

Centre Number						Candidate Number				
Surname										
Other Names										
Candidate Signature										

For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
TOTAL	



General Certificate of Education  
Advanced Level Examination  
June 2014

# Applied Business

# BS11

## Unit 11 The Marketing Environment

Friday 13 June 2014 9.00 am to 10.30 am

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. Do not write outside the box around each page or on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

### Information

- The maximum mark for this paper is 80.
- The marks for questions are shown in brackets.
- Questions 1(c), 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 U N 1 4 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**

**The market for mobile phones**

Two product categories exist within the market for mobile phones: feature phones and smartphones. Both products offer the ability to make and receive phone calls. Feature phones offer some additional functions (eg a camera or the ability to send and receive emails) but it is not easy for owners to add to these. Technological advances have meant that smartphones now offer functions similar to computers. Owners of smartphones can easily install a variety of additional applications (apps), such as social media (eg Facebook) and games apps.

**Figure 1** shows the global market share of the top five mobile phone manufacturers, measured by total sales volume of feature phones and smartphones. The 'Others' category includes several Chinese businesses and also those who dropped out of the top 5, eg BlackBerry and Sony Ericsson.

**Figure 1: Mobile phone global market share (by sales volume)**

"Figure 1 and the following paragraph are not reproduced here due to third-party copyright constraints."

Many Chinese businesses produce inexpensive feature phones which may be based on those sold by market leaders. However, other Chinese businesses, such as ZTE, innovate and offer products, including smartphones, which could be considered superior to those sold by market leaders.

Apple, a computer manufacturer, entered the market for mobile phones in 2007. It produces high priced smartphones, using the 'iPhone' brand name. Only Apple and Samsung made significant profits from smartphone sales in 2012, with Apple making the highest profit. In 2012, Nokia was losing market share in China for both its feature phones and smartphones.



**1 (a)** Using **Item A**, explain **one** way in which changes in the technological environment might have affected the demand for mobile phones.

**[4 marks]**

.....

.....

.....

.....

.....

.....

.....

.....

Extra space.....

.....

.....

.....

**Question 1 continues on the next page**

**Turn over ▶**



1 (b) Using **Item A**, analyse the changes in the degree of competition within the market for mobile phones between 2008 and 2012.

**[9 marks]**

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Extra space.....

.....

.....

.....

.....

.....

.....





.....  
.....  
.....  
.....  
.....  
.....

Extra space.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....



**Turn over for the next question**

**DO NOT WRITE ON THIS PAGE  
ANSWER IN THE SPACES PROVIDED**

**Turn over ▶**



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

### **Item B**

#### **Apple**

The only way to add applications (apps), music, videos and electronic books (eBooks) to an Apple iPhone is through Apple's 'iTunes' and 'App Store'. This allows Apple to control the quality of apps and media available for the iPhone. In 2012, the European Union asked the European Commission (EC) to investigate the market for eBooks. In its findings, the EC stated that four major book publishers, with help from Apple, were suspected of fixing eBook prices in Europe. The EC stated that this was against European competition policy rules. It believed that retailers, such as Amazon, should have greater freedom to set the prices of eBooks.

Apple sells a narrow range of iPhones and only develops a new version of its smartphone, and the 'iOS' software that operates it, every one to two years. The iOS software cannot be used by other mobile phone businesses. It is estimated that iPhone sales in 2012 accounted for almost one half of Apple's total revenues, with the other half coming from computer (MacBook) and tablet (iPad) sales. In addition, the profit margin on an iPhone was estimated to be as high as 58% compared with 32% on an iPad.

Many of the smartphones sold by competitors, including Samsung, use 'Android' software to operate their phones. It is freely available to any mobile phone manufacturer and can be modified to offer additional features. A wide range of Android smartphones are sold by several businesses, each using slightly modified versions of Android.

In 2013, Samsung launched the latest version of its most expensive Android smartphone, the 'Galaxy S4'. In response, Apple carried out an advertising campaign that explained 'Why you'll love an iPhone'. The campaign outlined the reasons why "an iPhone is so easy to love", including the idea that "it lets you do so many things so easily". It promoted the quality of the iPhone's construction, the iOS software and the applications available from its App Store.

In 2013, it was rumoured that Apple was developing a less expensive version of the iPhone. The 'low-price' iPhone would have a plastic, rather than aluminium, case. It would be based on an older version of the smartphone. Some industry experts agreed that it would not be in Apple's interest to add a 'cheap' iPhone to its product range. Other experts believed that this might introduce more consumers to the Apple brand. This could be important if the demand for smartphones in developing countries increased. With Apple's share of the smartphone market falling, whilst Samsung's increased, a less expensive version of the iPhone might be sensible.





**2 (a)** Using **Item B**, explain why the European Commission might have been concerned by how the prices of eBooks were being set.

**[4 marks]**

.....

.....

.....

.....

.....

.....

.....

.....

Extra space.....

.....

.....

.....

**Question 2 continues on the next page**

**Turn over ▶**



**2 (b)** Using **Item B**, analyse how Apple’s marketing activities could have helped it to achieve high levels of profits in the mobile phone market.

**[9 marks]**

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Extra space.....

.....

.....

.....

.....

.....



2 (c)

To what extent do you think that developing a less expensive version of the iPhone would be an appropriate marketing strategy for Apple? Use **Item B** to justify your answer.

**[15 marks]**

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....



1 1

Turn over ▶

.....

.....

.....

.....

.....

.....

.....

Extra space.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....



**Turn over for the next question**

**DO NOT WRITE ON THIS PAGE  
ANSWER IN THE SPACES PROVIDED**

**Turn over ▶**



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

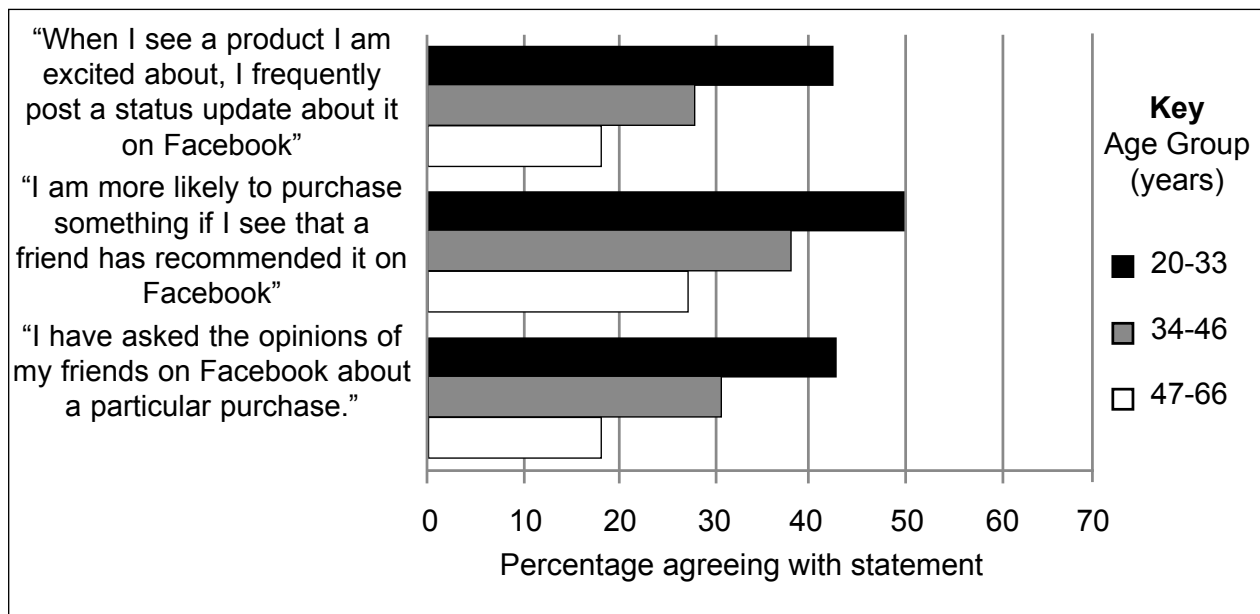
**Item C**

**Why don't all businesses use the internet?**

Mass market fashion retailers, such as New Look and ASOS, make extensive use of the technological marketing environment. ASOS has no high street outlets and sells entirely online. New Look has a comprehensive e-commerce website in addition to its high street stores. Both businesses have applications (apps) which customers can install on their smartphones to help them to 'shop on the go'. New Look uses its Facebook page to provide customer support, offer promotions, announce new products and provide fashion tips. Consumers visiting the page can leave messages and click on 'Like' buttons against product offerings.

**Figure 2** shows some results from a 2011 survey on UK consumer shopping habits and their use of Facebook.

**Figure 2: UK consumer shopping habits and their use of Facebook**



Some luxury goods retailers are reluctant to use e-commerce as they believe that it removes exclusivity. For example, Rolex, the luxury watch manufacturer, does not have an e-commerce website or an official Facebook page. This has not stopped people setting up an unofficial Facebook page, which portrays a slightly 'downmarket' impression of Rolex.

In contrast to Rolex, Net-a-Porter, a UK-based fashion retailer, sells its 'up-market' fashion entirely through an e-commerce website. Net-a-Porter believes that consumers can distinguish between its website and, for example, that of ASOS. It also believes that consumers with high incomes work long hours and appreciate the convenience of online shopping. Net-a-Porter's sales increased during the 2008 economic recession. In 2012, it developed a version of its website for China.

Source: Figure 2 adapted from JWTIntelligence, JWT



3 (a) Using **Item C**, analyse why a new small business in the fashion retail market, targeting 16 to 30 year-old consumers, might use Facebook to create brand loyalty.

**[9 marks]**

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Extra space.....

.....

.....

.....

.....

.....

.....

.....

**Turn over ▶**







.....

.....

.....

.....

.....

.....

.....

.....

Extra space.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

**END OF QUESTIONS**

24



**There are no questions printed on this page**

**DO NOT WRITE ON THIS PAGE  
ANSWER IN THE SPACES PROVIDED**



**There are no questions printed on this page**

**DO NOT WRITE ON THIS PAGE  
ANSWER IN THE SPACES PROVIDED**



**There are no questions printed on this page**

**DO NOT WRITE ON THIS PAGE  
ANSWER IN THE SPACES PROVIDED**

Acknowledgement of copyright-holders and publishers

Permission to reproduce all copyright material has been applied for. In some cases efforts to contact copyright-holders have been unsuccessful and AQA will be happy to rectify any omissions of acknowledgements in future if notified.

Copyright © 2014 AQA and its licensors. All rights reserved.

