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# Level 3 Technical Level

## **BUSINESS: MARKETING**

Unit 1 Competitive Business Environment

K/506/6075

Report on the Examination

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## General

Success in the Competitive Business Environment examination comes from students understanding the specification content and having an ability to **apply in context**. The most successful students also have an ability to analyse findings and make **supported** judgements. In this session a worrying proportion of students had significant gaps in their understanding. This was sufficient to make demonstrating achievement quite difficult: if core concepts are not understood, students find it difficult to accumulate marks.

### Multiple choice questions (Q 1 to 8)

The most successful students had few gaps in their knowledge and could accumulate marks in this section. Less successful students struggled with concepts such as external stakeholders (Q1) and the meaning of an exchange rate (Q4). Many of these students also failed to differentiate between a trademark and other ways of protecting innovation (Q6). The least successful students struggled with these concepts and other concepts such as a niche competitive position (Q5) and cost leadership (Q8).

### Short answer questions (Q 9 and 10)

#### Question 9

Successful students understood an aspect of Porter's Five Forces Model (eg rivalry), why a business might use it to (eg to consider the level of competition in the market) and how findings from its use might affect the ability to increase prices (eg knowing it is a competitive market might restrict price increases). Less successful students understood an aspect of the Porter's Five Forces Model but struggled to apply this to the context. The least successful students had little or no understanding of the concept, often confusing it with other concepts (eg cost leadership).

#### Question 10

Successful students understood market penetration and could explain the benefits of the strategy given the limited budget available to the business (eg with no money for new products or entering new markets, market penetration might only require a cut in prices to increase sales). Less successful students understood the concept and could also illustrate its use (eg price discounts). However, these students struggled to relate this to the business's aim and its limited budget. The least successful students confused market penetration with other Ansoff strategies, eg market development.

### Data response questions (Q 11 to 16)

#### Question 11

It was worrying to see so many students struggling with the meaning of a private limited company, often confusing this with a public limited company or a sole trader. Successful students had no difficulty in demonstrating understanding, and they made effective use of the information provided (eg by commenting on Mia's unwillingness to put up her assets as collateral but contrasting this with her need to raise finance and keep control – all of which could be achieved through a Ltd). Less successful students could explain the relevance of the information (eg Mia would have limited liability and protect her flat) but struggled to comment on the suitability of a Ltd by considering the risk of failure or using an alternative form (eg partnership). The least successful students had a limited, or non-existent, understanding of an Ltd. With such limited understanding, these students could not explain the relevance of the information provided.

**Question 12**

Successful students identified key aspects of the information, ie objective of 4% sales growth, limited use of social media, negative growth in store sales to 19-24 year olds and below target growth in online sales to 25-30 year olds. These students went on to consider how promotion could be targeted in order to increase sales growth (eg targeted use of Instagram). Less successful students could explain the relevance of the information (eg the lack of social media given the target groups). However, they did not go on to provide supported proposals for promotional activities. The least successful students struggled to use any of the information provided, eg they copied information but failed to link this to promotional activities.

**Question 13**

It was worrying to see a significant proportion of students struggling with the meaning of physical resources, let alone how they are managed. For too many students, labour is apparently a physical resource. With such a poor grasp of the specification, these students received no marks. On the other hand, successful students had no difficulty in understanding the context and providing supported responses (eg sell the vehicles, gain sales in the North by opening a factory and, perhaps, buy own vehicles when funds allow). Less successful students understood that physical resources relate to inanimate objects utilised in operations; they could also link this to the information but struggled to consider the management of Cooper Ltd's resources.

**Question 14**

It was pleasing to see a high average on this trend question — something that has not been experienced in previous sessions. Successful students contrasted the changes in unemployment across the three age groups, commenting on, for example, the worrying 5% increase in unemployment for 16-25 year olds. Less successful students described the changes but struggled to comment on their significance. The least successful student left the answer space blank.

**Question 15**

This proved to be the most accessible data response question, with many examples of successful responses from students. These students focused on using the information to comment on the reaction of businesses to environmental concerns. Solutions offered ranged from 'no ban yet, so continue to use less expensive plastics' to 'shift to using glass and gain a premium price through improved brand image'. A variety of responses were possible as long as the suggested response was supported by an analysis of the information provided. Less successful students demonstrated that they understood the issues facing bottled drinks manufacturers; however, these students failed to offer solutions supported by the information. As in Q14, the least successful students failed to answer any aspect of the question, eg by leaving the answer space blank.

**Question 16**

Successful students understood the meaning of the percentage growth in GDP data and/or the depreciation in the country's exchange rate. They went on to demonstrate that they understood the significance of this data when recommending changes in process or product mix (eg better find new suppliers willing to cut costs by 5% to counteract depreciation in exchange rate). Less successful students struggled to demonstrate that they understood the significance of the data. The least successful students understood what was meant by altering a product mix or prices, but these students struggled to make sense of the information provided.

### Extended response questions (Q 17 and 18)

#### Question 17

This proved to be, as expected, the most challenging question on the examination. The item provided a structure for considering the sources and uses of innovation within retailing. The question asked students to consider the **significance** of innovation in relation to **establishing** and **maintaining** a competitive advantage. Successful students did this, taking care to use the given structure (supply chain, online and instore) and to focus on the meaning of establishing **and** maintaining a competitive advantage. When the focus was on **either** establishing **or** maintaining a competitive advantage then students were still relatively successful but could not access the top 3 marks (15, 14 or 13). Less successful students, as in previous examination sessions, could make sense of the context and understood the concepts; however, whilst they could explain the **source** of a competitive advantage (in relation to retail innovation), these students could not analyse the problem which, in this case, was the **significance** of innovation. To do this, students needed to analyse a factor affecting the ability of innovation to establish and/or maintain a competitive advantage, eg it depends on whether the retailer is a start-up, a challenger or a leader. The least successful students understood what innovation was and could describe advantages and/or disadvantages of them in relation to retailing. However, they failed to link any of these observations to competitive advantage.

#### Question 18

This proved to be more accessible to students. This is likely to be the case given the more ‘action-focussed’ area of the specification covered by Q18. As in Q17, the most successful students fully addressed the question, ie they analysed both options in relation to opportunities and threats before evaluating a recommendation. If students analysed only one option, they could still access 12, 11 or 10 marks as long as their recommendation was supported by this analysis. Less successful students, as in Q17, failed to analyse the problem, ie they explained the merits of one or both options but did not analyse the **suitability** of the option(s). The least successful students offered descriptive responses that outlined the purpose of the option(s) in the context of the opportunities or threats faced by the business. At no stage did these students explain the merits of either response.