Mark Scheme (Results)

Summer 2012

GCE Applied Business (6925)
Paper 01

PEARSON

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.

- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.

- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.

- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.

- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.

- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.

- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.

- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response

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

1(a)	Why was *Michelin*'s takeover of the *Uniroyal-Goodrich Tire Company* in 1990 a strategic marketing decision?	
AOs	**Mark Allocation**	**Exemplar Responses**
AO1 MB1 = 1 **AO2** MB1 = 1	1 mark for relevant feature of strategic 1 mark for why that applies here **(2 marks)**	• Is part of a long term plan for the business – buying another business was part of the long term expansion plan of *Michelin*. • The decision affects the whole business – having an additional manufacturing plant would change how the existing plants distributed their tyres.

1(b)	Discuss <u>one</u> internal strength and <u>one</u> internal weakness *Michelin* would have had when acquiring the I-Spy books business in 1991.	
AOs	**Mark Allocation**	**Exemplar Responses**
AO2 MB1 = 1 MB2 = 1 **AO3** MB1 = 1 MB2 = 1	1 mark for identifying a strength 1 mark for why this was a strength for acquiring I-Spy books (Repeat for weakness) (1 + 1) x 2 **(4 marks)**	<u>Strength</u> • Already publish maps and guides – will have knowledge of how publishing industry works. • Maps and guides will be used for journeys – I-Spy books could be used on journeys as well so could be sold from the same outlets. • I-Spy books spread the risk for the business – this is a new market or *Michelin* so may be expanding whilst other sectors are contracting. <u>Weakness</u> • The market for their existing publications will be people travelling – the I-Spy books will include people using them where they live so may need to be marketed differently. • Target for guides likely to be adults – target for I-Spy books will include children so new ways of promoting will have be considered. • The market is for children which is a new market for *Michelin* – so this will require a new marketing strategy for the business.

1(c)	Analyse why the takeover of *Uniroyal-Goodrich Tire Company* could be classified as 'market penetration' but the takeover of the I-Spy books business classified as 'diversification'.	
AOs	**Mark Allocation**	**Exemplar Responses**
AO1 MB1 = 2 **AO2** MB1 = 1 MB2 = 1 **AO4** MB1 = 2	1 mark for meaning of market penetration (may be implied) 1 mark for why the same product 1 mark for why the same market 1 mark for meaning of diversification (may be implied) 1 mark for why new product 1 mark for why new market **(6 marks)**	<u>Market penetration</u> • Expansion by aiming the same product at the same market – manufacturing tyres is the production of both businesses – the new business will produce more tyres so that more people in the existing market can be supplied. <u>Diversification</u> • A new product is created for a new market – the existing product was guide books and maps, the I-Spy books are books to keep children occupied – the guide books were for a European market, the I-Spy books for British children.

	Explain why *Michelin* is likely to use different promotional strategies when selling tyres for original equipment use and for replacements.	
Q2	**Indicative content**	
AO3 MB1 = 2 MB2 = 2 MB3 = 1 **AO4** MB1 = 2 MB2 = 2 MB3 = 2	• Tyres are being used for placing on new vehicles and for replacements (1) – vehicle manufacturers will buy the tyres for their cars (1) – tyre distributors will buy tyres for resale (1) – *Michelin* will need to promote to businesses and to the end user (2) – the businesses will buy tyres before the end user (2) – promotion to end users will be different than to the businesses (3) – businesses are likely to be approached directly through reps, direct mail, etc, (3) – end users will be made aware of the product through television, magazine advertisements, etc, (3) – when people buy cars the tyres will already be attached so the end user generally simply accepts them (4) – *Michelin* therefore need to concentrate on promoting to the vehicle manufacturers (4) – with replacement tyres the end user decides what tyre to have so *Michelin* will need to promote to the end user as well as the distributor (4).	

Level	Mark	Descriptor
0	**0 mark**	No rewardable material
Level 1	**1 – 3 marks**	Understanding of the situation in terms of there being different channels and different uses for the tyres. May be implied at Level 2. The candidate uses everyday language and the response lacks clarity and organisation and is difficult to comprehend. Spelling, punctuation and the rules of grammar are used with little accuracy.
Level 2	**4 – 5 marks**	Recognition of the need to promote to businesses and the end user. The candidate uses everyday language and the response lacks clarity and organisation. Spelling, punctuation and the rules of grammar are used with limited accuracy.
Level 3	**6 – 8 marks**	Basic explanation of the significance of the different channels and uses in terms of how it affects promotion. Different promotional strategies are given. The candidate uses some terms and shows some focus and organisation. Spelling, punctuation and the rules of grammar are used with some accuracy.
Level 4	**9 – 11 marks**	Clear explanation as to why the promotional differences are required because of the differences in the channels and the uses and the way the end user thinks about the tyres. Recognition of the need to promote The candidate uses a range of appropriate

		terms and shows good focus and organisation. Spelling, punctuation and the rules of grammar are used with considerable accuracy.

3(a)(i)	With reference to the data on <u>Table 1</u>, examine a likely marketing objective for *Michelin* in 2010.	
AOs	**Mark Allocation**	**Exemplar Responses**
<u>**AO1**</u> MB2 = 1 MB3 = 1 <u>**AO2**</u> MB2 = 1 MB3 = 1	1 mark for objective 1 mark for why the data suggests that would be appropriate (maximum 3 marks). **(4 marks)**	• Increase market share – market share has been falling for two years – in 2007 *Michelin* was the market leader – if it does not increase market share customers may think the product is not as good as the competition.

3(a)(ii)	What would be a suitable tactical marketing decision to achieve the objective you have identified in part (i)?	
AOs	**Mark Allocation**	**Exemplar Responses**
<u>**AO1**</u> MB1 = 1 <u>**AO2**</u> MB1 = 1 MB2 = 1 MB3 = 1	1 mark for showing understanding of the term (may be implied) 1 mark for suitable tactical decision 1 mark for why it would help meet objective (maximum 2 marks) **(4 marks)**	• Tactical is the execution of the marketing plan, so supports it – aggressive promotion – this would raise awareness of the brand – should encourage end user to try the tyres and hence increase sales and market share. • Short term decision to support the main objective – lobby for *Michelin* tyres to be used as the F1 preferred tyre – would give the business high exposure – help to increase sales and hence market share. (Note that the decision must relate to the objective given in part (i))

	With reference to the information given in <u>Table 1</u> justify in which section of the Boston Matrix *Michelin*'s tyre production should have been placed in 2009.
Q4	**Indicative content**
<u>AO1</u> MB2 = 1 MB3 = 1 **<u>AO2</u>** MB1 = 1 MB2 = 1 MB3 = 1 **<u>AO4</u>** MB1 = 2 MB2 = 2 MB3 = 2	• Boston Matrix compares market share to market growth (1) – the data shows the relative market share in 2009 and what has been happening to new car production (1) – new car production has been falling suggesting less tyres needed (2) – market share is 15.5% the second highest (2) – this would suggest that *Michelin* was in the Cash Cow state (2) – the falling market for tyres to fit on new cars suggests the market is declining, so Cash Cow or Dog (3) – the market for tyres has very large numbers of producers, so *Michelin's* share is high, suggesting Cash Cow (3) – however the share is falling, 17.1% down to 15.6% in two years, suggesting a move towards Dog (3) – the table only shows new cars and there is also a replacement markets (4) – this makes it difficult to state what is happening to whole tyre market (4) – however, if new cars sales had been falling since 2007, there could be less cars overall so also less replacement tyres, so still Cash Cow or Dog (4)

Level	Mark	Descriptor
0	**0 mark**	No rewardable material
Level 1	**1 – 2 marks**	Understanding shown of the criteria of the Boston Matrix and the basic data on the table. May be implied from the answers at Level 2 & 3. The candidate uses everyday language and the response lacks clarity and organisation and is difficult to comprehend. Spelling, punctuation and the rules of grammar are used with little accuracy.
Level 2	**3 – 5 marks**	Appropriate data selected from **Table 1**. Basic conclusion given. The candidate uses everyday language and the response lacks clarity and organisation. Spelling, punctuation and the rules of grammar are used with limited accuracy.
Level 3	**6 – 8 marks**	Justification on the basis of how the Boston Matrix works and on how the data supports the chosen section. The candidate uses some terms and shows some focus and organisation. Spelling, punctuation and the rules of grammar are used with some accuracy.

| Level 4 | 9 – 11 marks | Reasoned conclusion which recognises the limitations of the data shown on **Table 1**. The candidate uses a range of appropriate terms and shows good focus and organisation. Spelling, punctuation and the rules of grammar are used with considerable accuracy. |

AOs	Mark Allocation	Exemplar Responses
5 (a)	**Explain how a quota sample should have been constructed so that it took into account these target audiences.**	
AO1 MB1 = 2 MB2 = 1 MB3 = 1 **AO2** MB1 = 2	1 mark for showing understanding of quota (may be implied) 1 mark for reference to likely quotas (maximum 2 marks) 1 mark for way the sample would be structured (maximum 2 marks) 1 for recognition that additional data would be needed to decide on actual quotas **(6 marks)**	• Representative individuals are chosen out of specific sub-group – groups here would be existing fans and new potential customers – there will also be sub-groups of grandparents and parents and young adult and children – the numbers of individuals sampled in each group should reflect how important the group is – here there are likely to be five different group surveyed – before the size of each group can be decided data will be needed about how many people exist in each group.

5(b)	Evaluate how useful this research was likely to be in terms of setting a price for the I-Spy books.	
AOs	Mark Allocation	Exemplar Responses
AO2 MB1 = 1 MB2 = 1 MB3 = 1 **AO3** MB1 = 1 **AO4** MB1 = 2	1 mark for selection of appropriate information (maximum 2 marks) 1 mark for why that would be a problem or benefit (maximum 2 marks) 1 mark for why it would help or not help in setting a price (maximum 2 marks) **(6 marks)**	• Only 15 interviews took place – this is a very small number of people in the sample – there may be insufficient information gather to make valid conclusions – all of the books were being priced at £2.50 – if other people had been interviewed they might have indicated that they could afford to pay more/less. • Parents were interviewed – they were asked about the cost of school holidays – this would give *Michelin* an idea of how much parents could afford to spend in the holidays – parents are likely to be the customers who buy the I-Spy books – *Michelin* can price the books so that the price is appropriate for their main target market.

AOs	Mark Allocation	Exemplar Responses
5(c)	Describe why this would **not** be secondary market research.	
AO1 MB2 = 2	1 mark for feature of secondary research 1 mark for why this research did not show that **(2 marks)**	• Research that uses existing information – interviewing people will be finding original information from them. • Finding information from published sources – this information was collected by talking to potential customers.

AOs	Mark Allocation	Exemplar Responses
6(a)	State how <u>Table 2</u> shows the dynamics of the market for books.	
<u>**AO1**</u> MB1 = 2	1 mark for showing understanding of term (may be implied) 1 mark for how the table show this **(2 marks)**	• Relates to how the market is changing over time – table shows the difference in how customers obtain books from 2004 to 2009. • Shows the structure of the market – the table shows the relative sizes of different sales points for book buying customers.

6(b)	With reference to <u>Table 2</u> and the likely target market, discuss the relative benefits to *Michelin* of choosing supermarkets to sell its I-Spy books in.	
AOs	**Mark Allocation**	**Exemplar Responses**
<u>**AO1**</u> MB3 = 1 <u>**AO3**</u> MB1 = 2 MB2 = 2 MB3 = 2	1 mark for identifying the likely target market 1 mark for how supermarkets relate to the target (maximum 2 marks) 1 mark for reference to the data that shows a benefit (maximum 2 marks) 1 mark for why this would be a relative benefit (maximum 2 marks) **(7 marks)**	• Parents are likely to buy the books – they are also likely to visit supermarkets for weekly shopping – placing where parents can find them will give them good exposure – supermarkets had the second highest figure in 2009 – their share had risen from only 8.5% in 2004 to 14.8% by 2009 – the share rose by nearly 75% and that was only matched by the internet – the internet was at 14.3% in 2009 and with the increase from 2004 might have been a better option. • Children are likely to be using the books – younger children often accompany their parents on supermarket shopping trips – children are less likely to be in the other listed outlets – supermarkets still have 14.8% of the market in 2009 - placing the books at checkout might lead to impulse buying – this is likely to have more immediate effect than using any of the other channels.

6(c)	Suggest additional research that would have helped *Michelin* to decide on which would be the best channel to sell its I-Spy books through.	
AOs	**Mark Allocation**	**Exemplar Responses**
<u>**AO1**</u> MB1 = 1 MB2 = 1 <u>**AO2**</u> MB1 = 1 <u>**AO4**</u> MB1 = 1 MB2 = 1	1 mark for suitable research (maximum 2 marks) 1 mark for what this would have provided (maximum 2 marks) 1 mark for why that would show which the best channel was for I-	• Which supermarkets sell children's books – *Michelin* could then choose a retailer that is already known for this – parents would be more likely to be looking for children's books there – I-Spy books are targeted at children as the reader – choosing a supermarket where only adult books were sold would be less likely to be successful. • Why people buy these kinds of books – would show the motivation for buying the books – might show that they are only bought for occupying children when travelling by car – could target outlets where the cars would be stopping – petrol stations and

	Spy books (maximum 2 marks)	motorway service stations would be appropriate channels.
	(5 marks)	

7(a)	Describe the main requirements of the legislation.	
AOs	**Mark Allocation**	**Exemplar Responses**
AO1 MB1 = 1 MB2 = 1	1 mark for basic requirement **(maximum 2 marks)** 1 mark for distinct additional detail. **(2 + 0) or (1 + 1)** **(2 marks)**	(*Toyota Plc* has been used as an example for Q8) <u>Name of business – *Toyota*</u> <u>Product – car engine/car</u> • All new cars must comply with strict EU vehicle emission standards. • The maximum permitted emissions are gradually being lowered. • The main pollutant being targeted is CO2. • Manufacturers exceeding the targets will be heavily fined.

7(b)	Explain how the business changed its product(s) to comply with the legislation.	
AOs	**Mark Allocation**	**Exemplar Responses**
AO2 MB1 = 2 MB2 = 1 **AO3** MB1 = 1	1 mark for change made (maximum 2 marks) 1 mark for how this meets the legislation (maximum 3 marks) **(4 marks)**	• Hybrid engines developed – these can switch from petrol drive to electric – the electric does not create CO2 emissions – helps to ensure that the emissions legislation is met.

7(c)	How has the business used the changes to effectively promote the new products?	
AOs	**Mark Allocation**	**Exemplar Responses**
AO2 MB2 = 1 **AO3**	1 mark for details of the promotion (maximum 2 marks)	• The technology of the *Toyota* hybrid is promoted as being more efficient than competitors – allows the car to be driven at high speeds using only the electric motor – promotion has pointed

MB1 = 2 MB2 = 1	1 mark for how that has made in effective (maximum 3 marks) **(4 marks)**	out that other hybrids use petrol all the time – the promotion appeals to environmentally conscious customers. • *Toyota* offers a 100,000 mile warranty on emission components and battery pack – *Honda* only offer 80,000 mile warranty – used to promote the reliability of the car – encourage people to by *Toyota* rather than *Honda*.

8(a)	State <u>one</u> condition that was needed so that this business could act as a price leader.	
AOs	**Mark Allocation**	**Exemplar Responses**
<u>**AO2**</u> MB1 = 1	1 mark for condition **(1 mark)**	(The *Kellogg's* has been used as an example for Q8) <u>Business –*Kellogg's*</u> <u>Product – Breakfast cereals</u> • Had the largest share in the market. • 42% market share.

8(b)	Analyse how this business has used marketing decisions to maintain its position as the price leader in the market.	
AOs	**Mark Allocation**	**Exemplar Responses**
<u>**AO1**</u> MB2 = 1 <u>**AO4**</u> MB1 = 2 MB2 = 1	1 mark for marketing decision (maximum 2 marks) 1 mark for how that help to maintain the price leadership (maximum 3 marks) **(4 marks)**	• Heavy advertising – emphasis on the quality of its products compared to the competition – kept the products in the minds of the customers – allowed *Kellogg's* to maintain the high price without serious competition. • Short-term promotions with lower prices – encourages customers to try the products – helps to maintain market share – helps to prevent competitors taking away market share through price competition.

8(c)	Using a suitable example, explain how another business has used marketing decisions to compete in this market.	
AOs	**Mark Allocation**	**Exemplar Responses**
<u>**AO1**</u> MB3 = 1 <u>**AO2**</u> MB2 = 1 <u>**AO3**</u> MB1 = 1 MB2 = 1 MB3 = 1	1 mark for example of competitor 1 mark for marketing decision (maximum 2 marks) 1 mark for how this helped it to compete (maximum 2 marks) **(5 marks)**	• *Weetabix* – produced new product ranges such as oatibix – this provides customers with something unique to *Weetabix* – increases the range of products offered by *Weetabix* – helps to compete against the very large range of *Kellogg's* products. • *Weetabix* – agreement with Disney Pixar to launch a Toy Story 3 on-pack promotion – offering Toy Story adventure holidays in Florida – an attractive prize for many families – will buy *Weetabix* instead of *Kellogg's* so that they can enter the competition.

6925 – Marketing Decisions – June 2012 – Content and AOs Grids

Content area distribution

Question	Content area				
	10.1	**10.2**	**10.3**	**10.4**	**Total**
1 (a)	2				2
1 (b)	4				4
1 (c)		4		2	6
2	4	5		2	11
3 (a) (i)	4				4
3 (a) (ii)	4				4
4		9		2	11
5 (a)			6		6
5 (b)			4	2	6
5 (c)			2		2
6 (a)			2		2
6 (b)			3	4	7
6 (c)			5		5
7 (a)	2				2
7 (b)	2			2	4
7 (c)	1			3	4
8 (a)		1			1
8 (b)		2		2	4
8 (c)		2		3	5
Total	**23**	**23**	**22**	**22**	**90**
Target	22/23	22/23	22/23	22/23	90

AOs Grid – 6925 Marketing Decisions June 2012

Question	AO1: Band equivalent			AO2: Band equivalent			AO3: Band equivalent			AO4: Band equivalent			
	1	2	3	1	2	3	1	2	3	1	2	3	
1 (a)	1			1									2
1 (b)				1	1		1	1					4
1 (c)	2			1	1					2			6
2							2	2	1	2	2	2	11
3 (a) (i)		1	1		1	1							4
3 (a) (ii)	1			1	1	1							4
4		1	1	1	1	1				2	2	2	11
5 (a)	2	1	1	2									6
5 (b)				1	1	1	1			2			6
5 (c)	2												2
6 (a)	2												2
6 (b)			1				2	2	2				7
6 (c)	1	1		1						1	1		5
7 (a)	1	1											2
7 (b)				2	1		1						4
7 (c)						1	2	1					4
8 (a)				1									1
8 (b)		1								2	1		4
8 (c)			1		1		1	1	1				5
Total	**12**	**6**	**5**	**12**	**8**	**5**	**10**	**7**	**4**	**11**	**6**	**4**	**90**
Target													
If Top	14	8	5	16	9	6	11	7	4	14	8	5	
Top		27			31			22			27		
Bottom		18			22			14			18		
If Bottom	9	5	4	11	7	4	6	4	3	9	5	4	
Balance	45	27	18	70									
Target	45	27	18	90									

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