

Edexcel GCE  
Applied Business  
Unit No 6925

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Results Mark Scheme

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For all questions, accept any reasonable answer if it is correct

Q1(a)	(i) With reference to the data in the scenario on <u>page 2</u> , identify a strength, weakness, opportunity and threat that would apply to <i>Caffè Bologna</i> . (ii) State why each of your choices in (i) is a strength, weakness, opportunity or threat for <i>Caffè Bologna</i> .	
AO	Mark Allocation	Exemplar Responses
<p><u>AO1</u> MB1 = 2 MB2 = 2</p> <p><u>AO2</u> MB1 = 4</p>	<p>1 mark for each SWOT point from the data</p> <p>1 mark for application of SWOT point to <i>Caffè Bologna</i></p> <p>(1 + 1) x 4</p> <p>(8 marks)</p>	<p><u>Strengths</u></p> <ul style="list-style-type: none"> <li>• Coffee supplied direct from Italy - gives the business an air of authenticity.</li> <li>• Loyal customers - should ensure repeat purchases.</li> </ul> <p><u>Weaknesses</u></p> <ul style="list-style-type: none"> <li>• High turnover of staff - will incur recruitment costs.</li> <li>• Does not have Fairtrade coffee - majority want this so may not visit these coffee bars.</li> </ul> <p><u>Opportunities</u></p> <ul style="list-style-type: none"> <li>• To source from Fairtrade products - this would help them attract the majority of customers who prefer this.</li> <li>• Expansion into other towns - would allow <i>Caffè Bologna</i> to build up loyal customers there as well.</li> </ul> <p><u>Threats</u></p> <ul style="list-style-type: none"> <li>• M&amp;S expanding into the market - may decide to move into these towns/may be a greater threat in the towns where <i>Caffè Bologna</i> is planning to set up new outlets.</li> <li>• This coffee market has reached saturation - may prevent <i>Caffè Bologna</i> being successful with its expansion.</li> </ul> <p>(Points may not be initially obvious, but may be justified by the explanation)</p>

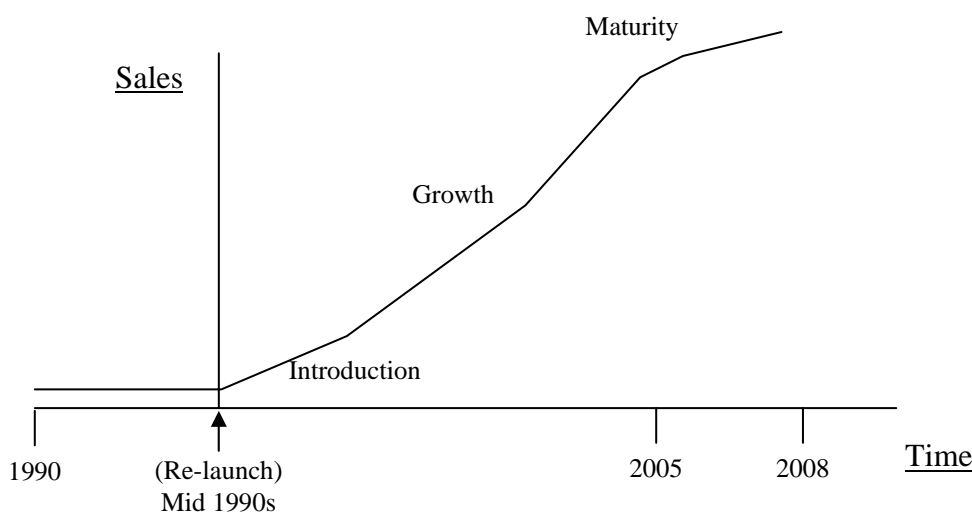
Q1(b)	Justify <u>one</u> piece of additional information, not specifically shown in the scenario on <u>page 2</u> , that <i>Caffè Bologna</i> would need in order to assess possible <u>threats</u> more accurately.	
AO	Mark Allocation	Exemplar Responses
<p><u>AO1</u> MB1 = 1</p> <p><u>AO2</u> MB2 = 1</p> <p><u>AO4</u> MB2 = 1</p>	<p>1 mark for piece of information</p> <p>1 mark for why that creates a threat/what details this provides</p> <p>1 mark for why <i>Caffè Bologna</i> would need this information (Maximum 2 marks)</p> <p>(1 + 1 + 1 ) or (1 + 0 + 2)</p> <p>(3 marks)</p>	<ul style="list-style-type: none"> <li>• What plans M&amp;S have - may want to open coffee outlets in towns where <i>Caffè Bologna</i> is/is planning to expand to - could then avoid expanding in those towns.</li> <li>• Plans to change the minimum wage - this would increase costs for the business - most of its employees are low paid so higher minimum wage is likely to affect the business.</li> </ul>

<b>Q2(a)</b>	<b>Explain why the decision by <i>Caffè Bologna</i> to open new coffee bars would be a strategic marketing decision rather than a tactical one.</b>	
<b>AO</b>	<b>Mark Allocation</b>	<b>Exemplar Responses</b>
<u>AO1</u> MB1 = 1 MB2 = 1  <u>AO2</u> MB1 = 1 MB2 = 1	<p>1 mark for showing understanding of the term/giving feature of strategic</p> <p>1 mark for how expansion relates to this</p> <p>1 mark for why the expansion would be strategic for <i>Caffè Bologna</i> (maximum 2 marks)</p> <p>1 mark for why expansion is not tactical/how tactical will be affected</p> <p>(1 + 1 + 1 + 1) or (1 + 1 + 2 + 0)</p> <p style="text-align: right;">(4 marks)</p>	<ul style="list-style-type: none"> <li>Strategic refers to long term plans whereas tactical is short term - expansion would take time to complete - it requires finding right premises/town, arranging finance, arranging purchase/renting, etc, which all takes time - tactical decisions would be made only after the expansion decision was made.</li> <li>Strategic planning is likely to apply to the whole business - expansion will require financing for the business as a whole - this could reduce funds for the two existing outlets - that would affect the day-to-day tactical decisions that could/must be made by the existing outlets.</li> </ul>

<b>2(b)</b>	<b>Advise <i>Caffè Bologna</i> on <u>two</u> tactical marketing decisions it should consider in relation to its existing coffee bars if <i>Costa</i>, <i>Caffè Nero</i> or <i>Starbucks</i> decided to open up coffee shops in the same towns.</b>	
<b>AO</b>	<b>Mark Allocation</b>	<b>Exemplar Responses</b>
<u>AO1</u> MB1 = 1  <u>AO2</u> MB1 = 1 MB2 = 1  <u>AO4</u> MB1 = 1 MB2 = 1	<p>1 mark for each suitable tactical decision (maximum 2 marks)</p> <p>1 mark for why each should be considered in this context (maximum 2 marks)</p> <p>(maximum mark for just one decision is 3 marks)</p> <p style="text-align: right;">(5 marks)</p>	<ul style="list-style-type: none"> <li>Lower prices - this would help to ensure customers do not drift to new outlets - mark-ups are healthy so can afford to do this.</li> <li>Do nothing immediately - <i>Caffè Bologna</i> has a loyal customer base - its customers may not go to the new coffee shops.</li> </ul> <p>(There are many possible tactical decisions some of which may not be obviously suitable ones, but they may be well argued and gain marks).</p>

<b>3(a)</b>	<b>With reference to the data in the scenario on <u>page 2</u>, draw a fully labelled</b>
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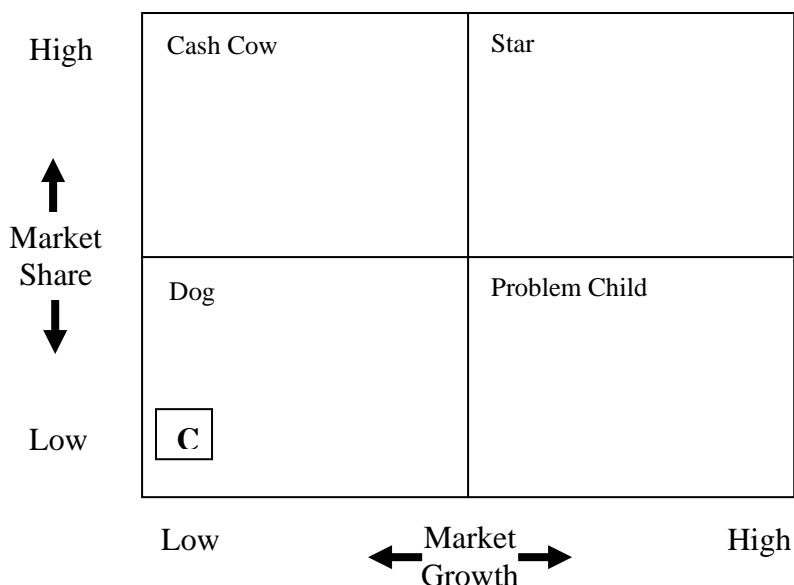
product life cycle for the UK luxury coffee shops market from 1990 to 2008.		
AO	Mark Allocation	Exemplar Responses
<p><u>AO1</u> MB1 = 1 MB2 = 1</p> <p><u>AO2</u> MB1 = 1 MB2 = 1 MB3 = 1</p> <p><u>AO3</u> MB1 = 1</p>	<p>1 mark for correct labelling of axes</p> <p>1 mark for drawing main growth from mid-1990s to early 2000s</p> <p>1 mark for position from 1990 to mid-1990s (may show zero sales)</p> <p>1 mark for maturity/less growth 2006 to 2008</p> <p>1 mark for correct labelling of sections</p> <p>1 mark for appropriate shape (no decline or saturation should be shown)</p> <p>(6 marks)</p>	<p>Sample diagram shown below.</p>



3(b)	Explain how an established coffee shop chain, such as <i>Costa</i> , could plan its <u>marketing mix</u> to ensure that the growth stage of its product life cycle continues in such a competitive market.	
AO	Mark Allocation	Exemplar Responses

<p><u>AO1</u> MB3 = 2</p> <p><u>AO2</u> MB1 = 1 MB2 = 1 MB3 = 1</p> <p><u>AO4</u> MB1 = 1 MB2 = 1 MB3 = 1</p>	<p>1 mark for change to marketing mix/suitable tactic (maximum 3 marks)</p> <p>1 mark for how that will keep good growth on the product life cycle (maximum 2 marks)</p> <p>1 mark for why that would be effective in a highly competitive market (maximum 2 marks)</p> <p style="text-align: right;">(8 marks)</p>	<ul style="list-style-type: none"> <li>• Increase the number of outlets (place) - this could allow growth to continue with new customers - could be done by taking over other businesses' outlets - this means less additional outlets in the market - new player such as M&amp;S/Oxfam are entering the market - the market is not growing as fast as it was.</li> <li>• Aggressive advertising campaign - with emphasis on such features as the use of Fairtrade coffee - could encourage customers to leave coffee shops that do not provide this - advertising will keep the brand name in the public mind - the market is highly competitive so any edge is beneficial - the majority of customers want to buy Fairtrade products.</li> </ul> <p>(A maximum of 5 marks if only one element of the marketing mix is considered)</p>
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Q4(a)	(i) Identify with the letter ' <u>C</u> ', on the Boston Matrix below, where <i>Caffè Bologna</i> should be positioned in terms of the luxury coffee shop market.	
AO	Mark Allocation	Exemplar Responses
<u>AO1</u> MB1 = 1	1 mark for correct placement  (1 mark)	See diagram below - low market growth and very low market share.  (Allow Dog or Cash Cow)



Q4(a)	(ii) Justify why you have selected this position.	
AO	Mark Allocation	Exemplar Responses
<u>AO1</u> MB1 = 1	1 mark for very basic justification in terms of the axes	<ul style="list-style-type: none"> <li>Has very low market share in a market that is not growing very fast - <i>Caffè Bologna</i> only has two shops out of thousands - market growth has now fallen to just 8.9% compound growth.</li> </ul>
<u>AO2</u> MB1 = 1	1 mark for why market share is very low	
<u>AO4</u> MB1 = 1	1 mark for why market growth is relatively low.  (3 marks)	

Q4(b) Explain why <i>Caffè Bologna's</i> current outlets might be considered to be part of a micro marketing environment.		
AOs	Mark Allocation	Exemplar Responses
<u>AO1</u> MB1 = 1  <u>AO2</u> MB1 = 1 MB2 = 1  <u>AO4</u> MB1 = 1	<p>1 mark for basic meaning of micro (may be implied)</p> <p>1 mark for application to <i>Caffè Bologna's</i> current market situation (maximum 2 marks)</p> <p>1 mark for why that makes it micro for marketing</p> <p style="text-align: right;">(4 marks)</p>	<ul style="list-style-type: none"> <li>The market conditions are on a small scale - <i>Caffè Bologna</i> currently only has two outlets - there are no other direct competitors in the market - marketing therefore only needs to be fairly low key.</li> <li><i>Caffè Bologna</i> only has a small part of the market. There are thousands of coffee shops in UK - <i>Caffè Bologna</i> only trades in two towns - marketing decisions will only relate to competition in these two towns</li> </ul>

Q4(c) Explain how <i>Caffè Bologna's</i> media mix is likely to change as it moves from the micro to the macro marketing environment.		
AO	Mark Allocation	Exemplar Responses
<u>AO1</u> MB2 = 1  <u>AO2</u> MB1 = 1 MB2 = 1  <u>AO4</u> MB1 = 1	<p>1 mark for understanding of term media mix (may be implied)</p> <p>1 mark for likely change (maximum 2 marks)</p> <p>1 mark for why change would be required (maximum 2 marks)</p> <p style="text-align: right;">(5 marks)</p>	<p><u>Meaning</u> - Media mix is the mix of different media used to promote the business</p> <ul style="list-style-type: none"> <li>National media - needed if the long term intention is to go national - need to compete with chains which already use this.</li> <li>Use of additional local papers - this allows targeting in the new locations - <i>Caffè Bologna</i> will be unknown in these locations.</li> <li>Use of regional radio/television - with additional shops it is economical to use media with a larger catchment area - two shops would have limited the benefit of this.</li> </ul>



Q5	Advise <i>Caffè Bologna's</i> owners about <u>one</u> primary and <u>one</u> secondary research that method would be appropriate for this purpose.	
AO	Mark Allocation	Exemplar Responses
<p><u>AO1</u> MB1 = 2 MB2 = 2</p> <p><u>AO2</u> MB1 = 1 MB2 = 1</p> <p><u>AO4</u> MB1 = 1 MB2 = 1</p>	<p>1 mark for example of primary/secondary (may be implied in details)</p> <p>1 mark for details of research related to purpose</p> <p>1 mark for how owners could use the data/why the data is appropriate or useful (maximum 2 marks)</p> <p>(1 + 1 + 2) x 2</p> <p>(8 marks)</p>	<p><u>Primary</u></p> <ul style="list-style-type: none"> <li>• Observation - check prices in competitor's outlets - can compare to the prices they currently charge - can then gauge if they can afford to compete.</li> <li>• Street questionnaire - ask people about their current spending in coffee shops - would identify the major competitors - could then plan on an appropriate marketing strategy.</li> </ul> <p><u>Secondary</u></p> <ul style="list-style-type: none"> <li>• Yellow pages - check which businesses are in which towns - will know where competition will be greatest - could avoid those locations.</li> <li>• Press reports - would provide details of which chains were expanding - could provide a valuable insight into the market conditions - could identify competitors most likely to take aggressive defensive action against <i>Caffè Bologna's</i> expansion plans.</li> <li>• The internet - competitors may have websites - could check the range of products they offer - could then ensure it matches or is better than them.</li> </ul>

Q6(a)	Evaluate how useful <u>Table 1</u> would be in creating a typical customer profile of users of <i>Caffè Bologna's</i> coffee bars.	
AO	Mark Allocation	Exemplar Responses
<p><u>AO2</u> MB3 = 1</p> <p><u>AO3</u> MB1 = 1 MB2 = 1 MB3 = 1</p> <p><u>AO4</u> MB2 = 1</p>	<p>1 mark for elements that would make it useful (maximum 3 marks)</p> <p>1 mark for elements that would not make it useful (maximum 3 marks)</p> <p>1 mark for reasoned conclusion</p> <p>(3 + 2 + 1) or (2 + 3 + 1)</p> <p style="text-align: right;">(6 marks)</p>	<p><u>Useful</u></p> <ul style="list-style-type: none"> <li>• Suitable questions have been asked - \200 people is a significant sample - a general/average profile could be worked out.</li> <li>• Major and minor features are shown - shows highest numbers are female, in the £20,000 to £30,000 income bracket, etc. - provides some typical characteristics that can be used for marketing.</li> </ul> <p><u>Not useful</u></p> <ul style="list-style-type: none"> <li>• No indication of who answered what - cannot match answers e.g. , how many women are full or part-time - this prevents a typical profile.</li> <li>• Data comes from a selected group so will not be representative - only collected at lunch times - was a convenience sample so may have been carried out only when staff were free.</li> </ul> <p><u>Conclusion</u></p> <ul style="list-style-type: none"> <li>• Unlikely to be very useful because the profile will at best be an average.</li> </ul>

6(b)	Justify if the owners of <i>Caffè Bologna</i> could successfully use the information in <u>Table 1</u> to create a quota sample that would give them a picture of how the profile of their customers changed throughout the day.	
AO	Mark Allocation	Exemplar Responses
<u>AO1</u> MB1 = 1  <u>AO3</u> MB2 = 1  <u>AO4</u> MB1 = 2 MB2 = 1 MB3 = 1	1 mark for showing understanding of the term (may be implied)  1 mark for how Table 1 could be used  1 mark for how it would be used to conduct the survey  1 mark for assessing how successful it would be (maximum 2 marks)  1 mark for reasoned conclusion  (6 marks)	<ul style="list-style-type: none"> <li>Sample selected on the basis of specific numbers - Table 1 provides potential quotas, e.g., 56% women to 44% men - the survey could then ask questions of people in these proportions - but there are many different quotas possible from Table 1 - for coffee shops income levels may be more important than gender - the profiles are likely to be very different at other times of day so it is unlikely to be very successful.</li> </ul>

6(c)	Explain <u>one</u> change in the profile of <i>Caffè Bologna's</i> customers that the owners should expect to see at another time of the day.	
AO	Mark Allocation	Exemplar Responses
<u>AO2</u> MB1 = 1  <u>AO3</u> MB1 = 1  <u>AO4</u> MB1 = 1	1 mark for change  1 mark for why there would be a change (maximum 2 marks)  (3 marks)	<ul style="list-style-type: none"> <li>Less students - between 9 am and 12 am - will be at college at these times.</li> <li>Number of part-time workers could change dramatically - will depend on when they are working - will not visit at these times.</li> <li>Proportionally more retired people during working hours - they can visit when they like - full and part-time workers cannot visit when they are working.</li> </ul>

7(a)	Give an example of <u>one real</u> major UK business that operates in at least two diversified markets.	
AO	Mark Allocation	Exemplar Responses

<p><b>AO3</b> MB1 = 2</p>	<p>1 mark for details of product and first market</p> <p>1 mark for details of product and second market</p> <p style="text-align: right;">(2 marks)</p>	<p><u>Name</u> - Virgin. <u>First</u> - Virgin Atlantic providing air flights. <u>Second</u> - Virgin Books publishing books.</p>
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7(b) Evaluate the effectiveness of differences in the marketing mix used for the two markets.		
AO	Mark Allocation	Exemplar Responses
<p><b>AO1</b> MB3 = 1</p> <p><b>AO2</b> MB3 = 1</p> <p><b>AO3</b> MB2 = 1 MB3 = 1</p> <p><b>AO4</b> MB2 = 1 MB3 = 1</p>	<p>1 mark for difference in marketing mix (maximum 2 marks)</p> <p>1 mark for why they are different (maximum 2 marks)</p> <p>1 mark for evaluation of their effectiveness (maximum 2 marks)</p> <p>(Maximum of 5 marks for one difference)</p> <p style="text-align: right;">(6 marks)</p>	<ul style="list-style-type: none"> <li>• Distribution for Virgin Atlantic through travel agents and Virgin Books sold through major book shops - customers expect to find travel facilities in a travel agent and books in a book shop - allows customers to consider competitors products at the same time - both parts of Virgin have expanded rapidly - continue to hold high market shares.</li> <li>• Pricing for Virgin Atlantic is competitor pricing, pricing for Virgin Books includes skimming - Virgin Atlantic is in a highly price competitive market - Virgin Books is in a market that competes on the basis of quality/skimming is used for hardback books - Virgin Atlantic has been able to survive and grow whilst keeping prices low - Virgin Books has over 200 new titles each year.</li> </ul>

7(c)	Outline the marketing objective that this business meets by being in more than one market.	
AO	Mark Allocation	Exemplar Responses
<u>AO2</u> MB1 = 1	1 mark for objective	<ul style="list-style-type: none"> <li>• Further business expansion - has allowed Virgin to continue to grow even when one part of the business reaches saturation.</li> <li>• Providing business security - if one part of the business is doing poorly it can be cover by the parts that are doing well.</li> </ul>
<u>AO3</u> MB1 = 1	1 mark for why it comes from being in two or more markets	
	(2 marks)	

8(a) (i)	Identify the product where skimming pricing has been used.
8(a)	Give details of how skimming was applied to this product.

<b>(ii)</b>		
<b>AO</b>	<b>Mark Allocation</b>	<b>Exemplar Responses</b>
<u>AO1</u> MB1 = 1  <u>AO3</u> MB2 = 1 MB3 = 1	1 mark for product  1 mark for details of how skimming was applied (maximum 2 marks)  <p style="text-align: right;">(3 marks)</p>	(Collins publisher has been used as an example for Q8) <ul style="list-style-type: none"> <li>New books - hardbacks will be priced at up to five times the price of paperback versions - only the hardback is issued for about 7 months.</li> </ul>

<b>8(b) Explain why skimming is a successful pricing strategy for this business.</b>		
<b>AO</b>	<b>Mark Allocation</b>	<b>Exemplar Responses</b>
<u>AO3</u> MB1 = 1  <u>AO4</u> MB1 = 1 MB2 = 2	1 mark for feature of the way the skimming works (maximum 2 marks)  1 mark for why that makes it successful (maximum 2 marks)  <p style="text-align: right;">(4 marks)</p>	<ul style="list-style-type: none"> <li>Lower price paperback not available for 7 months - people who really want the book will not be prepared to wait - will pay the full price.</li> <li>Produced in hardback first - customers feel they are getting something better - willing to pay the extra.</li> <li>Other publishers do the same - no pressure to change the policy - customers have accepted it.</li> </ul>

<b>8(c) How would a major downturn in the state of the economy affect this business's strategy of skimming?</b>		
<b>AO</b>	<b>Mark Allocation</b>	<b>Exemplar Responses</b>
<u>AO1</u> MB3 = 1  <u>AO2</u> MB3 = 2	1 mark for general effect of downturn  1 mark for how it would be expected to affect this strategy (maximum 2 marks)  <p style="text-align: right;">(3 marks)</p>	<ul style="list-style-type: none"> <li>Less money to spend - likely to be less spent on more luxurious items such as hardbacks - effect would depend on how much people wanted the books.</li> <li>More people may want to save - may choose to wait for paperbacks - business may need to lower price/use competitive pricing on hardbacks to get rid of them.</li> </ul>