



Level 3 Technical Level
BUSINESS: MARKETING
K/506/6075

Unit 1 Competitive Business Environment

Mark scheme

June 2019

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 Examiner.

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.

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Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

Section A

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

Key List

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

0 9 A business wants to innovate.

Explain one benefit to this business of creating a culture of enterprising behaviour.

[3 marks]

- **1 mark** for identifying a **feature** of a culture of enterprising behaviour eg culture as a way of doing things within a business **or** enterprising behaviour as taking risks/wider thinking.
- **1 mark** for outlining a **use** of a culture of enterprising behaviour eg culture as everyone working together in the same direction **or** enterprising behaviour as finding a new solution to a business problem.
- **1 mark** for a **benefit** to the business eg would help to speed up innovation.

“A culture of innovation is where employees are encouraged to think ‘outside the box’ (1 mark). This culture would help the business to find new ways of doing things (1 mark) and would give them a better chance of innovating (1 mark).”

1 0 A business wants to increase the prices it charges but it is operating in a competitive market.

Explain one benefit to this business of using Porter’s differentiation strategy.

[3 marks]

- **1 mark** for identifying a **feature** of Porter’s differentiation strategy eg making a business stand out from the competition.
- **1 mark** for outlining the **use** of differentiation strategy eg by adding new features to a business’s product.
- **1 mark** for a **benefit** related to the context eg this would give you a better chance of increasing the price without losing demand.

“Porter’s differentiation strategy means making your products different from your competitors (1 mark). For example, by making them more reliable/durable (1 mark) and, in a competitive market, this might mean that you could get away with increasing prices (1 mark).”

1 1 Use the information above to analyse the benefits to external stakeholders of CE establishing an R&D facility in the Midlands.

[6 marks]

Level	Descriptor	Marks
3	Uses the information to analyse the benefits to external stakeholders.	6–5
2	Explains the relevance of the information to external stakeholders.	4–3
1	Demonstrates generic understanding of external stakeholders.	2–1

Possible responses include:

Knowledge (Level 1)

- External stakeholders – groups not directly linked to a business who are affected by business activities.
- Includes local/national government, suppliers, creditors, local community/economy and customers.
- Does **not** include people who are involved directly with the business eg shareholders and employees.

Application (Level 2)

- External stakeholders would include:
 - UK Government and local government in the Midlands, who might benefit from increased economic activity due to increased employment (eg higher taxes or lower benefits)
 - Midlands communities and economies, who might benefit from higher spending from new employees (eg local retailers)
 - local suppliers of materials to CE, who might benefit from increased sales revenue.

Analysis (Level 3)

- In **addition** to L2 possible responses, analysing the benefits could include:
 - size of possible effects indicated by total annual salaries ie £8 million
 - if 25% is spent locally, then this is an annual increase in demand of £2 million.

1 2 Use the information above to analyse the achievement of Bilal’s vision statement. [6 marks]

Level	Descriptor	Marks
3	Uses the information to analyse factor(s) affecting Bilal's vision statement.	6–5
2	Explains the relevance of the information to Bilal's vision statement.	4–3
1	Demonstrates a generic understanding of vision statements.	2–1

Possible responses include:

Knowledge (Level 1)

- Vision statement – a description of what a business wants to achieve in the long run.
- Acts as a ‘guide’ to judge whether the business is heading in the right direction.
- Monitored through use of aims and objectives.

Application (Level 2)

- Objectives are in line with the vision statement – satisfying customers (80% highly satisfied) and a better quality of life (profit growth and fewer hours worked a week).
- The three objectives help to measure achievement:
 - profits – increasing and getting close to his £35 000 salary
 - customer satisfaction – was great to start with but is falling below target 80%
 - hours worked – falling below 54 hours since 2017.

Analysis (Level 3)

- Quality of life:
 - reduced the hours and now below previous working week by 9 hours, so maybe Bilal won’t have to work on Saturdays
 - profit growth slowing ie 2017 10% but 2018 less than 10% by £1000.
- Satisfying customers:
 - has fallen by 10% every year, perhaps due to reduced hours eg rushing jobs but charging more (profits still going up)?
- Vision statement is long term and the business has only been running since 2016 – he’s getting a better quality of life through significantly reducing hours, but he’s probably got to focus more on customer satisfaction, perhaps increasing hours worked a little?
- Profit probably needs to get to £35 000 at least, maybe he needs to find higher paying customers?

1 3 Use the information above to analyse how BB Ltd might manage its human and physical resources across its stores.

[6 marks]

Level	Descriptor	Marks
3	Uses the information to analyse factors affecting BB Ltd's management of its human/physical resources.	6–5
2	Explains the relevance of the information for human/physical resource use.	4–3
1	Demonstrates generic understanding of human/physical resources.	2–1

Possible responses include:

Knowledge (Level 1)

- Physical resources refer to the equipment and facilities used by a business to produce and deliver products (goods and/or services).
- Human resources refer to people employed within a business eg in marketing and operations.

Application (Level 2)

- Physical resource use:
 - waiting time of 220 seconds for store B is comparatively high
 - sales and waiting times are lowest at store A
 - could help to figure out if additional checkouts needed.
- Human resource use:
 - store C employs the most staff, but they seem to be busy as waiting times higher than store A
 - store B looks to be struggling to cope with the highest waiting times and sales are less than C
 - store A employs the least staff, but they don't seem that busy compared with B and C
 - could help to figure out who should lose staff.

Analysis (Level 3)

- Reducing staff by 3 **and** make better use of staff means that the stores need to be prioritised:
 - C possibly the benchmark as it gets £1200 weekly sales per staff member
 - A is least effective, with only £1000 weekly sales per staff
 - B possibly limited by lack of checkout rather than staff (£1100 per staff)
- Adding a checkout to store B could help to increase sales per staff member and cut waiting times ie head towards store C's performance; at same time, might as well get rid of store A's 4th checkout.
- Store A seems less in need of staff due to low waiting times and lowest sales per member of staff – cut staff by 2 (down to three checkouts) – and then maybe get rid of a member of staff from store C but keep checkout number at 4.

1 4 Use the information above to analyse the trend in the distribution of UK household income between 2015 and 2017.

[6 marks]

Level	Descriptor	Marks
3	Uses the information to analyse comparative income values.	6–5
2	Uses the information to comment on absolute income values.	4–3
1	Demonstrates generic understanding of distribution of income.	2–1

Possible responses include:

Knowledge (Level 1)

- Household income – total of family members’ earnings within a household.
- Distribution of income – arranging income into groups from lowest levels to highest eg 10% groups.
- Trend relates to broad direction of a data series eg if the gap between rich and poor is growing and getting less equal.

Application (Level 2)

- Figures are ‘before tax and benefits’ – tax and benefits can help close the gap between high and low earners ie greater tax from highest 20% and greater benefits to lowest 20%.
- Absolute values:
 - household income is not equal in the UK eg in 2016 highest 20% earned £77 684 more than the lowest 20%
 - the gap between the highest and the lowest increased in 2017 ie from £77 684 to £81 393.

Analysis (Level 3)

- Comparative values:
 - lowest 20% incomes increased by 20.1% whilst highest 20% incomes increased by only 5.9%
 - income inequality has fallen between 2016 and 2017 ie in 2016, High to Low ratio was 13.6 but this fell to 12 in 2017.
- Nevertheless, trend indicates that income equality is persistent in the UK ie highest 20% always earned at least 12 times more than the lowest 20%. This is a significant gap in earnings before tax and benefits.

1 5 Use the information above to analyse how the pattern of consumer spending in China might have been affected by its rapid economic development.

[6 marks]

Level	Descriptor	Marks
3	Uses the information to analyse factor(s) affecting the pattern of consumer spending in China.	6–5
2	Explains the relevance of the information to consumer spending.	4–3
1	Demonstrates generic understanding of consumer spending.	2–1

Possible responses include:

Knowledge (Level 1)

- Patterns in consumer spending is a measure of what types of goods and services are being bought and the proportion made up by them eg percentage spent on housing and the percentage spent on food.
- Patterns of consumer spending are influenced by a range of factors eg environmental concerns and quality of life expectations.

Application (Level 2)

- Rising incomes mean that more people can afford expensive items eg holidays.
- Still have groups on very low income, so demand for basic products and necessities still exist eg basic accommodation and food.
- Aging population means demand for products targeting older age groups could be increasing eg healthcare.

Analysis (Level 3)

- Rising demand from high-income groups (eg luxury items) leading to a significant change in the pattern of consumer spending eg increased proportion on services compared with basic goods.
- Aging population obviously increases overall demand but also shifts pattern towards services and sectors such as healthcare and leisure activities.

1 6 Use the information above to analyse TT’s location decision.

[6 marks]

Level	Descriptor	Marks
3	Uses the information to analyse TT’s location decision.	6–5
2	Explains the relevance of the information to location.	4–3
1	Demonstrates generic understanding of factors affecting location.	2–1

Possible responses include:

Knowledge (Level 1)

- Factors affecting location:
 - type of product
 - type and location of market
 - human resource requirements
 - infrastructure and transportation.
- In general, where business’ aim can be achieved best eg increase profit through higher revenue and/or lower costs.

Application (Level 2)

- Type of product – as 90% sold abroad and X and Y are neighbours this is not an issue.
- Type and location of market – 90% other than country X and Y with most products sold ‘abroad’ so not a factor.
- Human resource requirements – low wage needed, so figures on unemployment (X lowest) and inflation (Y lowest) might help to indicate lowest wages.
- Infrastructure and transportation – enough money to get factories in country Y and transportation no different, so just as easy to operate in country Y.

Analysis (Level 3)

- Deciding issue would seem to be source of low wage labour as revenue factors are not an issue and infrastructure/transport not an issue (apart from further evidence that country Y is better ie more factories).
- Economic data shows that country X has low unemployment and high inflation – all indicating a pressure for wages to rise (high demand, rising cost of living).
- Economic data shows that country Y has almost no inflation and high unemployment – all indicating that wages might even fall as people might be desperate for work.
- Relocate to country Y in order to reduce running costs and increase output, whilst keeping revenues the same.

1 7 To what extent do you think that competitive rivalry affects the success of businesses in the health and fitness club (HFC) market? Use Item A to justify your answer.

[15 marks]

Level	Descriptor	Marks
5	Uses Item A to develop a balanced analytical response. Analyses significance of HFC competitive rivalry for business success. Judges extent of effects.	15–13
4	Uses Item A to develop an analytical response. Explains how HFC competitive rivalry affects businesses success. Judges effects.	12–10
3	Uses Item A to develop the response. Explains influence of competitive rivalry on HFC business activities. Judges influences.	9–7
2	Uses Item A to describe competitive rivalry.	6–4
1	Demonstrates generic understanding of competitive rivalry.	3–1

Understanding (Level 1)

- Competitive rivalry as a measure of competition within a market.
- High degree would indicate intense competition eg many businesses ‘fighting’ for market share/sales.
- Low degree would indicate a lack of competition eg few businesses, each with relatively high market shares/sales.
- Competitive positions held by businesses also helps to measure competition within a market ie number and nature of leaders, challengers, followers and nichers.

Description (Level 2)

- Split into segments, so rivalry will be within segments and maybe across them (eg PureGym buying LA Fitness).
- Rivalry intense as probably quite a few businesses.
- Some market leaders in the low-cost segment.
- Virgin look to be escaping rivalry by going more upmarket.
- PureGym and The Gym have high market shares – little rivalry with others but high degree between themselves.

Explanation and judgement (Level 3)

- Premium segment:
 - ability to charge high prices based on offering a ‘quality’ service eg excellent facilities and a wide range of activities
 - probably not worried about low-cost segment but must ensure that service is significantly better than mid-market ie likely to invest in product development (eg use of technology) and staff training.
- Mid-market segment:
 - can’t offer quality across a broad range of activities/facilities, but could specialise as stated in item ‘eg group exercise’
 - rivalry from within, above and below probably means that price is crucial – so Anytime Fitness has pitched its price closer to the low-cost segment than premium ie indicates who they are really worried about
 - contract terms can also be used to move away from 12 months to 6 months (again, perhaps driven by low-cost competitors).

Analysis, judgement and evaluation (L4 and L5):

- Mid-market HFCs are caught between premium and low-cost segments as stated in Item (‘in order to survive’) – whilst they would be tempted to cut prices, this would make it harder for them to invest enough in staff/facilities so as to differentiate themselves from low-cost HFCs; AnyTime Fitness does not really seem to be offering much more than PureGym – maybe the facilities are better, but worth the extra £15? The fact that LA Fitness was taken over by PureGym strongly indicates this.
- Premium segment may well be in a ‘rivalry battle’ of its own. The fact that Virgin Active was happy to sell 1/3 of its clubs to Nuffield Health indicates enough room for the up-market competitors ie just a matter of agreeing who targets which particular high-income segment?
- Low-cost obviously fiercely competitive and you would wonder which businesses other than PureGym and The Gym will survive in a few years’ time. However, may well be that this market reaches upwards and eats into the mid-market segment providing plenty of opportunities for growth. Nevertheless – would seem that only PureGym and The Gym are in a position to benefit?
- Overall, competitive rivalry very important if you happen to be a small fish in the very small low-cost market or a medium sized fish in the mid-market worrying about customers signing up to PureGym or The Gym. For the likes of Virgin Active and Nuffield Health, the ability to differentiate your offer probably means that rivalry is less important.

1 8 To what extent was Jenny’s response to the opportunities and threats suitable?
 Consider the possible reactions of competitors and consumers in your answer.

Use Item B to justify your answer.

[15 marks]

Level	Descriptor	Marks
5	Uses Item B to develop a balanced analytical response. Analyses significance of possible competitor/consumer reaction(s) for Jenny. Judges extent of suitability.	15–13
4	Uses Item B to develop an analytical response. Explains how competitor/consumer reaction(s) might affect Jenny’s response. Judges suitability.	12–10
3	Uses Item B to develop the response. Explains purpose of competitor/consumer reaction(s) to Jenny’s response. Judges likely reaction(s).	9–7
2	Uses Item B to describe possible reaction(s) of competitors/consumers.	6–4
1	Demonstrates generic understanding of competitors/consumers reactions.	3–1

Understanding (Level 1)

- Competitors can react by either copying or undermining the business’ activities eg price matching or promoting better product alternatives.
- Competitor reactions can influence consumer decisions eg to reduce demand for the business’ products because the competitor is now providing a better offer.
- Consumers can react by increasing demand (eg the business’ activities appeal to the consumer) or actively seeking an alternative from competitors (eg because the business’ activities reduce the appeal of its products).

Description (Level 2)

- Customers:
 - might join new Fit4U club
 - might leave remaining BlastFit.
- Competitors:
 - FitNow might reduce their monthly price from £30 to £25
 - FitNow might improve its services beyond basic facilities
 - Burn might open a second club
 - Burn might change its prices eg 10 sessions for £150.

Explanation and judgement (L3):

- Customers:
 - may well react to Jenny's response negatively eg annoyed that she has closed down two of her BlastFit clubs; worried that the remaining club will be too busy. Outcome may well be a fall in demand for the remaining BlastFit
 - could react positively as Fit4U £5 cheaper than FitNow – same service for a lower price.
- Competitors:
 - FitNow unlikely to not react to Jenny's threat – they may well match her Fit4U price and hope that its established business would stop people using Fit4U; might even charge £20 for a limited period to ensure Fit4U does not succeed; improving facilities might also retain customers ie better service
 - Burn could see this as an opportunity to dominate the local market by opening a second business; could also see this as a way to get rid of the final BlastFit by lowering its prices (eg 10 sessions for £150) or matching the time limit ie increase from 6 months to 12 months (or more).

Analysis, judgement and evaluation (L4 and L5):

- If customers are attracted to Fit4U, either because the price is lower than FitNow or because some of her existing customers are loyal and, whilst wanting a budget service, would be happier remaining with Jenny.
- Finding a new location for the second BlastFit could also be a good move – she will be able to keep her prices high and 'start fresh'.
- However, it's highly likely that both Burn and FitNow will react to make the most of Jenny's response – easy enough to cut prices for a short time and modify services. With Jenny's customers probably annoyed at the closure of two BlastFit clubs, customer loyalty might be thin on the ground.
- Overall, it depends on how quickly Jenny can find a new location and the reactions of her existing customers. She can't do anything about competitor reactions other than to match them. In the case of Fit4U, this would probably be quite difficult – how much profit would be in the business once the price war had finished? For BlastFit, it seems very short-sighted for her to shut the club closest to Burn. It is a new competitor and customers may well have initially left but could have returned. In all likelihood she has damaged customer loyalty and BlastFit will soon be gone in the local area.

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

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