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Centre number

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# Level 3 Technical Level

## BUSINESS: MARKETING

### Unit 1 Competitive Business Environment

Tuesday 22 January 2019

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.
- You 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	
Question	Mark
1–8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
<b>TOTAL</b>	



J A N 1 9 K 5 0 6 6 0 7 5 0 1

IB/M/Jan19/E6

**K/506/6075**

**Section A**Answer **all** questions in this section.**Total for this section: 50 marks**Tick (✓) the box next to the correct answer for questions **01** to **08**.**0 1**A benefit of **enterprise to external stakeholders** is**[1 mark]****A** higher levels of environmental pollution.**B** higher wages for employees.**C** improved goods and services for consumers.**D** increased dividends for shareholders.**0 2**

A business has an aim of increasing profits by 10%.

The most suitable **objective** for this aim would be to**[1 mark]****A** increase profit.**B** rapidly increase sales.**C** reduce costs by 12%.**D** reduce output by 15%.

0 2

0 3

The table below shows monthly **consumer spending** on products **X** and **Y** by age groups **A** and **B**.

	Age group A	Age group B
Product X	£6.0 million	£9.5 million
Product Y	£8.5 million	£4.0 million

The table shows that

[1 mark]

- A age group **A** spent less than age group **B**.
- B age group **B** spent more on product **X** than on product **Y**.
- C product **Y** increased its sales to age group **A**.
- D product **Y** sold more than product **X**.

0 4

The table below shows the £:\$ **exchange rate** on two dates.

Date	Exchange rate
16/9/17	£1:\$1.33
16/9/18	£1:\$1.40

Which of the following statements, made on 16/9/18, is true?

[1 mark]

- A The UK became richer.
- B The UK could now buy fewer products from the USA.
- C The UK currency appreciated against the USA currency.
- D The UK rate of inflation increased.

Turn over ►



0 3

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**0 5**

A business has a **niche competitive position**.

This means that it is

**[1 mark]**

- A** competing directly with the market leader.
- B** copying the marketing activities of the market leader.
- C** selling a wide range of products to a mass market.
- D** targeting a market segment ignored by the market leader.

**0 6**

Business X might use a **trademark** to protect an innovation because it is concerned that its competitors might

**[1 mark]**

- A** advertise products using business X's logos.
- B** duplicate advertising material created by business X.
- C** steal the ideas behind the innovation.
- D** use the innovation in their products.



0 4

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0 7

A business has decided to sell a new product in an existing market.

This is an example of which **Ansoff Competitive Strategy**?

[1 mark]

A Diversification

B Market development

C Market penetration

D Product development

0 8

A business is using the **cost leadership** element of Porter's generic strategies.

This is intended to gain market share by

[1 mark]

A creating the best quality products on the market.

B ensuring efficient production to keep prices competitive.

C meeting the needs of a specific target market.

D providing more products than its competitors.

8



0 5

Turn over ►

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

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

[3 marks]

3

**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]

3



1 | 1

Mia is starting a business that creates games for mobile devices. The business requires an initial investment of £30 000. Mia is determined to retain control of the business.

Mia has savings of £16 000. In December 2018, she applied for a £14 000 business loan from her bank. This was rejected as the bank was not prepared to take the risk, given that Mia refused to secure the loan against her personal assets (eg her two-bedroom flat). In addition, the bank believes Mia's business has a high probability of failing in the first 6 months.

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

[6 marks]

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**1** **2** Zander sells clothing, online and through stores, to 19- to 30-year-old women. Growth in sales during 2018, by channel and age group, are shown below.

Channel	2018 sales growth	
	19 to 24 years	25 to 30 years
Stores	-2%	+6%
Online	+4%	+2%

The value of sales was the same across the channels and age groups.

Zander's promotional activities include:

- store displays of its latest fashion ranges
- price discounts through its website.

It has a Facebook page but does not use any other social media (eg YouTube or Instagram).

An objective for 2019 is to achieve an average sales growth of 4%.

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

**[6 marks]**

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**6**



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Cooper Ltd manufactures double-glazed windows and doors. It is based in the south of England. Orders are delivered using its own lorries and drivers. In 2017, Cooper Ltd opened a factory in the Midlands.

Demand from customers in the north of England increased significantly in 2018. Cooper Ltd will not be able to meet demand if this growth continues in 2019. In the past, customers have said how much they value the service provided by the Cooper Ltd delivery drivers. However, customers are now complaining about delivery delays and overworked drivers.

Cooper Ltd could sell its lorries and use the money to open a factory in the north. It would use transport businesses to deliver orders. However, this might damage the image and promotion of Cooper Ltd.

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

[6 marks]

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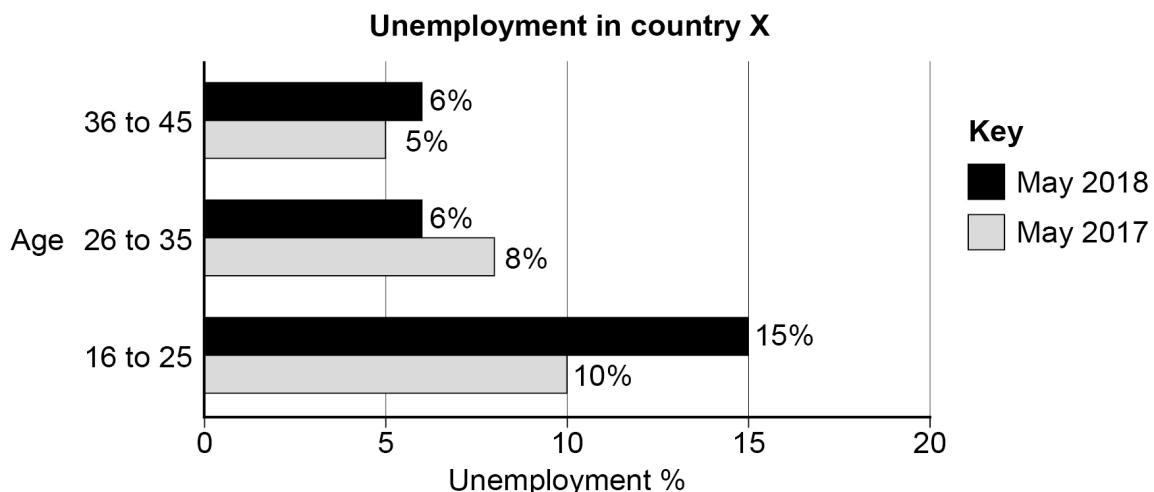
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**1 4**

The percentage unemployed in country X, by age group and date, is shown below.



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

**[6 marks]**


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**6**

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Waste plastics, for example from drinks bottles and microbeads in cosmetic products, have a significant impact on the environment. Rivers, seas and beaches are polluted by the plastics and seriously harm life (eg fish) in these environments.

Consumers are increasingly aware of the damage caused by discarded plastics. Many people are looking for ways to minimise their impact on the environment as consumers of products using plastics.

A ban on the manufacture of products containing microbeads was introduced in January 2018. As yet, there has been no ban on the use of plastic bottles by UK drinks manufacturers. Whilst some UK bottled drinks manufacturers use glass, many minimise costs by using plastic bottles.

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

**[6 marks]**

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TedToys operates in country Z. It imports toys for sale in that country. Annual growth in country Z's GDP is shown below.

	2016	2017	2018
Percentage growth in GDP	+2%	+1%	-1%

Country Z's exchange rate has recently depreciated by 5% against all other currencies. This has affected TedToys' cost of importing toys.

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]**


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**6**

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1 3

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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 17**.

**Item A****Innovation in retailing**

Retail innovation occurs within three broad areas.

- **Supply chain** – storing, picking and shipping goods.
- **Online** – browsing and ordering goods using computers, tablets, smartphones and other electronic devices.
- **In-store** – enhancing the benefits of visiting a physical store using technology.

Within the supply chain, innovation has used developments in information technology, robotics and transport to ensure that the goods customers want are in stock, picked and shipped in short time. Efficient distribution centres, for example those used by Amazon, offer customers the possibility of online shopping with same day delivery. Satellite delivery centres, such as Amazon's 'lockers' available in high street locations, let busy customers choose where and when they collect their orders.

Innovation in online technology is focussed on making online orders a part of consumers' daily routines. For example, voice technology embedded within home devices letting customers order everyday products without having to use a website. Smartphones are replacing desktop computers and laptops as virtual shops, with retailers offering specialised apps for mobile shopping.

To survive the rise of online shopping, high street stores are seeking ways to make in-store shopping convenient and engaging. Beyond the use of self-service technology, innovation is increasingly focussed on meeting the expectations of a 'digital generation'. For example, the use of quick response (QR) codes in shop window displays: shoppers use their smartphones to access product details, stock levels and special offers. In general, these innovations are focussed on reducing the 'divide' between in-store and online shopping experiences.

The exact nature of future innovations in retailing is uncertain. However, it is certain that developments in retail technology will be a factor affecting competitive advantage. It is also likely that implementing these technologies will be costly. For example, it took 8 years before Amazon consistently made a profit.



17

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]

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Read **Item B** and then answer **Question 18**.

**Item B**

**T&C PLC responds to its opportunities and threats**

T&C PLC is a nationwide department store with 100 stores. The marketing director has produced a SWOT matrix for the company.

<b>Strengths</b> <ul style="list-style-type: none"> <li>Established in 1956 with significant customer loyalty</li> <li>Targeting middle- to higher-income market</li> <li>Most of the stores have highly regarded restaurants</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>Declining customer loyalty, with some middle-income customers finding reasons to shop elsewhere</li> <li>E-commerce criticised for poor stock levels and frequent delivery delays</li> <li>Product ranges too wide, with some making limited contribution to profits</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>At least half of all UK consumers prefer to browse fashion products in-store</li> <li>Shopping experience is increasingly important – T&amp;C stores could be more than just places to buy goods</li> <li>Use T&amp;C stores to promote online sales</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>Competitors' online sales threatening to significantly reduce T&amp;C demand</li> <li>Online retailers introducing technology making it easier for consumers to order from home</li> <li>Profitability will keep falling with rising cost of operating physical stores</li> </ul>

The board of directors is concerned about declining profits. It has identified two **alternative** options for responding to T&C's opportunities and threats.

**1** Close half of its stores during the next 3 years, reduce the range of products sold in its remaining stores and invest significantly in warehouse and delivery technologies to support a major expansion of online sales (offering a wider range of products).

**OR**

**2** Close the poorest-performing 20 stores in the next 6 months, helping to reduce out-of-stock problems on the e-commerce site, make greater use of social media apps and further enhance the shopping experience of the remaining stores (eg by giving more floor space to its restaurants).



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]

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15

**END OF QUESTIONS**

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