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Centre number

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# Level 3 Technical Level

## BUSINESS: MARKETING

### Unit 1 Competitive business environment

Tuesday 23 January 2018

Morning

Time allowed: 2 hours

#### Materials

You will need no other materials.

#### Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

#### Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 80. There are 50 marks for Section A and 30 marks for Section B.
- There are two sections to this paper.
- Both sections should be attempted.
- Candidates should spend approximately 60 minutes on **Section A** and 60 minutes on **Section B**.

#### Advice

Please read each question carefully before starting.

For Examiner's Use	
Examiner's Initials	
Question	Mark
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**Section A**Answer **all** questions in this section**Total for this section: 50 marks**In the multiple choice questions, only **one** answer per question is allowed.

For each answer completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.

**0 1**Which of the following is an example of a **vision statement**?**A** 'Achieving a 10% increase in annual profits this year'.**B** 'Inflation is forecasted to increase in 2019'.**C** 'Offering customers the best shopping experience'.**D** 'Operating costs fell by 5% in 2017'.**[1 mark]****1****0 2**Which of the following features of a country would attract businesses to **locate** within it?**A** Government spending is low.**B** Levels of pollution are high.**C** Transportation links are limited.**D** Wage rates are low.**[1 mark]****1**

0 2

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0 3

A country has experienced **economic growth** if its:

- A exchange rates are stable.
- B gross domestic product has increased.
- C interest rates have increased.
- D unemployment has increased.

[1 mark]

1

0 4

The table below shows **consumer spending** (\$ billion) in three countries (X, Y and Z).

Year	Country X	Country Y	Country Z
2015	1 000	500	100
2016	1 200	540	85
2017	1 100	560	102

The table shows that, between 2015 and 2017, the **percentage** growth in spending was:

- A lowest in country X.
- B highest in country X.
- C highest in country Y.
- D highest in country Z.

[1 mark]

1

0 5

**Porter's five forces model** can be used to analyse the:

- A degree of competitive rivalry in a market.
- B profit made by a business.
- C sales capacity of a business.
- D ways in which markets can be segmented.

[1 mark]

1

Turn over ►



0 3

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Which of the following is an example of **innovation** by a business?

- A Discovering a new raw material.
- B Increasing the number of staff employed.
- C Selling a new product in an existing market.
- D Using new technology to add features to a product.

[1 mark]

1

0 7

Which of the following is the best example of a business using Ansoff's **Product Development** strategy?

- A Adding a new product to its existing range of products.
- B Challenging a market leader by cutting its prices.
- C Finding new markets to sell its products in.
- D Reducing its manufacturing costs.

[1 mark]

1

0 8

A business using the **focus** aspect of **Porter's generic strategies** will be:

- A assessing ways in which it can reduce operating costs.
- B developing products to meet the needs of a broad target market.
- C developing products to meet the needs of a narrow target market.
- D investigating new markets to sell its products to.

[1 mark]

1



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A business is reviewing its products' prices.

Explain **one** reason why calculating **market share** is important for the business.

[3 marks]

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A business is reviewing its objectives.

Explain **one** reason why analysing **internal strengths and weaknesses** is important for the business.

[3 marks]

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3



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Digby Security installs alarm systems for households. It has divisions across the UK and all regions must sell the same product range.

The Greater London division is not meeting its sales targets. Competition is increasing and Digby Security's products are starting to be viewed as inferior by existing customers. Several potential customers have stated that they will not buy Digby Security products as the sales staff seemed inflexible and incapable of meeting their needs.

At a recent meeting, the regional managers agreed that they should have the flexibility to sell different product ranges.

Use the information above to analyse the benefit to Digby Security of encouraging **enterprising behaviour** within the business.

[6 marks]

6



1 | 2

High Hat Ltd is a music streaming service. For a monthly fee, customers can stream music to their computers. High Hat Ltd wants to offer a wider range of music, but must first buy the rights to do this from major record companies.

High Hat Ltd also wants to be the market leader. It could reduce its monthly fee, but this might result in heavy losses while it waits for customer numbers to increase.

High Hat Ltd thinks that, without sufficient sales growth, it might be taken over by a larger company.

Use the information above to analyse the benefit to High Hat Ltd of changing its **form of business ownership** to a public limited company (PLC).

[6 marks]

6

Turn over ►



A farm sells its vegetables to a supermarket chain. The farm's owners are considering selling to local customers through a box scheme. Each week, customers would receive a box of vegetables delivered directly to their houses.

The farm would receive more profit, for each box, compared with an equivalent sale to the supermarket. However, in the future the cost of importing vegetables could increase. As a result, several supermarkets might want to buy more produce from UK farms. The farm's profit has been declining and it aims to reverse this trend.

Use the information above to analyse the importance to the farm of **managing its sales channels**.

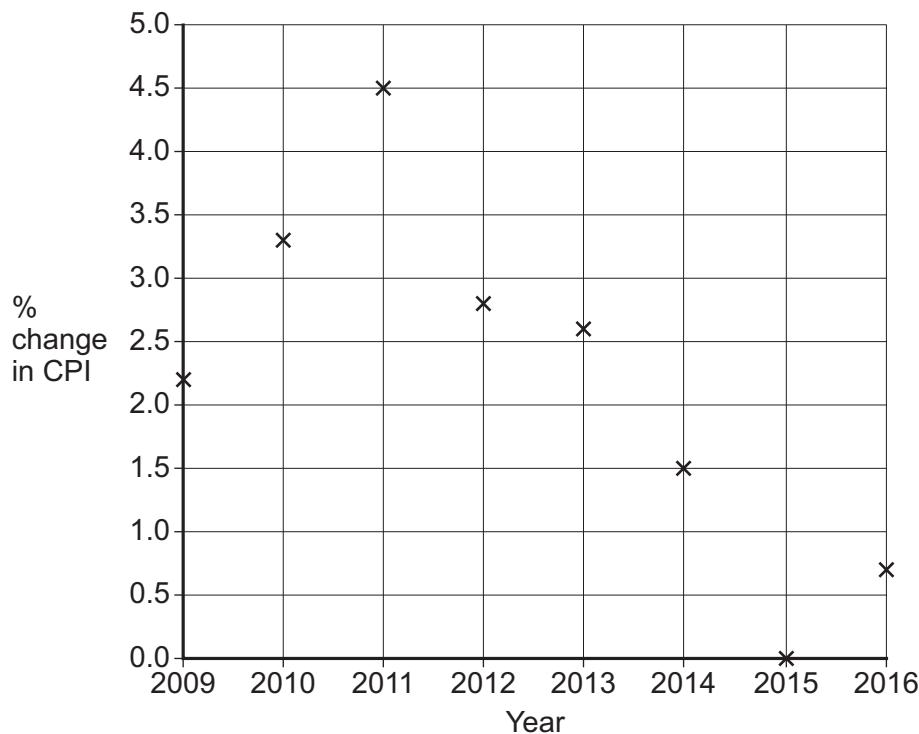
[6 marks]

6



1 4

The percentage change in the UK consumer price index (CPI), between 2009 and 2016, is shown below.



Use the information above to analyse the **trend in UK inflation** between 2009 and 2016.

[6 marks]

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Turn over ►



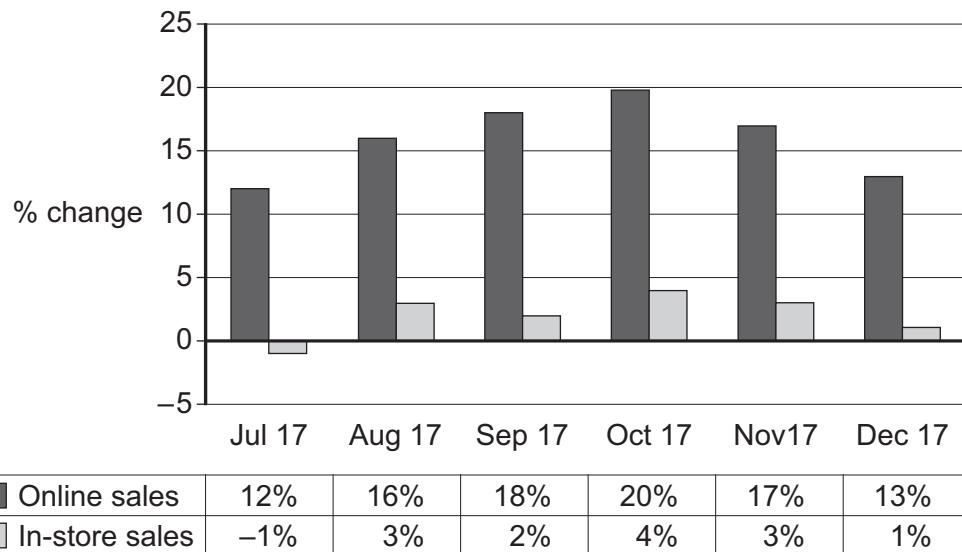
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1 5

The growth in a country's online and in-store monthly consumer spending is shown below. The year-on-year figures compare each month's consumer spending growth to the corresponding month in the year before. For example, the growth in online spending in July 2017, compared with July 2016, was 12%.

**Year-on-year consumer spending growth**



Use the information above to analyse how businesses in this country might react to **trends in consumer spending**.

**[6 marks]**

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Smart Life manufactures furniture, such as chairs and tables, and sells its products to a range of retailers. It has a wide product mix targeting all household income groups. Smart Life's marketing director recently read a national survey reporting how households, across income groups, believed their living standards had changed in 2017.

Households by income group	How did your living standards change in 2017?		
	Worse %	Same %	Better %
Low-income group	42	44	14
Middle-income group	24	48	28
High-income group	10	54	36

Use the information above to analyse the importance of **living standards**, indicated by the national survey results, for Smart Life's **product mix**.

[6 marks]

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**Section B**

Answer **both** questions in this section

**Total for this section: 30 marks**

Read **Item A** and then answer question **1 7**.

**Item A****The UK market for vending services**

Vending machines are situated in a variety of locations such as offices, schools, hospitals and shopping centres. The size of these machines ranges from small 'desktop' models (such as those used for vending hot drinks) to larger floor-standing 'tower' models. Some 'tower' models are stocked with a variety of snacks and/or drinks, while others are stocked with chilled foods.

Businesses offering vending services supply, maintain and stock the machines. They receive revenue from users buying products sold by their machines. In turn, these businesses buy their products, to stock machines, from food and drinks manufacturers such as Nestlé.

Some businesses restrict their target market to specific parts of the UK. This localisation is perhaps due to the complexity of stocking, maintaining and repairing machines. For example, operatives must quickly re-stock machines, carry out routine maintenance and collect cash. Creating a nationwide network of machines, and servicing them, requires a considerable investment in human and physical resources.

Innovation is one way in which businesses might improve their competitive position. This might be in terms of dominating a niche market. Alternatively, it might be a way in which a follower becomes a challenger. Examples of recent 'tower' machine innovations include:

- contactless payment, where customers can buy from the machine using their bank card or smart phone
- auto-reporting, where the machine instantly communicates breakdowns and low stock-levels to the business providing the vending service
- a large touch screen, which enhances the user-interface and could generate advertising revenue
- a camera, which enables the machine to gather anonymous marketing data and suggest purchases based on the perceived age and sex of the user.

Innovation by food and drinks manufacturers can also be used by businesses providing vending services. The introduction of the 'coffee pod' system is one example, as used by Nespresso vending machines.



1 | 7

How significant is **innovation** for businesses aiming to improve their competitive position in the UK market for vending services?

Use **Item A** to justify your answer.

[15 marks]

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Read **Item B** and then answer question **1 8**.

### Item B

#### BV Ltd

BV Ltd, a vending machine business in the North of England, is owned by Jack O'Sullivan. After attending a conference on industry trends, Jack produced a SWOT matrix for BV Ltd.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• BV Ltd established in 1967</li> <li>• Significant customer loyalty</li> <li>• A 'local business' supporting excellent customer service</li> <li>• Expert team of service engineers - fast response times for breakdowns and re-stocking machines</li> </ul>	<ul style="list-style-type: none"> <li>• We use standard vending machines without contactless payment and automated reporting technology (breakdowns/low stock levels)</li> <li>• Some customers complain about salt/sugar levels in vended snacks</li> <li>• 2017 sales about the same as 2016, which were 5% lower than 2015</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Contactless payment machines, with automated reporting technology, becoming less expensive to invest in</li> <li>• Contactless payment increases sales revenue by at least 15%</li> <li>• Healthier ranges of snacks and drinks being introduced by suppliers</li> <li>• Other vending machine businesses closing</li> </ul>	<ul style="list-style-type: none"> <li>• Government tax on sugary drinks</li> <li>• Coffee shops continuing to put pressure on vending machine sales</li> <li>• Declining number of businesses using vending machines eg fewer manufacturing businesses in UK</li> <li>• More people working from home</li> </ul>

Jack has identified three options for BV Ltd's response to its opportunities and threats.

1 Open a branch of BV Ltd in a different region, 200 miles away, where vending machine businesses have closed (buying additional standard vending machines, using the current product range and hiring staff).

or

2 Invest in new vending machines with contactless payment and automated reporting (available to customers signing up to a new contract).

or

3 Expand the range of products sold by our vending machines to include healthier products and higher quality coffee (available to all customers).

Jack wants to implement just **one** of these options in the short term, as too much change is likely to disrupt the business.



Using **Item B**, evaluate the suitability of each option identified by Jack and recommend how BV Ltd should **respond to its opportunities and threats** in the short term.

[15 marks]

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**END OF QUESTIONS**



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