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# Level 3 Technical Level

# **BUSINESS: MARKETING**

# **K/506/6075**

Unit 1 Competitive Business Environment

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**Mark scheme**

January 2019

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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.

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

**0 9** A business wants to increase its prices.

Explain **one** reason why this business might use **Porter's Five Forces Model** before changing its prices.

**[3 marks]**

**1 mark** for identifying a **feature** of the five forces model eg refers to the whole market; looks at supplier power etc

**1 mark** for outlining a **purpose** of the five forces model eg to analyse the degree of competition in a market

**1 mark** for a **benefit** to the business eg the ability to increase its price could be judged because it would have a better idea of how the market might react

“Porter's Five Forces Model looks at key parts of a market eg the power of customers (1 mark). If it wants to increase prices, then it needs to have an idea of how customers might react (1 mark) – they might start buying competitors' products (1 mark)”

**1 0** A business aims to increase its sales but has a limited budget to achieve this.

Explain **one** benefit to this business of using **Ansoff's Market Penetration Strategy** to achieve its aim.

**[3 marks]**

**1 mark** for identifying a **feature** of market penetration eg increasing sales with existing products within existing markets

**1 mark** for outlining the **use** of market penetration eg by heavily discounting the price of an existing product

**1 mark** for a **benefit** related to the context eg limited budget, so this would be a very inexpensive way of increasing sales

“Market penetration means getting more out of an existing market and product (1 mark). It could advertise more (1 mark) and this could increase sales without the expense of launching a new product (1 mark)”

**1 1**

Use the information above to analyse the suitability of Mia establishing her business as a **private limited company**.

**[6 marks]**

Level	Descriptor	Marks
3	Uses the information to analyse factor(s) affecting the suitability of a Ltd	6–5
2	Explains the relevance of the information to establishing as a Ltd	4–3
1	Demonstrates generic understanding of form of ownership	2–1
0	Nothing worthy of credit	0

**Possible responses include:**

**Knowledge (level 1):**

- Form of ownership – sole trader, partnership, Ltd, PLC and not-for-profit forms such as cooperative and CIC
- Factors affecting choice of ownership – business vision (eg not-for-profit and a CIC), control (eg sole trader for full control), funding (eg limited company and sale of shares), liability (eg partnership and unlimited liability).

**Application (level 2):**

- Needs £14 000 which could be raised by selling shares when establishing a Ltd
- Wants to retain control which would be the case if she holds majority of shares
- Personal assets (eg flat) protected through limited liability.

**Analysis (level 3):**

- High risk of failure indicates that Mia would find it difficult to attract partners to invest with unlimited liability – establishing as a Ltd and selling shares more plausible as risk limited to amount of investment. This could be spread across two investors (£7 000 each), for example
- Partnership or Ltd suitable in relation to control, but Ltd ensures personal assets are protected and offers a way to raise finance in a risky market.

1 2

Use the information above to analyse how Zander might use **promotional activities** to achieve its sales growth objective.

[6 marks]

Level	Descriptor	Marks
3	Uses the information to analyse Zander's use of promotional activities	6–5
2	Explains the relevance of the information to promotional activities	4–3
1	Demonstrates a generic understanding of promotional activities	2–1
0	Nothing worthy of credit	0

**Possible responses include:**

**Knowledge (level 1):**

- Promotional activities – wide range of activities including advertising, sales promotion, personal selling etc
- The management of promotional activities needs to consider several factors including other marketing activities (eg product mix and sales channels) and location
- Promotional activities can use traditional (eg print) and non-traditional communication channels (eg social media).

**Application (level 2):**

- Uses store activities such as displays which might have helped sales increase by 6% for 25 to 30
- Uses sales promotion through its website which might have helped sales growth across both age groups
- Given 19 to 24 group, let alone 25 to 30, lack of use of social media beyond Facebook seems odd
- Wants to achieve 4% growth in 2019 – promotional activities could help to improve 19 to 24 store sales and 25 to 30 online sales.

**Analysis (level 3):**

- Value of sales equal in each segment, so current average sales growth equals 2.5% (10%/4)
- Also shown by store/19–24 6% below average and online/25–30 2% below average
- Increasing growth by 1.5% possibly achieved by:
  - focussing store promotional activities more on 19 to 24 eg by using displays appealing more to this age group
  - further increasing 19 to 24 online sales growth through eg better use of social media such as targeted Twitter campaigns linked to Facebook
  - improving 25 to 30 online sales growth by eg website price discounts and/or other promotional offers (through Facebook?) on fashion ranges aimed at this age group.

1 3

Use the information above to analyse how Cooper Ltd might **manage its physical resources**.

[6 marks]

Level	Descriptor	Marks
3	Uses the information to analyse factors affecting Cooper Ltd.'s management of its physical resources	6–5
2	Explains the relevance of the information to physical resource use	4–3
1	Demonstrates generic understanding of physical resources	2–1
0	Nothing worthy of credit	0

**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)
- Includes such things as factories, machinery, tools, offices etc
- Physical resources need to be managed across locations to ensure efficient operations and help ensure customer satisfaction.

**Application (level 2):**

- Demand exceeding operations capacity – possibly won't be able to meet 2019 demand
- Deliveries suffering – over-worked drivers and delays indicate a lack of delivery capacity (too few lorries and drivers?)
- No factory in the north – opening one would help to meet the demand.

**Analysis (level 3):**

- Success of the business seems to be the cause of all its problems!
- Bulky products to deliver, so locating factories closer to customers always likely to be sensible
- Selling lorries and using specialised delivery businesses an obvious solution as Cooper Ltd no longer needs to manage this aspect of physical resources... someone else's problem!
- Yet the lorries and drivers might well be one of the reasons Cooper Ltd have been successful – valued by customers
- Difficult – borrow money for the factory and more lorries?

**1 4**

Use the information above to analyse the **trend in unemployment** in country X between May 2017 and May 2018.

**[6 marks]**

Level	Descriptor	Marks
3	Uses the information to analyse a trend in unemployment	6–5
2	Uses the information to comment on changes in unemployment	4–3
1	Demonstrates generic understanding of trend and/or unemployment	2–1
0	Nothing worthy of credit	0

**Possible responses include:**

**Knowledge (level 1):**

- Unemployment can be measured by ILO or claimant count method
- Broadly measures people out of work who are seeking work
- Trend relates to broad direction of a data series
- Trends pick out key features of a data series.

**Application (level 2):**

- 16 to 25 group – unemployment percentage increased from 10% to 15%
- 26 to 35 group – unemployment fell from 8% to 6%
- 36 to 45 group – unemployment increased from 5% to 6%
- Unemployment always highest for 16 to 25 and same for other two age groups in May 18

**Analysis (level 3):**

- Trend indicates significant increase in unemployment levels within youngest age group
- Whilst unemployment increased marginally (1%) for 36–45, this hardly compares to the 5% increase in 16–25 group.

**1 5**

Use the information above to analyse how UK businesses that manufacture bottled drinks might react to these **environmental concerns**.

**[6 marks]**

Level	Descriptor	Marks
3	Uses the information to analyse factor(s) affecting UK bottle drinks businesses' reaction to environmental concerns	6–5
2	Explains the relevance of the information to reacting to environmental concerns	4–3
1	Demonstrates generic understanding of how businesses can react to environmental concerns	2–1
0	Nothing worthy of credit	0

**Possible responses include:**

**Knowledge (level 1):**

- Businesses can react by altering their product mix and/or re-designing their products to minimise environmental damage
- Businesses manufacturing environmentally friendly products can react by promoting their products.

**Application (level 2):**

- Waste plastics have become a greater concern for consumers – perhaps reducing demand for plastic bottled drinks
- Government banning products using micro-beads – perhaps bans will eventually happen for plastic bottles
- People are seeking ways to minimise impact on environment – perhaps this is an opportunity for UK bottled drinks manufacturers.

**Analysis (level 3):**

- Depends on the bottled drinks manufacturer – could use glass instead of plastic and encourage return or recycling
- Non-plastic bottle companies would actively promote the environmentally friendly nature of their products, perhaps increasing sales
- Manufacturers staying with plastic might target markets not bothered about environmental impact or might encourage responsible recycling eg sponsoring bins etc
- Manufacturers might shift to use of less plastic and deliberately use this as a promotional activity to improve competitive advantage.

**1 6**

Use the information above to analyse how TedToys might react to the changing economic environment in country Z by **altering its product mix OR its prices**.

**[6 marks]**

Level	Descriptor	Marks
3	Uses the information to analyse factor(s) affecting TedToys product mix or prices	6–5
2	Explains the relevance of the information to altering product mix or prices	4–3
1	Demonstrates generic understanding of why a business might alter products or prices	2–1
0	Nothing worthy of credit	0

**Possible responses include:**

**Knowledge (level 1):**

- Product mix – to better meet the needs of consumers, perhaps because of falling incomes eg offering budget versions; to respond to changing costs by eg improving materials if costs have fallen
- Prices – to remain competitive or to take advantage of rising demand eg economy expanding meaning that the business could charge more and increase prices; to respond to changing costs by eg increasing prices when costs have gone up.

**Application (level 2):**

- Falling growth of GDP will mean that the economy of Z slowed down and shrank in 2018
  - Product mix – consider more budget toys to import
  - Prices – consider discounting toys and cutting prices
- Depreciating exchange rate means that it costs TedToys more to import toys into country Z
  - Product mix – consider finding cheaper suppliers to counteract the rising cost
  - Prices – forced to pass on the increased cost by adding it to the prices paid by Z's consumers.

**Analysis (level 3):**

- Difficult position to be in with demand falling and costs rising
- Hard to pass on price increases, so TedToys probably needs to find new suppliers willing to cut prices by 5% compared to current imported prices
- TedToys will need to discuss new product ranges with existing or potential suppliers to reduce costs – possibly by more than 5% given the economy is declining.

1 7

How significant do you think **innovation** is for retailers aiming to establish and maintain a competitive advantage?

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

[15 marks]

Level	Descriptor	Marks
5	Uses <b>Item A</b> to develop a balanced analytical response. Analyses <b>significance</b> of factor(s) affecting the ability of innovation to establish <b>and</b> maintain a competitive advantage for retailers. Evaluation of significance supported by analysis.	15–13
4	Uses <b>Item A</b> to develop an analytical response. Analyses factor(s) affecting the ability of innovation to establish <b>or</b> maintain a competitive advantage for retailers. Judgement of significance supported by analysis.	12–10
3	Uses <b>Item A</b> to develop an explanatory response. Explains how innovation might be a source of a competitive advantage. Judgment supported by explanation.	9–7
2	Uses <b>Item A</b> to support the response. Describes advantages and/or disadvantages of innovation.	6–4
1	Demonstrates generic understanding of innovation	3–1
0	Nothing worthy of credit	0

### 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):

- Supply chain – innovation makes retailers more efficient and helps them to get products to customers quicker, which meets customer needs
- Online – innovation makes it easier for customers to find and order products, so it would be good for retailers to have an app and sell more
- Instore – innovation makes shopping instore easier and quicker, so more people would shop at a store with self-serve or scan codes.

**Explanation and judgement (L3):**

- Supply chain
  - increased efficiency in the supply chain would be a source of a competitive advantage as customers would see your business as being more convenient, say, than a competitor eg Amazon is popular because it's easy to use
  - having same day delivery has got to be a competitive advantage – “you need something today...we can deliver!”. Consumers increasingly want 24-hour shopping and rapid delivery
  - fitting in with customers lifestyles must also be a competitive advantage – busy people don't want to hang around for a delivery, they want to pick it up on the way home from work for example. Amazon's 'locker' innovation does that.
- Online
  - must be a competitive advantage to become part of the customer's everyday life!
  - bit 'sci-fi', but if a retailer can sell their products just by a customer literally asking for it then this is certainly a competitive advantage if no other retailer does this
  - to be accessible to your potential market 24 hours a day on a mobile app must be the source of a major competitive advantage! Also, the design of the app itself must be a source.
- Instore
  - obvious that innovations supporting self-service will give a retailer a competitive advantage, especially if the technology works – anything to make life easier for today's busy shoppers etc etc!
  - less obvious is the idea of reducing the 'divide' between instore and online, but this makes sense as anything which lets customers use their mobile phone for shopping online and instore must be a competitive advantage as it's convenient and meets expectations.

**Analysis, judgement and evaluation (L4 and L5):**

- Establish a competitive advantage
  - for start-ups or challengers, then innovation has got to be a way to be better than competitors. This could be something unique to you – you might be small, but you have an amazing mobile app or some instore experience technology
  - allows you to forget about physical stores and reduces your costs – you could even use Amazon and other major online retailers as a shop front. Reduces costs and lets you focus on getting your product range right?
  - all depends on technology accessibility and speed of implementation – what are your competitors doing at the same time. If they have more funds, then they will get to market quicker?
- Maintain a competitive advantage
  - once you have a competitive advantage, what's to stop somebody copying the technology – can't see supply chain innovations as being that special UNLESS it's costly to implement – this is hinted at in the item, so maybe this really would help to maintain an advantage eg does not look like anyone is catching Amazon up...it keeps moving further ahead
  - on a smaller scale, if you can keep enhancing your customer experience then... yes... you might be able to maintain an advantage through innovation eg keep adding features to your mobile app or keep introducing interactive experiences in your stores.
- Overall, possibly allows smaller retailers to find a niche online with really focussed mobile apps. However, for mass market would seem to be a 'big business' advantage allowing leaders to keep their competitive advantage because they have the money to do this!

**1 8**

Use **Item B** to evaluate the suitability of the options identified by T&C PLC and recommend how it should **respond to its opportunities and threats**.

**[15 marks]**

Level	Descriptor	Marks
5	Uses <b>Item B</b> to develop a balanced analytical answer. Analyses relative merits of both options as suitable responses to T&C PLC's opportunities-threats. Evaluation of recommended response supported by analysis.	15–13
4	Uses <b>Item B</b> to develop an analytical answer. Analyses merits of one or more options as a suitable response to T&C PLC's opportunities-threats. Judgement of recommended response supported by analysis.	12–10
3	Uses <b>Item B</b> to develop an explanatory answer. Explains merit of one or more options as a response to T&C PLC's opportunities-threats. Judgment of recommended response supported by explanation.	9–7
2	Uses <b>Item B</b> to support the answer. Describes purpose of one or more options in the context of T&C PLC's opportunities-threats.	6–4
1	Demonstrates generic understanding of opportunities-threats and/or business responses to them.	3–1
0	Nothing worthy of credit	0

### Example responses:

#### Understanding (L1):

- Opportunities are external to the business and represent possible ways in which the business could increase sales/profits eg consumer trends
- Threats are external to the business and represent possible ways in which the business might lose sales/profits eg competitor innovations
- Businesses need to look at what they are good at (internal strengths), consider what they are bad at (internal weaknesses) and then consider the best strategy to deal with opportunities and threats eg using Ansoff's product development strategy or Porter's focus strategy
- Important to think about how competitors and customers might react to your strategy eg how easy would it be for a competitor to copy what you do?

#### Description (L2):

- Option 1 eg opportunities – still have some stores to meet 50% preference for instore shopping; threats – allows for big expansion of e-commerce, dealing with competitor threats and rising cost of operating stores
- Option 2 eg opportunities – takes advantage of opportunities for social shopping (restaurant and social media apps), also improving shopping experience; threats – helps to some extent with rising costs, also makes current e-commerce more reliable helping to deal with competitor threat.

**Explanation and judgement (L3):**

- Option 1 eg this is the most radical option and is a direct response to competitor threats. T&C's online capabilities will be significantly improved, and its costs significantly reduced, which should mean rising profits due to increased online revenues and falling store costs. Focus on threats more than opportunities
- Option 2 eg least radical but does not eject current provision to keep customer loyalty but, at the same time, start to attract (or bring back) new customers through the focus on 'shopping experience'. Ensures e-commerce site avoids stock problems so manages to provide some response to competitors. Focus on opportunities more than threats.

**Analysis, judgment and evaluation (L4 and L5):**

- The difference between the two options is the relative focus on opportunities and threats.
- Option 1 attempts to focus exclusively on the online threats, apparently moving T&C closer to being 100% online ('pure play'). It makes sense in terms of finance – a clear focus on cost reduction (half the stores is quite a reduction!), reducing the instore product range to further improve profits and investing in technology for efficiency online (to **seriously** support online sales!)
- Option 2, in some ways, is more conservative – only 20% reduction in stores, no mention of product range cuts and some consideration of online sales. If that was all then it would be a poor option compared to option 1. However, you could say that the real focus of option 2 is on the shopping experience – something that may well firm up customer loyalty – and focussing on what T&C is good at (eg highly regarded restaurants)
- Option 1 has a much longer time scale – a potential negative as by the time they have invested in online efficiency, competitors may well have dominated the market. Option 2 seems more immediate and, perhaps most important, considers all the opportunities.
- Overall, option 1 seems like an ill-considered option – an attempt to follow rather than challenge – whilst option 2 is forward thinking, tapping into the possible future where stores still exist but exist for a different reason ie as ways to engage customers who may then become loyal online customers.

**Assessment outcomes coverage**

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

**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
<b>Totals</b>	<b>24</b>	<b>26</b>	<b>30</b>	<b>80</b>