



General Certificate of Education

Applied Business 8616/8619

BS11 The Marketing Environment

Mark Scheme

2007 examination - January series

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

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	Assessment Objectives
	The Assessment Objectives represent those qualities which can be demonstrated in candidates' work and which can be measured for the purposes of assessment.
AO1 Knowledge, skills and understanding	Candidates demonstrate knowledge and understanding of the specified content and relevant business skills.
AO2 Application of knowledge, skills and understanding	Candidates apply knowledge and understanding of the specified content and relevant business skills.
AO3 Research and analysis	Candidates use appropriate methods in order to obtain and select information from a range of sources to analyse business problems.
AO4 Evaluation	Candidates evaluate evidence to reach reasoned judgements.
Quality of Written Communication	<p>The quality of written communication is assessed in all assessment units where candidates are required to produce extended written material. Candidates will be assessed according to their ability to:</p> <ul style="list-style-type: none"> • select and use a form and style of writing appropriate to purpose and complex subject matter • organise relevant information clearly and coherently, using specialist vocabulary when appropriate • ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear. <p>The assessment of the quality of written communication is included in Assessment Objective 4.</p>

1

Total for this question: 20 marks

(a) Using **Item A**, explain **one** reason why mobile phone manufacturers, such as Nokia, develop new products. (4 marks)

Item A indicates the following factors:

- new markets, perhaps with the need for basic features (developing economies)
- saturated markets and the need for new features (developed economies)
- competitor actions.

The mobile phone manufacturers need to protect their market positions or improve them in order to maintain or increase revenues and profits.

Level	Descriptor	Marks	Assessment Objective
3	Uses Item A to explain why mobile phone manufacturers develop new products.	3–4	AO2
2	Uses Item A to describe the factors motivating mobile phone manufacturers to develop new products.	2	AO1
1	States a valid reason for developing new products.	1	

(b) To what degree is the mobile phone manufacturing market competitive? Use **Item A** to justify your answer. (8 marks)

Relevant answers might include the following:

- the global market share chart shows a number of competitors with the “Others” share indicating several minor producers
- however, *Nokia* has, by far, the largest share of the market and this is increasing
- *Nokia* would appear to have the potential to be the dominant business
- however, the introduction of new models would indicate a need to protect this dominant position – ease of product development?
- market could be characterised as oligopolistic, especially given the ability to create unique features for new mobile phones, however has elements of monopolistic competition
- the market would seem to be competitive, but market shares did not alter too much between 2004 and 2005 – *Nokia* and *Motorola* shares increasing at the expense of others
- perhaps the market is becoming less competitive?

Level	Descriptor	Marks	Assessment Objective
3	Uses Item A to judge/analyse the degree of competition.	6–8	AO3/AO4
2	Uses Item A to explain the degree of competition.	3–5	AO2
1	Uses Item A to describe market structure or defines a valid classification of market structure.	1–2	AO1

(c) *To what extent does Nokia have the ability to set prices for its products? Use **Item A** to justify your answer.* (8 marks)

Relevant answers might include the following:

- if *Nokia* does not have sufficient brand loyalty (perhaps monopolistic competition), then it would find it difficult to set prices as competitors would follow any reductions or keep prices static if *Nokia* increased its price
- if *Nokia* has a more dominant position then it might have sufficient brand loyalty and will be able to increase prices without worrying about the reactions of competitors
- however, even if this is the case, this would only be within certain limits and *Nokia* does not have the ability to increase price to any level (it is not a monopoly)
- *Nokia* has a high market share and might be able to afford to reduce prices
- perhaps *Nokia* has established its high market share through a combination of product features/reliability and competitive prices – it might have very little ability to set prices
- the degree of competition in the mobile phone market possibly indicates that *Nokia* only has a limited ability to set prices.

Level	Descriptor	Marks	Assessment Objective
3	Uses Item A to judge/analyse factor(s) affecting the ability of <i>Nokia</i> to set prices.	6–8	AO3/AO4
2	Uses Item A to explain factor(s) which could affect the ability of <i>Nokia</i> to set prices.	3–5	AO2
1	Identifies factor(s) affecting the ability of any business to set prices.	1–2	AO1

2

Total for this question: 21 marks

(a) Using **Item B**, explain **one** reason why *Vodafone* introduced a mobile phone TV service. (4 marks)

In order to gain more revenues, as:

- customers will have to pay for accessing the TV shows
- the more they watch, the more they pay
- it is a form of product development and it might help *Vodafone* to gain market share.

Level	Descriptor	Marks	Assessment Objective
2	Uses Item B to explain financial or market position benefit(s) to <i>Vodafone</i> of introducing the new service.	3–4	AO2
1	Uses Item B to describe factors supporting the introduction of a mobile phone TV service.	1–2	AO1

(b) Using **Item B**, explain how the following marketing environment forces might affect the success of *Vodafone's* mobile phone TV service. (8 marks)

- **Technological** – the ability of the company to provide sufficient network coverage and the development of screen technology will affect the quality of the service and the level of demand
- **Social** - the extent to which people would be willing to sit and watch TV while travelling and the types of TV clips they would prefer will impact on the level of demand.

Apply the following scheme to each answer.

Level	Descriptor	Marks	Assessment Objective
2	Uses Item B to explain how the marketing environment force could affect the success of the service.	3–4	AO2
1	Describes the marketing environment force.	1–2	AO1

(c) *To what extent might agreements with media providers, such as BSkyB, help Vodafone to establish and maintain brand loyalty? Justify your answer. (9 marks)*

Relevant answers might include the following:

- provides the content which customers might consider essential
- if the agreement is exclusive, then helps to establish a competitive advantage
- however, additional factors – such as the degree of competition and other features customers look for in a mobile phone service (eg price) – are likely to determine brand loyalty.

Level	Descriptor	Marks	Assessment Objective
4	Assesses the extent to which the agreement might help to maintain brand loyalty.	7–9	AO4
3	Analyses how the agreement might help to maintain brand loyalty.	5–6	AO3
2	Explains the advantage or disadvantage of the agreement.	3–4	AO2
1	Describes the advantage or disadvantage of the agreement.	1–2	AO1

3

Total for this question: 27 marks

(a) Discuss the significance of the data in **Item C** to mobile phone network operators, such as Vodafone. (15 marks)

- **Figure 1** – interest in mobile TV varies significantly across regions with interviewees from developed economies expressing little interest while those in developing economies show a marked interest (certainly sufficient to consider entering/exploiting these markets).
- **Figure 2** – a clear trend exists (interest in mobile TV declines with age) and this has particular significance for segmentation strategies and associated marketing activities.
- **Figure 3** – even with these adjacent age groups significant differences exist with “18 or Under” showing particular interest (40%) in Music TV while “19 to 24” express just as much interest in News programmes as Music TV (a little over 20%). This has particular significance for product development and agreements with content providers as well as implementing a segmentation strategy.
- In general, it would appear that network operators might target customers aged 44 and under within developing economies and a broad range of content needs to be provided (although the market might need to be segmented by narrow age categories). Whether this is achievable would partly depend on the costs of entering these markets.

Level	Descriptor	Marks	Assessment Objective
4	Uses more than one of the Figures to analyse their significance to mobile phone network operators.	8–9	AO3
3	Uses one of the Figures to analyse its significance to mobile phone network operators.	5–7	
2	Identifies key data from one or more of the Figures or explains possible use of data.	3–4	AO2
1	Describes the data or possible use of data.	1–2	AO1

For AO4, you should award marks using the grid below.

Note: AO4 also assesses candidates' quality of written communication. When deciding on the AO4 level to be awarded, consider the degree to which the candidate orders and communicates his/her ideas.

Level	Descriptor	Marks	Assessment Objective
3	Demonstrates consistent judgement in the selection of data, prioritising a range of evidence from Item C . Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in accepted conventions of written communication.	5–6	AO4 and Quality of written communication
2	Demonstrates some judgement in selection of data, prioritising some evidence from Item C . Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	3–4	
1	Demonstrates some judgement in selection of data. Ideas are communicated with some structure evident with occasional use of appropriate technical terms. There are some errors in accepted conventions of written communication.	1–2	

(b) To what extent might the following methods of research help Vodafone to develop profitable services? Justify your answers. (12 marks)

Market research

- Would help to provide information on customer needs and assist the company in developing suitable products, eg content and services.
- The company may well have sufficient resources to contract out the research to agencies.
- Detailed information could be produced in relation to specific forms of content and forms of provision in relation to carefully defined segments.
- The research would have to be carefully specified and the findings used appropriately.

Observation of market activities

- Would help to indicate trends in the market place by reviewing the activities of competitors along with possible changes in social attitudes towards content provision on mobile telecommunications devices.
- In addition, could help to indicate any current concerns of competition authorities (OFT and the Competition Commission) in relation to pricing and agreements with content providers.
- However, the information gathered could be unreliable and/or provide false indicators of trends and any findings would have to be matched against primary research findings.

Apply the following mark scheme to each response.

Level	Descriptor	Marks	Assessment Objective
3	Assesses the usefulness of the research method to <i>Vodafone</i> when developing profitable services.	4–6	AO3/AO4
2	Explains an advantage or disadvantage to <i>Vodafone</i> of the research method.	2–3	AO2
1	Describes the method.	1	AO1

4

Total for this question: 12 marks

Using all of the information available to you, discuss the importance of segmentation strategies to mobile phone network operators such as Vodafone. (12 marks)

- **Item A** – provides information regarding manufacturers of mobile phones and the fact that China, and other developing economies, still have a relatively low percentage of the population owning mobile phones. *Vodafone* faces two different market segments – developed and developing economies. As such, it would require different strategies in relation to these segments, eg different price structures and phone bundles.
- **Item B** – provides an example of reaching agreement with content providers. Would seem to be an essential aspect of market segmentation strategies. *Vodafone* needs to consider how to segment the market in terms of content demanded by different consumer groups.
- **Item C** – indicates need for a clear segmentation strategy and more detailed information on customer attitudes within the country. Segmentation strategies likely to focus on the following customer characteristics: location; age; income; lifestyle.

Level	Descriptor	Marks	Assessment Objective
3	Uses Item(s) when analysing the suitability of segmentation strategies.	4–6	AO3
2	Uses Item(s) to explain a suitable segmentation strategy.	2–3	AO2
1	Describes a possible segmentation strategy or identifies an aspect of segmentation.	1	AO1

For AO4, you should award marks using the grid below.

Note: AO4 also assesses candidates' quality of written communication. When deciding on the AO4 level to be awarded, consider the degree to which the candidate orders and communicates his/her ideas.

Level	Descriptor	Marks	Assessment Objective
3	Evaluates the importance of segmentation strategies by considering comparative benefits of particular strategies. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in accepted conventions of written communication.	5–6	AO4 and Quality of written communication
2	Judges aspects of a segmentation strategy's suitability. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	3–4	
1	Supports the suitability of a segmentation strategy. Ideas are communicated with some structure evident with occasional use of appropriate technical terms. There are some errors in accepted conventions of written communication.	1–2	