

A-LEVEL

APPLIED BUSINESS

BS11 The Marketing Environment
Mark scheme

8610
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Version 1.0 Final

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

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' 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.

Further copies of this Mark Scheme are available from aqa.org.uk

ADDITIONAL GUIDANCE FOR MARKING SCHEME

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

1

Total for this question: 28 marks

1(a) Using **Item A**, explain **one** way in which changes in the technological environment might have affected the demand for mobile phones.

[4 marks]

Level	Descriptor	Marks	Assessment Objective
2	Uses Item A to explain a link between the technological environment and the demand for mobile phones.	4–3	AO2
1	Demonstrates an understanding of the technological environment.	2–1	AO1

Knowledge and Application:

- *technological environment includes any recent developments in production processes, to include developments in ICT, eg advances in mobile communications technology*
- mobile phones carry out a range of functions and technological change has allowed them to be far more useful devices which could increase demand for smartphones
- demand for feature phones might fall due to superiority of smartphones, eg better able to implement social media applications
- technological advances might also have reduced production costs (eg in China), reducing prices and increasing demand.

1(b) Using **Item A**, analyse the changes in the degree of competition within the market for mobile phones between 2008 and 2012.

[9 marks]

Level	Descriptor	Marks	Assessment Objective
3	Uses Item A to analyse the changes in the degree of competition within the market for mobile phones.	9–8	AO3
2	Uses Item A when explaining the degree of competition within the market for mobile phones.	7–4	AO2
1	Demonstrates a generic understanding of the degree of competition.	3–1	AO1

Knowledge and Application:

- *degree of competition defined by nature of product and number of businesses in relation to size of market. Definitions include monopoly, oligopoly, monopolistic competition and perfect competition; however, can also be described in terms of how many leaders within a market, strength of challengers and methods of competition*
- top 5 businesses seem to have significant share, certainly in 2008, so could be described as being oligopolistic or having strong market leadership from Nokia and Samsung and LG in 2008
- by 2012, the share held by the top 5 has fallen significantly with Nokia losing dominance and leadership – becoming more competitive with weaker market leadership
- most significant change seems to have happened between 2008 and 2010 with the greatest decline in top 5 market share.

Analysis:

Change would seem to be driven by the actions of Chinese businesses, certainly in relation to feature phones, attacking the market share of the 3rd to 5th ranked businesses by providing cheaper alternatives, ie acting as market challengers as indicated by ZTE. Item states that Nokia is losing market share in China and this might be due to the actions of Chinese businesses but also Apple *and* Samsung. The development of technology and the arrival of Apple would seem to have established a dominance in the smartphone market as they are the only businesses making a profit.

1(c) Do you think that the top five mobile phone manufacturers would have seen the competitive position strategies used by Chinese businesses as a significant market threat in 2012? Use **Item A** to justify your answer.

[15 marks]

Level	Descriptor	Marks	Assessment Objective
3	Uses Item A to analyse the possible impact of Chinese businesses on the competitive position of the top 5 mobile phone businesses.	8–6	AO3
2	Uses Item A when explaining competitive position strategies.	5–3	AO2
1	Demonstrates an understanding of competitive position strategies.	2–1	AO1

Knowledge and Application:

- *competitive position strategies relate to the possible approach taken by a business in relation to competitors. Definitions cover leader, follower, challenger and niche strategies*
- increasingly unclear who the leader is in the overall market, but within the smartphone market this could be described as Samsung and Apple
- Chinese businesses would appear to be classic followers – literally copying the ideas of leaders, but ZTE could be seen as a challenger within the smartphone market
- Nokia's position illustrates the regional issues, eg within China, domestic businesses could be described as challengers in this market.

Analysis:

- Chinese businesses have taken away market share, just by following the activities of the top 5, and, without some competitive advantage, the top 5 could be threatened by their activities. Some Chinese businesses are innovating and these might threaten the position of all top 5 businesses as shown by emergence of ZTE. Nokia would seem to be at risk from Chinese businesses – the decline in sales, especially in China, would indicate that they would not seem to be market leaders anymore and are struggling to respond to challengers
- Samsung did seem vulnerable to Chinese competitors – market share lower in 2010 than in 2008 – however, a significant increase in share in 2012 to become market leader. It does not make as much profit as Apple from the increasingly important smartphone market which could be seen as an inability to lead this market
- Apple could be described as being protected from the Chinese businesses because of its focus on smartphones – it may well even benefit from the activities of the Chinese businesses taking market share away from the other top 5 businesses and reducing their ability to compete within the smartphone market – but the arrival of ZTE could eventually threaten Apple
- the increasing importance of the smartphone market (now 38% of sales) could indicate that the threat to leadership is likely to be driven by this market and, again, Chinese businesses like ZTE may well pose a serious threat to the top 5.

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

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

Judgement is being made on the significance of the market threat.

To access Level 3, judgement must be made on the relative significance of the threat to the top 5 businesses.

Level	Descriptor	Marks	Assessment Objective
3	Offers judgement with weighted justification. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in conventions of written communication.	7–5	AO4 and Quality of written communication
2	Offers judgement with supported justification. Ideas are communicated in a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	4–3	
1	Offers limited judgement. Ideas are communicated with some structure evident with occasional use of appropriate technical terms. There are some errors in accepted conventions of written communication.	2–1	

Evaluation:

- threat would seem to differ for each of the top 5 businesses, with Nokia being, potentially, the main loser unless it adopts a new successful strategy
- minor market share holders possibly at risk and could well be replaced by an emerging Chinese business, but one of these is based in China, ie ZTE becoming a significant challenger and threatening LG, as shown by 2012 data
- however, threat to both Apple and Samsung would seem to be less significant. Nevertheless, perhaps market growth will be coming from developing countries in the future and this might genuinely threaten Apple's market position, although possibly less so for Samsung given its performance in 2012.

2

Total for this question: 28 marks

2 (a) Using **Item B**, explain why the European Commission might have been concerned by how the prices of eBooks were being set.

[4 marks]

Level	Descriptor	Marks	Assessment Objective
2	Uses Item B when explaining why the actions of Apple and the publishers might be anti-competitive.	4–3	AO2
1	Demonstrates an understanding of the legal and regulatory marketing environment.	2–1	AO1

Knowledge and Application:

- UK and EU both monitor activities of businesses with a significant share of any market, with intention to assess whether this would be against consumer interests and restrict competition
- the collusion of the book publishers and Apple appeared to be fixing prices at an artificially high level and not benefiting consumers
- competing retailers appeared not to be able to set prices themselves, stopping them from lowering prices, which would benefit consumers.

2 (b) Using **Item B**, analyse how Apple's marketing activities could have helped it to achieve high levels of profits in the mobile phone market.

[9 marks]

Level	Descriptor	Marks	Assessment Objective
3	Uses Item B to analyse the mix of Apple's marketing activities.	9–8	AO3
2	Uses Item B when explaining the purpose of marketing activities.	7–4	AO2
1	Demonstrates an understanding of marketing activities.	3–1	AO1

Knowledge and Application:

- *marketing activities can include any aspect of the marketing mix, eg pricing, promotion, distribution and product development*
- price – Apple achieves a higher profit margin on iPhone compared to iPad, indicating a higher mark-up, ie charges a high price
- product and distribution – tight control of the product through what can be put onto the iPhone (apps etc) and through the iPhone itself (iOS software) meaning that that it could charge a high price; high quality of product (eg construction) also helps to support a high price
- promotion – reaction to launch of Galaxy S4 by communicating benefits of the iPhone and maintain demand.

Analysis:

- Apple would seem to have almost carved out a niche market, with a high degree of control over their market position such that it has an ability to maintain prices, ie it can get away with charging a high price because the product experience can not be purchased elsewhere. It has tight control over what products can be installed on the iPhone and its use of promotion shows the importance of maintaining quality and establishing a unique selling proposition. It is clearly not against setting prices as high as possible (as shown by collusion with book publishers) so that the combined marketing mix helps it to achieve profits in a niche area of the mobile phone market.

2 (c) *To what extent do you think that developing a less expensive version of the iPhone would be an appropriate marketing strategy for Apple? Use **Item B** to justify your answer.*

[15 marks]

Level	Descriptor	Marks	Assessment Objective
3	Uses Item B to analyse the factors affecting the possible success of product development.	8–6	AO3
2	Uses Item B when explaining the purpose of product development.	5–3	AO2
1	Demonstrates an understanding of product development.	2–1	AO1

Knowledge and Application:

- *product development can be described as a part of Ansoff's competitive strategies (existing market, new product) or in terms of general product development used by competitive businesses*
- producing a less expensive version of the iPhone could help to target a wider range of consumers and increase overall sales
- competitors have a wider range of smart phones, so this could help Apple to compete more effectively and regain market share
- as this is possibly based on an older version of the iPhone, this could help Apple to continue to get profit out of an older model of the phone.

Analysis:

- as a strategy, product development through producing a less expensive iPhone would work if it could be shown that any new customers gained would not be lost by existing customers also shifting to the less expensive iPhone, so losing overall revenues. The profit margin achieved on the new iPhone would be a key factor - if margins are squeezed substantially, then sales might expand but profits could fall
- another issue would be the extent to which a less expensive iPhone might diminish the appeal of the brand - being seen as a 'cheapening' of the brand. So a key issue would be the extent to which Apple could enter new markets in developing countries through the less expensive iPhone and this could establish brand loyalty in these markets resulting in considerable revenue growth in the future whilst avoiding any brand issues in developed markets.

See next page for Evaluation.

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

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

Judgement is being made on the appropriateness of product development for Apple.

To access Level 3, judgement must be made on the relative appropriateness of this strategy.

Level	Descriptor	Marks	Assessment Objective
3	Offers judgement with weighted justification. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in conventions of written communication.	7–5	4
2	Offers judgement with supported justification. Ideas are communicated in a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	4–3	
1	Offers limited judgement. Ideas are communicated with some structure evident with occasional use of appropriate technical terms. There are some errors in accepted conventions of written communication.	2–1	

Evaluation:

- in the short term, this might be an effective response to falling market share and possible increased sales in developing countries
- it would seem that Apple's tight control of the operating software and App Store may well be the reason why the product is "so easy to love", so if this experience can be replicated on the new iPhone, then this would argue in the strategy's favour
- how else is Apple to exploit developing markets? If it does nothing then won't Samsung and other businesses gain market share and brand loyalty?
- however, its ability to make so much profit out of the iPhone would seem to come from the iPhone's reputation for quality which could be damaged if the less expensive iPhone proves to be of a significantly lower quality
- perhaps the less expensive version of the iPhone should be restricted to developing markets?
- in the long term, success of the product development would seem to depend on how well it is executed – in manufacturing and in marketing communications – and how 'less-expensive' the iPhone ends up being.

3

Total for this question: 24 marks

3 (a) Using **Item C**, analyse why a new small business in the fashion retail market, targeting 16 to 30 year-old consumers, might use Facebook to create brand loyalty.
[9 marks]

Level	Descriptor	Marks	Assessment Objective
3	Uses Item C to analyse why social media might be used to help establish brand loyalty.	9–7	AO3
2	Uses Item C when explaining brand loyalty.	6–3	AO2
1	Demonstrates an understanding of brand loyalty.	2–1	AO1

Knowledge and Application:

- brand loyalty relates to the extent to which customers perceive products from a business in a favourable way compared with those of its competitors, eg brand loyal customers will wait for the business to launch a new product even though competitors already offer a similar, less expensive product
- questions asked in Figure 2 indicate role of friends' opinions in forming preferences and that brand loyalty may well be determined by attitudes of friends, either prior to purchase or post-purchase
- larger businesses (eg New Look) using Facebook successfully to engage customers and build brand loyalty by increasing number of 'likes', perhaps smaller business could also benefit.

Analysis:

- Figure 2 largely positive, in terms of Facebook influencing purchases, for 20 to 33 year-olds. Could be sensible to use Facebook to communicate with these age groups and a newly established small business could set up its own Facebook page and use this as part of its marketing, perhaps encouraging customers to become friends of the business and post reviews on the page
- the business's Facebook page could help to establish brand loyalty by using it to communicate the brand message and emphasise aspects revealed by positive customer comments, ie build up the number of friends and create a momentum in a relatively small market.

3 (b) *To what extent do you think that the technological marketing environment presents significant market opportunities for businesses selling luxury goods? Use **Item C** to justify your answer.*

[15 marks]

Level	Descriptor	Marks	Assessment Objective
3	Uses Item C to analyse the significance of the market opportunity(ies) offered by the technological environment.	8–6	AO3
2	Uses Item C when explaining market opportunity(ies).	5–3	AO2
1	Demonstrates an understanding of market opportunities.	2–1	AO1

Knowledge and Application:

- *market opportunities are identified by assessing internal strengths and weaknesses and marketing environment data. They are external to the business, eg an opportunity to enter a new market or a threat posed by the activities of a competitor*
- *opportunities presented by technological environment include e-commerce, Facebook and wider use of social media*
- Net-a-Porter has successfully used e-commerce and social media to significantly grow its sales
- the target market might be ‘time poor’ and would prefer the opportunity to use e-commerce
- allows for sales in different countries without needing a physical presence.

Analysis:

- Net-a-Porter’s growth in sales occurred during a recession, indicating that the use of e-commerce and social media can be a way of protecting sales. Also there is no reason why consumers will confuse a luxury goods business as competing directly with other businesses such as New Look, ie segments can be kept separate
- e-commerce and/or social media could dilute the exclusive nature of the product and reduce the ability of businesses, like Rolex, to charge premium prices, yet it also allows for market development in rapidly developing economies such as China – either as promotion or as a way of selling goods. It would seem to depend on the nature of the product and whether it actually needs to use social media to convey its benefits.

See next page for Evaluation.

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

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

Judgement is being made on the potential significance of the market opportunity(ies).

To access Level 3, judgement must be made on the relative significance of the opportunity(ies).

Level	Descriptor	Marks	Assessment Objective
3	Offers judgement with weighted justification. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in conventions of written communication.	7–5	AO4 and Quality of written communication
2	Offers judgement with supported justification. Ideas are communicated in a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	4–3	
1	Offers limited judgement. Ideas are communicated with some structure evident with occasional use of appropriate technical terms. There are some errors in accepted conventions of written communication.	2–1	

Evaluation:

- technological environment offers some significant ways in which businesses can engage with existing and new customers – would seem risky to ignore this
- businesses might be better off using this technology and finding ways of exploiting it rather than ignoring it and turning an opportunity into a threat
- however, Figure 2 indicates that older age groups less influenced by social media and this might also be the case for some higher income groups
- unofficial Rolex Facebook site indicates that doing nothing can present the wrong impression, yet if the target market does not engage with social media then this makes no difference
- would seem clear that Net-a-Porter succeeded, yet no reason why this would be the case for other products, eg for Rolex
- presents some opportunities, but significance likely to vary according to the product being sold and it should not be assumed that success for one product type implies that a different product type should use e-commerce or social media to the same extent.