



General Certificate of Education

Applied Business 8616/8619

BS11 The Marketing Environment

Mark Scheme

2008 examination - June series

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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	Assessment Objectives
	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.
Quality of Written Communication	<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"> • 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: 20 marks

(a) Using Item A , explain why <i>Tesco's</i> profits have increased.	(4 marks)
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Level	Descriptor	Marks	Assessment Objective
2	Uses Item A to explain why <i>Tesco's</i> profits increased.	3–4	AO2
1	Describes a possible reason for an increase in profits.	1–2	AO1

Relevant answers might include the following:

- international expansion – resulting in higher revenues and profits
- increase has also come from UK operations with online and non-food sales contributing significantly
- increased dominance in the market indicated by growing market share.

Increase in profits has come from diversification – by market and by products – and increasing market share.

(b) Using Item A , analyse the degree of competition present in the UK grocery market.	(8 marks)
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Level	Descriptor	Marks	Assessment Objective
3	Uses Item A to analyse the degree of competition in the market.	7–8	AO3
2	Uses Item A to explain the competition in the market.	4–6	AO2
1	Describes the structure of the market or explains a relevant market structure.	1–3	AO1

Relevant answers might include the following:

- bar chart indicates a competitive market – perhaps dominated by *Tesco* but with a number of competitors present
- *Friends of the Earth* statement – indicating dominance over suppliers and predatory pricing in relation to high street stores
- *Waitrose* statement indicating some barriers to entry
- comment from BRC would support a high degree of competition within the market
- bar chart indicates monopolistic power (>25% market share) potentially possessed by *Tesco*, and this market share is almost twice that of its nearest rivals
- *Somerfield* market share has fallen significantly, which reduces the degree of competition
- overall, evidence for an oligopolistic market with a clear market leader who perhaps dominates the market.

(c) Using **Item A**, analyse how *Tesco* might have established a competitive advantage within the UK grocery market. (8 marks)

Level	Descriptor	Marks	Assessment Objective
3	Uses Item A to analyse factors that could have contributed to <i>Tesco</i> establishing a competitive advantage.	7–8	AO3
2	Uses Item A to explain how <i>Tesco</i> might have established a competitive advantage.	4–6	AO2
1	Describes factors or explains the meaning of a competitive advantage.	1–3	AO1

Relevant answers might include the following:

- diversifying into new product ranges, eg non-food sales
- using new channels of distribution, eg online sales
- establishing lower costs through bargaining supply prices down and passing this onto consumers
- outbidding rivals for prime store locations
- competitive market, so must have met customer needs in superior ways.

2

Total for this question: 24 marks

(a) Using **Item B**, explain **two** potential benefits to *Morrisons* of its takeover of *Safeway*.
(10 marks)

Apply the following mark scheme to each answer.

Level	Descriptor	Marks	Assessment Objective
2	Uses Item B when explaining a potential benefit of the takeover.	3–5	AO2
1	Describes a general benefit of takeovers.	1–2	AO1

Relevant answers might include the following:

- creating a national presence in the UK grocery market, providing a market share of 16%. Possibly result in greater ability to establish brand loyalty and purchasing economies of scale. Seen as a challenger strategy to establish itself as the third largest retailer within the market
- giving the business an opportunity to develop smaller outlets by converting 180 medium sized *Safeway* stores into "*Morrisons Compact*" stores. This would be a direct challenge against *Sainsbury's* town centre outlets
- marketing economies of scale, through common branding and advertising, and other economies resulting in annual savings of £215 million. This could potentially allow the combined business to pass savings onto customers in the form of price reductions, a significant tactic within a highly competitive market.

(b) Using **Item B**, discuss the possible reasons why *Morrisons'* market share declined from 16% in 2004 to 11% in 2007. (14 marks)

Level	Descriptor	Marks	Assessment Objective
3	Uses Item B when analysing why the market share declined.	5–7	AO3
2	Uses Item B when explaining why the market share declined.	2–4	AO2
1	Describes a possible reason for a decline in market share.	1	AO1

Relevant answers might include the following:

- immediate sale of almost 25% of *Safeway's* stores to potential rivals, inevitably reducing the potential 16% share
- forced to sell some of these stores for competition policy reasons, but this is described as a "small number" of stores. Sale of stores would seem to have been a decision taken by the *Morrisons'* management
- size of *Morrisons* compared with *Safeway* – difficult to absorb the organisation
- failure to expand into non-food, diversifying the product mix, while major competitors, such as *Tesco*, have moved into this sector
- failure to identify a marketing environment trend – internet shopping – and no apparent intention to do this.

Overall, it would seem that *Morrisons'* management did not exploit the potential for economies of scale and failed to match the actions of its competitors.

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 reasons. 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, with some justification, reason(s). 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, possible reason(s). 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: 36 marks

(a) To what extent does the recovery plan take into account Morrisons' strengths, weaknesses and competitive position? Use **Item C** to justify your answer. (14 marks)

Level	Descriptor	Marks	Assessment Objective
3	Uses the data to analyse the suitability of the recovery plan.	5–7	AO3
2	Explains the possible use of the data.	3–4	AO2
1	Describes the data or possible use of the data.	1–2	AO1

Strengths and weaknesses:

- major strengths stated as value and availability of product, along with good customer service
- major weaknesses stated as confused brand image, limited product range, store layout and problems with internal organisation
- recovery plan includes emphasis on developing brand image (fresh food and great service) so addresses both strength and weakness. Success possibly depends on the effectiveness of the new local/national advertising campaign
- increased store space would also seem to address some major weakness – stores too cluttered
- segmentation strategy could be seen as continuing to provide “good service” and availability of products as well as combating problems with brand image.

Competitive positioning:

- map can be interpreted in several ways – does *Morrisons* want to compete directly with, for example, *Sainsbury's* (so perhaps improve non-food offer) or position itself away from competitors (so focus on food but at a low price)?
- recovery plan does not indicate a radical repositioning – more non-food products – but would seem to indicate a desire to compete with *Sainsbury's*.

Overall, the plan would seem to address the problems indicated by the data. However, greater detail needed to accurately assess the suitability of the recovery plan, eg how the segmentation strategy would be implemented.

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 the recovery plan. 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, with some justification, the recovery plan. 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 recovery plan. 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	

(b) Using **Item C**, analyse why Morrisons might carry out additional research before implementing its recovery plan. (8 marks)

Level	Descriptor	Marks	Assessment Objective
3	Analyses the importance of additional research.	6–8	AO3
2	Explains the purpose of additional research.	3–5	AO2
1	Describes additional research.	1–2	AO1

Relevant answers might include the following:

- changes in consumer social/ethical values would be important to identify to ensure that the supermarket continues to meet the needs of the market, eg part of delivering a good segmentation strategy
- need to identify customer's perception of the supermarket's brand
- need to identify buyer behaviour prior to developing national and local advertising strategy and logo
- research into customer preferences for non-food products
- need to identify changes in the marketing environment – economic, technological, legal/regulatory and social/ethical – as the market contains a wide range of products and is very competitive.

(c) Using **Item C**, evaluate **one** marketing strategy that Morrisons could use to improve its competitive position. (14 marks)

Level	Descriptor	Marks	Assessment Objective
3	Uses Item C to analyse a suitable marketing strategy.	5–7	AO3
2	Uses Item C to explain a suitable marketing strategy/activity.	2–4	AO2
1	Describes a valid marketing strategy/activity.	1	AO1

A range of marketing strategies could be selected, eg geodemographic segmentation or product diversification.

Candidates are required to justify the strategy in relation to strengths/weaknesses and competitive position shown in **Item C**. The levels awarded will depend on the extent to which a candidate identifies a key issue from **Item C** (eg position in relation to competitors) and justifies a marketing strategy capable of addressing the issue (eg competing directly with *Sainsbury's*).

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 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, with some justification, the suitability of the marketing strategy. Ideas are communicated in a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communications.	3–5	
1	Judges, using limited evidence, the suitability of the marketing strategy/activity. Ideas are communicated with some structure evident with occasional use of appropriate technical terms. There are some errors in accepted conventions of written communications.	1–2	