General Certificate of Education
January 2009
Advanced Level Examination

AQA

APPLIED BUSINESS   **BS11**
Unit 11   The Marketing Environment

Thursday 22 January 2009   1.30 pm to 3.00 pm

You will need no other materials.

Time allowed: 1 hour 30 minutes

Instructions
- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Answers
  written in margins or on blank pages will not be marked.
- Do all rough work in this book. Cross through any work you do not
  want to be marked.

Information
- The maximum mark for this paper is 80.
- The marks for questions are shown in brackets.
- Questions 2(c), 3(a) and 3(b) should be answered in continuous
  prose. In these questions you will be marked on your ability to use
  good English, to organise information clearly and to use specialist
  vocabulary where appropriate.

Answer **all** questions in the spaces provided.

1 Read **Item A** and then answer the questions that follow.

Item A

The UK clothing market

Consumers in the UK can buy clothing from several types of retail outlet. These include department stores, fashion chains, supermarkets and smaller independent retailers. **Table 1** shows the total percentage change in the UK retail prices of clothing between 2003 and 2007.

Table 1: Total percentage change in the UK retail prices of clothing

Years	Women's clothing	Men's clothing	Children's clothing
2003–2007	−9.4%	−13.0%	−12.4%

By 2007, UK clothing retailers were buying the vast majority of their products from foreign businesses based in countries with low manufacturing costs, such as Bangladesh and China. The strength of the UK foreign exchange rate also helped to keep buying costs down (see **Table 2**).

Table 2: Selected UK foreign exchange rates

	UK foreign exchange rate (£1)	
	31 March 2007	**31 March 2003**
Bangladesh Taka	Tk 131.23	Tk 89.67
Chinese Yuan	¥14.99	¥12.84

The UK clothing market can be divided into smaller markets. One of these is the 'value clothing' market. This is a highly competitive market where customers expect low prices but demand up-to-date fashions. The size of the 'value clothing' market has been growing and, in 2007, accounted for nearly 25% of UK clothing market revenues.

Supermarkets, such as *ASDA* and *Tesco*, sell their own brands of 'value clothing' at comparatively low prices. Customers purchasing 'value clothing' from supermarkets often show little brand loyalty and will purchase from the supermarket currently offering the best combination of price and quality. However, some consumers are concerned about the low wages paid to the foreign workers manufacturing 'value clothing' and the environmental cost of transporting these clothes over long distances.

1 (a) Using **Table 1** in **Item A**, describe the changes in the UK retail prices of clothing between 2003 and 2007.

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1 (b) Using **Item A**, explain **two** possible causes of the changes in the UK retail prices of clothing between 2003 and 2007.

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1 **(c)** Using **Item A**, analyse **two** possible reasons why the demand for clothes sold by a 'value clothing' retailer might **fall**.

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2 Read **Item B** and then answer the questions that follow.

Item B

The 'value clothing' market

In the 2006 to 2007 financial year, *Primark*, a 'value clothing' retailer, increased its sales by 37% and its profits by 20%. This increase in sales led retail analysts to predict that *Primark* would overtake *ASDA* to lead the 'value clothing' market in 2007.

Primark appeared to have gained customers from 'value clothing' market rivals through investment in new stores. During the 2006 and 2007 financial year, *Primark* expanded its UK store space from 3.5 to 4.8 million sq ft. The new stores are situated in prime locations and are fitted out to a high standard. *Primark* also entered the Spanish clothing market by opening two stores in Spain. Due to the success of these stores, *Primark* planned to open five more stores in Spain.

In 2007, *ASDA* sold its 'George' range of clothing through several types of UK retail outlet.

- ASDA – 327 supermarkets selling a wide range of food and non-food products, including the 'George' range of clothing.
- ASDA Living – 13 large non-food outlets, located in edge-of-town retail parks, selling the 'George' range of clothing on the top floor and electrical, home and beauty products on the bottom floor.
- George – 12 high street stores selling the 'George' range of clothing and fashion accessories.

In 2007, *ASDA* was considering the future of its stores. George high street stores were not as successful as *ASDA* had hoped. Instead, the retailer appeared to favour the more successful store format of ASDA Living. In December 2007, *ASDA* had 13 of these stores and planned to increase this to 20 by June 2008.

In response to signs that consumers were increasingly seeking improved quality rather than just a low price, *ASDA* launched its 'G21' fashion range in 2007. This was intended to be a superior version of its standard range of clothing. *ASDA* said that the initial sales of the 'G21' range were encouraging.

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2 (a) Using **Item B**, explain **one** reason why retailers in the 'value clothing' market, such as *Primark* and *ASDA*, might have carried out:

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Observation of market activities ....

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2 (b) Using **Item B**, analyse the possible reasons for *Primark*'s success in 2007.

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2 (c) Using **Item B**, discuss the extent to which *ASDA*'s marketing activities could defend its share of the 'value clothing' market.

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3 Read **Item C** and then answer the questions that follow.

Item C

UK clothing market trends

The following information, published in February 2007, identifies key trends in the UK clothing market and contains forecasted data.

- 'Value clothing' market retailers, such as *Primark* and *ASDA*, will continue to grow and are forecasted to increase their share of the entire clothing market by 5.9% at the end of 2011. However, the high sales needed to be profitable means that the 'value clothing' market will become dominated by a small number of large retailers.
- The growth in the 'value clothing' market for women is slowing down. Retailers need to focus on differentiating their products and encouraging customers to pay higher prices.
- Mainstream clothing retailers, such as *River Island* and *Marks and Spencer*, should be able to increase revenues by persuading consumers to pay higher prices, eg by focusing on exclusivity, design innovation and promoting ethical values.
- The market for men's clothing is still developing and 'value clothing' retailers should be able to increase their revenues.

Figure 1: Index of consumer spending on men's clothing (2003 = 100)
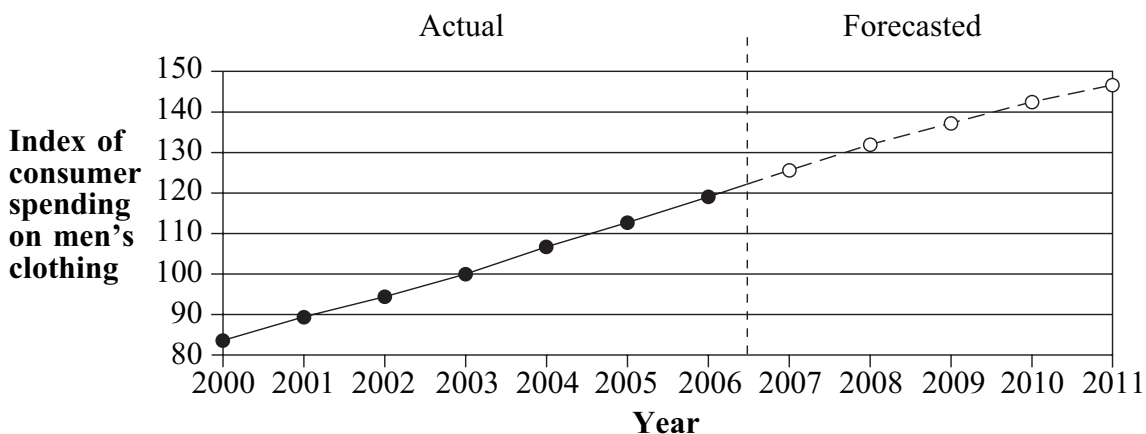
Source: *www.verdict.co.uk*

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3 (a) Assess the significance to 'value clothing' retailers, such as *ASDA*, of the UK clothing market trends identified in **Item C**.

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3 (b) Evaluate a marketing strategy that a 'value clothing' retailer, such as *ASDA*, could implement to take advantage of the UK clothing market trends identified in **Item C**.

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END OF QUESTIONS