmes—have ranged from local football to films and the Australian acquired series *Underbelly*. These programmes attracted younger, more up-market audiences that, overall, were 0.24% higher than the ITV average. However in 2011 STV broadcast *Downton Abbey*. A core part of STV's strategy is the right of opt-out from ITV.

Employee Relations

STV's culture is based on the core principle that everyone in the business can make a difference and everyone has a contribution to make. It achieves this in a number of ways:

- STV holds quarterly staff briefing sessions at which the Chief Executive Officer provides an update on business performance.
- The Group encourages participation in e-learning via the BBC CD-ROM safety course for journalists and production teams.
- An employee opinion survey is undertaken to assess motivation and obtain feedback.
- MYSTV – where employees are assigned goals related to key performance indicators so they can maximise their performance.

Corporate Social Responsibility

STV believes community relations are of paramount importance and undertakes a variety of programmes to foster community links.

Exhibit 3 gives information on STV's CSR initiatives.

Exhibit 4 gives information on STV's performance.

NB Unless stated otherwise, the above, and the accompanying exhibits, are current at 1 November 2011 and refer to the situation at that date.

Exhibit 1: Digital Media

STV news app	A free application for mobile phones which provides users with instant access to news, sport and high quality video reports. It allows users across the globe to access STV branded news content. At the time of writing it had been downloaded 100,000 times.
www.stvjobs.com	Website which provides access to thousands of Scottish jobs online.
www.stv.tv/local	People can log on to discover and share their local news, sport, weather, reviews, events, announcements, places and community.
www.stv.tv	During 2010 STV's primary digital channel, www.stv.tv , secured the position of Scotland's most popular commercial website, attracting over 2.2m unique users every month.
www.youtube.com/stvplayer	A dedicated YouTube channel for STV showing archive programmes, news and a daily one-hour entertainment magazine-style show called <i>The Hour</i> . Currently has over 2m users per month.
www.stv.tv/player	STV's TV-on-demand service which provides viewers with the ability to catch up on their favourite STV programmes and watch highlights from the vast STV archives. The system was developed entirely in-house and on a modest budget. This is also available on Playstation 3.
Daily Deals	Daily email alerts give consumers the opportunity to register free to receive the very best deals available in Glasgow and Edinburgh. STV's Classified team is working closely with a host of local businesses including restaurants, beauty salons, adventure day organisers and hotels to source the widest possible range of deals across Scotland's 2 biggest cities.
STV Live Casino	Up-to-the-minute technology allows online players to view all the casino action live on their computers, with the wheel and cards being spun and dealt in real time. Players can choose to take part in a range of live games, including Roulette, Blackjack and Baccarat.

Exhibit 2: Partnerships and Joint Ventures

Brightcove

Brightcove is an online video platform. Media companies, businesses and organisations worldwide use Brightcove to publish and distribute video on the Web. A partnership with Brightcove produced the STV equivalent of the BBC's iPlayer in 6 weeks. STV scored 76% in usability stakes, making it the highest scoring commercial player. STV Player was second only to BBC iPlayer, which scored 88%.

MirriAd Ltd

STV took a stake in MirriAd which is a company that can digitally insert products into programmes at the post-production stage. MirriAd is the market leader. This means that brand names and products can be advertised during programmes rather than during breaks. This form of advertising has just become legal in the European Union. It is a fact that people skip TV advertisements whenever possible, and that viewing figures drop off by an average of 25% during breaks. MirriAd is helping STV tap into a rapidly expanding market for product placement worldwide. The market for this in the US has been growing by 25% a year.

Kinetic Content

This joint venture allows the companies to license each other's original formats exclusively in their respective countries. Existing and newly developed formats from STV Productions and Ginger Productions are now available to Kinetic Content to co-produce with STV in the USA. Similarly, STV holds the exclusive UK rights to co-produce formats developed and owned by Kinetic Content. The 2 companies will work closely together to develop brand-new formats to be pitched to broadcasters both in the UK and the US. This deal provided STV with a targeted and cost-effective means of accessing US broadcasters, and opened up the American market to them. Similarly it opened up the UK market to formats developed and owned by Kinetic Content. STV has now secured its first pilot in the US through this venture. For the first time in its 53-year history STV is able to start to provide high quality Scottish content to Scottish people no matter where in the world they live.

Exhibit 3: Corporate Social Responsibility

STV studio tours	Tours of Aberdeen and Glasgow studios for community groups, school pupils and media students.
Work placements	Students across Scotland carry out work experience placements on the <i>Taggart</i> set. Each student can spend one week working with various departments and their second week in an area of their choice eg wardrobe, make-up, post-production, direction or script editing.
STV Appeal	Celebrities and ordinary people undertake various activities to raise funds to tackle poverty. One in 4 children lives in poverty in Scotland.
Common Purpose	STV is working in partnership with Common Purpose which is a youth organisation. This partnership has produced a long-running regular educational course, 'Your Turn', which aims to encourage leadership, raise aspirations and increase confidence among young people.
Prince's Trust's "Get Started in Presenting" programme	This is designed to help young people improve communication skills. As part of this partnership, STV organises 6 visits to their premises across the year. This offers participants an insight into the work behind the scenes, as well as a chance to meet STV newsreaders and learn more about the day-to-day running of a television company.
Green Office Week	STV participates in this. During this event it encourages staff to recycle and conserve energy wherever possible.
Green Travel Plan	Based at STV's Glasgow headquarters, this aims to encourage staff to use more sustainable means of transport to commute to work. To promote cycling, STV provides shower facilities, cycle parking and lockers for employee use.

[Turn over

Exhibit 4

This contains some information on the overall performance of STV Group plc.

Some financial data:

	2010	2009	2008	2007
Revenue (£m)	104.8	90.3	111.2	120.3
Operating profit (£m)	14.4	9.2	13.2	11.1
Net operating expenses (£m)	90.4	81.1	98.0	109.2

Some data on the broadcasting side of the business

- In 2010 STV player was voted the best commercial catch-up site in the UK.
- The Group has achieved a year-on-year increase in traffic to its online news content.
- Over 55% of the Scottish population watch STV news at least once a week.
- In 2010 the TV series *Taggart* achieved a 33% audience share and outperformed the alternative drama which was showing on the ITV Network.

Some data about the other operations of the group

- In 2010 debt was reduced to £52m from £180m in 2009.
- In 2010 revenue from digital operations was up 50% to £4.2m from the previous year.

[END OF CASE STUDY]

ACKNOWLEDGEMENTS

Case Study—Information and data is adapted from **www.stvplc.tv**. Reproduced by kind permission of STV Group plc.

QUESTIONS

Marks

You should spend 15 minutes reading through the case study material on STV Group plc and the questions.

SECTION ONE

Answer ALL questions.

- | | | |
|----|--|-------------|
| 1. | Explore STV Group's reasons for pursuing a strategy of becoming more local. | 8 |
| 2. | Using examples from the Case Study, analyse the importance to STV Group of developing digital media. | 6 |
| 3. | Examine the advantages and disadvantages to STV Group of partnerships and joint ventures with other companies such as Kinetic Content. | 4 |
| 4. | Assess the ways in which STV Group's approach to employee relations has helped it to develop a committed workforce. | 4 |
| 5. | Using force field analysis, explain STV Group's decision to opt out of the Network. | 10 |
| 6. | Using examples from the case study, discuss the importance of STV Group's policy of corporate social responsibility. | 6 |
| 7. | Using evidence from the case study, explain how STV Group might measure its success. | 4 |
| 8. | Explain the advantages and disadvantages to STV Group of selling off its non-core businesses. | 8 |
| | | (50) |

[Turn over for SECTION TWO

SECTION TWO

Marks

Answer any TWO of the following questions.

You may illustrate your answers in this section with examples from the case study or from other firms with which you are familiar.

9. (a) Firms may expand their operations into other countries through setting up their own facilities abroad and buying existing overseas firms. Examine the advantages and disadvantages of these options. **14**
- (b) Small businesses find it increasingly difficult to operate in the current economic climate. Describe and justify sources of assistance available to such businesses. **11**
- (25)**
10. (a) In 2011, five countries, including Turkey and Croatia, were waiting to join the EU. Discuss ways in which EU enlargement could impact on UK businesses. **13**
- (b) Describe the Classical School of Management and the Contingency School of Management and assess their relevance to modern business practice. **12**
- (25)**
11. (a) Examine the characteristics that teams should have if they are to operate effectively. **13**
- (b) Explain the importance of any 2 of the following for UK businesses.
- Financial incentives
 - Transfer pricing
 - Cash flow forecasts
 - Market segmentation
- 12**
- (25)**
12. (a) With reference to Mintzberg, describe the different roles that managers play and assess their impact on achieving organisational objectives. **12**
- (b) Assess the extent to which a decision to become “greener” might affect the functional areas of an organisation. **13**
- (25)**

[END OF QUESTION PAPER]