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Centre number

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# Level 3 Technical Level

## BUSINESS: MARKETING

### Unit 1 Competitive business environment

Friday 25 May 2018

Afternoon

Time allowed: 2 hours

#### Materials

You will need no other materials.

For Examiner's Use	
Examiner's Initials	
Question	Mark
1–8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
<b>TOTAL</b>	

#### 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.



J U N 1 8 K 5 0 6 6 0 7 5 0 1

G/TI/Jun18/E5

**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**An employee might demonstrate **enterprising behaviour** by**[1 mark]****A** being a responsible member of a work team.**B** complaining about working conditions.**C** finding better ways to carry out work tasks.**D** working longer hours to earn more.**0 2**One benefit of operating as a **sole trader** includes being able to**[1 mark]****A** control the business vision.**B** issue shares to friends.**C** protect personal assets.**D** share decision making.

0 2

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0 3

Which of the following people would **most** likely be defined as unemployed, using the **ILO measure**?

Someone who is

[1 mark]

- A on a full-time university course.
- B providing full-time care for a family member.
- C receiving a disability benefit.
- D seeking work after leaving a job.

0 4

A change in the Bank of England **base interest rate** from 1% to 4% would **most** likely

[1 mark]

- A encourage UK businesses to invest more.
- B encourage UK citizens to save more.
- C increase the price of goods imported into the UK.
- D reduce the cost of borrowing in the UK.

0 5

The table below shows the sales of business **Z** and the combined sales of **all** businesses in the market.

Year	Business Z	Sales by all businesses
2016	£1.0 million	£5.0 million
2017	£1.2 million	£6.0 million

The table shows that, between 2016 and 2017, the **total market share** held by business **Z**

[1 mark]

- A declined to 20%.
- B increased to 25%.
- C remained at 20%.
- D remained at 25%.

Turn over ►



0 3

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0 6

Engaging with stakeholders can **best** help a business to **innovate** by

[1 mark]

- A copying a competitor's product.
- B gaining finance to build a new factory.
- C getting cheaper materials from suppliers.
- D understanding what customers want.

0 7

The customers of a business believe that its products are good value.  
When carrying out a **SWOT analysis**, the business could classify this as an

[1 mark]

- A internal strength.
- B internal weakness.
- C external opportunity.
- D external threat.

0 8

A fast-food retailer wants to reduce the excessive fat content of its food to take advantage of healthy eating trends.

What type of **SWOT matrix response** is this?

[1 mark]

- A S-O
- B S-T
- C W-O
- D W-T

8



0 4

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0 9

A business has innovated by developing a smart phone with a significantly longer battery life than its competitors.

Identify **one** method that could be used to **protect the innovation** and explain how this protection might benefit the business.

[3 marks]

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3

1 0

A market leading fashion retailer (**X**) is challenged by a rival (**Y**) that offers budget clothing at low prices.

Explain **one** benefit to the fashion retailer (**X**) of using **Porter's cost leadership** strategy.

[3 marks]

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3

Turn over ►



0 5

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1 1

High Mount (HM) is a farm that also offers activities for paying visitors, including indoor play areas. HM's vision is to operate a viable and environmentally friendly business.

In 2016, HM increased its visitor entry price and used profits from 2015 to invest in solar panels (improving its energy self-sufficiency). In 2017, HM reduced the entry price and did **not** invest further in energy self-sufficiency.

Year	2015	2016	2017
<b>Profit</b>	£120 000	£75 000	£100 000
<b>Visitor numbers</b>	45 000	40 000	48 000
<b>Energy self-sufficiency</b> (100% being completely self-sufficient)	10%	20%	18%

HM set the following objectives for 2018: £120 000 profit; 55 000 visitors; 25% energy self-sufficiency.

Use the information above to analyse the suitability of HM's 2018 **objectives**.  
[6 marks]

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6



0 6

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1 2

Café Culture (CC), originally located in the South of England, expanded into the Midlands during the second half of 2017. It aims to offer an excellent customer experience in its 39 cafés.

CC employs managers to oversee operations. It has five experienced managers in the South. In June 2017 two managers were appointed for the Midlands.

CC has carried out a review of customer experiences and staff and regional manager performances. It has finance for training, but does **not** plan to appoint any additional staff or managers.

Region	Cafés	Customer experience	Staff performance	Manager performance
South	25	Excellent	Excellent	Excellent
Midlands	14	Good	Satisfactory	Good

Use the information above to analyse how Café Culture (CC) should **manage its human resources** across its regions.

[6 marks]

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6

Turn over ►



0 7

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Kingsmith Bikes (KB) is based in the UK. Its skilled workforce produces a range of quality bicycles that sell for high prices (£500 to £2000). KB's 'made in the UK' badge, attached to every product, helps to achieve these prices.

KB is struggling to keep up with demand for its bicycles from Chinese customers. It requires skilled workers, but recruiting them in the UK is difficult. KB's managing director believes that its quality bicycles can be produced at a lower cost in China. It would no longer struggle to meet orders and, in the longer term, could close its UK factory.

Use the information above to analyse the factors affecting KB's **location decision**.

[6 marks]

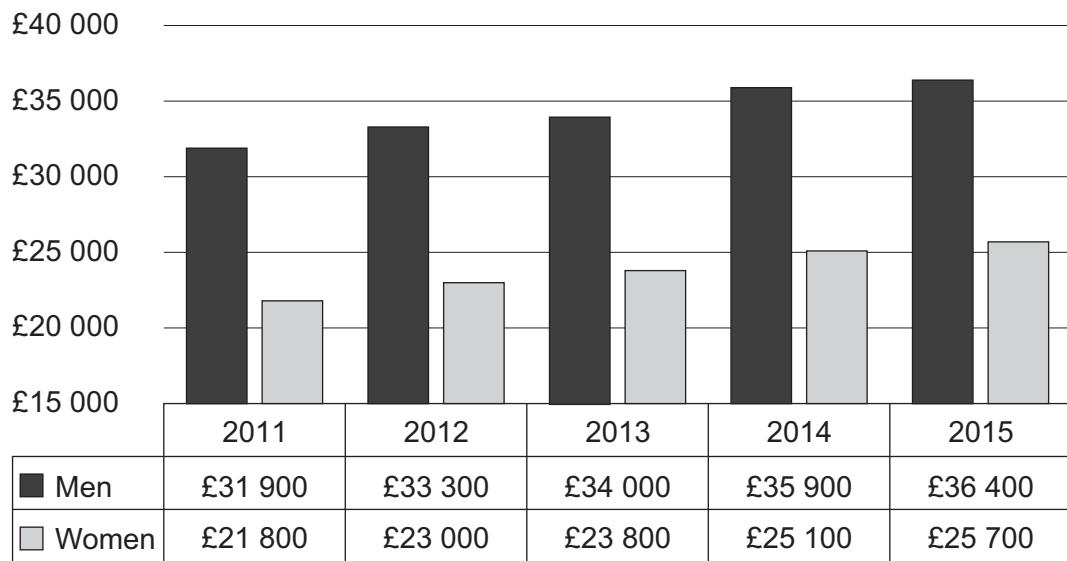
6



1 4

UK mean annual incomes, between 2011 and 2015, are shown below. These data can be used to calculate the percentage change in, and gap between, the incomes received by men and women.

UK mean annual incomes



Use the information above to analyse the **trend in UK mean annual incomes** between 2011 and 2015.

[6 marks]

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Turn over ►



0 9

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1 5

Petra aims to increase her restaurant's profit that has fallen in recent years. She has researched her economic and social environment.

Environment	Key findings
Economic	Economic growth has been slow, but is now increasing. Employment is rising and consumers are more willing to spend on 'luxuries'.
Social	With greater certainty about future incomes, consumers' purchasing decisions are increasingly driven by environmental and ethical concerns.

In the past, Petra kept her costs down and charged 'mid-market' prices. This meant that Petra sometimes used cheaper food ingredients from less ethical, or environmentally friendly, sources.

Use the information above to analyse how Petra might react to her **economic and social trends**.

[6 marks]

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6



1 0

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Ken owns a UK industrial 3D printing business. Sales have grown in the past three years. This is due to rising demand for the rapid production, and relatively low-cost, that 3D printing services offer.

Ken has decided to purchase two new industrial 3D printers, each costing £300 000. As a sole trader, Ken can fund the purchase by:

- finding investors willing to go into partnership with him **OR**
- raising share capital by establishing the business as a private limited company (Ltd).

Use the information above to analyse why Ken might react to his sales growth by establishing his business as a private limited company.

[6 marks]

6

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****The market for cars in the European Union (EU)**

Car manufacturing has a long history in the EU, especially in France, Germany and the UK. The competitive rivalry facing individual manufacturers is intense, with competition coming from within the EU and from the Rest of the World (eg USA, Japan and Korea). To succeed, car manufacturers focus on controlling production costs and developing cars to meet consumer needs.

In 2015, almost 14 million new cars were bought in the EU (including the UK). Approximately 80% of these cars were sold by eight manufacturers, as shown below.

**Car sales in the EU (2015, by top selling brands)**

Manufacturer	Head offices	Cars sold
Volkswagen	Germany	3.3 million
Renault-Nissan Alliance	France and Japan	1.9 million
PSA	France	1.4 million
Ford	USA	1.0 million
General Motors	USA	0.9 million
Hyundai	Korea	0.8 million
BMW	Germany	0.7 million
Daimler	Germany	0.7 million

Car manufacturers use lifestyle and benefit segmentation to help them succeed. For example:

- BMW and Daimler focus, to a significant extent, on higher income groups, eg, by targeting a 'business executive' lifestyle segment
- Volkswagen's multiple brands meet the needs of a wide range of benefit segments, from 'value-for-money' to 'high performance'.

Alliances, such as Renault and Nissan, also help car manufacturers to share innovations and focus on their expertise. Other business benefits can be achieved through acquisitions; for example PSA added Vauxhall and Opel to its list of brands when it bought the European operations of General Motors in 2017.



Do you think that a car manufacturer's success in the EU market depends **mainly** on how it **segments the market**?  
Use **Item A** to justify your answer.

[15 marks]

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1 5

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

### Item B

#### Electric cars

To avoid the pollution caused by cars, Norway will ban the sale of new **petrol and diesel** cars in 2025. In Germany, their sales will be banned in 2030. In France and the UK, the ban will take place in 2040.

Electric cars, powered by rechargeable batteries, do **not** directly pollute the atmosphere. In 2016, electric car sales made up less than 1% of total new car sales in the EU. The Renault-Nissan alliance held 39% of the electric car market, followed by Tesla (a USA company specialising in 'luxury' electric cars) at 19% and Volkswagen at 16%. In 2017, European consumers had two reasons to **avoid** buying a new electric car:

- the limited range of electric cars – 300 km was the maximum range (on a fully charged battery) for many electric cars at the time. This is half of the 600 km available from petrol and diesel cars on a full tank of fuel.
- the high price of electric cars – for example, in 2017, an electric Volkswagen Golf cost approximately £32 000 compared with the basic petrol model cost of approximately £20 000.

Innovation in battery technology will bring electric car prices down and increase their travel ranges. However, it is estimated that it will take until 2030 for electric cars to gain more than 50% of the EU market.

Tesla saw its European sales grow in 2017. Its bestselling car was priced at around £60 000 and could travel close to 500 km on a single battery charge. For an additional £20 000, this range could be extended to 630 km.

In 2017, Volkswagen responded to the opportunities and threats created by countries banning the sale of new petrol and diesel cars:

- electric cars – between 2020 and 2025 it will introduce 50 electric car models across its range of cars. For example, its 'VW ID' model will be on sale in 2020. This model will be priced at £22 000 and have a range of 400 km
- batteries – it will invest up to €50 billion in battery development and production between 2017 and 2025. The intention is to reduce battery costs and increase their range (possibly to 1000 km).



To what extent do you think that Volkswagen's **response to its opportunities and threats** was suitable?  
Use **Item B** to justify your answer.

[15 marks]

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**END OF QUESTIONS**



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