

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
January 2010

Applied Business

BS11

Unit 11 The Marketing Environment

Thursday 21 January 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. Answers written in margins or on blank pages will not be marked.
- 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(d), 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 A 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

UK market for new cars

In 2008, no single car manufacturer dominated the UK market for new cars. *Ford* had the greatest market share (15.04%), followed by *Vauxhall* (13.83%) and by *Volkswagen* (8.34%). Sales of new cars fell by almost 11% compared with sales in 2007.

UK economic growth slowed in 2008 and was forecasted to become negative in 2009. In a survey carried out by the Nationwide Building Society (November 2008), nearly 60% of those surveyed said that it was a bad time to purchase major goods, such as a house or a car. The cost of running a car had also been affecting buyer behaviour and two of the top three selling cars in 2008 were smaller and more fuel-efficient models (the *Ford Fiesta* and the *Vauxhall Corsa*).

Customer surveys, carried out in August and September 2008, indicated that consumers were negotiating price reductions from car dealers. In addition, they were concerned about the pollution caused by cars: 26% of consumers surveyed stated that this would be a factor when next purchasing a car.

The decline in the demand for cars was having a major impact on car manufacturers. Stocks of unsold cars were building up and, in October 2008, *Ford* and *General Motors* (which owns *Vauxhall*) were considering the possibility of merging their two businesses. They believed that this could reduce costs and help the combined business to survive the difficult marketing environment. However, *Ford* was in a much stronger financial position than *General Motors* and, by the end of 2008, the possibility of a merger seemed less likely.



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

Item B
The Volkswagen Group

In 2008, the *Volkswagen Group (VW)* owned several car brands:

- *SEAT* and *Skoda* – aimed at the mass market
- *Bentley*, *Bugatti* and *Lamborghini* – aimed at the luxury market
- *Volkswagen* and *Audi* – aimed at both the mass and business markets.

In 2008, *VW* was the market leader in Western Europe. It also operated in other international markets. **Figure 1** shows car sales information in three regional markets during the first half of 2008.

Figure 1: Car sales information by region, January to June 2008

	Western Europe	North America	Asia (including China)
Number of cars sold	1 602 302	253 886	610 328
Market share	19.3%	2.8%	7.9%
Change in sales (compared with January to June 2007)	–1.2%	–3.8%	+21.5%

At the 2008 Annual General Meeting, a *VW* director said, “In the coming years, we will make the *Volkswagen Group* the world’s most international car maker.” He went on to say, “Our customers in China or India expect us to offer entirely different product ranges than we do in the USA or Western Europe.”

In September 2008, the European Parliament’s Environment Committee voted in favour of legislation designed to reduce the amount of carbon dioxide in car exhaust fumes. This legislation would affect all new cars sold from 2012 onwards. The proposed fines were high and would affect *VW*’s profits very heavily if it did not modify its cars in line with the legislation.

Source: Volkswagen Group Financial Report January–June 2008



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

Item C

Should cars be electric?



A 2008 survey revealed that 71% of UK motorists would consider purchasing an electric-car. Under 25 year olds were more likely to buy environmentally-friendly cars, with 81% stating that they would consider purchasing an electric-car. However, at the time, electric-cars had limited performance and were generally suited to short journeys, for example 40 miles.

In July 2008, the Mayor of London proposed installing 100 parking spaces at which owners could recharge the batteries of their electric-cars for free. These would be in addition to the 40 spaces already located around London. Drivers made an annual payment of £75 for a key that allowed them access to the spaces. The Prime Minister also pledged £90 million to help make Britain 'the European capital for electric cars'. This money could, for example, help to set up a network of recharging points in major UK cities.

In October 2008, *Pininfarina*, an Italian car design and engineering business, announced that it would be manufacturing an electric-car. *Pininfarina* had successfully designed cars for other manufacturers, such as *Ferrari* and *Peugeot*, but had never manufactured any of its designs. *Pininfarina* stated that its electric-car would use alternative battery technology. This technology would considerably extend the distance the car could travel on a full eight-hour charge, ie 125 miles as opposed to the 40 miles managed by the other electric-cars.

Industry experts believed that *Pininfarina* could successfully diversify into this market. Electric-cars were still seen as a niche market by most motor car manufacturers who were reluctant to enter into large-scale production. However, some experts believed that *Pininfarina's* alternative battery technology might **not** be as effective as the company claimed.

Source: photograph Reuters Ltd, RTR1R74M



3 (a) Analyse the significance to *Pininfarina* of the marketing opportunities and threats described in **Item C**.

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