

Marketing mix and strategy

Level: Pearson Edexcel Level 3 Advanced GCE

Subject: Business (9BS0)

Exam Board: Edexcel A level Business students for all boards

Topic: Marketing mix and strategy

Type: Mark Scheme

To be used by all students preparing for Pearson Edexcel Level 3
Advanced GCE Business (9BS0)



Mark Scheme

Q1.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none">Marketing strategies form part of corporate planning and are methods used by businesses to meet marketing objectives, such as increase consumer demand, sales or market shareThe Frankfurt motor show is seen as an opportunity used by car companies like JLR to make retailers and consumers aware of/learn more about new car modelsThis should encourage advanced sales from dealers/retailers/other businesses (for fleets) to give the car manufacturer like JLR a competitive/first mover advantageMotor shows are highly publicised and well attended which should therefore enable more sales to be achieved for new models of car <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none">They are only a short term method of below the line marketing/promotion which help to introduce product sales rather than maintain themCan be very expensive for car manufacturers to attend as they might involve high shipping costs, high exhibition costs, cause damage to the car exhibits.Might enable 'industrial espionage' which may mean that by the time the car is available for sale it may have been 'copied' by a car manufacturer in another country	<p>(8)</p>



EXAM PAPERS PRACTICE

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3-5	Accurate knowledge and understanding Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effects(s) but may be assertions or incomplete. An attempt at an assessment is presented, that is unbalanced and unlikely to show the significance of competing arguments.
Level 3	6-8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement.



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Q2.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none">• Selling online means that tickets are purchased electronically via a website or application• Selling online means that the costs of distributing airline tickets to customers are reduced to virtually zero• This reduces Spirit's costs of operation and allows them either to reduce fares charged to customers for airline tickets, or increase their profit margins if ticket prices remain the same• It is quicker and easier for Spirit customers to book online as they can do this from home at any time of the day/night which might increase its sales volume• Customers may be attracted because they are able to track price changes for tickets to achieve the best price which might increase Spirit's sales volume• As Spirit's customers and potential customers are less likely to expect the additional customer service that might be expected by using ticket agents or selling airline tickets via call centres, operating costs should be lower.	



Potential counterbalance

- Customers do not gain the customer service that a ticket agent can offer, such as explaining additional costs in the ticket price, which may reduce sales
- Spirit needs to have effective back-office support to ensure that their online booking service is reliable and secure for passengers – there is no alternative method of purchase. If it does not then sales will not be possible
- Not all potential customers are able, or are comfortable with, using the internet to pay for airline tickets and might feel happier dealing with an agent. This could lead to reduced sales from this market segment.

Potential judgement

- Low-cost airlines such as Spirit rely on reducing their operating costs to a minimum so that savings can be passed on to the customer in lower fares. Online ticket sales is one of the simplest and most reliable ways of doing this and most customers, when booking tickets for these airlines, would expect to use this method
- Faceless online booking systems that can add additional charges, such as for luggage or insurance, can be part of the reasons low-cost airlines, such as Spirit, gain poor reputations for customer service. This may limit potential customer numbers and market growth for a business, such as Spirit.

(10)



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Level 2	3-4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5-6	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behavior/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information though unlikely to show the significance of competing arguments.
Level 4	7-10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behavior/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement.



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Q3.

Question Number	Indicative content	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2, Evaluation 3</p> <ul style="list-style-type: none">• Advertising is paid for communication, used by a business to raise customer awareness of its products, services and brands.• Advertising locally via leaflets saves Jack’s money as there are lower production and distribution costs compared to advertising nationally via media such as TV or national papers.• Advertising locally, with offers tailored to the local community is likely to be more effective as it should meet the needs of its customers, for example local tastes and trends in food and drinks.	



Potential counterbalance

- Advertising via leaflets might not be particularly effective as they are easily ignored and therefore do not last in customers' memories.
- Leaflets might be promoting groceries customers aren't interested in, while some of them are selling things they would not buy; they are difficult to target.

Potential judgement

- For a business trying to keep its costs to a minimum, a low-cost advertising technique seems sensible.
- For a new brand and concept for Tesco, this type of advertising may not attract enough customers to the new Jack's store.
- Jack's could advertise locally via other media, such as billboards, as used by Aldi and Lidl, instead of leaflets.

(10)



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Q4.



EXAM PAPERS PRACTICE

Question Number	Indicative content	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none">• Distribution is concerned with getting products to the right place for customers and at the right time <p style="text-align: center;">Distribution is important</p> <ul style="list-style-type: none">• Distribution gives customers choice, for example buying directly from the manufacturer, or through an intermediary such as an authorised stockist• Retailers attempt to tempt customers to purchase, using in-store offers such as champagne at launch events• Rolex might need to use a range of channels to compete with other luxury watch brands, that have been expanding rapidly into online sales <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• Distribution is less important than product design in the marketing mix. Rolex is associated with quality and it is suggested that customers feel the purchase itself is a big enough experience, without additional efforts to attract them in store• Distribution is less important than brand reputation (promotion) for Rolex. It and its founder have built this image of precision and luxury, so as long as customers continue to trust this, sales will continue• Distribution is less important than price, as the high price of Rolex watches suggests high quality to its customers	



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	<p><i>Potential judgement</i></p> <ul style="list-style-type: none">• The luxury watch market is competitive, with Omega and Tiffany offering online sales and authorized watch dealers also using this channel. Rolex may need to focus on these channels in order to succeed in the future.• Rolex has built a reputation for quality and luxury over 140 years. Customers who relate to the brand and reputation will find a way to purchase this product, being more concerned with the status and exclusivity. Therefore, distribution is of limited importance.	(12)
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Market	Rolex focuses on quality and individual design, therefore it does not require additional share capital from being a PLC
Objectives	It aims to maintain its position in the market, while being owned by the Wilsdorf Foundation.
Products/ services	The luxury watch market is changing, particularly with online sales growing and allowing discounters to access customers. Omega and other competitors have developed products that compete with Rolex and require capital to develop.
Situation	Rolex has moved on since Hans Wilsdorf's death in 1960. This may be a good point to reconsider its ownership situation, so becoming a PLC may be the best decision.



Q5.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none">• A dog in the Boston Matrix is a product that has a low share of a low growth market• Including 'dogs' such as Traffic Light lollies in the product portfolio attracts some customers to purchase Bon Bon's products, which could lead to additional sales of other products• Dogs such as Traffic Light lollies do not need an increase in marketing. Their low sales can be accepted, and Bon Bon's could focus on other sweets such as Candy Necklaces <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• Traffic Light lollies may still require increased marketing, possibly in the form of sales promotions or discounts in order to boost sales• Continuing to package and sell Traffic Light lollies could divert valuable funds away from a growing market segment such as 'better-for-you' sweets (problem child) potentially having a lower market share than Bon Bon's might otherwise have <p><i>Potential judgement</i></p> <ul style="list-style-type: none">• Traffic Light lollies, despite poor sales in a low growth market, might still provide an important part of Bon Bon's product portfolio and so provide cash inflow from sales. This is particularly true if they are a prominent part of the 'old sweet shop' image of the retail spaces in which they are sold• Bon Bon's are much better to focus on growing markets such as sugar free sweets, as these might be the problem child of their portfolio. They could provide greater cash inflows from sales, and the marketing required to raise awareness of these products would be justified.	<p>(12)</p>



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Q6.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <p>Marks for application and analysis include up to 2 marks for quantitative skills</p> <p>Quantitative skills assessed:</p> <p>QS2: calculate, use and understand percentages and percentages changes</p> <p>QS8: use and interpret quantitative and non-quantitative information in order to make decisions</p> <ul style="list-style-type: none">• Branding is about creating an image or name that gives a product an identity which is recognizable and positive. The more product branding, the greater the probability of sales.• It therefore aids promotion and helps in creating, maintaining and increasing sales <p>Benefits:</p> <ul style="list-style-type: none">• The product branding in the table shows that for example Mars UK Ltd can achieve a greater number of sales in a market by having more products – in 6 out of 10 highest positions amounting to £198.9m in 2015, 64% of the top 10 added together, stronger than in 2014 when the same bars achieved £190.8m out of £308m - 62%• Having a well known product brand could be transferable to other products, such as Mars milkshakes, which can increase sales further Or enable higher prices to be charged as consumers will come to trust the quality of the product (PED is relatively price inelastic)	



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	<p><i>Possible counter-balance</i></p> <ul style="list-style-type: none">• Branding can be expensive because of the need to develop new products, change production processes, packaging, advertising and marketing for such products as Mars bars.• Branding can also be negative if a single product suffers a problem such as food poisoning, the reputation of businesses may suffer and also the sales of its product range	(8)
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Q7.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none">• Cost-plus, competitive, skimming, psychological• Factors which determine pricing strategy choice include PED, USPs, differentiation, competition, brand strength, stage of product life cycle, costs and the need to make a profit <p>Suitable for Northfield Cycles:</p> <ul style="list-style-type: none">• Competitive pricing so that they can compete with rivals like Action Bikes in order to retain or gain new customers• As Northfield Cycles stocks and sells well known branded cycles like Giant, then they may be able to charge skimming prices as new bikes are launched every year to take advantage of those on high incomes and with a passion for cycling who want the 'latest' model at over £1100• Cost plus pricing could be used as it takes into account the need to cover costs, which would probably make the bikes more affordable for those on low incomes, whilst still ensuring a profit for Richard who has low overheads <p><i>Possible counter-balance</i></p> <ul style="list-style-type: none">• But Action Bikes is now closed so competition is less of a consideration• High performance, Giant branded cycles might only form a small fraction of NC's total sales, so using this to determine a price skimming policy would not be an appropriate strategy for use with most local customers who may be on low incomes• Unemployment levels may not be high any longer. That, coupled with the various UK Govt schemes, might mean that thinking about costs or PED may not be as appropriate to determine the price strategy	<p>(8)</p>



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Q8.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS2: calculate, use and understand percentages and percentage changes QS9: interpret, apply and analyse information in written, graphical and numerical forms</p> <p>Knowledge: 1 mark for</p> <ul style="list-style-type: none">• unit cost = $\\$348 + \\$18 + \\$6 = \\372 <p>Application: up to 3 marks for</p> <ul style="list-style-type: none">• calculate mark-up = $\\$372 \times 1.042 = \\387.62• convert US retail price to UK £ = $387.62 / 1.68$• UK retail price = £231 <p>Or</p> <p>Knowledge: 1 mark for</p> <ul style="list-style-type: none">• unit cost = $\\$348 + \\$18 + \\$6 = \\372 <p>Application: up to 3 marks for</p> <ul style="list-style-type: none">• convert US retail price to UK £ = $372/1.68 = £221.43$• apply mark up of 4.2%• UK retail price = £231 <p>NB: if answer given is £231 award 4 marks.</p>	(4)



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Q9.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge: 1 mark for understanding what is meant by niche market, e.g.</p> <ul style="list-style-type: none">• it is a small, specialised market segment. <p>Application: up to 2 marks for contextualised examples, e.g.</p> <ul style="list-style-type: none">• lack of economies of scale in the purchase of silk and British Shetland wool• the number of customers for £80 000 beds may be too few. <p>Analysis: 1 mark for developing a disadvantage of operating in a niche market, e.g.</p> <ul style="list-style-type: none">• resulting in higher unit costs• therefore each bed will require a high profit margin.	(4)



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Q10.

Question Number	Indicative content	Mark
	<p data-bbox="443 472 1254 510">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <ul data-bbox="373 557 1342 640" style="list-style-type: none"><li data-bbox="373 557 1342 640">• An extension strategy is aimed at preventing the decline stage of a product/service's sales in the medium-to-long term <p data-bbox="323 685 456 723">Option 1</p> <ul data-bbox="373 730 1358 1364" style="list-style-type: none"><li data-bbox="373 730 1358 853">• Spotify's development of new video experiences may add further customers to their service, as sales of pure streaming reaches the maturity phase<li data-bbox="373 860 1358 1021">• Early adopters for Virtual Reality experiences may have different consumer characteristics, such as higher disposable income and lower price elasticities therefore they are prepared to pay the higher price<li data-bbox="373 1028 1358 1189">• Users in the US and Europe are likely to have better access to technology which may give Spotify more opportunity to add value by linking music streaming to video watching and other experiences<li data-bbox="373 1196 1358 1364">• As an established brand (since 2008), Spotify can focus on its core market and build users, while competitors such as Apple look to create new content. This can reduce costs for Spotify and improve profit margins.	



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Option 2

- New markets may provide more sales growth than could be achieved in established markets where competition from well-known brands such as Amazon and Google is significant
- Only 14% of world digital music revenue comes from Asia, so there is a large number of potential customers that could be attracted to Spotify's existing streaming services
- Mobile network providers are including music streaming services with their price plans, so this provides an opportunity for Spotify to be introduced to a large number of new customers
- However, potential copyright infringements and the price sensitivity of Asian consumers, who have lower disposable income levels, may make increase subscription more difficult for Spotify to achieve

Potential judgement:

- Focusing on existing markets is the least-risky strategy because the Spotify brand is well-known and trusted for new products that might be developed in the future, such as immersive video content
- The rapid growth of new markets such as those in Asia provides a bigger opportunity, this is an example of market development in Ansoff's matrix and suggests despite the higher risk, side-stepping competitors such as Apple and Google who may not be targeting these markets at this time



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Market	The market is growing most quickly in the Asian markets, so this provides the best opportunity for Spotify to expand without the need to change its current approach that has worked in Europe.
Objectives	If is growth, then Asia might be the best focus, however, if profit maximisation is more important, then devising more high margin products for Europe/North America might be the best option.
Products/ services	It is unclear that new technology such as immersive videos will be profitable, so extending the existing business model to Asia might be the least risky approach.
Situation	The imminent stock market flotation might lead Spotify to be more cautious in their growth strategy. Perhaps focusing on one or two countries in the Asia market might help growth that attracts investors.

(20)



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Level 2	5-8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented, but connections between cause(s) and/or consequence(s)/ effect(s) are incomplete. Attempts to address the question. A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behavior or business situation.
Level 3	9-14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behavior/context. Uses developed chains of reasoning, so that cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are well developed. Quantitative or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15-20	Accurate and thorough knowledge and understanding, supported throughout by use of relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendation(s).



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Q11.

Question Number	Indicative content	Mark
	<p data-bbox="400 472 1318 506">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p data-bbox="363 560 512 593">Option 1</p> <ul data-bbox="411 600 1342 1619" style="list-style-type: none"><li data-bbox="411 600 1342 719">• Business to business (B2B) is where a company sells its products to another business e.g. Bon Bon's sells to shops at tourist attractions <li data-bbox="411 772 1342 1021">• Profitability may be improved by Bon Bon's using their existing marketing channels and securing bulk purchases from retailers. These bulk purchases will allow Bon Bon's to gain economies of scale from purchasing from its suppliers and these lower unit costs can help to improve Bon Bon's profitability <li data-bbox="411 1030 1342 1149">• Bon Bon's know the retailers they currently deal with and they can extend this model to securing purchases from other retailers such as department stores <li data-bbox="411 1158 1342 1323">• The new distribution warehouse should help with reliability of deliveries to retail customers, which could lead to an enhanced reputation and new contracts of Bon Bon's ability to supply stock when required <li data-bbox="411 1332 1342 1451">• Bon Bon's packaging in larger quantities may allow greater automation in the warehouse increasing efficiency thereby reducing unit costs <li data-bbox="411 1460 1342 1619">• Selling to customers (B2C) requires Bon Bon's to set up new retail space or other facilities to accept online orders. This could damage profitability by adding to fixed costs in the short-term <p data-bbox="363 1673 512 1706">Option 2</p> <ul data-bbox="411 1713 1342 2045" style="list-style-type: none"><li data-bbox="411 1713 1342 1794">• Business to customer (B2C) is where a company targets to sell its products to individual customers <li data-bbox="411 1848 1342 2045">• Customers often make purchases based on emotional involvement and in response to promotion and branding. A nostalgic, traditional brand such as Bon Bon's could take advantage of this by retailing directly to consumers	



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	<ul style="list-style-type: none"> • The UK sweet market is forecast to grow to £2 734m by 2023, so Bon Bon's could expect to see increased revenue from growing consumer demand for their sweets • Extract B suggests that convenience store sales are important in the sweet market, so there is scope for Bon Bon's to open similar, small-scale outlets • Once the methods of distribution have been decided (via shops or online), the potential profit margins for selling B2C are higher, because there are fewer intermediaries between producer and consumer, taking their share of the profits. <p><i>Potential judgement:</i></p> <ul style="list-style-type: none"> • Bon Bon's are an established B2B company, with a growing reputation. They have just invested in a new distribution centre, so it makes sense to continue to supply their current retail customers. These customers, such as Stonehenge are more likely to buy in bulk, which may allow Bon Bon's to gain economies of scale and improve profitability this way • Bon Bon's becoming a B2C business could be less profitable in the short-term, due to the need to set up distribution networks to get their products to customers. However, in the long-term, selling directly to customers via online could increase sales, and because some of the costs like a new distribution centre have already been accounted for, could raise sales and increase profitability. It depends on the success of the marketing needed to get their brand known to customers. 	(20)
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Market	The market is growing, and there seems to be an opportunity for increased profitability via B2B or B2C. Remaining B2C and supplying current market niches may avoid some of the more powerful international brands such as Nestle.
Objectives	Bon Bon's has already stated that they don't have mass market ambitions, so to be more profitable could be best achieved through continuing B2B sales and reducing costs
Products/ services	Bon Bon's is a niche business focusing on traditional sweets. The internet provides an opportunity for them to sell directly to customers and increase sales this way. They could still remain niche, but increase the range of customers within that niche.
Situation	Bon Bon's invested in a new distribution centre in 2018. This is geared towards supplying existing retailers. Therefore, profitability may be improved through making this centre work as efficiently as possible and driving down average costs.



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Q12.

Question Number	Indicative content	Mark
	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Indicative content</p> <ul style="list-style-type: none">• Competitive pricing is charging what the market will bear, usually following a price leader. Penetration pricing is to set a low price initially and accepting limited short-term profits/losses in order to build market share before switching to a more profitable price.• The partnership between Ryanair and Air Europa might be regarded as a product life cycle extension strategy or classified as market development (Ansoff) <p>Competitive pricing</p> <ul style="list-style-type: none">• If there is strong competition from other airlines in the UK such as Virgin Atlantic, then the price set needs to be comparable as these airlines may have brand loyalty• Ryanair could afford other means of differentiation to make its flights more attractive than rivals such as extra leg room, in-flight hot meals, free transfers, free airport parking which may increase passenger numbers leading to increase in profits• GDP per capita in the US and the UK is much higher than in central and south American countries which may mean competitive prices can be charged to consumers in those countries• Economic growth is positive in the UK, Mexico and the US which may mean consumer incomes are rising so holidays overseas (luxury good) may still increase with competitive pricing	



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Penetration pricing

- UK-based consumers may be used to Ryanair being a market leader in low-cost travel. Therefore they may see this partnership as an opportunity to book long-haul flights to new destinations such as Mexico and Brazil.
- If the Americas market is new to Ryanair, then by setting a lower price than rivals Iberia and Vueling should entice customers to give their flights a try. If satisfied then this should help build the brand/sales further and help to maximise profit
- Ryanair is the largest airline in the worldwide in terms of passenger numbers. Therefore it can achieve economies of scale which enable it to lower costs and offer lower prices than competitors. This means that Ryanair can use penetration pricing and still make a profit.
- GDP per capita is much lower in countries like Cuba and Brazil, in which case penetration pricing may be possible for Ryanair given that they may face lower operating costs e.g. airport ground staff wages, landing fee
- Economic growth is negative in Argentina, Brazil and Cuba which may mean UK consumer purchasing power may be higher so Ryanair long-haul holidays (luxury good) may be encouraged with penetration pricing



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Possible recommendations

- Competitive pricing may lead to higher profits as UK consumers may expect to pay higher prices for long-haul destination in return for a better customer experience e.g. food, entertainment and more leg room
- In the short term penetration pricing may not lead to profits. But in the long term may enable Ryanair to establish itself in the long-haul flights market for UK consumers allowing it to raise prices at a later date to maximise profit.

Examples of possible 'MOPS' recommendations

- Market – The low cost airline market is increasingly highly competitive and therefore faced with competition from companies like Vueling and Iberia it is important to gain a foothold in the market by offering penetration pricing
- Objectives – Maximising revenues and minimising costs determine profitability, so whilst penetration pricing may cause revenues to be lower initially, (assuming price elastic demand) once prices increase any shortfalls in sales revenue from passengers could be compensated for over the longer term
- Product – price competitively and in doing so maintain revenues over the period and instead gain extra customers through non-price factors such as offering better quality seats with extra leg room, better quality in flight meals, better customer service
- Situation – 2016 GDP growth across the less developed economies in Extract H table (Argentina, Brazil, Cuba and Mexico) averages -1.3 which suggests that it is important for Ryanair/Air Europa to price these flights competitively because the economies are not growing and so incomes are not increasing for potential passengers, otherwise sales would suffer on the basis of affordability

(20)



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Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect cause(s) and/or consequence(s)/effect(s).
Level 2	5–8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented, but connections between cause(s) and/or consequence(s)/ effect(s) are incomplete. Attempts to address the question. A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9–14	Accurate knowledge and understanding, supported by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are developed. Quantitative or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15–20	Accurate and thorough knowledge and understanding, supported throughout by use of relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations.



Q13.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for understanding what is meant by price skimming, e.g.</p> <ul style="list-style-type: none">• Setting a high price at the launch of a product, to take advantage of those wanting to be the first people to purchase. <p>Application: up to 2 marks for contextualised example, e.g.</p> <ul style="list-style-type: none">• Pfizer sells healthcare products• Customers will be prepared to pay a high price for new treatments in a new market• Pfizer sell some products that have a cosmetic element. <p>Analysis: 1 mark for developing reason/cause/consequence of price skimming, e.g.</p> <ul style="list-style-type: none">• Price skimming will allow Pfizer to recover the relatively high R&D costs to enable a profit.	(4)



Q14.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Quantitative skills assessed: QS3: Construct and interpret a range of standard graphical forms QS8: Use and interpret quantitative and non-quantitative information in order to make decisions</p> <p>Knowledge/understanding: 1 mark for understanding the product life cycle e.g. is development, introduction, growth, maturity and decline</p> <p>Application: up to 2 marks for e.g.</p> <ul style="list-style-type: none">• 2010 is the development/growth stage• 2019 is the growth/maturity stage• Marketing may focus more on raising awareness of the product in 2010 <p>Analysis: 1 mark for e.g.</p> <ul style="list-style-type: none">• In 2019 marketing may focus on highlighting the difference between your product and competitors that have arrived since the introduction stage.	(4)



Q15.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Knowledge/understanding: 1 mark for understanding what is meant by elements of the design mix:</p> <ul style="list-style-type: none">• At least one of the following: aesthetics; function; economic manufacture <p>Application: up to 2 marks for contextualised answer e.g.</p> <ul style="list-style-type: none">• Function - 31% of customers are concerned about healthiness of fast food• Aesthetics - Hot Chip could continue to develop their alternative toppings such as Swiss cheese/gherkin relish• Economic Manufacture – using cheaper methods to produce chips <p>Analysis: 1 mark for</p> <ul style="list-style-type: none">• So Hot Chip could change the ingredients to make the chips healthier• So Hot Chip could change the appearance of the chips with these new toppings to make them more appealing• So Hot Chip could pass on lower costs to customers in lower prices	(4)



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Q16.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Costs of advertising will be high. • Profit margin will be low. • Some smaller manufacturers will struggle to compete. • Full value of the brand may not be realised. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • It depends on the price elasticity of demand. • It may benefit larger manufacturers such as Walkers. • It could restrict the likelihood of new firms joining the market. 	(8)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3-5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced, and unlikely to show the significance of competing arguments.
Level 3	6-8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.



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Q17.

Question Number	Indicative content	Mark
	<p data-bbox="357 461 1246 495">Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul data-bbox="331 533 1326 1182" style="list-style-type: none">• Identifies other elements of the design mix, namely aesthetics and function• The market for high performance (functionality) and good looking cars (aesthetics) appears to be growing (7% in UK), despite low wage rate growth in the UK/recent recession• Explains the significance of economic manufacture to JLR, such as Jaguars are a luxury/high performance car, in which case functionality and aesthetics (how the car drives and looks) are likely to be more significant to such car owners• Economy, which may apply to either the actual purchase price of the car or cost of fuel/maintenance is likely to be less significant to a typical Jaguar car owner because such consumers tend to have higher than average disposable incomes• JLR have to get the balance right between all three elements of the design mix in order to meet customer requirements and so provide the company with high sales revenue required to pay for investment, such as the £3.5bn spent each year <p data-bbox="277 1223 655 1256"><i>Potential counterbalance</i></p> <ul data-bbox="331 1294 1326 1765" style="list-style-type: none">• The introduction of the SUV suggests that JLR customers are discerning on the basis of design/function, rather than price• Design is less significant during an economic downturn as consumers may be more cautious about spending, in which case Jaguar Land Rover may have to produce cars using cheaper materials so that lower prices can be charged to ensure sales do not fall• Some potential Jaguar consumers may be concerned about the possible environmental impact of their Jaguar, in which case JLR must consider a balance between speed/performance and the damage/external costs caused by high CO₂ emissions/high fuel consumption (use of non-renewable resources) <p data-bbox="277 1771 576 1805"><i>Possible judgement</i></p> <ul data-bbox="331 1843 1318 2022" style="list-style-type: none">• JLR is in a highly competitive market, but high net worth individuals from newly emerging economies like China may be less price sensitive, but rather more concerned about the car's performance and aesthetic qualities – British made by a skilled, quality production team.	<p data-bbox="1358 1989 1437 2022">(10)</p>



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Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3-4	Elements of knowledge and understanding, which is applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5-6	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	7-10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.



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Q18.

Question Number	Indicative content	Mark
	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none">• Helps to differentiate the games console compared to Nintendo and Microsoft.• Increases consumer recognition.• Erects barriers to entry to keep competition out.• Reduces price elasticity of demand.• Opportunity to build a strong brand given that China has a large population of young people who may be more brand sensitive. <p>Potential counterbalance</p> <ul style="list-style-type: none">• Quality of the games console and the range of games on sale may be more important.• Depends on whether rival games console manufacturers decide to brand their consoles heavily.• Other elements of the marketing mix may be more important such as price, other methods of promotion and distribution channels (place).	<p>(20)</p>



EXAM PAPERS PRACTICE

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Level 2	5–8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented, but connections between cause(s) and/or consequence(s)/effect(s) are incomplete. Attempts to address the question. A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9–14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are well developed. Quantitative or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15–20	Accurate and thorough knowledge and understanding, supported throughout by use of relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations.