

Examiners' Report/ Principal Examiner Feedback

January 2011

GCE

GCE Applied Business (6925)
Paper 01 Marketing Decisions

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General Comments

The main scenario related to *Poundland*, a well known 'pound shop', set in the context of the recession/low growth conditions of 2008-10. Candidates responded well to the choice of business and used their own knowledge to help embellish their answers.

Questions 7 and 8 required understanding of two marketing situations, development of new products in response to a change in buyer behaviour and the movement of a product through the Star - Cash Cow stages of the Boston Matrix. For both situations there was a significant misunderstanding of what the situations meant and required.

Unfortunately the usual perennial weaknesses remain and are worth repeating:

- Not reading the questions carefully enough
- Not considering the context of the question in sufficient depth
- Not understanding some very basic terminologies
- Not considering the number of marks being awarded for a question
- Writing to the space provided, especially for candidates with large handwriting.
- Not developing answers.

But, in this series, the element that stood out most clearly was how often candidates did not answer the question exactly how it had been set. Very typical examples included the following:

Q3 - Not considering the likely target market.

Q4(a) - Not considering 'how effective' the fun day promotion was but why it would be effective.

Q4(a) - Not considering the different value of the Pound and the Euro.

Q6 - Not considering the research in terms of 'all its UK shops'.

Q8(b) - Not using an extension strategy that had not been successful.

Comments on specific questions

1(a) This was well answered by nearly all candidates. The nature of the product was identified and an opportunity and threat were given. Some candidates did not go on to explain why the opportunity and/or threat came from the fact that the economy was in recession.

1(b) Again this was generally well answered by candidates. The main omission was that some candidates did not explain why the strength, but more often, the weakness came from the fact that *Poundland* stocks over 3,000 different products. A typical example was writing about the fact that the products were only £1 in value and were therefore probably of low quality. This could have been related to the number of different products being stocked, but that argument was very rarely made.

2(a) Candidates who understood the term 'channel of distribution' and particularly the warehousing function within this process gave well reasoned benefits. Some candidates confused 'channel of distribution' with 'physical distribution'. This allowed them to gain some marks for the obvious connections, but limited their answers to the ease of transport and transport costs. Some candidates did not read the stem carefully enough and did not pick up the point that the distribution centre was owned by *Poundland*. Others seemed to think that the distribution centre was the supplier of the goods.

2(b) - As with 2(a) understanding of the term 'channel of distribution' was important if candidates were to gain full marks. Most candidates recognised that goods would now need to be distributed to consumers and considered the need to set up a physical delivery system. The best candidates commented on the change in the retailing function to include fewer sales in the high street shops. Candidates who had not read the stem correctly assumed that goods would now be sent direct from suppliers, and some even suggested that *Poundland* would no longer be selling the goods. Other candidates made the rather extreme assumption that *Poundland* would only sell online and would therefore close all of its high street stores. Generally, however, the question was well answered.

3 - Many candidates launched straight into what was often a rather subjective statement of the suitability of each name in terms of what it sounded like, how attractive it was and whether or not it might be misunderstood. Whilst the comments usually had value in terms of evaluating suitability, the question had asked candidates to make the evaluation 'considering the likely target population'. Where candidates completely ignored this instruction some of the comments had limited value. For example 'Hi-Pound' might sound rather childish, but that did not obviously relate to people wanting low priced products unless part of the target market had been identified as adults.

There was also a rather disturbing element of categorisation of the target population as being working class, unemployed, old, etc, which was then taken to mean that they were of low intelligence and would therefore need to have obvious names, and even names that were no more than two words long.

The best candidates identified the target market as people who wanted cheap products and therefore wanted to know that the products were being sold for £1. Pound Shop Plus, Hi-Pound and Around A Pound were then dismissed because the names could suggest products were also more than £1. Pinch-A-Pound and Pound Magic were dismissed because their meanings were unclear. There were also good arguments given for Pound Shop Plus in terms of something extra, and for Pound Magic in terms of the magic of the products even though they only cost £1.

It was interesting to read the strength of dismissal for some of the names and it was clear that some candidates had not understood from the stem that these were (are) actual names used by businesses in the UK. A few candidates assumed that *Poundland* would be changing its name to one of these names, which the question did not in any way suggest.

4(a) - The majority of candidates did not read the question carefully enough and instead of answering 'how effective was the fun day likely to be?' they answered 'how was the fun day likely to be effective?' This removed consideration of the possible negative effects and prevented candidates from getting full marks. There

were also candidates who did not consider the context of attracting new customers and only wrote about why the fun day would interest people.

Most candidates gave good reason why the listed activities would attract people to the fun day and went on to say why people attending might then experience what the store had to sell. Very few candidates came up with reasons why any of these activities or features might put people off.

4(b) - Nearly all candidates could provide good reasons for the planned expansion being a long-term process. Some candidates only gave one reason with no additional development. There were also some candidates who said, basically, that it would be a long-term process because it would take a long time, with no additional comments.

4(c) - This was another question where a significant number of candidates did not read the stem and the question carefully enough. Some candidates completely ignored the fact that a change in the products was required and wrote about changing advertisements, the language on the packaging or the price of the products. Other candidates wrote about changing the products because there would be a different culture, different eating habits, etc, and ignored the fact that the 'Euro shop' would be selling products at the equivalent of only 88p. There were also a worrying number of candidates who took the exchange rate to mean that the Euro was worth more than the Pound.

Candidates who read the stem and question correctly, and also understood the real exchange rate, gave good, well reasoned answers, identifying quality, pack numbers of items, and sourcing as sensible changes to the products.

5(a) - Candidates should have been familiar with the requirement of an opt-in/opt-out facility that businesses need to provide before sending promotional materials to their online customers but, even if candidates had not been familiar with the term, it was clearly highlighted in the stem. There were also a significant number of candidates who did not separate out the research being conducted by Google Analytical and by *Poundland* through its online orders. These candidates wrote about the difficulty of recording data, assuming that the opt-in related to recording data and not to sending out promotional materials.

Where candidates did understand the constraints of having an opt-in requirement they gave well reasoned answers.

5(b) - The majority of candidates did not know what the term simple random sample meant. Many focused on a single feature of the technique and ignored the vital other elements, for example assuming that everyone must be included, but ignoring that this only applies once the population has been selected. There is a concern that the term is more generally misunderstood and specifically that students are confused about the meaning of 'population' in the context of sampling. The population for Google Analytics research is everyone who visits the website. From this population no sample is taken, so there is no sampling and no random selection.

Candidates who did understand the term tended to focus on either the random element of the sampling process, or, often by chance, the sample element of the process. Very few candidates showed understanding of the fact that this was, or was not, a sampling process.

5(c) - In order to answer this question well it was important that candidates

understood the details given in the stem to question 5. The information given was only that Google Analytics collected data on pages of a website visited and that the data collected by *Poundland* came from its online ordering facility. Some candidates assumed that Google Analytics was also recording actual sales, others that *Poundland* only had access to sales recorded in its stores. Most candidates, however, did understand the distinction in the two sets of information being gathered and gave reasoned answers as to which was most valuable, or how they could be combined to be valuable.

6 - The stem to this question provided candidates with a great deal of information that should have been used to answer the question. Candidates who did this tended to score well. Unfortunately there were a significant number of candidates who made very limited use of the information. Many also completely ignored the end of the question and wrote nothing about the suitability of the Cardiff research for 'all of it UK shops'.

Candidates did interpret the first part of the question in two ways, advising on 'how' the panel sample should be used and advising on 'if' the panel sample should be used. Both approaches were acceptable but the latter gave more scope for relating this to researching behaviour for all of the UK shops. Most candidates could give reasoned advice but only the best candidates considered a range of issues and gave well reasoned advice that took into account the nature of the panel, the nature of the location, and the likely differences in buyer behaviour in other parts of the UK.

Questions based on own study of examples during the course

The correct choice of business, product and real marketing campaign remains absolutely vital for providing good answers to these two final questions. Basic rules preparing for and answering these questions have been given in the previous report to centres and those should be checked. There were some poor choices in this series and it did seem that many candidates were choosing products that they were personally familiar with, rather than selecting products that they had studied in the context of a marketing campaign and that fitted all aspects of the questions.

7 - This question required the selection of a product, or product range, that had been changed to meet a change in buyer behaviour. It was sometimes difficult to identify what change in buyer behaviour had actually taken place. Businesses that develop new products and then persuade customers that they need this update are frequently creating new buyer behaviour, not responding to behaviour that has already changed.

7(a) - Most candidates could choose a product or range where there had been a significant change. The best answers came from candidates who had first identified a significant change in buyer behaviour rather than simply identified a product that had been changed.

7(b) - Candidates who had focused on a changed product in part (a), for example the PS2 or the I pod found it more difficult to identify the change in buyer behaviour in part (b) and hence gave weak answers in terms of how any changes to the product or product range had met that change in buyer behaviour. Candidates who had first identified a clear change in buyer behaviour, as with the move to healthier eating, found it much easier to link the actual changes made to the product or range to that change. Few candidates had any problems in providing details of the actual changes to the product.

7(c) - Nearly all candidates could give some basic consequence of the change to the product or product range but this tended to be fairly superficial. Only the best candidates gave developed, well reasoned answers that clearly related back to the change that had been made.

8 - Many candidates have products in mind that fit this pattern of development into Star and settling into Cash Cow but in reality do not know exactly why this occurred and very frequently do not know what 'market growth' means in the context of the Boston Matrix. There remains considerable misunderstanding about market growth, which, for the Boston Matrix, means that the market in which the product is being placed is growing, not that the product is or is not growing within that market. The distinction needs to be made clear, for example as at: http://www.ngfi-cymru.org.uk/boston_matrix-2.pdf.

8(a) Most candidates could give a reason for the development into a Star. Some candidates did not identify the market in which the product was a star and some explanations for why it became a star were very weak. For example for Dairy Milk, which was chosen by a large number of candidates, the market of chocolate bars was not identified, and many of the candidates stated that this was the first chocolate product (chocolate bar) created.

When it came to explaining the move to Cash Cow many candidates referred to their chosen product failing to grow in the market. Very few candidates showed understanding of the position of the market as a whole and the need for that to have low growth. In many cases the actual market they were writing about, consoles, mobile phones, etc, were actually growing rapidly.

8(c) Some candidates ignored the word 'not', even though it was in bold. Where a suitable extension strategy was identified, candidates gave well reasoned answers. It was clear that some candidates selected their products for part (a) without checking what the requirements were for part (b).

Issues for future series

The points listed below repeat comments made on previous reports, but they are ones that are still **not** being addressed by many candidates - hence unnecessarily losing marks.

(1) **The applied approach** - All businesses used in these papers relate to real businesses, either named or with the names changed. Preparation for this paper should, therefore, include as much study of the promotional techniques used by real businesses as possible.

(2) **Terminologies** - Candidates need to know all of the terms given in the syllabus **and** common terms that relate to the real world of marketing.

(3) **Reading the question/following instructions** - Many marks are still being unnecessarily lost, simply because candidates have not read the question carefully enough or taken the context into consideration.

(4) **Questions requiring extended answers** - There will continue to be two questions with 11 marks in the future series. Students should be shown how to develop their answers so that they can provide in-depth and detailed answers for these questions.

(5) **Questions based on own study** - Students must be able to use knowledge and understanding of a wide range of real marketing campaigns in order to answer questions on any part of the syllabus. This must be in sufficient depth to show the details of the actual campaigns.

Please also note the comments made about online marking in previous reports and the comments made about writing only to the space provided on the paper itself. Centres need to ensure that their candidates are not being disadvantaged simply because of the layout of the paper. Additional work outside of the specified area on the paper, or on additional sheets, is totally acceptable, but, when this is done, it is vital that the candidates indicate somewhere on their answer to a specific question that they are using additional paper or completing the answer somewhere else in the actual booklet. Preferably, they also indicate where the rest of the answer is.

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