

Centre Number					Candidate Number				
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For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
TOTAL	



General Certificate of Education
Advanced Level Examination
June 2010

Applied Business

BS11

Unit 11 The Marketing Environment

Friday 11 June 2010 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. Do not write outside the box around each page or on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 80.
- Questions 1(c), 2(c) and 3(b) should be answered in continuous prose. In these questions you will be marked on your ability to:
 - use good English
 - organise information clearly
 - use specialist vocabulary where appropriate.



J U N 1 0 B S 1 1 0 1

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

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

Item A
The UK book industry

The UK book industry has businesses that retail books and businesses that publish the books sold by these retailers.

UK book retailers sold £1 780 million books in 2008, a decline of 1.5% on 2007. The fall in retail sales was partly due to a decline in UK economic growth. In response, book retailers reduced their prices. Some industry experts believed that book retailers should have considered other marketing activities before cutting prices.

Figure 1 illustrates the main types of book retailer operating in the UK. All of these retailers use the internet to market their businesses.

Figure 1: Selected UK book retailers and market shares (2008)

Type	Definition	Market Share %
Large retail chains	Each retailer, eg <i>Waterstone's</i> and <i>WH Smith</i> , has multiple stores and sells a range of books, with discounts on the most popular books.	36.1
Internet	Each retailer, eg <i>Amazon</i> and <i>Lovereading</i> , sells a range of books, often at discounted prices, exclusively through its website.	16.0
Independents	Each retailer usually owns a single store, and some concentrate on selling particular types of book, eg children's books.	10.3
Supermarkets	These retailers, eg <i>Tesco</i> , <i>ASDA</i> and <i>Sainsbury's</i> , sell a limited range of the most popular books at heavily discounted prices.	9.6

In addition to the difficulties faced by retailers, book publishers faced problems due to a fall in the UK exchange rate against most foreign currencies in 2008. This was a problem because:

- UK publishers used foreign businesses to print many of their books
- even when books were printed in the UK, imported paper was often used.

Given the fall in retail sales, UK book publishers found it difficult to pass on any cost increases to retailers.

However, UK book publishers sell, on average, at least a third of their production to overseas buyers. Although foreign countries were also facing a decline in their economic growth, the fall in the UK exchange rate made UK products more attractive to foreign buyers.

Sources: www.bookmarketing.co.uk and www.booksellers.org.uk



1 (a) Explain how the decline in UK economic growth could have contributed to the fall in UK book retail sales.

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1 (b) (i) Using **Figure 1**, describe the degree of competition in the UK book retail market.

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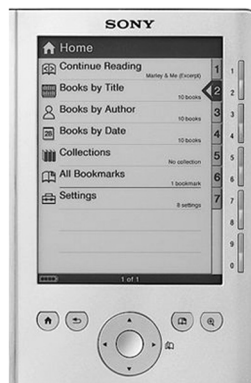
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2 Read **Item B** and then answer the questions that follow.

Item B

Does Waterstone's have a competitive advantage?



In April 2008, *Waterstone's* operated 313 stores. The retailer stocked a wide range of books, with less than half of its sales coming from the list of UK bestsellers.

Waterstone's invests in the design of its high street stores. In 2006, the retailer redesigned one of its larger stores and, over three years, introduced the successful design features into its remaining stores. The colours used on displays changed from dark tones to predominantly white. In addition, brighter lighting was installed. The redesigned stores were thought to appeal to a wider range of consumers.

Waterstone's has three websites:

- the main website where customers can browse an extensive catalogue of book titles and make purchases
- the 'BooksQuarterly' website where *Waterstone's* staff review new books
- the 'Book Club' website where customers review books that they have enjoyed reading.

Once a customer has found a book title of interest, on any of the websites, they can purchase the book online and have it delivered to their home.

In September 2008, *Waterstone's* started selling the 'Sony Reader' in the majority of its stores. The lightweight portable device, less than a centimetre thick and the size of a small book, allows customers to read e-books purchased from *Waterstone's* website. Customers download e-books, using their computers, and transfer them to their e-book reader. The 'Sony Reader' holds up to 160 e-books and cost £199 when it was launched in September 2008.

Borders, one of *Waterstone's* high street competitors, also started selling an e-book reader in 2008. However, it cost £400 and, in March 2009, *Borders* stopped selling the product whilst it investigated cheaper alternatives. *Amazon* sold its own e-book reader, which was popular, but only worked in the USA. This e-book reader allowed customers to purchase and download e-books directly from the *Amazon* website without using a computer.

Source: photograph Sony Group



2 (a) Using **Item B**, explain **one** possible marketing reason for *Waterstone's* 'BooksQuarterly' and 'Book Club' websites.

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

Item C

Can independent book retailers survive?

The Net Book agreement forced retailers to sell books at the recommended retail price fixed by publishers. In 1996, competition authorities abolished this agreement which allowed large retailers, such as supermarkets, to discount the prices of the books they sold. Independent book retailers, due to a lack of economies of scale, found it impossible to match these price reductions.

As a result, ever since 1996, independent book retailers have found it difficult to survive in this competitive market. However, independent book retailers can increase their chances of survival by:

- choosing a good location – suburban and rural locations, where there are no large retail chain stores, are more favourable than urban locations
- presenting themselves as an alternative to large retail chain stores, eg by specialising in children's books
- joining a buying group – discounts can be gained from publishers by groups of independents ordering large quantities of the same book title
- ensuring that the book store has effective window and store displays that communicate the unique features of the independent book retailer, such as the range of books available
- ensuring that staff provide a level of customer service superior to that offered by large retailers and internet retailers.



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23

END OF QUESTIONS



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