AQA

LEVEL 3 TECHNICAL LEVEL
Business: Marketing

K/506/6075 – Unit 1 Competitive Business Environment

Mark scheme

June 2018

Version/Stage: 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.

Further copies of this mark scheme are available from aqa.org.uk

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.

Question	Guidance	Mark
01	**C**	**1**
02	**A**	**1**
03	**D**	**1**
04	**B**	**1**
05	**C**	**1**
06	**D**	**1**
07	**A**	**1**
08	**C**	**1**

Question	Guidance	Mark
9	**Identify one method that could be used to protect the innovation and explain how this protection might benefit the business.** **1 mark** for identifying a **method** of protecting innovations ie patents, copyrights or trademarks **1 mark** for outlining a **purpose** of the method eg a trademark protects a brand name/intellectual property from being used by a competitor **1 mark** for a **benefit** to the business eg a rival could not use their brand name, inferring the use of the same battery technology "A patent (1 mark) would stop competitors copying their idea **(1 mark)**, which would mean that the business's phone would have a USP **(1 mark)**"	3
10	**Explain one benefit to the fashion retailer (X) of using Porter's cost leadership strategy.** **1 mark** for identifying a **feature** of Porter's cost leadership eg bringing down the costs of production; being able to tactically lower price but keep profit margins constant **1 mark** for outlining the **use** of the strategy eg used by leading businesses who are seeking to become more efficient/agile **1 mark** for a **benefit** related to being a market leader eg the retailer would be in a better position to introduce a budget line superior to the rival's "Cost leadership concentrates on getting costs down **(1 mark)**. The fashion retailer would get itself 'leaner' **(1 mark)** to help beat the budget retailer if it gets too threatening **(1 mark)**!"	3

Question	Guidance	Mark
	Use the information above to analyse the suitability of HM's 2018 objectives.	

Level	Descriptor	Marks
3	Uses the information to analyse factor(s) affecting the setting of HM's objectives	6–5
2	Explains the relevance of the information to HM's objectives	4–3
1	Demonstrates generic understanding of business objectives	2–1

Possible responses include:

Analysis (level 3):
- The objectives are suitable in that they are linked to the vision statement
  - Viable – positive profit of £120 000 and increase visitors to 55 000
  - Environmentally friendly – increase energy self-sufficiency to 25%
- Achievement, and hence suitability, will depend on visitor price and investment in energy self-sufficiency during 2018:
  - Visitor numbers seems sensitive to price with both profits and visitor numbers increasing when price was reduced in 2017
  - Energy self-sufficiency suffered in 2017 when no investment was carried out but doubled in 2016 when it was carried out
- The objectives are suitable as they are relevant and are attainable given the profits made in 2017 (use for investment in self-sufficiency) and further reduction in visitor price (but not too much?); alternatively – perhaps 55 000 visitors target is ambitious and achieving it might damage profit?

Application (level 2):
- HM has three objectives and each is specific and measurable eg £120 000 profit in 2018
- Table shows past achievement and gives some indication of how ambitious the objectives are eg profit was £100 000 in 2017 and target is £20 000 higher for 2018
- Price increased in 2016 and then reduced in 2017 – this might have affected the profit and visitor number objectives
- Investment in energy self-sufficiency didn't take place in 2017 – this might have affected the energy self-sufficiency objective

Knowledge (level 1):
- Business objectives – targets used to measure achievement
- Should be specific and measurable eg increase sales by 10%
- Set vision first, then aim and then objectives

Question number: **11**   Mark: **6**

Question	Guidance	Mark

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

Level	Descriptor	Marks
3	Uses the information to analyse factor(s) affecting the management of CC's human resources across locations	6–5
2	Explains the relevance of the information to managing human resources	4–3
1	Demonstrates a generic understanding of managing human resources	2–1

Possible responses include:

Analysis (level 3)

- The managers in the Midlands were appointed only a year ago and must oversee 7 cafés each, as opposed to the 5 each manager in the South is responsible for (and they are experienced!)
- Without effective management, the staff in the Midlands are bound to face difficulties that are less likely to be resolved than those in the South
- Staffing levels could be altered by moving a regional manager, maybe temporarily eg 3 months, from the South to the Midlands – this manager could help to relieve pressure but also be paid extra to train the Midlands managers and staff

Application (level 2)

- The regional managers have not all been appointed at the same time – in the South they are 'experienced' – perhaps meaning skilled and effective – whilst in the Midlands they have been in role for only 1 year
- The information also shows the number of cafés each manager oversees – this might impact on the effectiveness of managers if they have too much to do
- CC aims to offer excellent customer experience which possibly is affected by the skills and experience of its employees – this relates to training, which CC has finance for
- All seems well in the South, but less so in the Midlands where we do not have 'excellence'

Knowledge (level 1)

- Human resources – people employed within a business, from operatives to managers
- Human resources need to be managed in relation to the number employed, their roles (operative, supervisory, managerial etc) and skills (necessary to carry out duties of roles)
- The management of human resources needs to consider the location of operations – does the business have the right people in the right places?

Question 12 — Mark: 6

Question	Guidance	Mark

13	**Use the information above to analyse the factors affecting KB's location decision**
	
	<table><tr><td>**Level**</td><td>**Descriptor**</td><td>**Marks**</td></tr><tr><td>3</td><td>Uses the information to analyse KB's location decision</td><td>6–5</td></tr><tr><td>2</td><td>Explains the relevance of the information to factors affecting location</td><td>4–3</td></tr><tr><td>1</td><td>Demonstrates generic understanding of factors affecting location</td><td>2–1</td></tr></table>
	Possible responses include:
	
	Analysis (level 3)
	
	• Considering the factors influencing KB's location decision, costs could be reduced and capacity increased if it locates some of its manufacturing in China resulting in an increase in profits
	• Limited human resources in the UK, and a growing market in China, would also support relocation, enabling continued growth in sales and lower labour and transportation costs (so higher long-term profits)
	• Alternatively, 'made in the UK' possibly the reason why demand is high and prices can be set at up to £2,000 – 'made in China' or 'designed in the UK' might slow down growth in demand (or result in a decline?) and so restrict profits; could keep the head office in the UK and push the 'designed in the UK' idea to ensure growth and minimise impact on profit margins
	
	Application (level 2)
	
	• Product is manufactured – possibly bulky, but also requiring some skill given the high price/quality so that labour and transport costs are important
	• Customers in the UK but also abroad (especially China)
	• Struggling to recruit within the UK, limiting capacity
	• China's costs are lower and the factories can produce sufficient quality bicycles
	
	Knowledge (level 1)
	
	• Location decision affected by a range of factors:
	   o type of product
	   o where customers are located
	   o availability of human resources to supply the product
	   o infrastructure/transportation
	• Need to balance these factors to gain greatest profit in the long run
		6

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

Level	Descriptor	Marks
3	Uses the information to analyse a trend in mean incomes	6–5
2	Uses the information to outline a trend in mean income	4–3
1	Demonstrates generic understanding of trend and/or mean income	2–1

Possible responses include:

Analysis (level 3):
- Women – continued growth, with the rate of change being £3 900/£21 800 ie 17.9%
- Men – continued growth, with the rate of change being £4 500/£31 900 ie 14.1%
- This would indicate that the gap in incomes has **fallen** – comparing 2011 and 2015 data supports this ie from 68.3% to 70.6% of male mean income
- These calculations show that the gap in income is persistent

Application (level 2):
- For both women and men, the trend can be characterised as a general increase, with a significant increase in 2014 (for men, from £34 000 to £35 900 ie £1 900) and an indication of slowing growth in 2015 (for men, from £35 900 to £36 400 ie £500)
- Gap between women and men looks constant with men receiving higher incomes than women eg in 2011, they received £10 100 more than women and this got worse in 2015 with the gap being £10 700!

Knowledge (level 1):
- Income – the earnings employees receive from employers, savings, rent etc in this case annual ie over a year
- Mean – an average of incomes earned, so doesn't show the spread of earnings
- Trend – specific patterns in data eg steady growth/decline or a cyclical pattern

Question: 14 — Mark: 6

Question	Guidance	Mark
15	**Use the information above to analyse how Petra might react to her economic and social trends.** 	**6**

Level	Descriptor	Marks
3	Uses the information to analyse factor(s) affecting Petra's reaction to economic and social trends	6–5
2	Explains the relevance of the information to reacting to social and economic trends	4–3
1	Demonstrates generic understanding of how businesses can react to economic and social trends	2–1

Possible responses include:

Analysis (level 3):
- Petra wants to increase her profits which means she will have to increase sales and/or reduce costs – given the economic trends, sales increase looks possible without doing anything, yet she might also be able to increase her prices and/or offer more 'up-market' food/service etc
- The social trends back this up, but also argues against cutting costs ie Petra needs to use environmentally/ethically friendly ingredients and avoid cheaper ingredients – this would only be of benefit to Petra if she advertised or made a point of this in her menus etc
- Petra could go more 'up-market' – use better quality ('friendly') ingredients, promote this and charge higher prices.

Application (level 2):
- Aims to increase profit, to reverse the decline, so needs to look at how the trends might impact on costs and sales
- Economic trends: higher growth and employment rising, leading to higher demand for luxuries – this is relevant to Petra as it means that she has an opportunity to increase sales given that going out to a restaurant might be considered a luxury
- Social trends: the greater certainty about future incomes means that consumers might be more affected by environmental and ethical concerns – this is relevant to Petra as she might have to avoid using cheaper ingredients to be environmentally/ethically friendly

Knowledge (level 1):
- Economic and social trends can affect business costs (eg inflation) and sales (eg increasing living standards)
- Businesses can react to economic and social trends through changes in marketing (eg price, product and place) and operations (eg staffing and capacity)
- Businesses react to achieve their aims eg increase sales by cutting prices

Question	Guidance	Mark

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

Level	Descriptor	Marks
3	Uses the information to analyse factor(s) supporting the Ltd option	6–5
2	Explains the relevance of the information to altering the business's form of ownership	4–3
1	Demonstrates generic understanding of why a business might alter its form of ownership	2–1

Possible responses include:

Analysis (level 3)

- Partnership might not be welcomed in terms of adding ideas/sharing decision making and, for example, whilst three partners in total would reduce personal liability to £200 000, it's still a sizeable risk
- Ltd – this would remove personal liability and would also allow Ken to continue to expand by issuing more shares in the future or become a PLC perhaps more easily; whilst it may well not be easy to issue £600 000 of shares, it does minimise the risk

Application (level 2)

- Rising demand – Ken's decision to invest implies that he thinks this trend will continue and he needs funds to purchase the new printers
- Partnership – this form of ownership alters decision making (maybe business vision), opens new sources of finance for the £600 000 and shares the risk of this funding
- Ltd – raise the finance by issuing £600 000 of shares, but not listed; this introduces limited liability (minimises risk) but, like partnership, alters decision making (and potentially the business vision)

Knowledge (level 1)

- Form of ownership – in addition to sole trader, partnership and Ltd, includes PLC and not-for-profit forms such as cooperative and CIC
- Alter form of ownership – change in business vision (eg to not-for-profit and a CIC), change in decision making (eg to move from PLC to Ltd to gain greater control), requirement for significant additional funding (eg from Ltd to PLC), consideration of risk (eg from sole trader to Ltd)

Question **16** — Mark **6**

Question	Guidance	Mark

| 17 | **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** |

Level	Descriptor	Marks
5	Uses **Item A** to develop a balanced analytical response. Analyses **significance** of factor(s) affecting the benefits of segmentation for a car manufacturer in the EU market. Evaluation of dependence supported by analysis.	15–13
4	Uses **Item A** to develop an analytical response. Analyses factor(s) affecting the benefits of segmentation for a car manufacturer in the EU market. Judgement of dependence supported by analysis.	12–10
3	Uses **Item A** to develop an explanatory response. Explains how segmentation and/or other factor(s) could benefit a car manufacturer in the EU market. Judgment supported by explanation.	9–7
2	Uses **Item A** to support the response. Describes segmentation and/or other factor(s) affecting success in the EU market for cars	6–4
1	Demonstrates generic understanding of segmentation and/or other factor(s) affecting success	3–1

Example responses:

Analysis, judgement and evaluation (L4 and L5):
- Volkswagen would seem to have managed this but must have some competitive advantage over other manufacturers as it has 'multiple brands' meeting 'a wide range' of needs – if it didn't make 'better cars' then this segmentation wouldn't have helped and it might have ended up like GM ie failing and being bought out!
- Each of the car manufacturers would need to understand what it does best – the alliance between Renault and Nissan might be about this – and then target the right consumers in an effective way. BMW and Daimler appear to have done this and you might argue that segmentation was the 'main' reason they are successful
- Whilst competitive rivalry might be thought of as secondary to segmentation, if you are a challenger or follower (eg PSA and Hyundai) it might make difficult to define and access market segments. PSA's acquisition of GM shows that position and rivalry are still important
- Overall, segmentation is only as useful as the ability of the car manufacturer to exploit the opportunities it presents eg being the leader, or finding a niche, helps a manufacturer to do this. Perhaps equally important is the ability to identify and gain a competitive advantage – controlling costs and developing

products may well have been the reasons why Renault and Nissan formed their alliance.

Explanation and judgement (L3):
- Segmentation
  - lifestyle – helps BMW and Daimler to access high value target markets and gain high revenues which should help both businesses to make profits and succeed
  - benefits – Volkswagen can cover most of the entire market by focussing on benefits, so if it has a car for 'everyone' its stands a good chance to sell quite a few cars (as shown by the table where it sells twice as much as most of its competitors); more cars sold means more revenue and a greater chance of success
- Competitive position and rivalry
  - Volkswagen would seem to be in the strongest position as it seems to be the leader and has several brands which might help it to deal with rivals by having some ability to control the market and ensure revenues (hence success)
  - BMW/Daimler might have a niche market and can control prices much better than the other manufacturers – high price meaning high profits
  - PSA gained more control through an acquisition which could help to increase sales and keep costs down, so supporting profit and success
  - Renault-Nissan alliance possibly made to reduce rivalry, making it slightly easier for each manufacturer to plan
- Competitive advantage
  - Renault-Nissan alliance could help each manufacturer develop cars that have a cost and/or benefits advantage over their competitors, resulting in higher sales/profits and success

Description (L2):
- Segmentation
  - lifestyle – used by BMW and Daimler where these manufacturers have identified common activities (business executives)
  - benefits – Volkswagen targeting a range of benefit segments eg from those consumers who want a basic car (value-for money) to consumers with high-involvement in the product (high performance)
- Other factors
  - competitive position – table gives a basic idea of Volkswagen being the market leader and item also indicates that BMW/Daimler are, perhaps, nichers; status of other manufacturers either challengers or followers
  - competitive rivalry – item indicates that competition is intense and extensive (including Rest of the World); table indicates several competitors
  - competitive advantage – cost control stated as being important and differentiation a factor through focus on 'developing cars to meet consumer needs'; Renault-Nissan alliance about sharing innovations and focussing on expertise

Understanding (L1):
- Methods of segmentation include:
  - geographic – by consumer location
  - demographic – by consumer age, life cycle stage, gender, income, ethnicity
  - behavioural – by patterns of responses to, and use of, a product by consumers

14	○ lifestyle – eg by activities, opinions and interests of consumers ○ benefits – by the benefits consumers seek from using a product - Other factors affecting success: ○ competitive position – leader, challenger, follower and nicher ○ competitive rivalry – how intense the competition is ○ competitive advantage – costs/differentiation - These factors affect success through impact on sales and costs eg target a high-income group segment and gain a high revenue, large profit and success.	

Question	Guidance	Mark

18	**To what extent do you think that Volkswagen's response to its opportunities and threats was suitable? Use Item B to justify you answer.**		**15**

	Level	Descriptor	Marks
	5	Uses **Item B** to develop a balanced analytical response. Analyses the factors affecting the suitability of Volkswagen's response to its opportunities **AND** threats within the EU market for electric cars Evaluation of suitability supported by analysis.	15–13
	4	Uses **Item B** to develop an analytical response. Analyses the factors affecting the suitability of Volkswagen's response to its opportunities **or** threats within the EU market for electric cars Judgement of suitability supported by analysis.	12–10
	3	Uses **Item B** to develop an explanatory response. Explains an advantage/disadvantage of Volkswagen's response to an opportunity **or** threat within the EU market for electric cars Judgment of suitability supported by explanation.	9–7
	2	Uses **Item B** to support the response. Describes Volkswagen's response to its opportunities **or** threats.	6–4
	1	Demonstrates generic understanding of how businesses respond to opportunities **or** threats.	3–1

Example responses:

Analysis, judgment and evaluation (L4 and L5)

- Electric cars
  - Undoubtedly a significant opportunity and one that simply can't be ignored – certainly long term, having to wait until 2030 for the market to develop significantly, yet it may be 'the only market' by 2040. As such, Volkswagen perhaps has little alternative than to saturate the market with new electric models as quickly as possible. It is not the market leader, so has some catching up to do!
  - However, perhaps 'blasting' the market with new models is not the best approach – Renault-Nissan and Tesla might have a higher market share for a reason eg their models are meeting the needs in more effective ways than Volkswagen's 2016/17 electric cars? The response will only be effective, exploiting the market opportunity, if considerable thought has gone into product development.
- Batteries
  - Tesla apparently has the lead here – its batteries have a range up to 630 km in 2017, not after 8 years and €50 billion investment! Tesla's 'wonder

battery' comes at a considerable price to the customer (almost ridiculous £80 000!), but perhaps it has the 'luxury' electric car market tied up? Consequently, Volkswagen has little alternative than to throw as much money as possible at the 'battery problem'. Consumers basically want longer lasting and less expensive batteries – Volkswagen needs to give them what they want!
- o However, **when** it finally gets to produce inexpensive batteries with a range of 1000 km is a different matter. Renault-Nissan might achieve significant improvements before Volkswagen – it was, after all, a significant market leader in 2016 and that might mean that it too is busy developing better batteries!

- Overall, everything probably comes down to battery technology. Each car manufacturer has their loyal customers and if they keep them in mind when developing new cars, it will be price and range that counts. Throwing €50 billion at the battery problem and saturating the market with new models might seem a little 'blunt', but it's probably the best way to overcome the reasons why consumers don't like electric cars.

Explanation and judgement (L3)
- Electric cars
  - o Advantage – acting well before the intended bans eg 5 years before the earliest ban (Norway) with the 2020 launch of the VW ID. This could help Volkswagen to improve its existing 3rd place in the market
  - o Advantage – the VW ID has a 'reasonable' price of £22 000 (not much more than the 2017 petrol Golf), so should sell well
  - o Disadvantage – VW ID still has a low range of 400 km when people might expect 600 km and Tesla can already manage this (at a price!)
  - o Disadvantage – maybe Volkswagen is acting too quickly as the bans are a long way off and the market might not be significant until after 2030?
- Batteries
  - o Advantage – could turn a potential threat (poor battery range and high cost?) into an opportunity by investing a significant amount into battery development/production (€50 billion seems like a huge investment!)
  - o Advantage – gets the cost down and the range up so should make Volkswagen's models better eg maybe improve the range of the VW ID?
  - o Disadvantage – nothing guaranteed – 'intention' and 'possibly' mentioned in the item, so the investment might be a failure and not result in better batteries eg perhaps Tesla will continue to be better than Volkswagen?

Description (L2)

- Electric cars
  - o 50 new electric car models across the existing range is a response to the opportunities created by the ban on petrol and diesel cars
  - o Using Ansoff product development and would seem like a S-O response
- Batteries
  - o Investment in battery development and production is a response to the threat that other businesses currently sell cars that have a longer range eg Tesla
  - o Using Porter's cost leadership eg getting battery prices down
  - o Could be a W-T response – got to get better at making batteries!

Understanding (L1):
- Opportunities are external to the business and represent possible ways in which the business could increase sales/profits eg new consumer trends
- Threats are external to the business and represent possible ways in which the business might lose sales/profits eg competitor innovations
- Businesses can use several strategies to deal with opportunities and threats:
    - Ansoff's competitive strategies
    - Porter's generic strategies
    - S-O, W-O, S-T and W-T responses based on SWOT matrix.

Assessment outcomes coverage

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

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
Totals	**24**	**26**	**30**	**80**