



Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2012**

Business Studies

Assessment Unit AS 1

assessing

The Competitive Business

[AT111]

THURSDAY 14 JUNE, AFTERNOON

**MARK
SCHEME**

- 1 (a) Explain what is meant by the promotion element of the marketing mix, using an example from the case study to illustrate your answer.

The promotion element of the marketing mix refers to the ways in which an organisation attempts to draw consumers' attention to a product. Promotion may be above-the-line or below-the-line.

Nintendo has succeeded in building up a strong brand name using a wide range of innovative products, produced to the highest quality. Nintendo advertises its products regularly and has also lined up a number of celebrities who will appear in advertisements over Christmas.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of promotion.	[2] Candidate applies knowledge effectively.
Level 1	[1] Candidate demonstrates some understanding of promotion.	[1] Candidate attempts to apply knowledge.
Level 0	[0] Candidate demonstrates no understanding of promotion.	[0] Candidate does not attempt to apply knowledge.

[4]

- (b) Outline what is meant by the term product life cycle, using an example from the case study to illustrate your answer.

The product life cycle charts the stages that a product will typically go through over its lifespan and measures the sales it is likely to have. The stages are development, introduction, growth, maturity and decline. It is not necessary for candidates to draw a product life cycle.

The Nintendo DS and the Wii were originally aimed at young audiences with games such as Super Mario Bros and Wii Sports. Having passed through the maturity stage of their life cycle these products were then also targeted at elderly consumers using a number of brain training and fitness games. This started another rise in sales.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of the product life cycle.	[2] Candidate applies knowledge effectively.
Level 1	[1] Candidate demonstrates some understanding of the product life cycle.	[1] Candidate attempts to apply knowledge.
Level 0	[0] Candidate demonstrates no understanding of the product life cycle.	[0] Candidate does not attempt to apply knowledge.

[4]

- (c) Analyse the main factors that Nintendo may have considered when deciding how much to spend on promotional activities over the Christmas period.

There are a number of factors that Nintendo may have considered when deciding how much to spend on promotional activities over the Christmas period. These include:

- sales revenue over the last year. Nintendo cannot spend money it does not have
- whether Nintendo has lost or gained market share against its competitors
- the impact of the recession on Nintendo. It may not be able to justify spending much if it is unlikely to get much return
- the amount that its competitors are also spending on promotion
- the importance of the Christmas period to the overall yearly sales
- spending heavily on promotion over that period
- the current cash flow position of Nintendo
- choice of promotion method
- size of overall marketing budget
- stage of product life cycle.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO2 Analysis [4]
Level 2	[2] Candidate demonstrates good understanding of factors that Nintendo may have considered when deciding how much to spend on promotional activities. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[4]–[3] Good analysis of factors that Nintendo may have considered when deciding how much to spend on promotional activities.
Level 1	[1] Candidate demonstrates some understanding of factors that Nintendo may have considered when deciding how much to spend on promotional activities. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[2]–[1] Limited analysis of factors that Nintendo may have considered when deciding how much to spend on promotional activities.
Level 0	[0] Candidate demonstrates no understanding of factors that Nintendo may have considered when deciding how much to spend on promotional activities.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of factors that Nintendo may have considered when deciding how much to spend on promotional activities.

[8]

- (d) Discuss Nintendo's strategy of targeting a niche market such as elderly consumers.

Nintendo has begun a strategy of targeting elderly consumers using a number of brain training and fitness games.

The advantages of following such a strategy might include:

- there are few, if any, competitors in this segment so Nintendo is likely to gain market share quickly
- this is a fast growing segment, as medical advance mean that people are living much longer
- many customers in this segment may have high disposable incomes
- Nintendo may be able to use a skimming price strategy
- serving this segment will enhance Nintendo's corporate image
- allows Nintendo to know and meet specific customer needs
- may increase sales for Nintendo.

The disadvantages of following such a strategy might include:

- it is risky as elderly customers may not buy sufficient products
- it will require considerable expenditure on promotional activities
- competitors may be able to respond quickly with improved products
- it may harm Nintendo's brand image amongst younger customers
- may mean expensive market research
- niche market may be too small.

As part of their discussion, candidates should consider both positive and negative aspects of targeting the elderly segment and come to a final judgement.

Candidates are expected to evaluate throughout their answers.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO2 Analysis [3]
Level 3	[3] Candidate demonstrates very good understanding of Nintendo's strategy of targeting the elderly segment of the market. Candidate makes good use of specialist vocabulary when it is appropriate.		[3] Very good analysis of Nintendo's strategy of targeting the elderly segment of the market.
Level 2	[2] Candidate demonstrates good understanding of Nintendo's strategy of targeting the elderly segment of the market. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[2] Good analysis of Nintendo's strategy of targeting the elderly segment of the market.
Level 1	[1] Candidate demonstrates some understanding of Nintendo's strategy of targeting the elderly segment of the market. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[1] Limited analysis of Nintendo's strategy of targeting the elderly segment of the market.
Level 0	[0] Candidate demonstrates no understanding of Nintendo's strategy of targeting the elderly segment of the market.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of Nintendo's strategy of targeting the elderly segment of the market.

	AO4 Evaluation [4]
Level 3	[4] Candidate gives a full evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
Level 2	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
Level 1	[1] Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
Level 0	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

- (e) Evaluate whether an organisation such as Nintendo should try to prolong a product's life cycle.

Extension strategies are methods used to prolong the life cycle of a product by preventing it, or delaying it from reaching the decline stage of its product life cycle. Extension strategies involve altering one or more elements of the marketing mix. For example, bringing out an improved games console, making a wider variety of games available, changing the pricing strategy or changing the way that the product is promoted/advertised.

The advantages to Nintendo of trying to prolong the life cycle of one of its products might include:

- the company may target a completely new market segment which is a considerable size. For example, elderly consumers with its Nintendo DS
- the increased costs of prolonging a life cycle might not be as high as developing an entirely new games console
- may bring in extra sales revenue/profits for many years
- less risk involved than with new products as the product has already been proven to be popular
- Nintendo has experienced success with extending product life cycles in the past
- Nintendo can maintain customer loyalty throughout a person's life.

The disadvantages to Nintendo of trying to prolong the life cycle of one of its products might include:

- the product may have now reached the end of its life cycle so trying to prolong the cycle further is pointless
- it might be very expensive for Nintendo to change elements of the marketing mix, such as a new promotion campaign
- such a focus on prolonging life cycles may prevent Nintendo from developing new products
- it is difficult to get the timing right about when to intervene in the life cycle of a product. Revenue may be lost if prices are lowered too early
- may fall behind competitors who bring out new products.

As part of their discussion, candidates should consider both advantages and disadvantages and come to a final judgement.

Candidates are expected to evaluate throughout their answers.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]
Level 3	[3] Candidate demonstrates very good understanding of the advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.		[3] Very good analysis of arguments.
Level 2	[2] Candidate demonstrates good understanding of the advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[2] Good analysis of arguments.
Level 1	[1] Candidate demonstrates some understanding of the advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[1] Limited analysis of arguments.
Level 0	[0] Candidate demonstrates no understanding of the advantages and disadvantages.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of arguments.

	AO4 Evaluation [4]
Level 3	[4] Candidate gives a full evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
Level 2	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
Level 1	[1] Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
Level 0	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

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- 2 (a) Explain what is meant by quality using an example from the case study to illustrate your answer.

Quality is a measure of excellence or the extent to which something is fit for its purpose. It includes aspects such as design, reliability, safety, durability, usability, after sales service and customer care.

Ikea produces flatpack furniture which meets customer needs by being sold at a lower price than furniture which is already built. Customers are likely to assess its quality by facilities available in stores, how stylish and functional the furniture designs are, how easily the furniture is to assemble and how durable it is when assembled.

Martin Hansson, Ikea UK and Ireland Country Manager, refers to customers being more conscious of price but not wanting to compromise on quality, design or good service.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of quality.	[2] Candidate applies knowledge effectively.
Level 1	[1] Candidate demonstrates some understanding of quality.	[1] Candidate attempts to apply knowledge.
Level 0	[0] Candidate demonstrates no understanding of quality.	[0] Candidate does not attempt to apply knowledge.

[4]

- (b) Explain what is meant by the physical environment element of the marketing mix using an example from the case study to illustrate your answer.

The physical environment element of the marketing mix refers to the design and layout of the premises in which the product is sold. This is seen as being important in determining whether or not a sale is made.

Ikea recognises the importance of the physical environment and seek to ensure that all its stores have good facilities. Examples from the case study might include yellow and blue branding of stores, ample car parking facilities, disabled access and in-store cafeterias.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of the physical environment element.	[2] Candidate applies knowledge effectively.
Level 1	[1] Candidate demonstrates some understanding of the physical environment element.	[1] Candidate attempts to apply knowledge.
Level 0	[0] Candidate demonstrates no understanding of the physical environment element.	[0] Candidate does not attempt to apply knowledge.

[4]

(c) Analyse why Ikea might want to further increase its market share.

Ikea constantly monitors its market share. Over time it would be aiming to increase this market share. The reasons for this might include:

- it will lead to an increase in profits for Ikea. A larger market share means that more sales have been made to generate profits.
- Ikea will know that the business strategies that it is following have been successful if it is doing relatively better than its competitors.
- shareholders will want to see a return on their investment and increasing market share indicates that Ikea is performing well
- Ikea will be less likely to fail as a business if it has a larger market share
- a larger market share gives Ikea a stronger position when negotiating with suppliers and financial institutions
- improves brand image
- gives strong market position
- eliminates competition.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO2 Analysis [4]
Level 2	[2] Candidate demonstrates good knowledge and understanding of the importance of why Ikea might want to increase market share. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[4]–[3] Good analysis of the importance of why Ikea might want to increase market share.
Level 1	[1] Candidate demonstrates some knowledge and understanding of the importance of why Ikea might want to increase market share. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[2]–[1] Limited analysis of the importance of why Ikea might want to increase market share.
Level 0	[0] Candidate demonstrates no knowledge and understanding of the importance of why Ikea might want to increase market share.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of the importance of why Ikea might want to increase market share.

[8]

- (d) Discuss the advantages and disadvantages to a business such as Ikea of operating as a private limited company.

Ikea Ltd. operates as a private limited company. This means that it is incorporated and therefore is a separate legal entity from its owners. Shareholders liability is limited.

The advantages to Ikea Ltd. of operating as a private limited company might include:

- easier to raise capital than a sole trader or partnership. There is no limit on the number of shareholders so Ikea will find it easier to expand
- shareholders have limited liability. This limits their risk to whatever is invested in the company
- outsiders cannot purchase shares in a private limited company so the charitable foundation that owns Ikea can retain control
- continuity of existence. The limited company has a separate legal existence from that of its owners.

The disadvantages to Ikea Ltd. of operating as a private limited company might include:

- accounts have to be filed with the Registrar of Companies and are then open to the public for inspection so Ikea Ltd. cannot keep information from competitors
- Ikea is still limited in the capital it can raise since shares cannot be sold to the general public as in a public limited company
- profits have to be shared.

As part of their discussion, candidates should consider both positive and negative aspects and come to a final judgement.

Candidates are expected to evaluate throughout their answer.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO2 Analysis [3]
Level 3	[3] Candidate demonstrates very good understanding of the arguments for and against the issues related to a business such as Ikea of operating as a private limited company. Candidate makes good use of specialist vocabulary when it is appropriate.		[3] Very good analysis of arguments of the issues related to a business such as Ikea of operating as a private limited company.
Level 2	[2] Candidate demonstrates good understanding of the arguments for and against the issues related to a business such as Ikea of operating as a private limited company. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[2] Good analysis of arguments of the issues related to a business such as Ikea of operating as a private limited company.
Level 1	[1] Candidate demonstrates some understanding of the arguments for and against the issues related to a business such as Ikea of operating as a private limited company. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[1] Limited analysis of arguments of the issues related to a business such as Ikea of operating as a private limited company.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO2 Analysis [3]
Level 0	[0] Candidate demonstrates no understanding of the arguments for and against the issues related to a business such as Ikea of operating as a private limited company.	[0] Candidate does not apply knowledge.	[0] No analysis of arguments of the issues related to a business such as Ikea of operating as a private limited company.

	AO4 Evaluation [4]
Level 3	[4] Candidate gives a full evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
Level 2	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
Level 1	[1] Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
Level 0	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

- (e) Evaluate one approach by which Ikea might achieve competitive advantage in the home furnishing market.

Candidates should consider **one** way by which Ikea might achieve competitive advantage in its market.

For example, by cost advantage or differentiation advantage.

The advantages to Ikea of using cost advantage might include:

- can gain significantly from economies of scale that other competitors might not have access to
- likely to be a popular and effective strategy in recession
- smaller companies simply cannot compete on cost so their market share is there for the taking.

The disadvantages to Ikea of using cost advantage might include:

- profits may be reduced if prices are also lowered
- product quality may be compromised if costs are reduced too much
- can lead to greatly increased competition in the market as all firms strive to cut costs.

The advantages to Ikea of using differentiation advantage might include:

- already has a strong brand image with distinctive colours so easy to build on existing brand loyalty
- recognised as meeting the needs of a specific market segment so difficult for competitors to enter market and compete successfully
- may not require much additional expenditure or price cutting for Ikea to achieve
- can allow Ikea to charge a higher price as customers view products as superior quality
- makes it easier for Ikea to launch new products with unique selling points.

The disadvantages to Ikea of using differentiation advantage might include:

- customers in this home furnishing segment may be much more interested in product pricing so it may not be worthwhile to try to achieve differentiation advantage
- may be difficult or expensive to achieve due to a high level of competition in the market
- may require a longer period of time to achieve than other methods such as cost advantage.

Other methods of achieving competitive advantage worthy of credit might include:

- use of technology
- unique selling point
- brand image

- economies of scale
- economies of experience
- product quality.

As part of their discussion, candidates should consider both positive and negative aspects of the methods and come to a final judgement.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO2 Analysis [3]
Level 3	[3] Candidate demonstrates very good understanding of advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.		[3] Very good analysis of arguments.
Level 2	[2] Candidate demonstrates good understanding of advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[2] Good analysis of arguments.
Level 1	[1] Candidate demonstrates some understanding of advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[1] Limited analysis of arguments.
Level 0	[0] Candidate demonstrates no understanding of advantages and disadvantages.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of arguments.

	AO4 Evaluation [4]
Level 3	[4] Candidate gives a full evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
Level 2	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
Level 1	[1] Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
Level 0	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

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MARKS

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