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Centre number

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Candidate number

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# Level 3 Technical Level Business: Marketing

## COMPETITIVE BUSINESS ENVIRONMENT

Unit: K/506/6075

Tuesday 20 June 2017

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 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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**K/506/6075**

**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**A business is more likely to set up as a **public limited company (PLC)** if:

- A Its managers want to control all decision making
- B It needs a high level of finance to expand its operations
- C It has a low risk of failing
- D It has a not-for-profit vision of supporting the local community

**[1 mark]****0 2**Which is the best example of a **risk** faced by a business in 2017?

- A Competitors reduced their prices in May 2017
- B Sales declined by 10% in February 2017
- C Unknown sales growth for August 2017
- D A high probability of costs increasing in July 2017

**[1 mark]**

0 2

G/Jun17/K/506/6075

**0 3**

A change in the UK to Euro currency exchange rate, from £1:€1.1 to £1:€0.9, is most likely to result in UK businesses:

- A Buying fewer products from Eurozone countries
- B Selling fewer products to the USA
- C Buying more products from Eurozone countries
- D Selling fewer products to Eurozone countries

[1 mark]

**0 4**

Consumers' **environmental concern** about the pollution created by cars is most likely to:

- A Increase the demand for cars
- B Increase the demand for petrol
- C Increase the demand for electric-powered cars
- D Reduce the demand for bicycles

[1 mark]

**0 5**

Which is the best example of **indirect competition** faced by a cinema business?

- A A competing cinema business expanding its operations
- B Sky and Virgin Media reducing the price of pay-per-view movies
- C A mobile phone company developing a new smartphone
- D An increase in the cinema business's operating costs

[1 mark]

**0 6**

Technological development **directly** supports **innovation** by:

- A Helping to add new features to products
- B Increasing the price of products
- C Reducing business costs
- D Increasing the complexity of products

[1 mark]

Turn over ►



0 3

G/Jun17/K/506/6075

0 7

Which of the following would be classified as an **external opportunity** for a UK supermarket chain that also offers online shopping?

A A German supermarket chain plans to open stores in the UK

B An increase in staff wages

C An increase in the number of UK households with high speed Internet connection

D A high customer satisfaction rating for its online shopping website

[1 mark]

0 8

A business is planning to sell a new product in an existing market. Which **Ansoff's competitive strategy** is the business using?

A Diversification

B Market penetration

C Market development

D Product development

[1 mark]



0 4

G/Jun17/K/506/6075

0 | 9

Explain **one** way in which **market segmentation** could help a business to increase its profits.

[3 marks]

1 | 0

Explain **one** reason why a business might use **Ansoff's diversification strategy** when faced with increased competition.

[3 marks]

Turn over ►



1 | 1

A local shop, set-up in 2015 and located in a small rural town, has a cooperative form of ownership. It sells produce such as vegetables, eggs and other essential food items. The local shop has two **long-term aims**:

- to meet the needs of local consumers **and**
- to support local businesses by selling their produce (eg vegetables).

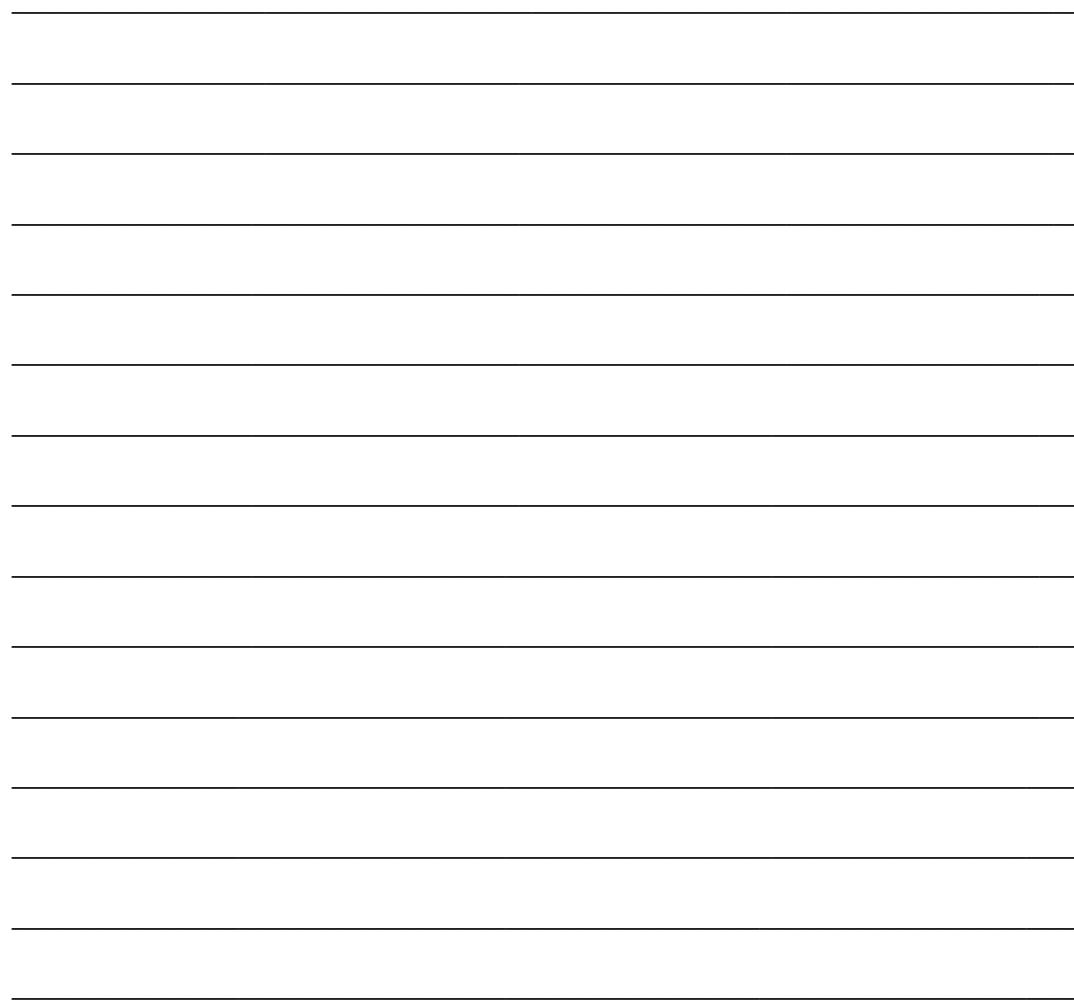
The table below shows the objectives set by the local shop for 2016 and the outcomes achieved at the end of the year.

Objective	Achieve a profit	Sell local produce	Gain a high customer satisfaction rating
Target for 2016	£10 000	50% of all sales	80%
Achieved in 2016	£4 000	38% of all sales	93%

The local shop's revenue increased by 12% in 2016 and is forecasted to increase by 25% in 2017.

Use the information above to analyse the achievement of the local shop's **long-term aims**.

[6 marks]



1 | 2

Square Circle Fashions (SQF) Ltd designs and retails clothing. It operates in three countries.

Country	Number of stores at end of 2015	Number of stores at end of 2016	Sales in 2015 (£000s)	Sales in 2016 (£000s)
UK	30	32	3840	3250
France	8	10	950	1230
USA	4	5	420	640
<b>Totals</b>	<b>42</b>	<b>47</b>	<b>5210</b>	<b>5120</b>

SQF intends to keep the total number of stores at the 2016 level. However, it is reviewing the distribution of its stores across the countries, eg if SQF opened a new store in the UK, then it would close one in France or the USA.

Use the information above to analyse how SQF might manage its **physical resources** across the three countries.

[6 marks]

Turn over ►



1 | 3

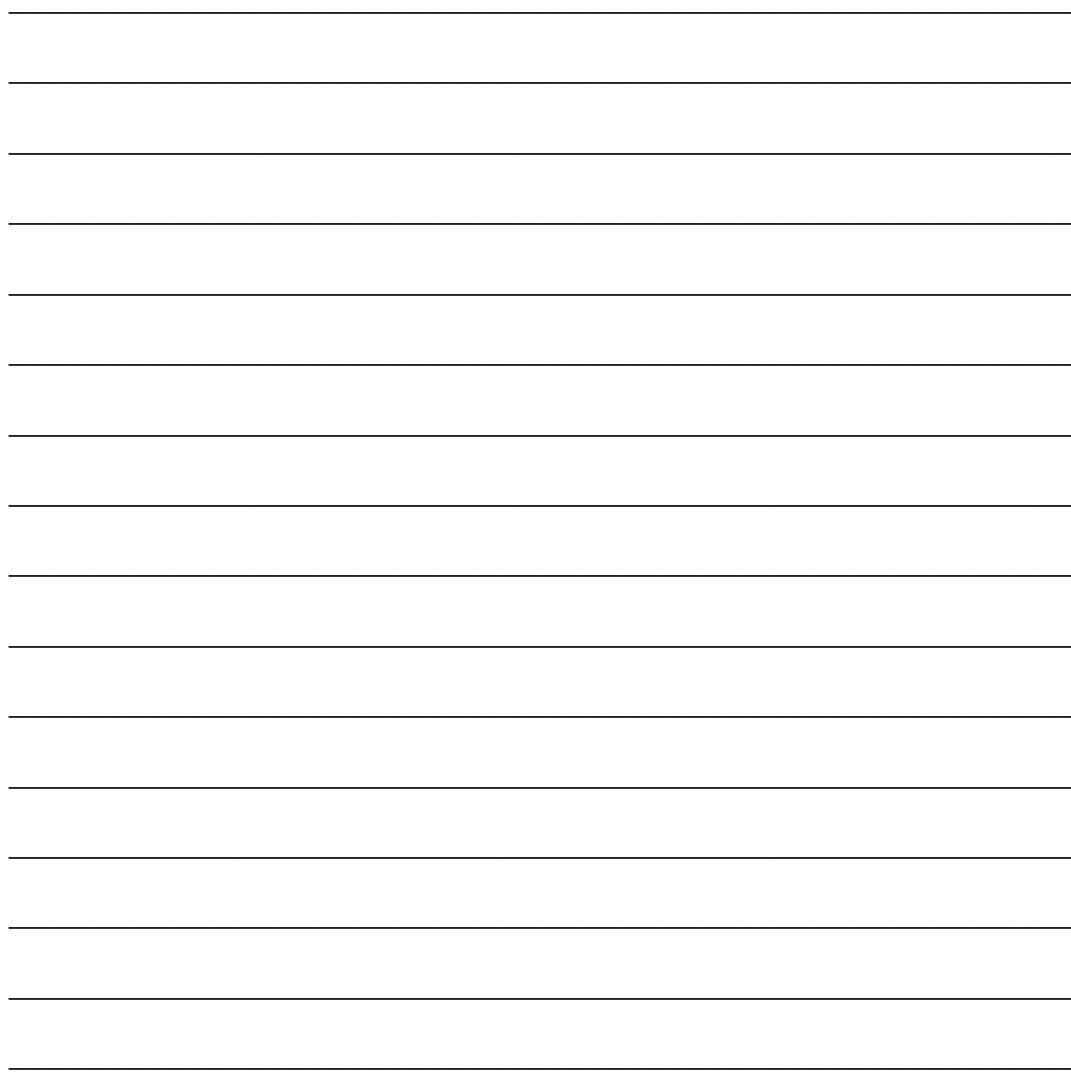
A supermarket chain is considering opening a new store and has three options for its location.

Location	Number of competitor stores within 10 miles	Building cost (£ million)	Ease of recruiting staff (1 – easy; 5 – difficult)
A	6	7	1
B	8	9	2
C	3	4	4

The supermarket wants to choose a location that minimises the risk of the store failing to make a profit.

Use the information above to analyse where the business might best **locate** its new store.

[6 marks]



1 | 4

The percentage rates of unemployment in three European countries (ILO method), between 2011 and 2015, are shown below.

Country	2011 %	2012 %	2013 %	2014 %	2015 %
Germany	5.8	5.4	5.2	5.0	4.6
Spain	21.4	24.8	26.1	24.4	22.1
Great Britain	8.0	7.9	7.5	6.1	5.3

Use the information above to analyse the **trend in unemployment** across the three European countries.

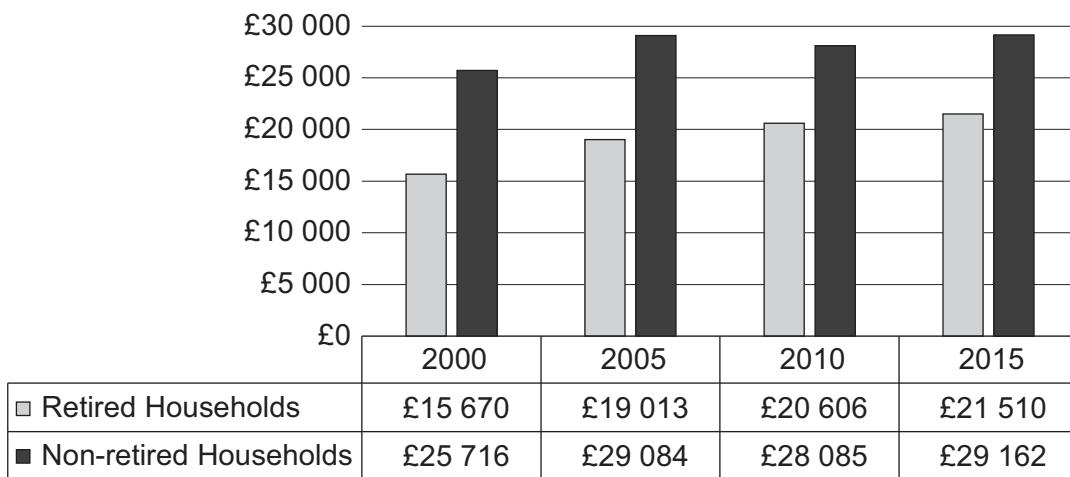
[6 marks]

Turn over ►



1 5

UK median real household incomes, between 2000 and 2015, are shown below. Households where more than half of the income is received from pensions are classified as 'Retired Households'.



Use the information above to analyse the importance of real household income to UK **business sales**.

[6 marks]

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16

Get Go operates three gyms and is owned by Vishram Singh. Each gym opens seven days a week, 9 am to 8 pm. Since 2014, Vishram has collected primary data on social trends using a customer satisfaction survey.

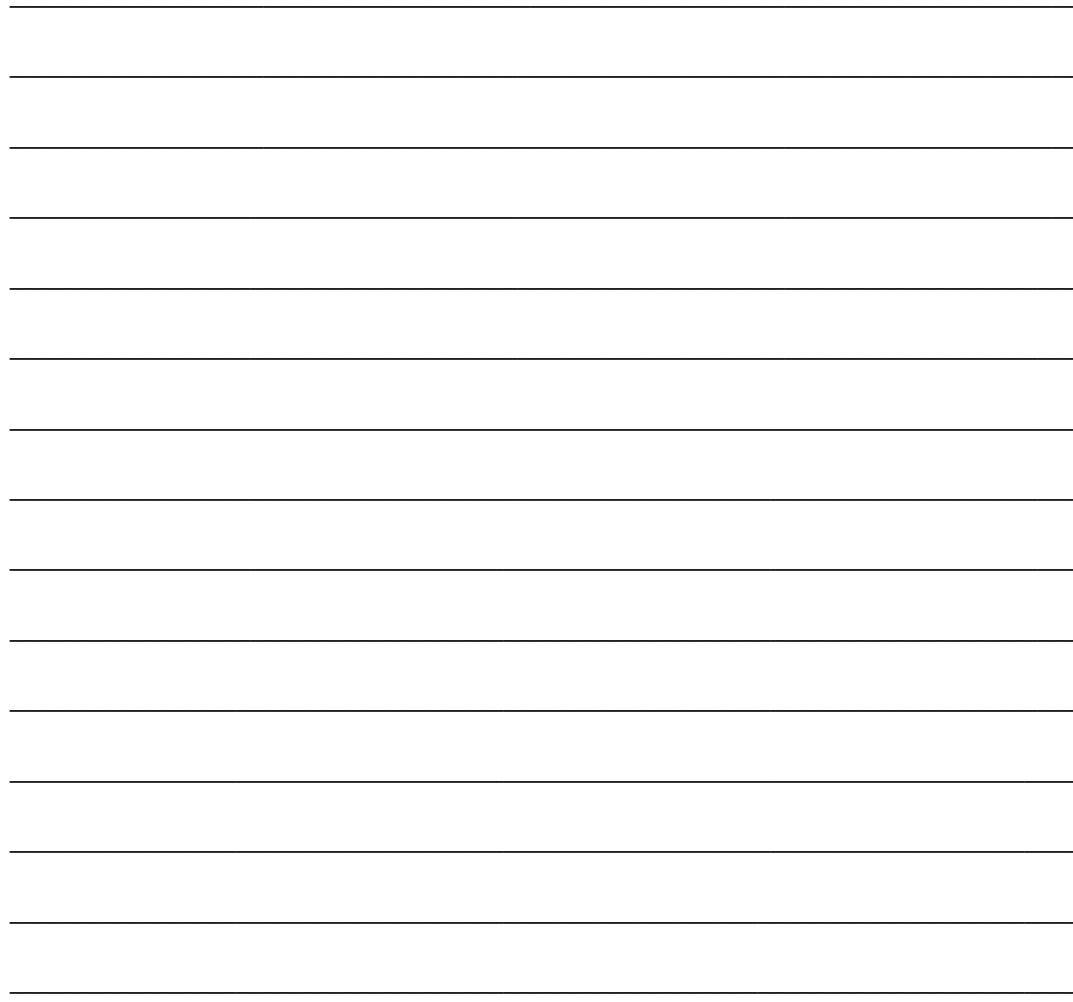
Satisfaction with Get Go's:	Customers satisfied or extremely satisfied			
	2014	2015	2016	2017
Facilities	84%	82%	80%	76%
Opening times	60%	55%	45%	26%
Membership fee	76%	79%	82%	84%

Vishram wants to increase Get Go's profit. He has funds for **one** investment option:

- update the facilities in the three gyms **or**
- install technology giving members 24-hour access to the three gyms

Use the information above to analyse the importance of **social trends**, shown by the customer satisfaction survey results, for Vishram's investment in the business.

[6 marks]



Turn over ►



**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****Innovation and the market for wearable technology**

Wearable technology includes any product, worn on the body, that uses electronics to provide interactive features eg a fitness tracker, worn on the wrist, that measures exercise duration and intensity. Innovation continues to increase the convenience, features and reliability of wearable technology.

The market for wearable technology can be divided into the following areas:

- **Security and safety** eg location devices for rescue workers; fire-fighter jackets with embedded environment sensors
- **Medical** eg digital hearing aids; health monitoring devices for patients recovering from surgery
- **Sport and fitness** eg fitness trackers; heated ski-jackets
- **Computing** eg virtual reality headsets; smart watches such as Apple Watch
- **Fashion** eg jewellery that changes colour using a smartphone; colour changing threads that allow you to change the patterns of your clothing

The market for wearable technology has grown in recent years. Fitness trackers, for example, have become affordable for the mass market and are now manufactured by a range of businesses in the USA, Europe (eg Switzerland) and the Far East (eg China). Virtual reality headsets can be expensive, especially those targeting engineering and design businesses, but are coming down in price (eg Sony Playstation VR).

The initial cost of wearable technology innovation is high. Only businesses with substantial financial resources can carry out the technological development required. Protecting any patent is also difficult, as indicated by the growth in the number of businesses manufacturing fitness trackers.

Market success is often uncertain. For example, Google, which had a turnover of \$74.5 billion in 2015, failed to successfully launch its 'Google Glass' product. Its 'computer glasses' were expensive (\$1500) and it stopped production in 2015. However, Google stated that it intended to continue innovating and, in 2016, was rumoured to be re-launching the product.



1 | 7

To what extent can a business use **innovation** to establish **and** maintain a competitive advantage in the market for wearable technology? Use **Item A** to justify your answer.

[15 marks]

Turn over ►





**Turn over for the next question**

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ANSWER IN THE SPACES PROVIDED**

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1 5

G/Jun17/K/506/6075

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

### Item B

#### Apple's wearable technology

Apple designs and sells consumer electronics products. Its iPod, launched in 2001, changed the way people listened to music and contributed to the growth in the market for downloaded and streamed recordings. Apple's iPad, first launched in 2010, made touch screen computers both portable and usable. Other businesses were first to the market, but Apple's products had a combination of functionality and design that met consumer needs at the time.

The increasing popularity of wearable technology led Apple, in 2015, to launch its Apple Watch. When wirelessly connected to the user's iPhone (Apple's popular brand of smartphone), it displays text messages, emails, calendar appointments and other information. Without a wireless connection, the Apple Watch is limited to being a watch, fitness tracker and digital music player (if the user has stored recordings on the device).

The market for wearable technology continued to grow in 2016. However, this was largely due to increased sales of inexpensive fitness trackers (eg from China). Sales of more expensive smart devices, such as the Apple Watch, fell by 27% compared with 2015.

In November 2016, Apple was rumoured to be developing digital glasses. Possibly launching in 2018, the product would wirelessly connect to the user's iPhone and project information onto the surfaces of the glasses. Other businesses, such as Google, had already entered this market and, with iPhone sales growth slowing in 2016, pressure was mounting for Apple to launch a new and popular product.



18

Evaluate the suitability of Apple's **response to its opportunities and threats** within the market for wearable technology. Use **Item B** to justify your answer.

**[15 marks]**

Turn over ►



**END OF QUESTIONS**



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