



Level 3 Technical Level Business: Marketing

COMPETITIVE BUSINESS ENVIRONMENT

Mark scheme

Unit Number: K/506/6075
June 2017

Version: 1.0 Final

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts: alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Assessment Writer.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this Mark Scheme are available from aqa.org.uk

MARKING METHODS

In fairness to candidates, all examiners **must** use the same marking methods. The following advice may seem obvious, but all examiners **must** follow it as closely as possible.

- 1 If you have any doubt about how to allocate marks to an answer, consult your Team Leader.
- 2 Refer constantly to the mark scheme and standardising scripts throughout the marking period.
- 3 Use the full range of marks. Don't hesitate to give full marks when the answer merits them.
- 4 The key to good and fair marking is **consistency**.

INTRODUCTION

The information provided for each question is intended to be a guide to the kind of answers anticipated and is neither exhaustive nor prescriptive. **All appropriate responses should be given credit.**

Where literary or linguistic terms appear in the Mark Scheme, they do so generally for the sake of brevity. Knowledge of such terms, other than those given in the specification, is **not** required. However, when determining the level of response for a particular answer, examiners should take into account any instances where the candidate uses these terms effectively to aid the clarity and precision of the argument.

DESCRIPTIONS OF LEVELS OF RESPONSE

The following procedure must be adopted in marking by levels of response:

- read the answer as a whole
- work up through the descriptors to find the one which best fits
- where there is more than one mark available in a level, determine the mark from the mark range judging whether the answer is nearer to the level above or to the one below.

Since answers will rarely match a descriptor in all respects, examiners must allow good performance in some aspects to compensate for shortcomings in other respects. Consequently, the level is determined by the 'best fit' rather than requiring every element of the descriptor to be matched. Examiners should aim to use the full range of levels and marks, taking into account the standard that can reasonably be expected of candidates.

SECTION A

Total for this section: 50 marks

The following list indicates the correct answers used in marking Candidates' responses to the multiple-choice questions

KEY LIST

1	B	5	B
2	D	6	A
3	A	7	C
4	C	8	D

09 Explain **one** way in which **market segmentation** could help a business to increase its profits.

[3 marks]

1 mark for identifying a feature of market segmentation eg targeting specific age groups

1 mark for a valid impact of segmentation on the business eg allow the business to design/sell products to better meet the needs of an age group

1 mark for a valid effect on profits eg gain more sales and achieve a high revenue which would help to increase profits

“Market segmentation is when a business targets specific groups eg by lifestyle (1 mark). Products tailored to the needs of the lifestyle group could be designed (1 mark). This could result in higher sales and revenue which would help to increase profits (1 mark).”

10 Explain **one** reason why a business might use **Ansoff's diversification strategy** when faced with increased competition.

[3 marks]

1 mark for defining Ansoff's diversification strategy eg when a business sells/designs a new product in a new market

1 mark for a valid impact of competition on the business eg competition might be restricting sales of existing products and/or within existing markets

1 mark for a valid reason related to competition eg diversification might allow the business to exploit new sales opportunities in less competitive markets, meet new customer needs.

“Ansoff's diversification strategy is when a business sells a new product in a new market (1 mark). If competition is high, then maybe the business is losing sales in their current markets (1 mark) and the new market/products might have fewer businesses and competitors, allowing the business to increase sales (1 mark)”

11	Use the information above to analyse the achievement of the local shop's long-term aims .	[6 marks]
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Level	Descriptor	Marks
3	Uses the information to analyse issues related to the achievement of the local shop's aims	6–5
2	Explains the relevance of the information to the local shop's aims	4–3
1	Demonstrates generic understanding of aims and/or objectives	2–1

Possible responses include:

Knowledge (level 1):

- Aims are a clear statement of what needs to be achieved if a vision statement is to be realised (eg sales levels after 2 years)
- Aims are used to set objectives which are specified in terms of time and value eg increase in annual sales by 10%

Application (level 2):

- The local shop has set 'long-term' aims, which means that they are to be achieved over several years, and are related to customers and suppliers – both aims need to be achieved
- The objectives seem to relate to long term (survival in terms of making a profit), suppliers (in terms of half of the shop sales coming from produce supplied by local businesses) and customers (in terms of 80% or higher customer satisfaction)
- The outcomes show profit below target, customer very happy and not enough local produce being sold

Analysis (level 3):

- The aims are long-term – you can't expect them to be achieved straight away – and the shop was set up in 2015
- A profit is being made, so the business will survive and continue to operate to stand a chance of achieving the long-term aims
- Sales are increasing at a faster rate in 2017 – perhaps profits will be higher in 2017 and closer to the £10 000 target?
- However, it's clear that the shop has some way to go to achieve the supplier aim – perhaps it is selling too many well-known brands ie could push more local produce as customer satisfaction is not an issue and this would not be too much of a risk

12	Use the information above to analyse how SQF might manage its physical resources across the three countries.	[6 marks]
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Level	Descriptor	Marks
3	Uses the information to analyse factor(s) related to the management of the business's physical resources	6–5
2	Explains the relevance of the information to the management of physical resources	4–3
1	Demonstrates a generic understanding of managing physical resources	2–1

Possible responses include:

Knowledge (level 1):

- Physical resources include equipment (eg machinery) and facilities (eg shops)
- Management of these physical resources relates to their use (eg capacity utilisation of machines) and quantity (eg number of shops)
- Management also related to **where** these physical resources are located eg in which regions are shops located

Application (level 2):

- Sales have increased in France and the USA, but fallen in the UK – overall total sales have fallen
- Number of shops have increased in all three countries – 5 more shops in total but with sales falling, this isn't good for SQF
- These findings could be used to decide on how to change the number of shops eg have more shops in France.

Analysis (level 3):

- The total number of shops must be kept at the 2016 level ie 47 shops
- Sales have fallen in the UK even though the number of shops has increased – maybe reduce the number of shops and increase them in the other two countries
- Sales in France have increased by almost 30%, but the number of shops only increased by 25% - this would indicate that extra shops could be opened in France
- Sales in the USA increased by over 50%, but the number of shops only increased by 25% - this is a clear reason to increase the number of shops in the USA
- So, for example, reduce the UK shops by 3 and open one new shop in France and 2 new shops in the USA

13	Use the information above to analyse where the business might best locate its new store.	[6 marks]
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Level	Descriptor	Marks
3	Uses the information to analyse a factor influencing the location of the new store	6–5
2	Explains the relevance of the information to locating the new store	4–3
1	Demonstrates generic understanding of the factors affecting business location decisions	2–1

Possible responses include:

Knowledge (level 1):

- Location decisions are affected by a range of factors, including: type of product, location of market, human resource requirements and transport links
- Businesses will choose locations by considering a combination of these factors and their aims/objectives eg locations to reduce costs or increase sales; locations to achieve the best chance of profit

Application (level 2):

- The table of information indicates:
 - the amount of competition in each area – location C has the least competition
 - the cost of building each store – location C is the least expensive
 - the problems of recruiting workers – location C looks the most difficult
- If you take this information into account you are considering competitors, physical costs, possible profits and human resource issues – balance them out and you can see which is the best location

Analysis (level 3):

- Location C has some convincing data – least amount of competition, lowest building costs – but also has the greatest difficulty of recruiting staff, which could further impact on profits
- Considering location B, it faces the most competition and costs the most to build
- On balance, location A seems to be the best option –construction costs lower than location B and it is the best for staff recruitment; this location would seem to be the least risky
- Alternatively – location C might be the least risky due to low build costs and lack of competition

14 Use the information above to analyse the **trend in unemployment** across the three European countries.

Level	Descriptor	Marks
3	Uses the table to analyse the trend in unemployment rates across the three European countries	6–5
2	Explains the meaning of the table in relation to unemployment	4–3
1	Demonstrates generic understanding of unemployment data	2–1

Possible responses include:

Knowledge (level 1):

- Unemployment data measures the number or proportion of the labour force out of work and seeking employment
- Percentage unemployment rates measure the fraction of the workforce unemployed eg 10% unemployment out of a 20 million labour force would mean 2 million unemployed
- Can be measured using the ILO (International Labour Organization) or claimant count methods, with the ILO method reporting a higher level as it includes those seeking work but not claiming welfare/unemployment benefits

Application (level 2):

- The table shows that the unemployment rate in:
 - Spain has increased – we have more people unemployed in this country since 2011
 - Germany and Great Britain have decreased – we have fewer people unemployed in these countries since 2011
 - Spain has always had the highest level of unemployment and Germany the lowest

Analysis (level 3):

- The overall trend is for a decline in the rate of unemployment across the ~~four~~three countries
- Great Britain has seen a significant decline in its rate of unemployment, with GB approaching German levels of unemployment
- Spain has experienced persistently high rates of unemployment which, whilst starting to fall, had yet to fall below the level in 2011 ie between 1 in 4 and 1 in 5 people out of work

15	Use the information above to analyse the importance of real household income to UK business sales .	[6 marks]
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Level	Descriptor	Marks
3	Uses the information to analyse how growth in real income might affect business sales	6–5
2	Explains the relevance of the information to real income growth	4–3
1	Demonstrates generic understanding of how income affects business sales	2–1

Possible responses include:

Knowledge (level 1):

- Household income shows the amount of money received by people from, for example, employment, rents, profits, interest on savings, pensions and welfare benefits
- If household incomes are increasing, then businesses might expect to sell more of their products and increase their profits as individuals could have more disposable income; if incomes are falling, then businesses might decide to reduce the scale of their operations due to individuals buying fewer products

Application (level 2):

- The bar chart shows two different groups of households – retired and in work – which might mean that the importance of the figures on business sales could be different
- Both types of households have seen higher incomes in 2015 compared with 2000, but non-retired households' income has fluctuated with 2010 lower than 2005
- The incomes are measured in real terms, so the increases are above those of inflation meaning an increase in demand for business products is likely
- The figures are median so we do not know what happened to the distribution of income

Analysis (level 3):

- The pattern of change is not the same – retired households seem to be 'catching up' eg in 2000, retired households received about 60% of non-retired income but in 2015 this had risen to nearly 75%
- Whilst businesses might have faced fluctuations in sales to non-retired households during this period, they would have seen a continual increase in sales to retired households
- Overall, it might be expected that, by the end of 2015, businesses were focussing more on designing/selling products to retired households than they did in 2000; in addition, total sales had probably increased in 2015 because incomes in both households had increased since 2000

16	Use the information above to analyse the importance of social trends , shown by the customer satisfaction survey results, for Vishram’s investment in the business. [6 marks]
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Level	Descriptor	Marks
3	Uses the information to analyse how the social trends might affect the investment decision	6–5
2	Explains the relevance to Get Go of the social trends information	4–3
1	Demonstrates generic understanding of social trends	2–1

Possible responses include:

Knowledge (level 1):

- Social trends include attitudes towards the accessibility of products/services, quality of life expectations, environmental concerns and ethical concerns
- Social trends can affect consumer attitudes towards products – increasing or reducing demand for them – which can affect business activities eg by reducing sales

Application (level 2):

- The customer satisfaction surveys indicate:
 - Significant, but slightly declining satisfaction with Get Go’s facilities – no real change in expectations regarding facilities
 - Worrying decline in satisfaction with opening times, from 60% to 25%, indicating a change in expectations eg wanting 24-hour access
 - Increasing satisfaction with membership fee – perhaps indicating a willingness to pay more for better services

Analysis (level 3):

- Vishram wants to increase his profits and has outlined options for this – the social trends (survey results) would indicate that he needs to improve accessibility and we don’t have any strong indication of a need to improve facilities
- Membership fees could be increased, but an improved service might be expected – so could invest in 24-hour access technology and increase membership fees (higher margin...more profit)

SECTION B

Total for this section: 30 marks

17	To what extent can a business use innovation to establish and maintain a competitive advantage in the market for wearable technology? Use Item A to justify your answer.	[15 marks]
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Level	Descriptor	Marks
5	Uses Item A to develop a balanced analytical response. Analyses significance of factors affecting the ability of businesses to use innovation to establish and maintain a competitive advantage in the market for wearables. Evaluation of extent supported by analysis.	15–13
4	Uses Item A to develop an analytical response. Analyses factors affecting the ability of businesses to use innovation to establish or maintain a competitive advantage in the market for wearables. Judgement of extent supported by analysis.	12–10
3	Uses Item A to develop an explanatory response. Explains how innovation could help a business to establish or maintain a competitive advantage in the market for wearables. Judgment of extent supported by explanation.	9–7
2	Uses Item A to support the response. Describes the use of innovation by businesses in the market for wearable technology	6–4
1	Demonstrates generic understanding of innovation and its use by businesses	3–1

Example responses:

Understanding (L1):

- Innovation as implementing new product features, functionality and applications as opposed to inventing new materials, processes etc
- Technological development as the pre-requisite for innovation through research and development to create new features, functions and applications
- Innovation also aided by a culture of enterprising behaviour within the business and, implicit from research, engaging with consumers and suppliers
- Potentially successful innovations need to be protected using patents to avoid competitors replicating the features and functions of the product
- Innovation can help to gain a competitive advantage through unique features/applications or through cost advantages brought about by the innovation

Description (L2):

- Innovation implicit for wearable technology as the products require new applications of electronics to 'provide interactive features'
- Innovation helps to ensure that the wearable technology is small enough ('convenience') and does something useful ('features') without breaking down ('reliability')!
- It's a wide market – innovation seems to be happening in several areas from medical/security applications suitable for businesses/public services to consumer gadgets such as Sony's virtual reality headset
- Google has carried out technological development to come up with its Google Glass product and, even though it wasn't a success, carries on developing the product

Explanation and judgement (L3):

- Establishing a competitive advantage
 - Being the first business to create a convenient fitness tracker, with multiple features, could help gain a competitive advantage as it benefits consumers and no other business has launched this product; higher prices could be charged, helping to maintain a competitive advantage
 - The same would be true for a product area such as fashion – to be able to come up with clothing that can change colour/patterns would be a considerable advantage, especially if the fabric is long lasting and easily washed without running the product!
- Maintaining a competitive advantage
 - If the business continued to innovate and had secure patents, then it could keep its competitive advantage – this is possibly true for businesses making medical applications and other specialised products as it might just be too expensive for other business to copy
 - If the business had significant financial resources, like Google, then it could keep innovating and developing new features

Analysis, judgement and evaluation (L4 and L5):

- Establishing a competitive advantage
 - Financial resources would seem to be essential for the ability of any business to gain a competitive advantage in the market for wearable technology – the amount of R&D required and the associated technological development is probably out of the reach for medium to small sized businesses
 - The chosen product area would also seem to be a factor – some areas seem 'crowded' with competitors (eg fitness trackers) whilst others are possibly more of a 'niche' market (medical...even fashion?) and so have greater potential for useful innovation that can gain a genuine competitive advantage
- Maintaining a competitive advantage
 - The market is growing and it's probably only a matter of years before several competitors (eg in the Far East) start to copy established innovations – this would depend on the robustness of patents which must be complicated to construct/gain and has proved difficult, possibly, in the case of fitness trackers
 - Financial resources, business culture and market position are important here as the initial competitive advantage needs to be sustained which would require a strong connection with the target market and suppliers (engaging with stakeholders) along with a flexible and innovative workforce
- Overall, the extent to which innovation can create a genuine and sustainable competitive

advantage will depend on the product area but possibly most significantly on the resources and ‘image’ of the business – without considerable funds, a culture of enterprising behaviour and the ability to engage with stakeholders, any initial competitive advantage would be difficult to maintain.

18 Evaluate the suitability of Apple’s **response to its opportunities and threats** within the market for wearable technology. Use **Item B** to justify your answer.

[15 marks]

Level	Descriptor	Marks
5	Uses Item B to develop a balanced analytical response. Analyses the purpose of Apple’s response to its opportunities and threats within the market for wearable technology Evaluation of suitability supported by analysis.	15–13
4	Uses Item B to develop an analytical response. Analyses the purpose of Apple’s response to its opportunities or threats within the market for wearable technology. Judgement of suitability supported by analysis.	12–10
3	Uses Item B to develop an explanatory response. Explains an advantage/disadvantage of Apple’s response to an opportunity or threat within the market for wearable technology Judgment of suitability supported by explanation.	9–7
2	Uses Item B to support the response. Describes Apple’s response to its opportunities or threats.	6–4
1	Demonstrates generic understanding of how businesses respond to opportunities or threats.	3–1

Example responses:

Understanding (L1):

- Opportunities are external to the business and represent possible ways in which the business could increase sales/profits eg new consumer trends
- Threats are external to the business and represent possible ways in which the business might lose sales/profits eg competitor innovations
- Businesses can use several strategies to deal with opportunities and threats:
 - Ansoff’s competitive strategies
 - Porter’s generic strategies
 - S-O, W-O, S-T and W-T responses based on SWOT matrix.

Description (L2):

- Apple not necessarily the first in any market but has a record of understanding consumer trends, identifying the market opportunity and selling products that meet customer needs eg iPod and iPad
- Identified opportunity in wearables market and introduced a product, the Apple Watch, that made use of an existing Apple product, the iPhone
- Faced with threat from cheaper fitness tracker products, considered moving into digital glasses market – again, making use of iPhone

- Apple doesn't seem to 'rush into markets' – takes a slower approach waiting to understand trends?

Explanation and judgement (L3):

- Apple Watch
 - Advantage - Apple's decision to connect the Apple Watch to the iPhone makes it easy for existing iPhone users to get a 'wrist computer' that provides more information than a basic fitness tracker might
 - Disadvantage – restricts sales and makes the product look expensive which is why its sales might have fallen in 2016 ie might as well buy a cheap Chinese tracker?
- Digital Glasses
 - Advantage – like Apple Watch in that it ties in with the iPhone, but possibly easier to use/more engaging than the Apple Watch allowing Apple to benefit from this wearable market opportunity
 - Disadvantage – won't be launched, if ever, for a while and Apple Watch sales might continue to fall as well as iPhone sales growth continuing to slow down (even fall?) so that Apple loses revenue and profits ie doesn't seem like a good response to competitor threats

Analysis, judgement and evaluation (L4 and L5):

- Apple has built up a reputation for products that combine 'functionality and design', meeting the needs of consumers where other businesses might not have. The market opportunity for wearables is probably wide ranging, but Apple chose to focus on something that would function, conveniently, for existing iPhone users – it kept consumers in the 'Apple World' and hopefully enhanced/maintained existing customer perceptions
- Perhaps the hope was that the features of the Apple Watch would encourage non-Apple consumers to buy into the iPhone and this would maintain iPhone sales? This would be in-line with a S-O response or Porter's focus approach and seems a reasonable enough response
- The threats facing Apple would seem to come from Porter's cost leadership businesses (eg in China) illustrated by the increasing sales of inexpensive fitness trackers and the rejection of smarter, but more expensive, devices such as the Apple Watch. Apple's response seems lacking in that it has considered something bordering on diversification – digital glasses – and certainly risky in terms of product development. The response is consistent – trying to maintain focus – but potentially too slow and too complex ie would anyone want to use these digital glasses when the watch might be more functional?
- Overall, worrying that iPhone sales are slowing down. Would seem that Apple Watch has not been the success Apple thought it might be (given its successes with the iPod and the iPad) and you can only assume that the digital glasses idea is simply a rumour. Whilst a new product is needed, perhaps Apple should focus on what it is good at – phones and tablet computers?!

Assessment outcomes coverage

Assessment Outcomes	Marks available in section A	Marks available in section B	Total Mark
AO1: Understand business organisation	20 marks 25%	0 marks 0%	20
AO2: Investigate trends in the economic environment	20 Marks 25%	0 marks 0%	20
AO3: Assess the impact of competition and innovation	5 Marks 6.25%	15 marks 18.75%	20
AO4: Assess business opportunities and threats	5 Marks 6.25%	15 marks 18.75%	20
Total	50 marks	30 marks	80

Question	Assessment Outcome 1	Assessment Outcome 2	Assessment Outcome 3	Assessment Outcome 4
1	1			
2	1			
3		1		
4		1		
5			1	
6			1	
7				1
8				1
9			3	
10				3
11	6			
12	6			
13	6			
14		6		
15		6		
16		6		
17			15	
18				15

Totals	20	20	20	20
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Assessment objectives coverage

Question	Knowledge and Understanding	Application	Analysis and Evaluation	Total
1		1		1
2	1			1
3	1			1
4		1		1
5	1			1
6	1			1
7		1		1
8		1		1
9	1	2		3
10	1	2		3
11	2	2	2	6
12	2	2	2	6
13	2	2	2	6
14	2	2	2	6
15	2	2	2	6
16	2	2	2	6
17	3	3	9	15
18	3	3	9	15
Totals	24	26	30	80