Mark Scheme (Results)

June 2015

GCE Applied Business (6925)

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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.

For all questions, accept any reasonable answer if it is correct

1(a)	Describe <u>two</u> elements of the macro marketing environment that Gill and Albert should have considered before they committed themselves to producing RELM.	
AOs	**Mark Allocation**	**Exemplar Responses**
AO1 MB1 = 3 MB2 = 1 MB3 = 1	1 mark for understanding of term (may be implied) 1 mark for each element (maximum 2 marks) 1 mark for why each should be considered for RELM (maximum 2 marks) 1 + (1 + 1) x 2 **(5 marks)**	• The environment external to the business that affects it – the state of the economy – if the economy was weak in 2012 businesses may have cut down on advertising/it would then be difficult to sell advertising space in the magazine. • External forces on a business that are part of the larger society – demographic factors – need to know where the rich people live so that the right area is chosen. • The external forces that shape the opportunities and threats for the business – cultural environment – what are considered the main lifestyle interests for the rich.

1(b)	Explain why it would have been a strategic rather than a tactical decision for Gill and Albert to start their magazine RELM.	
AOs	**Mark Allocation**	**Exemplar Responses**
AO1 MB2 = 1 **AO2** MB1 = 1 MB2 = 1 **AO4** MB1 = 2	1 mark for the distinction between strategic and tactical (may be implied) 1 mark for why strategic for the start of RELM (maximum 4 marks) 1 mark for why not tactical (may be implied) **(5 marks)**	• Long-term or short-term – this was a new business started after both had retired – would have been planning for a long-term future – it would take a long time before a new magazine would be accepted by the advertisers – Gill and Albert would be committing large funds but not expecting returns in the short-run. • How it relates to the overall aim of the business – the overall aim would have been to create a successful business – starting RELM would have been the major decision required to achieve that aim – tactical decisions such as the pricing for advertisers would have been a minor decision compared to starting the business.

1(c)	Explain who RELM's customers are.	
AOs	**Mark Allocation**	**Exemplar Responses**
AO1 MB2 = 1 **AO2** MB1 = 2 MB2 = 1 MB3 = 1	1 mark for understanding term (may be implied) 1 mark for each main customer (maximum 2 marks) 1 mark for why each is a customer for RELM (maximum 2 marks) **(5 marks)**	• Some person or business who receives the good or service or to whom it is sold – the advertisers – because advertising space is sold to them – the people living in the expensive homes – because the magazines are delivered to them.

	With reference to the information given in <u>Figure 1</u>, assess the relative strengths and weaknesses of Gill and Albert's business venture.	
Q2	**Indicative content**	

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<u>AO2</u>
MB1 = 1

<u>AO3</u>
MB1 = 2
MB2 = 1
MB3 = 1

<u>AO4</u>
MB1 = 2
MB2 = 2
MB3 = 2

</td>
<td>

<u>Strengths</u>
- Delivered free to 7,000 homes (1) – will be seen by a wide number of people (2) – advertisers will be willing to advertise in RELM if they know it has a wide circulation (3) – however because it is delivered free it may just be thrown away so advertisement will not be seen (3).
- The content of the magazine is about luxury lifestyles (1) – this will appeal to the target of household with property values of over £1 million (2) – business selling luxury goods and services will be attracted to advertise in that type of magazine (3) – but they may feel that their products do not only appeal to people with properties worth over £1 million (3).

<u>Weaknesses</u>
- One owner had dress shops and the other ran a financial consultancy firm (1) – neither had direct experience of publishing magazines (2) – this could mean that the editorial was not very effective so few people actually read it (3) – however both had experience of running business so should be able to run this business reasonably well (3).
- There is a high staff turnover (1) – this would mean additional recruitment and training costs (2) – the quality of the editorial could affected by the loss of quality staff (3) – but the fact that staff can move on to bigger and better publications means the quality of the training and editorial must be good (3).

<u>Conclusion</u>
- The aim of the magazine is to create a luxury product for up-market business to advertise in (4) – selecting only £1 million properties and providing articles on luxury lifestyle products will be more important to advertisers than what the owners did before the magazine was set up (4).

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Level	Mark	Descriptor
0	**0 mark**	No rewardable material
Level 1	**1 – 3 marks**	Strengths and weaknesses are identified from **Figure 1**. Examples of both must be given for full marks. The candidate uses everyday language and the response lacks clarity and organisation and is difficult to comprehend. Spelling, punctuation and the rules of grammar are used with little accuracy.
Level 2	**4 – 6 marks**	Explanation of why these would be strengths or weaknesses for Gill and Albert. Both must be covered for full marks. The candidate uses everyday language and the response lacks clarity and organisation. Spelling, punctuation and the rules of grammar are used with limited accuracy.
Level 3	**7 – 9**	Consideration of the relative importance of the

	marks	strengths and weaknesses. There should be comparison between the two for full marks. The candidate uses some terms and shows some focus and organisation. Spelling, punctuation and the rules of grammar are used with some accuracy.
Level 4	**10 – 11 marks**	A reasoned justification for why strengths outweigh the weaknesses, or vice versa. This must consider the relative importance as part of the justification. The candidate uses a range of appropriate terms and shows good focus and organisation. Spelling, punctuation and the rules of grammar are used with considerable accuracy.

3(a)	**How might RELM's position on its product life cycle between 2012 and 2014 have affected the pricing strategies it used for businesses advertising in the magazine during this period?**	
AOs	**Mark Allocation**	**Exemplar Responses**
AO1 MB1 = 1 **AO2** MB1 = 2 MB2 = 1 MB3 = 1	1 mark for change in life cycle over time 1 mark for likely strategy in 2012 1 mark for likely strategy in 2014 1mark for why it would have changed over time (maximum 2 marks) **(5 marks)**	• Would have moved from introduction to growth – possibly started with penetration – then moved to competitive or premium – penetration would have been necessary as the business was unknown in the market – with growth it could now compete with other magazines selling advertising space/if successful could have used premium pricing because of the nature of the target market for the magazine.

3(b)	Considering the readership RELM, analyse a suitable pricing strategy for the owners to use for businesses advertising in the magazine in 2014.	
AOs	**Mark Allocation**	**Exemplar Responses**
AO2 MB1 = 1 MB2 = 1 MB3 = 1 **AO3** MB1 = 1 MB2 = 1	1 mark for feature of the readership. 1 mark for pricing strategy to the advertisers 1 mark for why this would be suitable (maximum 3 marks) **(5 marks)**	• Household in properties worth more than £1 million – premium pricing – this would say to the advertisers that this is a superior magazine – they would then feel that it was a magazine that considered quality important – might feel that any advertisement they placed in the magazine would show that their products were also quality products. • People enjoying a luxury lifestyle – image pricing – this would show advertisers that the importance of the magazine was its image rather than low cost – it would allow the magazine to charge the advertisers high prices – this could then be used to ensure that the editorial was of the highest possible quality.

4 (a)	Justify why this would be 'diversification' on the Ansoff Matrix.	
AOs	**Mark Allocation**	**Exemplar Responses**
AO2 MB1 = 1 MB2 = 1 **AO4** MB1 = 2	1 mark for new market and new production 1 mark how the market has changed (maximum 2 marks) 1 mark for how the product has changed (maximum 2 marks) All parts of the mark allocation must be covered for full marks. **(4 marks)**	• New market and new product -magazine aimed at 17-25 year-olds – quite different to the wealthy older market -topics in the magazine will be targeted at younger market - more on music, social media etc.

4(b)	Analyse if starting this second magazine would be a sensible marketing decision to make at this time.	
AOs	**Mark Allocation**	**Exemplar Responses**
AO2 MB3 = 1 **AO3** MB1 = 2 MB2 = 1 MB3 = 1	1 mark for positive feature of the current position 1 mark for why this would help decision (maximum 2 marks) 1 mark for negative feature of the current position 1 mark for why this would hinder decision (maximum 2 marks) 1 marks for comparison in terms of whether or not this would be a sensible decision **(5 marks)**	• RELM has expanded to a position where it delivers over 7,000 copies of the magazine – this would create a positive reputation for the business as publishers so make launching the new magazine easier – only just covering costs – will not have spare money for launching new magazine – without funds, and running two different papers this could put strain on the owners so this would probably not be a good time to launch a new magazine. • The owners have started a magazine from scratch and have covered costs in just two years – suggest they have a flare for setting up magazines – staff turnover is high – might suggest that there are problems with how they run their magazine – the magazine is profitable despite any staff problems their overall editorial approach is clearly successful so this might be a good time to expand their publishing business.

5(a)	Examine the possible drawbacks of using a self completion questionnaire for this survey.	
AOs	Mark Allocation	Exemplar Responses
AO1 MB3 = 1 **AO2** MB1 = 1 MB2 = 1 MB3 = 1	1 mark for basic drawback (maximum 2 marks) 1 mark for why this comes from self completing (maximum 2 marks) 1 mark for why the drawback might be specific to the target group (maximum 2 marks) (4 marks)	• Answers may not be accurate – questions may not be understood and it may not be possible to ask for clarification – respondents would then answer what they thought the question was – this age group may be less experienced in filling out questionnaire. • Answers can be rushed – people often fill out self completion questionnaires quickly so as to get it over with – this age group may see competing questionnaire as a waste of time – may rush answering because they feel they have something more important to do. (Note all parts of the mark allocation must be covered for full marks)

	With reference to the data shown on <u>Table 1</u>, analyse the importance of gender and age for Gill and Albert when deciding what topics they might include in their new magazine.	
Q5(b)	**Indicative content**	
<u>**AO3**</u> MB1 = 2 MB2 = 2 MB3 = 1 <u>**AO4**</u> MB1 = 2 MB2 = 2 MB3 = 2	• More females than males listen to music/watch TV/shop for pleasure (1) – the highest percentage listening to music is for 17-18 year old at 92% (1) - Age is important for listening to music as the % drops from 92% at 17to 18 to only 83 % at aged 25 (2) – if articles on music are to be included Gill and Albert might want to aim at the younger age group (3) – shopping for pleasure is not specifically age related but has a much higher percentage of female than males (2) – articles on shopping should focus of what females generally buy (3) – Going to the cinema and renting a video/DVD fluctuate with age and have fairly close gender percentages (2) – but overall both have the lowest figures for leisure activities so relatively few articles should be included on these (3) – the figures show significant differences mainly in activities between females and males and for different age groups so they should be considered carefully when choosing topics (4) – there is also a wide difference in figures from 34% males shopping for pleasure to 90% females listening to music and the magazine should reflect this if it is going to appeal to the whole of the 17 to 25 age group (4).	

Level	Mark	Descriptor
0	**0 mark**	No rewardable material
Level 1	**1 – 2 marks**	Simple statements of differences are given but with no recognition of the importance of these differences. Candidates at L2 will have shown L1 understanding. The candidate uses everyday language and the response lacks clarity and organisation and is difficult to comprehend. Spelling, punctuation and the rules of grammar are used with little accuracy.
Level 2	**3 – 6 marks**	Differences and similarities are quantified and compared with basic explanations of why that is important for making marketing decisions. The candidate uses everyday language and the response lacks clarity and organisation. Spelling, punctuation and the rules of grammar are used with limited accuracy.
Level 3	**7 – 9 marks**	The importance of the differences and similarities are explained in terms of potential content for the magazine. The candidate uses some terms and shows some focus and organisation. Spelling, punctuation and the rules of grammar are used with some accuracy.
Level 4	**10 – 11 marks**	Candidates give a well reasoned summary of how important an analysis of the data would be for

deciding the topics.
The candidate uses a range of appropriate terms and shows good focus and organisation. Spelling, punctuation and the rules of grammar are used with considerable accuracy.

6(a)	Explain what additional information would be needed before they could create an effective quota sample.	
AOs	**Mark Allocation**	**Exemplar Responses**
<u>AO1</u> MB1 = 2 MB2 = 1 **<u>AO3</u>** MB1 = 1 MB2 = 1	1 mark for additional information (maximum 2 marks) 1 mark for how that would help create an effective sample (maximum 3 marks) **(5 marks)**	• The relative sizes of gender, age and income for this age bracket – the quotas must reflect the differences – if this is not done the survey will be biased – Gill and Albert will not then get accurate information. • How the gender, age and income for this age group is broken down for the Edinburgh area – their magazine will only be produced in this area – data for the UK or even Scotland may be quite different – the quotas would not then reflect their target market.

6(b)	Justify suitable secondary sources of data about incomes for the 17 to 25 age group.	
AOs	**Mark Allocation**	**Exemplar Responses**
AO1 MB1 = 1 MB3 = 1 **AO2** MB1 = 1 **AO4** MB1 = 1 MB2 = 1	1 mark for meaning of secondary (may be implied) 1 marks for suitable source (maximum 2 marks) 1 mark for why this would provide the data required (maximum 2 marks) **(5 marks)**	• Data that has already been published – Annual Population Survey – provides data on income based on age – would allow Gill and Albert to find the income breakdowns. • Data that has already been collected – Annual Survey of Hours and Earnings – gives details on different levels of earning – would help work out the quotas for the 17 to 25 age group. • Recorded and analysed data – Social Trends – has employment rates by age group – could be used to identify age groups with different incomes. (Note that specific Scottish sources do not need to be given)

7(a)	State which market the product was being sold in.	
AOs	**Mark Allocation**	**Exemplar Responses**
AO1 MB1= 1	1 mark for market **(1 mark)**	(*Sony* has been used as an example for Q7) <u>Name of business – *Sony Playstation*</u> <u>Name of the product - *Playstation*</u> • Computer game consoles.

7(b)	Explain why the market stopped growing or went into decline.	
AOs	**Mark Allocation**	**Exemplar Responses**
AO1 MB2 = 1 MB3 = 1 **AO4** MB1 = 1 MB2 = 1	1 mark for change in the market (maximum 2 marks) 1 mark for why that meant a slow down or decline (maximum 3 marks) **(4 marks)**	• Growth of alternative platform for computer games – now possible to play games on tablets and mobile phones – less people are buying consoles to play games on – overall the market for games consoles has therefore fallen. • Weak consumer spending – during the global recession many people reduced spending on what was considered a luxury – consoles also remain fairly expensive compared to some tablets and mobile phone platforms – the move away from expensive consoles reduced growth in the whole market.

7(c)	How did the business use tactical marketing decisions to ensure that it remained in a Cash Cow position as the market growth slowed or declined?	
AOs	**Mark Allocation**	**Exemplar Responses**
AO1 MB1 = 1 MB2 = 1 **AO3** MB1 = 1 MB2 = 1 MB3 = 1	1 mark for tactical decision (maximum 2 marks) 1 mark for how this ensured the Cash Cow position (maximum 3 marks) **(5 marks)**	• New slimmer version of PS3 produced – helped it compete with smart phones and tablets – created a more fashionable console which people wanted – customers willing to buy the new version and create good market share for the PS3. • Kept price of the new PS3 low – attracted existing customers and new customers – able to take customers from main competitors of Microsoft and Nintendo – kept market share high even as the whole market declined.

8(a)	Show how the business alters its promotional strategy to effectively reach its customers in these two markets.	
AOs	**Mark Allocation**	**Exemplar Responses**
<u>**AO1**</u> MB1 = 2 <u>**AO2**</u> MB1 = 2 MB2 = 1 MB3 = 1	1 mark for strategy in each market (maximum 2 marks) 1 mark for why this was effective in each market (maximum 3 marks) 1 mark for why they were different (maximum 2 marks) (2 + 2 + 2) or (2 + 3 + 1) **(6 marks)**	(*Heinz* has been used as an example for Q8) <u>Business -*Heinz*</u> <u>Product – Baked beans</u> • Advertisements on television for consumers – these are seen by a mass audience – brochures and price lists for businesses – these can offer a wide range of difference sized cans and packaged units to choose from – businesses need to carefully cost out the different units they may need – consumers need to be attracted by persuasive promotion.

8(b)	Explain why different channels of distribution are used for the two markets.	
AOs	**Mark Allocation**	**Exemplar Responses**
<u>**AO1**</u> MB2 = 1 <u>**AO2**</u> MB1 = 1 <u>**AO4**</u> MB1 = 1 MB2 = 1	1 mark for channel for businesses 1 mark for channel for consumers 1 mark for why there was a difference (maximum 2 marks) **(4 marks)**	• For businesses beans are sold to wholesalers who then sell them on to business users – for consumers wholesalers sell to retailers such as supermarkets – businesses tend to buy in bulk as with catering sized cans – consumers only want small quantities and the supermarkets can break bulk to suitable sizes. • For major supermarkets beans sold direct for shipment to regional distribution centres – for consumers at supermarkets sold through these retailers – supermarkets buy in bulk and receive the beans ready for distribution to their individual stores – consumers want small quantities on the shelves and *Heinz* would not supply these direct to consumers.

Total for Paper – 90 marks