Mark Scheme (Results)

Summer 2016

Pearson Edexcel 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.

- Mark schemes will indicate within the table where, and which strands of QWC, are being assessed. The strands are as follows:

  i) ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear
  ii) select and use a form and style of writing appropriate to purpose and to complex subject matter
  iii) organise information clearly and coherently, using specialist vocabulary when appropriate.

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

1 (a)	Discuss if setting up her own salon would be a tactical or a strategic marketing objective.	
AOs	**Mark Allocation**	**Exemplar Responses**
AO1 MB1 = 2 MB2 = 1 **AO3** MB1 = 1 MB2 = 1	1 mark for difference between tactical and strategic (maximum 2 marks) 1 mark for nature of setting up the salon (maximum 2 marks) 1 mark for why that would lead to strategic 1 mark for why it would not be tactical **(5 marks)**	• Tactical is short term, strategic is long term – opening up the salon will be an objective for a long period – time will be needed to get the business established making the decision strategic – tactical decisions would include decisions such as deciding on initial advertising for the salon which would be a short term decision • Strategic is a major objective of the business – opening a salon will be the most important career choice for Jane as she leaves the college – this will also involve a choice between hair stylist or beautician – tactical decisions will involve day to day decisions to support the major decision of setting up the salon.

1 (b)	Explain <u>one</u> strength and <u>one</u> weakness that Jane might bring to the business she hopes to set up.	
AOs	**Mark Allocation**	**Exemplar Responses**
AO2 MB1 = 2 MB2 = 2 MB3 = 2	1 mark for strength 1 mark for why it comes from Jane's experience, situation, etc (maximum 2 marks) (Repeat for weakness) (1 + 2) x 2 **(6 marks)**	<u>Strength</u> • Good qualifications – has an HND in Hair and Beauty Management – should understand how to manage a salon. • Has experience – worked for a year in both types of salon – also has practical skills from her HND. <u>Weakness</u> • College debt – will need to be paid back – will reduce monies available to plough into the business. • Limited experience – she wants to open her own salon – but she has no experience of running a business.

Q2	With reference to the information given in <u>Figure 1</u>, advise Jane if she should open a hair or a beauty salon.
	Indicative content
<u>AO2</u> MB1 = 2 MB2 = 1 **<u>AO3</u>** MB1 = 2 MB2 = 1 MB3 = 1 **<u>AO4</u>** MB1 = 2 MB2 = 1 MB3 = 1	• Jane has worked in both parts of the industry (1) – also has an HND in management skills (1) – should equip her for either part (2) – however demand for hairdressing services has been fairly steady (1) – in comparison the beauty section has not been doing so well (2) – the safer option would be to go for hair styling (3) – This is more likely to provide immediate returns which could be important in paying off her debts (4) • Jane is planning to open a salon (1) – this is a long term commitment (2) – the more expensive services are to be found in the beauty section so might be more profitable (3) – on the other hand, Jane could start hairstyling from home with low cost (3) – Jane needs to weigh up the stability of the hairdressing against the potential higher income of the beauty section (4) – it would also be important to carry out research on current provision in the area before deciding (4).

Level	Mark	Descriptor
0	**0 mark**	No rewardable material
Level 1	**1 – 3 marks**	Selection of relevant information from Figure 1. At least three distinct elements of information need to be selected 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 how the information would support or negatively impact on the decision to open a hair or beauty salon. 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**	Reasoned decision based on a basic interpretation of the information given. Positive and negative features must be considered 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**	Reasoned decision which considers a more in-depth and long term view and raises other issues not directly referred to in Figure 1. 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)	**Show why Jane's business would be in the Dog segment of the Boston Matrix if she decided to set up a salon in the beauty section of the industry.**
AOs	**Mark Allocation**	**Exemplar Responses**
AO1 MB1 = 1 MB3 = 1 **AO2** MB1 = 1 **AO3** MB1 = 2 MB2 = 1	1 mark for what the Dog segment measures (may be implied) 1 mark for why market share would be low (maximum 3 marks) 1 mark for why market growth would be low (maximum 3 marks) (1 + 3 + 2) or (1 + 2 + 3) **(6 marks)**	• Low market share and low market growth Market share • Only just starting in the business – likely to have a very small part of the total industry – her salon with be just one of many small independent salons. Market growth • There is weak growth in the industry – there has been falling disposable incomes – people not buying more expensive services.

3(b)	**Explain the 'dynamics of the market' Jane would need to consider before deciding to open a beauty salon.**
AOs	**Mark Allocation**	**Exemplar Responses**
AO1 MB3 = 2 **AO2** MB1 = 1 MB2 = 1 MB3 = 1	1 mark for meaning (may be implied) 1 mark for specific dynamic (maximum 2 marks) 1 mark for why that should be considered (maximum 2 marks) **(5 marks)**	• Showing the forces of supply and demand in the market – Jane would need to consider how many competitors there were – she would also need to assess the potential market for a new business – without this information she could make the wrong decisions – in the current economic climate there will be high competition for custom. • How the market changes over time – changes in potential customers' willingness to spend on beauty treatments – how this has changed during the recession – should help Jane decide if this was a good time to open a new salon – without considering these dynamics she may open too early or miss a profitable opportunity.

4(a)	State why the data on <u>Table 1</u> is secondary data.	
AOs	**Mark Allocation**	**Exemplar Responses**
<u>**AO1**</u> MB1 = 2	1 mark for feature of secondary 1 mark for why this data shows that feature **(2 marks)**	• Data has already been collected by another source – this has been collected by the government. • Data has been collected in the past and converted into a table – the data is from 2013. • Data collected for another purpose than for the current user – this was collected as a record of frequency of cinema visits not for Jane's marketing decisions.

AOs	**Mark Allocation**	**Exemplar Responses**
4 (b)	With reference to <u>Table 1</u>, advise Jane on which would be the best age group to target.	
<u>**AO3**</u> MB1 = 1 MB2 = 1 MB3 = 1 <u>**AO4**</u> MB1 = 1 MB2 = 1 MB3 = 1	1 mark for selection of appropriate data (maximum 2 marks) 1 mark for how that supports choosing the best age group (maximum 3 marks) 1 mark for why other age groups would not be suitable (maximum 2 marks) **(6 marks)**	• 50% of 16 to 24 year olds go at least once a month – this is nearly double any other group – should mean more of them will see the advertisement than any other group – If at least 3 to 4 time a year is taken this rises to 85% for 16 to 24 year olds but also 76% of 25 to 44 year olds – the group not to target is the 75+ group which has only 12% going once a month and only 54% going 3 or 4 time a year.

AOs	Mark Allocation	Exemplar Responses
4 (c)	**Explain why Jane should be careful about making a decision based on the data shown on <u>Table 1</u>.**	
<u>AO1</u> MB1 = 1 MB2 = 1 **<u>AO2</u>** MB1 = 1 MB2 = 1 **<u>AO4</u>** MB1 = 1 MB2 = 1 **(6 marks)**	1 mark for negative feature of the data (maximum 3 marks) 1 mark for why this would be a problem for making a decision (maximum 4 marks)	• Data is for 2012/13 – would be out of date – frequency of visits might have changed by 2016 – could lead Jane to making the wrong decision. • Data is for the whole UK – Jane's salon will be in only one town – frequency of visits could be completely different there – could lead her to targeting the wrong group. • The table is in percentages all adding up to 100% - this does not show how many people were surveyed in each age group – the 70+ group is likely to be much smaller than the 45 to 64 age group – would need to know the exact numbers before making a decision.

Q5	Evaluate which of these three pricing strategies would be the most suitable for Jane's new business.	
	Indicative content	
AO1 MB1 = 2 MB2 = 1 **AO3** MB1 = 2 MB2 = 1 MB3 = 1 **AO4** MB1 = 2 MB2 = 1 MB3 = 1	• Penetration pricing is setting the price below market price for entry and then raising it (1) – skimming is setting an initial high price and then lowering it (1) – market based is setting price to the market average (1) – there are 12 salons already (2) – may need something different to get attention (3) – skimming could suggest that Jane's salon is better than others because the price is high (3) – there are fairly similar prices for standard services (2) – this may be expected by customers (3) – Jane may be safer selecting market based pricing as customers will expect this (3) – Jane is relatively new to the business (2) – penetration pricing would let customers try out her business for a low price (3) – they might see how skilled she is and choose to stay with her (3) – Both penetration pricing and skimming have drawbacks, possible retaliation from established salons and customers not wanting to pay high prices (4) – the safest option might be to fit in with the market and use market based pricing (4).	

Level	Mark	Descriptor
0	**0 mark**	No rewardable material
Level 1	**1 – 3 marks**	Understanding of terms shown. All three pricing strategies should be considered 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**	Showing understanding of the market conditions and general reasons for using specific pricing strategies. More than one aspect of the conditions need to be selected 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 marks**	Justifications for selecting and rejecting strategies are explained in terms of the conditions in the market and Jane's situation. 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 well reasoned final decision which shows application to the market conditions and why one strategy would be better than the others. 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.

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6 (a)	What would be the sample frame of her research?	
AOs	**Mark Allocation**	**Exemplar Responses**
<u>**AO1**</u> MB2 = 1 <u>**AO2**</u> MB3 = 1	1 mark for understanding of the term (may be implied) 1 mark for the frame **(2 marks)**	• The people who could be included in the sample – this would be all the potential customers in her town/those people who match the criteria for the stratified sample/the people who use hair or beauty salons.

AOs	**Mark Allocation**	**Exemplar Responses**
6 (b)	**Explain what additional information Jane would need before she could construct the stratified sample.**	
<u>**AO2**</u> MB1 = 2 MB2 = 2 MB3 = 1	1 mark for additional information (maximum 2 marks) 1 mark for why that information would be needed for constructing the survey (maximum 3 marks) **(5 marks)**	• Will need to know the male female balance of users – the survey will need to ask male and females in the right proportions – without this the results will be biased. • All sections of the sample will have to be quantified – men to women, adults to children and how many users come from each part of town – without knowing these, division of the survey will not reflect the probable balance of prospective clients.

AOs	**Mark Allocation**	**Exemplar Responses**
6 (c)	**Analyse how useful a footfall count of people visiting the other salons in the town would be in deciding how to construct the stratified sample.**	
<u>**AO1**</u> MB1 = 1 <u>**AO2**</u> MB1 = 1 <u>**AO4**</u> MB1 = 1 MB2 = 1	1 mark for meaning of footfall count (may be implied) 1 mark for how this might help the construction (maximum 2 marks)	• Count the people entering or leaving the salons – should help to give a breakdown of men to women/adults to children – could be used as the basis of the stratification as this is recording actual visits – simply observing people visiting will not show which part of town they come from – this part of the stratification process would need different research.

MB3 = 1	1 mark for why it would not help (maximum 2 marks) **(5 marks)**	

7 (a)	**Explain how the below-the-line promotion used by the business was effective.**	
AOs	**Mark Allocation**	**Exemplar Responses**
AO1 MB1= 1 MB2 = 1 MB3 = 1 **AO3** MB1 =1	1 mark for market showing understanding of below-the line 1 mark for the promotions used (Maximum 2 marks) 1 mark for how it promoted effectively (Maximum 2 marks) **(4 mark)**	(*Starbucks* has been used as an example for Q7) <u>Name of business – *Starbucks*</u> <u>Service provided – coffee café</u> • Promoted in mediums other than radio, television, billboards, print, film and the internet – offers a reward card that can be picked up in the café – rewards will be gained from using the card when buying coffees, etc – will be carried around in wallet/purse reminding people of the business. • promotion that does not involve the use of mass media – has the fair-trade symbol on its coffee cups and mugs – encourages customers with ethical concerns to buy their coffee there – gives the business a good corporate name.

7 (b)	**Discuss how the business could use its existing monitoring processes to test the effectiveness of the below-the-line promotion.**	
AOs	**Mark Allocation**	**Exemplar Responses**
AO1 MB2 = 1 **AO2** MB1 = 1 MB2 = 1 **AO4** MB1 = 2 MB2 = 1	1 mark for stating the monitoring system (maximum 2 marks) 1 mark for how it monitors (maximum 2 marks) 1 mark for how well it monitors effectiveness of the promotions (maximum 3 marks) **(6 marks)**	• Customer comment cards – filled out by customers who want to make comments on any aspect of the café – could be tailored to ask what people thought of the promotion – the comments would then tell the business what people thought of the promotion – however many people may not bother filling them in. • Surveys conducted through the website – the survey could be specifically written to ask questions about the promotions – a reward/ competition prize would encourage people to complete the survey – will only be effective if customers are visiting the website.

8 (a)	State at which stage of the product life cycle the business introduced the extension strategy	
AOs	**Mark Allocation**	**Exemplar Responses**
AO1 MB1 = 1	1 mark for the stage of the product life cycle **(1 mark)**	(*Sony* with its PS4 has been used as an example for Q8) <u>Business -*Sony*</u> <u>Product – Play Station</u> • Maturity

8 (b)	Explain why the extension strategy was effective.	
AOs	**Mark Allocation**	**Exemplar Responses**
AO4 MB1 = 2 MB2 = 1 MB3 = 1	1 mark for feature of the extension strategy (maximum 2 marks) 1 mark for why that made it effective (maximum 3 marks) **(4 marks)**	• Many advanced features were introduced – 32 more time system memory than the PS3 – made it the most powerful games console available – ensured that it beat the competition. • The 500GB drive can be removed and replaced – this allows owners to upgrade their own consoles – will be able to make use of new technologies as they become available – increases the lifespan of the PS4 for the customer.

8 (c)	Examine how the competitors of the business reacted to this extension strategy.	
AOs	**Mark Allocation**	**Exemplar Responses**
AO1 MB1 = 1 MB2 = 1 MB3 = 1 **AO2** MB1 = 2	1 mark for naming competitor(s) 1 mark for reaction (maximum 2 marks) 1 mark for why this came as a result of the extension strategy (maximum 2 marks) **(5 marks)**	• Microsoft – launches the Xbox One which had frequent updates with new features – also had up-to-date apps that allow it to link to search engines on the internet – needed to provide a console that could match some of the technologies of the PS4 – features were also included that the PS4 did not have. • Microsoft – launched the Xbox One at almost the same time as the PS4 – both launched in Nov 2013 – needed to have a new model to stop customers simply going to the PS4 – advanced publicity of the launch date meant existing Xbox users were tempted to go for the new Xbox.

Total for Question paper =