



Pearson

Mark Scheme (Results)

Summer 2017

Pearson Edexcel GCE
In Applied Business (6925/01)
Unit 10: Marketing Decisions

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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) Discuss if <i>Virgin's</i> decision to expand into the cruise industry was a strategic or a tactical decision.		
AOs	Mark Allocation	Exemplar Responses
<p><u>AO1</u> MB1 = 2 MB2 = 1</p> <p><u>AO3</u> MB1 = 1 MB2 = 1</p>	<p>1 mark for showing understanding of difference between tactical and strategic (maximum 2 marks)</p> <p>1 mark for nature of the new investment (maximum 2 marks)</p> <p>1 mark for how that relates to feature of strategic (maximum 2 marks)</p> <p style="text-align: right;">(5 marks)</p>	<ul style="list-style-type: none"> Tactical is short term, strategic is long term – it will take 4 to 5 years for the ships to be built – there will be no cruises available until the ships have been built – receiving significant returns on the investment will take a long time. Strategic is a major business decision, tactical decisions that will help achieve that major objective – This is a major new venture for <i>Virgin</i> – will have a cost of £1.15 billion just for the ships – is a business that <i>Virgin</i> has not entered before.

1(b) Explain in which segment of the Ansoff Matrix <i>Virgin Cruises</i> should be placed as part of <i>Virgin Group's</i> product portfolio.		
AOs	Mark Allocation	Exemplar Responses
<p><u>AO1</u> MB1 = 1 MB2 = 1</p> <p><u>AO2</u> MB1 = 1 MB2 = 1</p> <p><u>AO3</u> MB2 = 1 MB3 = 1</p>	<p>1 mark for showing understanding of the matrix (may be implied)</p> <p>1 mark for justified selection of the segment</p> <p>1 mark for why new or existing product (maximum 2 marks)</p> <p>1 mark for why new or existing market (maximum 2 marks)</p> <p style="text-align: right;">(6 marks)</p>	<ul style="list-style-type: none"> Matrix considers whether the product and market are existing or new for the business – providing of cruise ships would be product development – <i>Virgin</i> has not provided actual shipping before – so this is a new product for the business – <i>Virgin</i> does provide cruise holidays through its travel agent services – this means it will be selling to an existing market. <p>(N.B. If the wider transport industry was considered product development would be the best answer. If providing the actual accommodation on the ship was argued, diversification would be a possible answer.)</p>

Q2		Using SWOT analysis, evaluate <i>Virgin Group's</i> decision to enter the cruise market.
AOs		Indicative content
<p><u>AO1</u> MB3 = 1</p> <p><u>AO3</u> MB1 = 2 MB2 = 1 MB3 = 1</p> <p><u>AO4</u> MB1 = 2 MB2 = 2 MB3 = 2</p>	<p><u>Strengths</u></p> <ul style="list-style-type: none"> <i>Virgin</i> already offers rail and air transport services (1) – has knowledge of transport industry (2) – locating in USA (1) – where most cruisers come from/59% come from North America (2). <p><u>Weaknesses</u></p> <ul style="list-style-type: none"> The two ships will cost £1.15 billion (1) – very high initial costs will need to be financed (2) – the ships will not be available for cruises for four or five years (1) – will not receive main sales revenue to help cover cost for some time (2). <p><u>Opportunities</u></p> <ul style="list-style-type: none"> Cruise market was predicted to grow by 4% in 2015 (1) – should mean there could be room for another player (2) – 62% of people taking cruises are people who have cruised before (1) – could mean less persuasive marketing needed (2). <p><u>Threats</u></p> <ul style="list-style-type: none"> Three companies have 82% of the market (1) – will make entry into the market more difficult (2) – focus for new cruises is less on size than on design (1) – <i>Virgin</i> is planning a 4,200 passenger ship, which may not be what people want (2). <p><u>Level 3 & 4</u></p> <ul style="list-style-type: none"> <i>Virgin</i> has knowledge of transport industries but cruises are quite different to air and rail transport (3) – there is reasonable growth in the industry but that could be taken by the existing three major businesses (3) – an outlay of £1.15 billion is being made but there will be no return for four to five years (4) – the market growth data is for 2015, conditions could be very different in five years' time (4) – <i>Virgin</i> has considerable experience but there are many unknowns, such as competitor reaction, so it will be a risky venture (4). 	
Level	Mark	Descriptor
0	0 mark	No rewardable material
Level 1	1 – 3 marks	Strengths, weaknesses, opportunities and threats are identified. For full marks all four elements should be identified. 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	Explanations are given as to why the elements identified at Level 1 are strengths, weakness, etc. for <i>Virgin</i> . For full marks all four elements should be covered. 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 – 8 marks	Strength and weaknesses are compared as are opportunities and threats.

		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	9 – 11 marks	A reasoned conclusion is given as to whether the strengths do or do not outweigh the weaknesses, and the same for opportunities and threats. 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.

3a	Explain which segment of the Boston Matrix <i>Virgin Cruises</i> would be in when it fully enters the cruise market in 2019/2020.	
AOs	Mark Allocation	Exemplar Responses
<p><u>AO1</u> MB1 = 1 MB3 = 1</p> <p><u>AO2</u> MB1 = 1 MB2 = 1</p> <p><u>AO3</u> MB1 = 1</p> <p><u>AO4</u> MB3 = 1</p>	<p>1 mark for justified selection of Problem Child or Dog</p> <p>1 mark for why market share would be low (maximum 2 marks)</p> <p>1 mark for why market growth was high/not so high (maximum 2 marks)</p> <p>1 mark for recognising market growth could change from 2015 to 2019/2020</p> <p style="text-align: right;">(6 marks)</p>	<ul style="list-style-type: none"> • Would be Problem Child/Dog – would have low market share – three other businesses have over 80% of market share/will only have two ships – there is growth in the market of 4% in 2015 – this is not very high so could be a Dog with market growth/reasonably high so would be Problem Child – market conditions could change considerably between 2015 prediction and 2019/2020 changing the matrix.

3b	With reference to the information given in Figure 1 examine if premium pricing (setting its prices higher than its competitors) would be an appropriate strategy for <i>Virgin Cruises</i>.	
AOs	Mark Allocation	Exemplar Responses
<p><u>AO2</u> MB1 = 3 MB2 = 1 MB3 = 1</p>	<p>1 mark for selecting information from Figure 1 (maximum 2 marks)</p> <p>1 mark for why that would make it appropriate (maximum 2 marks)</p> <p>1 mark for why that would make it inappropriate (maximum 2 marks)</p> <p style="text-align: right;">(5 marks)</p>	<ul style="list-style-type: none"> • Ships will be luxury ships – customers will expect high standard of facilities – should be prepared to pay a higher price than normal. • Only two ships will be available – competitors will have many ships – may be able to compete <i>Virgin Cruises</i> out of business if its prices are too high.

4(a)	What was the sample frame for the 2014 survey?	
AOs	Mark Allocation	Exemplar Responses
<u>AO1</u> MB2 = 2 MB3 = 1	1 mark for understanding of the term (may be implied) 1 mark for basic figure 1 mark for limitations to the frame (3 marks)	<ul style="list-style-type: none"> Anyone who could have been selected for the survey – the one million on the panel – but limited to travellers aged 25 or over/ and with household incomes of more than \$40 000.

4(b)	Considering the way the survey was carried out, analyse how useful it would have been to <i>Virgin Cruises</i> as it made its decision to enter the cruise market.	
AOs	Mark Allocation	Exemplar Responses
<u>AO3</u> MB1 = 2 MB2 = 1 <u>AO4</u> MB1 = 3 MB2 = 2	1 mark for feature of the survey (maximum 2 marks) 1 mark for why that feature would be useful (maximum 3 marks) 1 mark for why that feature would of limited use (maximum 3 marks) 1 mark for reasoned conclusion (2 + 3 + 2 + 1) or (2 + 2 + 3 + 1) (8 marks)	<ul style="list-style-type: none"> Carried out in North America – that is where 59% of cruisers come from so relevant – <i>Virgin Cruises</i> will also be based in North America - Does exclude details from 41% of the potential target market – that major sector might give very different answers – the usefulness would depend on who <i>Virgin Cruises</i> was planning to target. Only households with income over \$40 000 used – cruises tend to be expensive so probably the right market – also older people tend to use cruises so excluding under 25s is sensible – but this was conducted in the middle of August when many people will be on holiday – if they were cruisers a valuable group would not be available – the date was 2014 or five to six years before <i>Virgin Cruises</i> would have ships available for cruises – the market conditions could change considerably and make the data of little use without longer trends.

5 (a)	(i) What other group might make up the 17% missing from the 'Employment Status' demographic? (ii) Why might this group have been left out of the survey?	
AOs	Mark Allocation	Exemplar Responses
AO1 MB1 = 2	(i) 1 mark for the group	<ul style="list-style-type: none"> (i) Unemployed – (ii) Likely to be living on benefits– benefits would not cover the cost of cruises – would distort the final results if included. (i) Part-time – (ii) Unlikely to have a large income – the survey did not consider incomes below £26 000 – this group was likely to be excluded anyway.
AO2 MB1 = 2	(ii) 1 mark for basic reason	
	1 mark for why that would justify exclusion from the survey (maximum 2 marks)	
	(4 marks)	

Q5(b)	Consider how a cruise business could use Table 1 to plan an effective promotional strategy to appeal to the major target markets.	
AOs	Indicative content	
AO1 MB1 = 1	<ul style="list-style-type: none"> 48% of the market is between 40 and 60 year old (1) – 74% have incomes between £40 000 and £135 000 (1) – 75% are graduates and 78% are married (1) - the major market seems to be employed with a good income and aged over 40 (2) – they are well educated with degrees (2) – They are mainly in full-time employment so will be taking cruises as part of their holidays (2) – promotion should be aimed at couples as most are married (3) – this would show the business recognises that this relationship is important (4) – most cruisers are working so television advertising for example should be put on in the evenings (3) placing advertisement in cinemas with films that couples might see in the evening would reach the married and working target (4) – Age and education suggest that the target market may read broadsheet papers (3) – this would also mean that advertisement would be seen out of work time, especially if placed in weekend travel supplements (4). 	
AO2 MB1 = 1		
AO3 MB1 = 1 MB2 = 1 MB3 = 1		
AO4 MB1 = 3 MB2 = 2 MB3 = 1		

Level	Mark	Descriptor
0	0 mark	No rewardable material
Level 1	1 – 2 marks	Selection of details from the table that show the major target markets. 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 –5 marks	Basic explanations of what the figures reveal about the nature of the major target market.

		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	6 – 8 marks	Basic details of promotional strategies that would appeal to the selected demographic profiles. 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	9 – 11 marks	Clear explanations of why the suggested promotion(s) would be effective for the selected best demographic profile. 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) How might major negative changes in economic conditions affect the cruise industry in the future?		
AOs	Mark Allocation	Exemplar Responses
<p><u>AO2</u> MR1 = 2 MB2 = 2 MB3 = 1</p>	<p>1 mark for negative economic change (maximum 2 marks)</p> <p>1 mark for how that change will affect the industry (maximum 3 marks)</p> <p style="text-align: right;">(5 marks)</p>	<ul style="list-style-type: none"> • Another worldwide recession – reduce levels of disposable income – less people taking holidays – less demand for cruises. • Large rises in the price of oil – would increase the cost of running the cruise ships – businesses may need to raise their prices – could result in decrease sales of cruises.

6(b) Suggest how a cruise business could use the marketing mix to overcome negative economic conditions.		
AOs	Mark Allocation	Exemplar Responses
<p><u>AO2</u> MB1 = 1 MB2 = 1</p> <p><u>AO4</u> MB1 = 3 MB2 = 1</p>	<p>1 mark for identifying specific negative condition (Maximum 2 marks)</p> <p>1 mark for a marketing mix change that would meet the condition (maximum 2 marks)</p> <p>1 mark for why the change would address the negative condition (maximum 3 marks)</p> <p style="text-align: right;">(6 marks)</p>	<ul style="list-style-type: none"> • Lower world demand - increase aggressive promotion – use this to show you are better than the competition – offer lower prices to appeal to income strapped customers – promote value for money. • Costs are rising - try to absorb some of these in-house – keep prices fairly similar over time – consumers tend to move away from businesses that suddenly raise prices fairly dramatically – use promotion to emphasise how the business is keeping down cost for the benefit of its customers. • Major decline in the cruise market - reduce the number of ships in the fleet – carry out market research to find what customers value most – design cruises to meet those demands – keep the ships, and cruises, that match those demands.

7(a) Why did the business decide to introduce online selling for its consumers?		
AOs	Mark Allocation	Exemplar Responses
<p><u>AO1</u> MB1 = 2 MB2 = 1</p> <p><u>AO2</u> MB1 = 1</p>	<p>1 mark for basic reason (maximum 2 marks)</p> <p>1 mark for why going online selling matched that reason (maximum 3 marks)</p> <p style="text-align: right;">(4 mark)</p>	<p>(<i>Morrisons</i> has been used as an example for Q7)</p> <p><u>Name of business – <i>Morrisons</i></u></p> <p><u>Main product – General groceries</u></p> <ul style="list-style-type: none"> • Consumers expect to be able to buy products online – <i>Morrisons</i> now able to sell to these consumers – if it had not gone online it would have lost sales to its competitors – being online allows sales to consumers who will not go into the stores. • Reduced cost of selling products – online has lower costs than selling in-store – stores have high purchase and maintenance costs for the stores – online requires limited physical building costs.

7(b) How did the business you selected overcome these constraints?		
AOs	Mark Allocation	Exemplar Responses
<p><u>AO1</u> MB1 = 1</p> <p><u>AO2</u> MB2 = 1 MB3 = 2</p> <p><u>AO3</u> MB1 = 1 MB3 = 1</p>	<p>1 mark for a constraint (maximum 2 marks)</p> <p>1 mark for how it overcame the constraint (maximum 4 marks)</p> <p style="text-align: right;">(6 marks)</p>	<ul style="list-style-type: none"> • Goods needed to be delivered to consumers – <i>Morrisons</i> had no delivery service of its own – made a contract with <i>Ocado</i> to deliver consumers' purchases – this business already delivered for <i>Waitrose</i> so had experience in delivering online orders. • Consumers needed to know online ordering was available – a major television campaign was launched to tell consumers – full details of the online ordering website was given – this allowed customers to access all the products and then place an order.

8(a)	Describe the improvements made to the product.	
AOs	Mark Allocation	Exemplar Responses
<p><u>AO1</u> MB1 = 2</p>	<p>1 mark for each distinct detail of the improvements</p> <p style="text-align: right;">(2 marks)</p>	<p>(The <i>Toshiba Blu-ray player</i> has been used as an example for Q8) <u>Business -Toshiba</u> <u>Product – DVD player to Blu-ray player</u></p> <ul style="list-style-type: none"> • New player has capability of playing Blu-ray discs. • New player provides six times better picture quality than standard DVD players. • New player allows sound quality provided by Dolby True HD and DTS HD to ensure that the audio matches visual performance.

8(b)	Examine the importance of the product's position on the product life cycle in the decision to make improvements to the product.	
AOs	Mark Allocation	Exemplar Responses
<p><u>AO1</u> MB2 = 1</p> <p><u>AO2</u> MB1 = 1 MB2 = 1 MB3 = 1</p>	<p>1 mark for position the product was in when the decision was made</p> <p>1 mark for why that lead to the decision (maximum 3 marks)</p> <p style="text-align: right;">(4 marks)</p>	<ul style="list-style-type: none"> • The DVD players were at maturity/slow decline – Blu-ray system offering much better quality and was being taken up by the competition – to extend sales of players <i>Toshiba</i> needed its players to be able to take the latest disk technology – <i>Toshiba</i> was the main company supporting HD DVD technology and without the change sales would have gone steeply into decline.

8(c)	Identify how the improvements described in (a) might have had a negative effect on some of the product's target market.	
AOs	Mark Allocation	Exemplar Responses
<p><u>AO1</u> MB3 = 2</p> <p><u>AO3</u> MB1 = 1 MB2 = 1</p>	<p>1 mark for negative effect (maximum 2 marks)</p> <p>1 mark for why this came from the improvement (maximum 3 marks)</p> <p style="text-align: right;">(4 marks)</p>	<ul style="list-style-type: none"> • Customers might have been annoyed if they had just bought an HD DVD player from <i>Toshiba</i> – this would not have supported Blu-ray disks – may have felt that they had wasted their money for an inferior product – <i>Toshiba</i> was still selling DVD players in 2009 when it knew it was releasing the Blu-ray player later that year. • Customers may have felt they were being asked to pay extra – Blu-ray players were more expensive than DVD players – as Blu-ray players came out, the price of DVD players fell – customers with relatively new DVD players may have felt that they now had a devalued product.

TOTAL FOR PAPER = 90 MARKS