

# X234/13/01

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NATIONAL  
QUALIFICATIONS  
2015

MONDAY, 11 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.



## CUPID PLC

### *Background Information*

Cupid was founded in 2005 and listed on the London Stock Exchange in 2010. It is now one of the top 5 global online dating companies. Online dating is a way of bringing people together to form relationships via the internet.

Cupid owns a wide variety of online dating services that are intended to appeal to users of diverse ages, cultures and social interests. The company is based in Edinburgh and employs 500 people across several countries. Cupid has built a base of over 54 million members in 58 countries and its network of websites is available worldwide in a variety of languages.

### *The Global Online Dating Market*

Online dating is now one of the most popular ways to meet a new partner. In 2013 it was estimated that 7 million people would sign up to dating websites. A fifth of those will find a meaningful relationship online and some 12 million dates will be arranged.

Exhibit 1 shows more information about the online dating market.

### *Cupid's Brands*

Cupid offers a network of online dating sites, rather than a single core brand; giving members a wider choice and increasing every user's chance of finding their perfect match. The dating sites fall into one of 3 main categories:

- **Traditional dating** is for people looking for a steady partner with the aim of developing a more long-term relationship.
- **Casual dating** is for people who are not looking for long-term commitment in the first instance.
- **Niche dating** is for people who know exactly what they are looking for. It provides the opportunity for members to find like-minded partners with similar backgrounds, interests, faith, or even the same life experiences. It is a growing sector of the market.

Exhibit 2 shows examples of Cupid's brands.

### *Platforms*

Cupid has been investing in developing exciting new ways to reach their users.

At the end of 2012, there were 6.8 billion mobile phone subscriptions in the world, which is equivalent to 96% of the world population. In 2013, 39% of the global population were using the internet with 77% of these users living in developed countries.

Cupid is quick to adapt to new technologies and platforms to stay ahead of the competition and cater for the needs of an increasingly demanding and varied user base. Users of dating sites are incredibly diverse, not only in what they are looking for in a potential date, but also on how and where they choose to search for one. As a result Cupid's members can access the sites from mobile phones, apps and social networks.

The mobile versions of Cupid's top sites are proving increasingly popular. Currently over 30% of all Cupid's registrations come from mobile devices as Cupid has launched multiple products across Apple and Android app stores.

The mobile sites are easy, accessible and quick to use. Members can join for free, upload pictures and access chat rooms. All mobile sites share the same member databases of their web version, so users can get in touch with all users, no matter what type of platform they choose.

Cupid has made use of social networking because social media has overtaken emails as the number one activity on the web. Social networks such as Facebook are a very open place where people share things with their friends, however a dating site can provide more privacy.

Using social media allows members to set-up communities and join groups, engage in social activities, connect with their friends and share all kinds of content: photos, videos and comments. Cupid aims to introduce several new features:

- **Geo-targeting.** Location-based services. This application enables users to post messages and connect with new people in their area.
- **Psychological profiling.** Users can take personality tests to identify their unique psychological traits, making it easier to connect with compatible people.
- **User Custom Generation Niches.** This app is designed to connect users according to their preferences, hobbies and interests, providing a more unique and relevant experience.

### ***Growth***

In 2013 Cupid opened an office in San Francisco in the USA. Since 2010 the company has grown strongly as it has evolved from relying heavily on the UK market for revenues and profits to operating within multiple countries. More than 50% of total revenues now come from outside the UK. The investment in these countries has mostly been achieved through the use of increased marketing. The company spent £29.9 million on direct marketing in 2011 and in that year the marketing spend on Facebook and on mobile products grew to 40% of the company's marketing budget. This investment in marketing has been supplemented by several acquisitions. In the rapidly expanding European market a series of acquisitions and new launches are helping Cupid to secure its place.

Exhibit 3 gives some examples of acquisitions by Cupid.

### ***Expansion in the USA***

The online dating industry in Europe and North America combined represents an estimated £2bn market. The US market alone is estimated to be worth \$1.2 billion. Cupid's current market share is less than 1% of this market. As a result the company aims to see rapid growth in North America where other websites are already well established.

Cupid is launching the mature dating site [Loveagain.com](http://Loveagain.com) along with a matching Facebook app in the USA. Loveagain is the US version of Cupid's existing successful UK site for the over 40s, [Maturedatinguk.com](http://Maturedatinguk.com). The introduction of this site in America will follow its recent successful launches in the country with [Cupid.com](http://Cupid.com) and [Flirt.com](http://Flirt.com) which the company is supporting with online and offline marketing across the USA and Canada. The company believes that by providing specialist sites for the American market, Cupid has a better chance of getting past the bigger more established players with larger member databases. Cupid feels it does not make sense to take these large competitors on head-to-head so niche sites, such as Loveagain, will allow the company to address those gaps in the market. It is hoped that by selecting a specific group for dating, matches will be more accurate.

However, expansion in the USA is expensive as the company has so far spent £25 million to build critical mass. Members of the site will not only be able to connect via the dating site on the web but also via Facebook. However, Facebook is not as focussed as the usual dating sites as there are often many diversions which can take people away from the intended site.

### ***Quality***

Cupid aims to deliver a quality of service and customer experience that outperforms its competitors. It continually invests in customer service as it believes a quality offering will build the brand in the long term. In 2012 it increased the number of people within its support team from 93 to 132 while also upgrading systems at the call centre to allow better tracking and monitoring.

Cupid's customer support team now operates in more than 8 languages to offer a 24/7 service across its markets. The customer support team screens new members, improves the accuracy of the existing member database, checks for inappropriate behaviour and responds swiftly to any questions from members.

The quality of its members' user experience is of paramount importance to Cupid and it takes any issues regarding customer experience very seriously. The company devotes significant amounts of time and resources, including a dedicated team of 10 staff, to detect and close down any suspicious profiles using its services. In response to demands from consumers and market sentiment for a safer customer experience when using dating websites, Cupid is taking the lead in improving security. Each of its websites has a set of dating help and safety tips to help users stay safe whilst online.

### ***Sale of Casual Dating Sites***

In 2013 Cupid sold its casual dating sites for £45.1 million to Grendall Investment Limited, a firm which is run by one of its co-founders, Max Polyakov. Grendall Investment owns a portfolio of online dating sites. The deal included casual dating sites such as [Flirt.com](http://Flirt.com). In 2012 the casual dating sites generated total sales of about £51 million, with the rest of the group recording sales of about £29.8 million.

Cupid feels that casual dating sites are becoming increasingly explicit. The company believes that the image of casual dating was hindering its scope to expand and draw in a wider base of investors. Selling off the casual dating part of the business will allow Cupid to focus on its niche and mainstream sites.

Cupid believes that in niche and mainstream dating, customers are demanding increasingly higher quality and more meaningful matches. Cupid realises that this can be a rewarding area to focus on. The company believes that such sites have stronger long-term potential, and building an international portfolio makes for a better quality and a more sustainable business. The proceeds from the sale will allow the company to concentrate on its smaller portfolio of better quality sites, where there is less churn and customers tend to have longer term outlooks and are more loyal.

Exhibit 4 gives financial information about Cupid.

**NB** Unless stated otherwise, the above, and the accompanying exhibits, are current at 6 November 2013 and refer to the situation at that date.

## Exhibit 1

The following gives some statistics about the online dating market.

- In the UK 15 million singles are registered with online dating.
- There are more than 1400 sites in the UK alone, catering for people from all walks of life and interests.
- The UK online dating market was estimated to be worth £150 million by 2014.
- 80% of people know someone who has found love on the internet.
- Worldwide there has been a 57% increase in the use of online dating.
- One in 10 singles currently use online dating sites across the world.
- It is estimated that globally the industry is worth more than £2 billion.

### *Silver Surfers*

Online dating is not the sole territory of young people: so called “silver surfers” are also signing up, with nearly two thirds of single over-55s now using online dating sites. Interestingly, older daters spend more time looking at the sites than younger ones—they also go on more dates than any other group.

### *The Recession*

It appears that internet dating has not been affected by the economic crisis and the pressure it has put on consumers’ pockets. Indeed some brands have even witnessed an increase in members as a result of the recession—it is cheaper to search for love from your laptop at home than it is spending a night in bars and clubs.

**[Turn over**

## Exhibit 2

Below are some examples of brands owned by Cupid.

<b>Traditional Brands</b>	
Cupid.com	Mainstream dating website aimed at longer term relationships.
Girlsdateforfree.com	Female users do not need to pay in order to interact with other users, unlike other websites. The site attracts male users by advertising the fact that there are more female users which means more chance of success for males.
Speeddater.co.uk	Provides users with details of speed dating events in various UK cities which they can go along to.
<b>Casual Brands</b>	
Flirt.com	A site which allows people to flirt with each other.
<b>Niche Brands</b>	
Datingforparents.com	This website is aimed at single parents looking to meet other single parents for friendship or sentimental relationships. Allows users to chat live with other parents.
Uniformdating.com	This site is aimed at anyone who works in a uniform eg police officer, nurse, or fireman.
Maturedatinguk.com	Aimed at people over 40 years who are looking to meet like-minded people and find love and trusted relationships.
Loveagain.com	This site states that 88% of its male and 91% of its female members believe in everlasting love. Using this site allows members to meet local singles.
Indiandating.com	A dating site that unites singles of Indian origin worldwide. It aims to bring together people with a similar language and culture. This site provides a service that is not being addressed by mainstream dating sites.

### Exhibit 3

#### Acquisitions

Some examples of the acquisitions Cupid has made are given below.

2012	AGL	Cupid paid £2.9m for this French company which owns a number of dating sites. It gives Cupid a 14% share of the £130m French market.
2011	OnLineLiebe and WomenWeb dating sites	Cupid acquired 75% of these German sites for £2.5m. Both sites are expected to generate good revenues in the short term.
2011	AondeNamoro dating site	Cupid paid £0.5m for this small Brazilian site. It will be used as a catalyst for growth in South America. It will provide good medium to long term potential.
2011	Indiandating	A site specialising in matching people of Indian origin.
2010	Flirt.com	Purchasing this established site allowed expansion into the US and cost £800,000.
2010	Allegran Ltd	Cost £3.3m of which £200,000 was initially settled in cash and £3.1m was deferred. It provided additional members and domain names to the company's existing portfolio.

**[Turn over**

## Exhibit 4

This contains some information on the overall performance of Cupid plc.

### *Some financial data: 2010–2012*

	2012	2011	2010
Revenue (£m)	80.9	53.5	25.7
Gross Profit (£m)	22.8	15.1	7.5
Operating Profit (£m)	7.3	5.6	3.1
Cash Flow (£m)	15.1	3.4	5.1
Active users* (m)	19.2	16.3	9.0
New subscribers** (m)	1.7	1.3	–

\* Active users are members who have logged into the site at least once in the 6 months prior to December.

\*\* New subscribers is the total number of new subscribers in the year.

### *Awards*

In 2013 Cupid won awards for Best Dating Site and Best Dating Site Design. Votes are cast by the public for nominees.

In 2012 Cupid was awarded the UK Stock Market Awards award for Best Travel & Leisure PLC.

The company was named as Scotland's fastest growing technology firm by Deloitte in its October 2011 Fast 500 listing.

[END OF CASE STUDY]



## QUESTIONS

Marks

**You should spend 15 minutes reading through the case study material and the questions.**

### SECTION ONE

**Answer ALL questions.**

1. Using evidence from the case study, discuss why Cupid operates in the online dating market (see Exhibit 1). 6
  2. Using examples from the case study, explore the ways in which Cupid's brands enable it to segment its market. 4
  3. Analyse Cupid's decision to launch the dating site and Facebook app Loveagain.com in the USA. (Your answer must include a force field diagram.) 10
  4. Analyse the costs and benefits to Cupid of acquiring other companies such as AGL. 8
  5. Justify the reasons for Cupid using a variety of platforms to satisfy users. 4
  6. Evaluate Cupid's decision to sell off its casual dating sites in 2013. 6
  7. Cupid has a commitment to **quality** and employs a number of methods to ensure this. Explain the impact of this on the safety of its members. 6
  8. Using evidence from the case study, explain how Cupid might measure its success. 6
- (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) Organisations in the private and public sectors demonstrate social responsibility.  
Describe the benefits to organisations within each of these sectors of pursuing such a policy. 13
- (b) Assess the personal skills and qualities of a manager that can improve an organisation's effectiveness. 12
- (25)**
10. (a) Examine the factors which have led to the growth in multinational companies in recent years. 13
- (b) Describe the ideas of the Classical School of Management and evaluate its importance in today's business environment. 12
- (25)**
11. (a) Change is an integral part of a dynamic business. Describe the stages of change and assess the importance of managing each stage effectively. 13
- (b) Describe each of the following and examine their impact on UK businesses.
- Social Chapter
  - Transfer pricing
- 12**
- (25)**
12. (a) Describe methods of government intervention and assess their impact on UK organisations. 12
- (b) Discuss the effectiveness of non financial incentives in increasing motivation in an organisation. 13
- (25)**

[END OF QUESTION PAPER]

## ACKNOWLEDGEMENT

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