

2 Designer Clothing (DC)

DC is a medium sized private limited company. It has been trading for 10 years. DC makes luxury dresses for women using job production methods. DC has an excellent reputation for quality. A DC designer has a meeting with every customer to design a dress that satisfies the customer's individual needs, including choice of fabric and colour. Cost-based pricing is used with 50% added to the average cost of each dress.

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DC's employees are highly skilled and paid hourly rates (a time based method). Ikram, one of the designers, has just had a meeting with a new customer, Lydia. Lydia wants Ikram to design and make a new dress for her. Ikram has worked out the production data shown in Table 2.1 for the dress.

Table 2.1: Production data for the dress for Lydia

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Production time	20 hours
Hourly rate	\$10
Material costs	\$250
Indirect cost allocation	\$25
Other costs such as packaging	\$25

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Jenny, the Managing Director, wants to use DC's excellent reputation and move into a new market. Jenny wants to create a new range of DC branded trousers for women. Jenny has developed some elements of a marketing mix for the new trousers:

- Product: quality trousers aimed at women aged 25–50
- Distribution channel: sold in large shops
- Promotion: branded with the DC logo

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Jenny will develop a business plan when she receives the market research report, which includes feedback from a focus group. Jenny thinks that the pricing strategy DC currently uses will not be appropriate for the new trousers.

The new product range would use a batch production method. The Production Director, Khaleal, has identified the machinery needed for the new production method. Khaleal is worried about the problems that introducing the new production method might cause DC's employees.

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(a) (i) Identify **one** indirect cost.

[1]

(ii) Explain the term 'business plan' (line 22).

[3]

(b) (i) Refer to Table 2.1 and other information. Calculate the price of the dress for Lydia.

[3]

(ii) Explain **one** payment method, other than time based, that DC could use to pay its employees.

[3]

(c) Analyse **two** human resource problems that DC might experience from the introduction of a new batch production method.

[8]

(d) Evaluate suitable pricing methods that DC could use for the new range of trousers.

[12]