

Version 1.0



**General Certificate of Education  
January 2011**

**Applied Business**

**BS11**

**The Marketing Environment**

**Unit 11**

***Mark Scheme***

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 standardisation events which all examiners participate in and is the scheme which was used by them in this examination. The standardisation process 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 standardisation each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, examiners encounter unusual answers which have not been raised 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.

Further copies of this Mark Scheme are available to download from the AQA Website: [www.aqa.org.uk](http://www.aqa.org.uk)

Copyright © 2011 AQA and its licensors. All rights reserved.

#### COPYRIGHT

AQA retains the copyright on all its publications. However, registered centres for AQA are permitted to copy material from this booklet for their own internal use, with the following important exception: AQA cannot give permission to centres to photocopy any material that is acknowledged to a third party even for internal use within the centre.

Set and published by the Assessment and Qualifications Alliance.

	<b>Assessment Objectives</b>
	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
<b>Quality of Written Communication</b>	<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"> <li>• select and use a form and style of writing appropriate to purpose and complex subject matter</li> <li>• organise relevant information clearly and coherently, using specialist vocabulary when appropriate</li> <li>• ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear.</li> </ul> <p>The assessment of the quality of written communication is included in Assessment Objective 4.</p>

1

**Total for this question: 22 marks**

**1 (a)** Using **Item A**, explain **two** ways in which changes in the marketing environment might have increased the losses made by UK dairy farmers in 2009. (6 marks)

Level	Descriptor	Marks	Assessment Objective
2	Uses <b>Item A</b> to explain how changes in the marketing environment could have altered revenues or costs.	6–3	AO2
1	Demonstrates understanding of the marketing environment <b>or</b> identifies changes in the marketing environment.	2–1	AO1

**Relevant answers might include the following:**

- recession resulting in lower incomes, less demand for products and possible pressure on supermarkets/processors to cut prices resulting in lower profits
- increasing costs of fertiliser, diesel and animal feed resulting in higher cost of producing milk and reducing profits
- consumers expecting cheap products from supermarkets, forcing supermarkets to cut prices of basic products such as milk, resulting in lower profits.

**1 (b)** Why are UK supermarkets able to make a profit on milk sales while UK dairy farmers make a loss? Use **Item A** to support your answer. (8 marks)

Level	Descriptor	Marks	Assessment Objective
3	Uses <b>Item A</b> to analyse the ability of supermarkets and/or dairy farmers to set prices/control costs.	8–7	AO3
2	Uses <b>Item A</b> when describing factor(s) affecting the price set/costs paid by supermarkets <b>or</b> dairy farmers.	6–4	AO2
1	Demonstrates generic understanding of competition <b>or</b> factors affecting any product's price/cost.	3–1	AO1

**Relevant answers might include the following:**

- supermarkets have considerable buying power, ie smaller number of businesses operating at a larger scale
- supermarkets can gain economies of scale and reduce unit costs
- supermarkets can dictate prices to milk processors who, in turn, presumably also can force lower prices on dairy farmers
- dairy farmers, unless they join a co-operative like *OMSCo*, probably have no ability to set prices
- dairy farmers operating at a smaller scale and are, perhaps, less efficient.

**1 (c)** Using **Item A**, analyse the key marketing benefits to dairy farmers of joining a co-operative such as *OMSCo*. (8 marks)

Level	Descriptor	Marks	Assessment Objective
3	Uses <b>Item A</b> to analyse how membership of <i>OMSCo</i> could improve the ability of dairy farmers to secure higher or stable profit margins.	8–7	AO3
2	Uses <b>Item A</b> when explaining how membership of <i>OMSCo</i> could increase revenues or reduce costs.	6–4	AO2
1	Demonstrates understanding of general marketing benefits associated with integration/niche marketing	3–1	AO1

**Relevant answers might include the following:**

- from **1(b)**, problem is lack of market control faced by dairy farmers
- *OMSCo* offers a number of ways in which dairy farmers can increase their market power
- organic production could result in higher prices due to value added (healthier and more environmentally friendly product)
- possibly a leading supplier of organic milk as it concentrates entirely on this market
- *OMSCo* claims to sell to major processors and to develop long-term buying agreements
- *OMSCo* allows dairy farmers to receive a fixed price, ie begin to have some price setting powers and, perhaps, some brand loyalty
- *OMSCo*'s sales are increasing.

2

Total for this question: 28 marks

**2 (a)** Using **Item B**, explain how the introduction of new products can help Yeo Valley to maintain its brand loyalty. (6 marks)

Level	Descriptor	Marks	Assessment Objective
2	Uses <b>Item B</b> when explaining how new products can maintain brand loyalty.	6–4	AO2
1	Demonstrates understanding of brand loyalty/product development.	3–1	AO1

**Relevant answers might include the following:**

- New products can help *Yeo Valley* to maintain brand loyalty by meeting changing customer needs or by exceeding current needs
- 'Little Yeo's – meeting need for healthier diets for children
- Organic Frozen Yoghurt – appealing to exclusivity by targeting just one supermarket.

**2 (b)** How might Yeo Valley use the consumer research findings described in **Item B**? (8 marks)

Level	Descriptor	Marks	Assessment Objective
3	Analyses the significance to <i>Yeo Valley</i> of the findings described in <b>Item B</b> .	8–6	AO3
2	Explains how <i>Yeo Valley</i> might use the findings described in <b>Item B</b> .	5–3	AO2
1	Demonstrates generic understanding of how businesses use findings from consumer research.	2–1	AO1

**Relevant answers might include the following:**

**Findings could be used to:**

- segment the market, ie by attitude to organic produce
- understand buyer behaviour, ie what motivates buyers
- inform marketing activities, eg focus of promotional activities or decisions on product mix
- consider whether organic in itself is important or quality/taste key factor.

**2 (c)** Propose and justify a marketing strategy that Yeo Valley could use to increase its sales of 'Yeo Valley Organic' products. (14 marks)

Level	Descriptor	Marks	Assessment Objective
3	Analyses <b>Item B</b> to identify the purpose of the marketing strategy/activity(ies).	8–6	AO3
2	Describes marketing strategy/activity(ies) in context.	5–3	AO2
1	Demonstrates understanding of marketing strategy/activity(ies).	2–1	AO1

**Relevant answers might include the following:**

- if it wants to increase sales, then it will have to either increase sales to an existing segment or broaden the appeal of its products to more than one segment
- strategy could be to focus on a single segment, eg 'Hard core'. However, this might be a difficult way of increasing sales given that the market is small? On the other hand, could adopt a niche strategy
- perhaps more likely (and indicative of product launches shown in the Item) that a strategy of aiming for several market segments would be more successful – target 'Dabblers' and 'Unwittingly organic' through market development
- candidates could also develop the idea of segmentation strategies by discussing how *Yeo Valley* might promote the benefits of its products to alternative market segments.

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

**Note** that 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
E3	Evaluates, by considering evidence from <b>Item B</b> , the suitability of the proposed marketing strategy. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in accepted conventions of written communication.	6–5	AO4 and Quality of written communication
E2	Judges, using some evidence from <b>Item B</b> , the suitability of the proposed marketing strategy/activity(ies). Ideas are communicated using a logical structure, with some appropriate technical terms. There are occasional errors in accepted conventions of written communication.	4–3	
E1	Judges, using limited evidence, the suitability of the proposed marketing strategy/activity(ies). 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	

**3****Total for this question: 30 marks**

**3 (a)** Assess the significance to SNOG of the marketing opportunities and threats described in **Item C**. (14 marks)

Level	Descriptor	Marks	Assessment Objective
3	Analyses <b>Item C</b> to identify the significance of the marketing opportunity(ies) <b>or</b> threat(s) facing SNOG.	8–6	AO3
2	Uses <b>Item C</b> when explaining the possible effect(s) of the marketing opportunity(ies) <b>or</b> threat(s) on SNOG.	5–3	AO2
1	Identifies a marketing opportunity <b>or</b> threat.	2–1	AO1

**Relevant answers might include the following:**

**Opportunities:**

- market seemingly very successful in the USA – reason why SNOG and YuForia set up in the first place
- YuForia owner's quote would seem to indicate that UK consumers are interested in the product, once benefits are communicated. However, market is only in London, so potential for wider growth unproved?
- high quality frozen dessert manufacturer provides evidence that the market is growing – in 2009, during a recession so possibly strong growth in the future?

**Threats:**

- domestic competition already exists, with YuForia already having a store in Covent Garden. However, how big is this market? Could easily support two retailers? Item does not state whether YuForia has any other outlets, so perhaps SNOG could be the market leader?
- USA competition – obviously a threat that an established USA franchise business could set up in London, but we do not know where and the business does not sell 100% organic products – different market segment?

**See next page for Evaluation grid.**



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

**Note** that 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
E3	Evaluates, by considering evidence from <b>Item C</b> , the significance of the marketing opportunity(ies) <b>and</b> threat(s) facing <i>SNOG</i> . Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in accepted conventions of written communication.	6–5	AO4 and Quality of written communication
E2	Judges, using some evidence from <b>Item C</b> , the significance of the marketing opportunity(ies) <b>or</b> threat(s) facing <i>SNOG</i> . Ideas are communicated using a logical structure, with some appropriate technical terms. There are occasional errors in accepted conventions of written communication.	4–3	
E1	Judges, using limited evidence, the significance of a marketing opportunity <b>or</b> threat. 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	

**3 (b)** Propose the research that SNOG could carry out before deciding whether or not to open additional retail outlets in the UK. Use **Item C** to justify your proposal.  
(16 marks)

Level	Descriptor	Marks	Assessment Objective
3	Analyses <b>Item C</b> to identify suitable research.	7–5	AO3
2	Describes research in context.	4–2	AO2
1	Identifies an aspect of research.	1	AO1

**Relevant answers might include the following:**

- research needs could have been identified in **3(a)**, but candidate could identify other issues if they are relevant to this business
- need to establish:
  - size of market now and potential rate of growth
  - suitable locations – Covent Garden, other areas in or outside of London
  - nature of threat from *YuForia* and *Red Mango*
  - extent to which current SNOG stores are meeting customer needs
- methods of research:
  - suitable for research purpose
  - ranging across market research, observation of marketing activities, business, trade and government publications
  - candidate to justify method in terms of suitability to meet the needs of the research.

**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
E3	Evaluates, by considering evidence from <b>Item C</b> , the need for the proposed market research. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in accepted conventions of written communication.	9–7	AO4 and Quality of written communication
E2	Judges, using some evidence from <b>Item C</b> , the need for the proposed market research. Ideas are communicated using a logical structure, with some appropriate technical terms. There are occasional errors in accepted conventions of written communication.	6–4	
E1	Judges, using limited evidence, the need for the proposed market research. Ideas are communicated with some structure evident with occasional use of appropriate technical terms. There are some errors in accepted conventions of written communication.	3–1	