Mark Scheme (Results)
Summer 2008

GCE Applied Business (6925/01)

A PEARSON COMPANY

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.

Question Number	Answer	Mark
1(a) **AO1** MB1 = 2 MB2 = 2 **AO2** MB1 = 4	<u>Strength</u> • Loyal customer base – able to sell many consoles even though delayed/high price. • Been at the forefront of new technologies for a decade – customers will expect similar advances for the PS3. <u>Weakness</u> • Launch delayed – will cause some potential customer to buy the alternative. • Not compatible with PS2 – customers unable to use existing games so may not upgrade. <u>Opportunity</u> • Global market – able to sell the new console in a great many countries. • Loyal customer base – will allow *SCEI* to change price timing etc. and they will still buy it. <u>Threat</u> • Two major competitors – both producing their own new models which could take sales away from *SCEI*.	1 mark for each SWOT point from the data 1 mark for application of SWOT point to *SCEI* (1 + 1) x 4 **(8 marks)**

Question Number	Answer	Mark
1(b) **AO1** MB3 = 1 **AO2** MB2 = 2 MB3 = 1	• Lifestyle – this includes how people spend their leisure time – playing computer games is part of people's leisure time – *SCEI* should emphasise the fun/enjoyment/ relaxation that would come from owning the PS3. • Peer pressure – for many people having the newest model is important – *SCEI* should publicise the advanced aspects – emphasising that this is a 'must have' product.	1 mark for sociological aspect 1 mark for why this aspect is so important to *SCEI* (maximum 2 marks) 1 mark for how it will affect the marketing (maximum 2 marks) (1 + 1 + 2) or (1 + 2 + 1) **(4 marks)**

Question Number	Answer	Mark
2(a) **AO1** MB1 = 1 **AO3** MB1 = 1 MB2 = 1 **AO4** MB1 = 2 MB2 = 1 MB3 = 1	<u>Meaning</u> • Initial high price followed by lowering of the price. <u>Application</u> • Some customers prepared to pay a high price – PlayStation has a loyal customer base – that group is clearly there – 165,000 consoles sold in the first 2 days – however commentators felt prices would have to be lowered for others because of price/delays. • Had unique features – features not offered by the competitors - this allows the business to set a high initial price – however, new technological features were also a major concern for competitor products – price might need to be lowered to attract customers away from those models. • A new product – this was launched after the other consoles – the delay of the launch may have caused a backlog of demand so price could be high – competitor prices very much lower – after initial demand satisfied necessary to put down price to compete.	1 mark for showing understanding of term (may be implied) **(1 mark)** 1 mark for characteristic (maximum 2 marks) 1 mark for reference to details in Figure 1 and why price could be high (maximum 3 marks) 1 mark for why prices should drop (maximum 2 marks) (Maximum 4 marks for one characteristic) **(6 marks)**

Question Number	Answer	Mark
2(b) **AO2** MB2 = 1 **AO3** MB2 = 1 **AO4** MB2 = 1	• Waiting to see how sales were affected by launch of Wii and PS3 – no need to lower price if sales still high – price of the PS2 still very much higher than the Xbox. • Initial price of the PS3 very high – not initially in direct competition on price – will wait for a price change for PS3 before reacting. • PS3 only launched in March 2007 – could be waiting until the price of the PS3 is lowered and is in more direct competition – would then rethink pricing strategy. • Has been in the market for over a year – will have created its own loyal customer base – may feel that reduces the competitive effect of the PS3.	1 mark for strategic reason 1 mark for why that would mean the price would not be lowered (maximum 2 marks) **(3 marks)**

Question Number	Answer	Mark
3(a) **AO1** MB1 = 2	<u>1996</u> Launch. <u>1997</u> Introduction. <u>1998 - 1999</u> Growth. <u>2005 - 2006</u> Saturation/maturity.	1 mark for two correct terms or 2 marks for all four correct **(2 marks)**

Question Number	Answer	Mark
3(b) **AO3** MB1 = 2 MB2 = 1 MB3 = 1 **AO4** MB1 = 2	• USA and Europe both have larger overall shipments – suggests that they are much bigger markets than Japan - helps to ensure business as a whole can grow - turns *SCEI* into a global business. • Japanese market reaching maturity in 1999/2000 - the USA and European markets still growing at this stage - allows whole *SCEI* business to continue to grow - forms part of a valuable extension strategy. • Sales in USA/Europe twice that of Japan in 2006 - Japan has a limited population and other Asian countries limited income per head - the USA and Europe are relatively prosperous market - able to afford luxuries such as PS3. • Nominal approach	1 mark for feature shown on graph (maximum 2 marks) 1 mark for how that feature supports the decision (maximum 4 marks) (maximum of 4 marks for only one feature) **(6 marks)**

Question Number	Answer	Mark
3(c) **AO1** MB1 = 1 **AO2** MB1 = 1 **AO4** MB1 = 1	<u>Term</u> • Strategy to ensure that the growth/maturity stage is continued. <u>Explanation</u> • Graph shows no growth in shipped units in 2006 - extension strategy needed to be used if *SCEI* wanted to expand sales. • A typical product life cycle would move, after 2006, into decline - to ensure this does not happen new marketing strategies are needed.	1 mark for showing understanding of term (may be implied) 1 mark for application to the data 1 mark for reason **(3 marks)**

Question Number	Answer	Mark
3(d) **AO2** MB3 = 1 **AO3** MB2 = 1 **AO4** MB2 = 1 MB3 = 1	• Bringing out a new model – this has many new features – will attract loyal customers and new customers – most games players want the latest technology. • Launch of the PS3 – part of the new generation of computers – the first two days of the launch in the UK was a record – higher than the sales of main competitors.	1 mark for identifying extension strategy 1 mark for details of the strategy 1 mark for why the strategy would be/was a success (maximum 2 marks) **(4 marks)**

Question Number	Answer	Mark
4(a) **AO1** MB1 = 1 MB2 = 1 **AO2** MB1 = 1 MB2 = 1	• Strategic refers to long term plans – breaking into new markets abroad would take a long time to set up and plan – distribution channels need to be established – customers need to be made familiar with and be persuaded to buy the new product. • Strategic planning refers to the whole business – this was a major decision – moving from national sales to global sales – would affect all parts of the business in terms of production and shipment.	1 mark for showing understanding of the term/giving feature of strategic (may be implied) 1 mark for how expansion relates to this 1 mark for why this expansion would be strategic for *SCEI* (maximum 2 marks) **(4 marks)**

Question Number	Answer	Mark
4(b) **AO2** MB1 = 2 MB2 = 2 MB3 = 2	• Distributors/agents may be needed – will understand/have contacts with the markets in the new countries – initially *SCEI* would only have contacts in Japan. • Use of penetration pricing – product will not be known in new markets – may need to keep price low to gain edge on competitors/Nintendo. • Promotion must appeal to market in USA/Europe – language and message likely to need to be changed – Japanese culture quite different to USA or Europe culture.	1 mark for change to an element of the marketing mix 1 mark for basic reason why the changes will be needed 1 mark for application to the product. (1 + 1+1) x 2 **(6 marks)**

Question Number	Answer	Mark
5(a)	• Sales figures for the PS2 – this will give details of the size of the market for that console – many customers are loyal to the particular make of console – will give *SCEI* a good indication of likely sales for the PS3. • Government ONS publications such as Social Trends – this includes data on leisure activities – should provide details on the number of people who own consoles – this would indicate the likely potential total market. • The internet – could access the websites of major competitors – see how they are marketing their consoles – could then introduce more attractive strategies	1 mark for source 1 mark for details of the data it would provide (maximum 2 marks) 1 mark for why this would be suitable (maximum 2 marks) (1 + 2 + 1) or (1 + 1 + 2) **(4 marks)**

Question Number	Answer	Mark
5(b) **AO1** MB1 = 1 MB2 = 1 MB3 = 1 **AO2** MB1 = 1 MB3 = 1 **AO4** MB1 = 1	• A sample where the numbers in each group in the sample is set in terms of a specific characteristic – here this will be set in terms of age – the sample should be divided in terms of the demographic breakdown of the UK – this would ensure that the answers are correctly weighted – it would then be possible to target the right group – making sure costly marketing is not wasted on the other groups.	1 mark for understanding of term (may be implied) 1 mark basis of quota in this case 1 mark for how this would provide the data needed (maximum 2 marks) 1 mark for why having the data would make it cost effective to produce a similar game (maximum 2 marks) **(6 marks)**

Question Number	Answer	Mark
6(a) **AO1** MB2 = 1 MB3 = 1 **AO2** MB3 = 1	• Different income levels – the average income in Hong Kong is lower than in the UK – prices need to be lower in order to sell the product. • Lower transport cost – Hong Kong is closer to Japan than the UK – could be exported there at a lower cost. • Closer competition – easier for people in Hong Kong to get consoles from Japan – the low Japanese price meant price in Hong Kong had to be low.	1 mark for feature of the market(s) 1 mark for why that would make the prices different (maximum 2 marks) **(3 marks)**

Question Number	Answer	Mark
6(b) **AO1** MB1 = 1 MB2 = 1 MB3 = 1 **AO3** MB1 = 1 MB2 = 1 MB3 = 1 **AO4** MB1 = 2 MB2 = 1 MB3 = 1	<u>Benefits</u> • Different launch dates helps production schedules – makes it easier to ensure that very high demand in the first week can be met – in the UK 165,000 were sold in just two days. • Different prices can attract more customers – some countries have lower incomes per head than others – would not buy the consoles if they had UK or USA price tags. • Problems can be identified and corrected – the PS3 had many advanced components – the early launch in Japan could identify any problems so that they could be corrected before the other launches. <u>Drawbacks</u> • Could lose profits – UK customers could order consoles at £250 from Hong Kong – even with delivery costs this would probably be well below the £430 price in the UK – *SCEI* would only receive the Hong Kong cost price. • Negative publicity – customers in the UK might be dissatisfied with having to wait when they know it is available elsewhere – may decide to buy a competitor product instead.	1 mark for benefit (maximum 2 marks) 1 mark for why that comes from different launch dates/prices (maximum 4 marks) 1 mark for drawbacks (maximum 2 marks) 1 mark for why that comes from different launch dates/prices (maximum 4 marks) (Maximum of 6 marks for just benefits or just drawbacks) (Maximum 6 marks for just launch date/just prices) (10 marks)

Question Number	Answer	Mark
7(a) <u>AO1</u> MB1 = 1	*South West Trains* has been taken as the example for Q7. <u>Business</u> - *South West Trains.* <u>Good/service</u> - Train travel. <u>Location</u> Basingstoke.	1 mark for location (N.B. the business and product must also be provided) **(1 mark)**

Question Number	Answer	Mark
7(b) <u>AO1</u> MB1 = 1 MB2 = 1 <u>AO3</u> MB1 = 1	• Convenience sample – the survey was conducted outside of the station – this was where the target customers were most likely to be. • Cluster sample – this was conducted in specific towns – chosen on the basis of the routes that *South West Trains* wanted customer details about. • Convenience sampling – South West Trains wanted to cause as little disruption to passengers as possible – only asked those who clearly were not in a hurry	1 mark for sample method 1 mark for each distinct detail of how the sampling was carried out/or why this method of sampling was used (maximum 2 marks) **(3 marks)**

Question Number	Answer	Mark
7(c) <u>AO1</u> MB3 = 1 <u>AO2</u> MB1 = 2 <u>AO3</u> MB1 = 1 MB2 = 1 MB3 = 1	• To find out how many people would be using trains over the Easter break – public asked if they would be using trains over the break – would provide *South West Trains* with likely passenger numbers – parts of the lines were being closed over this period for repairs – company would know how many buses to lay on – would ensure minimum disruption for customers.	1 mark for identifying the purpose of the survey 1 mark for detail of what data was collected (maximum 2 marks) 1 mark for how that data would help to improve the good or service (maximum 4 marks) (1 + 1 + 4) or (1 + 2 + 3) **(6 marks)**

Question Number	Answer	Mark
8(a) **AO1** MB1 = 1	(*Lidl* has been taken as an example for Q8) • Selling groceries.	1 mark for product (1 mark)

Question Number	Answer	Mark
8(b) **AO1** MB1 = 2 MB2 = 1 **AO3** MB1 = 1 MB2 = 1	• Low market share and low market growth – the market is dominated by four major supermarket chains – *Lidl* is a relatively new supermarket in the UK– the majority of the goods are necessities so demand does not increase very much each year - market growth was only 3.4% for 2006/7.	1 mark for basic theoretical answer (may be implied) 1 mark for why market share is low (maximum 2 marks) 1 mark for why market growth is low (maximum 2 marks) (5 marks)

Question Number	Answer	Mark
8(c) **AO2** MB1 = 2 MB2 = 1 **AO3** MB3 = 1	• Keeps prices lower than competitors – this ensures that it maintains sales – helps to attract more customers – provides good profits even though market share is low. • Has regular changes in non grocery products – this attracts customers – will buy the grocery products whilst in the store – keeps sales for grocery products at an acceptable level.	1 mark for marketing action 1 mark for why the business takes this action (maximum 3 marks) (4 marks)

6925 – Marketing Decisions – June 2008 – Content and AOs Grids

Content area distribution

Question	Content area				
	10.1	10.2	10.3	10.4	Total
1 (a)	6			2	8
1 (b)	4				4
2 (a)		5		2	7
2 (b)		1		2	3
3 (a)		2			2
3 (b)	1	2	1	2	6
3 (c)	1	1	1		3
3 (d)		1		3	4
4 (a)	2	1		1	4
4 (b)		6			6
5 (a)			4		4
5 (b)			6		6
6 (a)	3				3
6 (b)	4			6	10
7 (a)			1		1
7 (b)			3		3
7 (c)			6		6
8 (a)		1			1
8 (b)	2	3			5
8 (c)				4	4
Total	23	23	22	22	90
Target	22/23	22/23	22/23	22/23	90

6925 – Marketing Decisions – June 2008 – AOs Grids

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)	2	2		4									8
1 (b)			1		2	1							4
2 (a)	1						1	1		2	1	1	7
2 (b)					1			1			1		3
3 (a)	2												2
3 (b)							2	1	1	2			6
3 (c)	1			1						1			3
3 (d)						1		1			1	1	4
4 (a)	1	1		1	1								4
4 (b)				2	2	2							6
5 (a)	1	1		1						1			4
5 (b)	1	1	1	1		1				1			6
6 (a)		1	1			1							3
6 (b)	1	1	1	1	1	1				2	1	1	10
7 (a)	1												1
7 (b)	1	1					1						3
7 (c)			1	2			1	1	1				6
8 (a)	1												1
8 (b)	2	1					1	1					5
8 (c)				2	1				1				4
Total	15	9	5	15	8	7	6	6	3	9	4	3	90
Target													
If Top	18	12	6	16	8	7	9	8	5	10	4	4	
Top		36			31			22			18		
Bottom		27			22			14			9		
If Bottom	13	9	5	11	6	5	6	5	3	5	2	2	
Balance	45	27	18	80									
Target	45	27	18	90									