

Version 1.0



**General Certificate of Education  
June 2010**

**GCE Applied Business**

**BS11**

***Mark Scheme***

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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	<b>Assessment Objectives</b>
	The Assessment Objectives represent those qualities which can be demonstrated in candidates' work and which can be measured for the purposes of assessment.
AO1 Knowledge, skills and understanding	Candidates demonstrate knowledge and understanding of the specified content and relevant business skills.
AO2 Application of knowledge, skills and understanding	Candidates apply knowledge and understanding of the specified content and relevant business skills.
AO3 Research and analysis	Candidates use appropriate methods in order to obtain and select information from a range of sources to analyse business problems.
AO4 Evaluation	Candidates evaluate evidence to reach reasoned judgements.
<b>Quality of Written Communication</b>	<p>The quality of written communication is assessed in all assessment units where candidates are required to produce extended written material. Candidates will be assessed according to their ability to:</p> <ul style="list-style-type: none"> <li>• select and use a form and style of writing appropriate to purpose and complex subject matter</li> <li>• organise relevant information clearly and coherently, using specialist vocabulary when appropriate</li> <li>• ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear.</li> </ul> <p>The assessment of the quality of written communication is included in Assessment Objective 4.</p>

**1****Total for this question: 28 marks**

<b>1</b>	<b>(a)</b>	<i>Explain how the decline in UK economic growth could have contributed to the fall in UK book retail sales.</i>	<i>(4 marks)</i>
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Level	Descriptor	Marks	Assessment Objective
2	Explains a possible way in which a decline in economic growth could reduce demand for books or revenue received.	3–4	AO2
1	Demonstrates understanding of economic growth.	1–2	AO1

**Relevant answers might include the following:**

- decline in economic growth indicates that the economy is not expanding as rapidly as before
- incomes could be static or declining and consumer confidence could be falling
- accept references to 'credit crunch' if they are used to explain why demand would be falling.

<b>1</b>	<b>(b)</b>	<b>(i)</b>	<i>Using <b>Figure 1</b>, describe the degree of competition in the UK book retail market.</i>	<i>(5 marks)</i>
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Level	Descriptor	Marks	Assessment Objective
2	Uses <b>Figure 1</b> to describe the degree of competition present in the UK book retail market.	3–5	AO2
1	Demonstrates understanding of competition.	1–2	AO1

**Relevant answers might include the following:**

- no single retailer appears to have a significant share of the market
- various ways in which consumers can purchase books and each retailer has an online presence, increasing the competitiveness of the market
- **Figure 1** shows roughly 70% of the market, so other types of retailers also exist
- degree of competition possibly monopolistic competition, even perfect competition.

**1 (b) (ii)** *Given the degree of competition that you described in your answer to Question 1(b)(i), explain why **book retailers** reduced their prices instead of using other marketing activities.* (7 marks)

Level	Descriptor	Marks	Assessment Objective
3	Analyses the degree of competition when explaining why price reduction was likely to be the best course of action.	6–7	AO3
2	Explains why book retailers reduced prices.	3–5	AO2
1	Demonstrates understanding of why businesses in general reduce prices <b>or</b> behaviour of businesses operating within a competitive market.	1–2	AO1

**Relevant answers might include the following:**

- retailers faced with falling demand/revenues and need to respond, ie cut prices to stop decline in demand
- slow down in economic growth - lack of consumer confidence - so other elements of the marketing mix not likely to have as much impact, eg advertising
- given a competitive market (monopolistic or perfect competition), influence of price will be significant and customer loyalty could be difficult to maintain/establish - each retailer can, presumably, sell the same book titles and the only differentiator would be the range of titles available in store.

**1 (c)** To **what** extent would the changes in the marketing environment have reduced the profits of **book publishers** in 2008? Use **Item A** to support your answer.  
(12 marks)

Level	Descriptor	Marks	Assessment Objective
3	Analyses <b>Item A</b> to identify how the marketing environment affects publishers costs and/or revenues.	4–5	AO3
2	Uses <b>Item A</b> when describing the effects of the marketing environment on publisher costs and/or revenues.	2–3	AO2
1	Demonstrates understanding of an element of the general marketing environment.	1	AO1

**Relevant answers might include the following:**

- retail demand falling so likely that publisher demand will be falling along with revenue
- falling exchange rate results in increasing costs of production for publishers - import prices increasing
- falling revenue and increasing costs would result in falling profits
- however, while the fall in retail demand makes it difficult for publishers to pass on any cost increases, could publishers force retailers to accept price increases? This would depend on the degree of competition in the publishing market
- in addition, falling exchange rate could increase exports which are a significant component of publisher revenues. Would this increase compensate for falling domestic revenues and rising costs?
- perhaps not all publishers will be affected in the same way?
- on balance, given the fact that recessions were occurring in other countries and that cost increases affect all publishers, publisher profits likely to fall.

**For AO4**, you should award marks using the scheme below.

**Note:** AO4 also assesses candidates' quality of written communication. When deciding on the AO4 level to be awarded, consider the degree to which the candidate orders and communicates his/her ideas.

Level	Descriptor	Marks	Assessment Objective
3	Evaluates, by considering evidence from <b>Item A</b> , the impact of the changes in the marketing environment on publisher profits. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in conventions of written communication.	6–7	AO4 and Quality of written communication
2	Judges, using some evidence from <b>Item A</b> , the impact of the changes in the marketing environment on publisher costs or revenues. Ideas are communicated in a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	3–5	
1	Identifies the significance of the changes in the marketing environment. Ideas are communicated with some structure evident with occasional use of appropriate technical terms. There are some errors in accepted conventions of written communication.	1–2	

2

Total for this question: 29 marks

<b>2</b>	<b>(a)</b>	Using <b>Item B</b> , explain <b>one</b> possible marketing reason for <i>Waterstone's</i> 'BooksQuarterly' and 'Book Club' websites.	(5 marks)
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Level	Descriptor	Marks	Assessment Objective
2	Uses <b>Item B</b> when explaining how <i>Waterstone's</i> websites support marketing.	3–5	AO2
1	Demonstrates understanding of how websites assist with marketing.	1–2	AO1

**Relevant answers might include the following:**

- main website offers an online trading presence to counteract other business websites, eg *Amazon*
- the business has an extensive range of book titles so needs to find ways to market these
- related websites offer ways for customers to interact and for staff to promote the products - these two websites act as promotion for the main transaction website and could contribute to building/maintaining brand loyalty.

<b>2</b>	<b>(b)</b>	Using <b>Item B</b> , analyse the possible marketing benefits to <i>Waterstone's</i> of retailing the 'Sony Reader'.	(9 marks)
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Level	Descriptor	Marks	Assessment Objective
3	Analyses <b>Item B</b> to identify how the 'Sony Reader' could create marketing benefit(s).	7–9	AO3
2	Uses <b>Item B</b> when describing the marketing benefit(s) resulting from retailing the 'Sony Reader'.	4–6	AO2
1	Demonstrates understanding of the general marketing benefits associated with retailing a new product.	1–3	AO1

**Relevant answers might include the following:**

- introduces another way for customers to purchase books in addition to any revenues gained from the sale of the e-book reader
- popular in the USA and could be a new market for *Waterstone's* in the UK - possibly seen as either market development or product development
- *Amazon* yet to enter the UK market, so a way in which *Waterstone's* could gain a competitive advantage
- certainly gained an advantage over *Borders* with its failed entry into the e-book reader market
- links with *Waterstone's* e-commerce website and could promote both the sales of e-books and possible spin-offs with customers then buying paperbacks.

**2 (c)** Using **Item B**, identify *Waterstone's*'s competitive advantage and assess the extent to which this can be protected. (15 marks)

Level	Descriptor	Marks	Assessment Objective
3	Analyses <b>Item B</b> to identify the factors which affect the ability of <i>Waterstone's</i> to gain and/or protect a competitive advantage.	6–8	AO3
2	Uses <b>Item B</b> to explain how <i>Waterstone's</i> could gain and/or protect a competitive advantage.	3–5	AO2
1	Demonstrates understanding of how businesses gain and/or protect a competitive advantage.	1–2	AO1

**Relevant answers might include the following:**

- establishing a competitive advantage depends on the ability of the retailer to meet customer needs in ways that other retailers are not achieving
- to an extent, *Waterstone's* has managed to gain a competitive advantage through the introduction of the e-book reader, however, this would not seem to be a particularly strong advantage - when will *Amazon* enter the market and how big a market are e-books? Will *Borders* identify an even cheaper alternative? How easy is it to purchase e-book readers from other retailers?
- store design would seem to be a way in which *Waterstone's* - as a retailer with high street stores - could gain a genuine advantage
- staff knowledge and ability to provide good customer service would also seem crucial - and having the additional websites could help here - but to what extent can this be better than, for example, *Borders*?
- merging with other high street retailers could increase the ability of a business to maintain an advantage but would not be allowed by competition authorities
- in short, to gain and maintain a competitive advantage, *Waterstone's* would need to offer market segment(s) something that other retailers fail, or choose not, to offer. How achievable is this in such a competitive market?

**See next page for Evaluation.**



For **AO4**, you should award marks using the scheme below.

**Note** that AO4 also assesses candidates' quality of written communication. When deciding on the AO4 level to be awarded, consider the degree to which the candidate orders and communicates his/her ideas.

Level	Descriptor	Marks	Assessment Objective
3	Evaluates, by considering evidence from <b>Item B</b> , the ability of <i>Waterstone's</i> to gain and protect a competitive advantage. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in conventions of written communication.	6–7	AO4 and Quality of written communication
2	Judges, using some evidence from <b>Item B</b> , the ability of <i>Waterstone's</i> to gain or protect a competitive advantage. Ideas are communicated in a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written	3–5	
1	Judges, using limited evidence, the significance of marketing activity(ies) to <i>Waterstone's</i> . Ideas are communicated with some structure evident with occasional use of appropriate technical terms. There are some errors in accepted conventions of written communication.	1–2	

**3****Total for this question: 23 marks**

**3 (a)**      *Using **Item C**, analyse the factors affecting the sales of independent book retailers in the UK.*      (8 marks)

Level	Descriptor	Marks	Assessment Objective
3	Analyses <b>Item C</b> to identify factors affecting sales.	6–8	AO3
2	Uses <b>Item C</b> when describing the factors affecting sales.	3–5	AO2
1	Demonstrates a generic understanding of factors affecting sales.	1–2	AO1

**Relevant answers might include the following:**

- pricing - increasingly competitive market is driving prices down
- costs - lack of buying power means that prices will generally have to be higher than competitors and independents have little opportunity to compete on price unless they join a buying group
- location - suburban/rural locations mean less competition and an ability to have higher sales; urban location will drive sales down and require retailers to differentiate themselves
- the extent to which they specialise - targeting a particular customer segment or meeting needs not met by larger retailers, including the customer service being offered
- store and window displays - the extent to which the retailer communicates the benefits of the store to the target market.

**3 (b)** *Propose a marketing strategy that a UK independent book retailer could use in order to survive in the UK market. Use **Item C** to justify your answer.*  
(15 marks)

Level	Descriptor	Marks	Assessment Objective
3	Analyses <b>Item C</b> to identify benefits of the chosen marketing activities/strategy.	6–8	AO3
2	Uses <b>Item C</b> to describe a marketing activity(ies)/strategy.	3–5	AO2
1	Demonstrates understanding of a marketing activity(ies)/strategy.	1–2	AO1

**Relevant answers might include the following:**

- range of strategies could apply, eg segmentation or market development
- to what extent will the strategy help to differentiate the independent retailer from large retail chains and internet retailers?

**For AO4**, you should award marks using the scheme below.

**Note:** AO4 also assesses candidates' quality of written communication. When deciding on the AO4 level to be awarded, consider the degree to which the candidate orders and communicates his/her ideas.

Level	Descriptor	Marks	Assessment Objective
3	Evaluates, by considering evidence from <b>Item C</b> , the suitability of the marketing strategy.  Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in conventions of written communication.	6–7	AO4 and Quality of written communication
2	Judges, using some evidence from <b>Item C</b> , the suitability of the marketing activity(ies)/strategy.  Ideas are communicated in a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	3–5	
1	Judges, using limited evidence, the importance of the marketing activity(ies).  Ideas are communicated with some structure evident with occasional use of appropriate technical terms. There are some errors in accepted conventions of written communication.	1–2	