



General Certificate of Education

Applied Business 8616/8619

BS11 The Marketing Environment

Mark Scheme

2008 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.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' 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.

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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: 22 marks**

(a) Using **Item A**, explain why the number of specialist retailers in the UK market for recorded music might have declined in recent years. (4 marks)

Level	Descriptor	Marks	Assessment Objective
2	Uses Item A to explain why the number of independent retailers might have declined.	3–4	AO2
1	Describes a possible reason for a decline in the number of independent retailers.	1–2	AO1

Possible answers might include the following:

- revenues have fallen and costs increased. This will reduce profits. If profits fall sufficiently then independent retailers might close down
- candidates could also provide an explanation of why revenues or costs have fallen, eg increased competition resulting in falling revenues.

(b) Explain **two** ways in which HMV could respond to changes in the marketing environment (lines 7 to 12). (10 marks)

Apply the marking grid below to each answer.

Level	Descriptor	Marks	Assessment Objective
2	Uses Item A to explain how the action might help HMV to respond to changes in the marketing environment.	3–5	AO2
1	Describes a valid action.	1–2	AO1

Possible answers might include the following:

- changing shopping habits – resulting in *HMV* adopting marketing activities to improve competitiveness. Responses might include price matching or increased promotional activities
- increased willingness to illegally share music – resulting in *HMV* facing declining revenues. Responses might include joint advertising with other retailers to publicise the problems of illegally sharing music, but could also result in other marketing activities, eg reduction in the number of retail outlets due to declining sales.

Candidates can provide two actions for the same change in the marketing environment.

(c) Using **Item A**, analyse how the degree of competition in the UK market for recorded music might affect the ability of specialist retailers to maintain customer loyalty. (8 marks)

Level	Descriptor	Marks	Assessment Objective
3	Uses Item A to analyse how the degree of competition could impact on brand loyalty or market share.	6–8	AO3
2	Explains factors affecting brand loyalty in the market or uses Item A to explain the competitive nature of the market.	3–5	AO2
1	Describes brand loyalty or uses Item A to identify aspects of the market structure.	1–2	AO1

Possible answers might include the following:

- a shift in buyer behaviour away from specialist retailers and this indicates that it would be difficult for specialist retailers to maintain brand loyalty. The market has a high degree of competition, certainly across retail channels, with consumers offered a variety of alternatives. For example, supermarkets and online retailers together have 40% of the market
- specialist retailers hold 44% of the market, but unless individual businesses hold a large proportion of that share it would be difficult for them to maintain brand loyalty. The Item states that both *HMV* and *Virgin* are dominant businesses in this retail channel.

2**Total for this question: 24 marks**

<i>(a) Using Item B, explain why HMV needed a recovery plan.</i>	<i>(4 marks)</i>
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Level	Descriptor	Marks	Assessment Objective
2	Uses Item B to explain why <i>HMV</i> needed a recovery plan.	3–4	AO2
1	Identifies reason(s) for recovery plan.	1–2	AO1

Possible answers might include the following:

- loss of £16.1 million in the first half of 2006
- *HMV* had been slow to recognise the changing nature of the UK market for recorded music
- supermarkets and online retailers continue to gain sales
- consumers switching to electronic formats rather than CDs.

A recovery plan would seem necessary to address the changes in the market and reverse the decline in profits. Without a change in marketing activities, *HMV* might continue to make a loss and face difficulties surviving on the market.

<i>(b) Using Item B, analyse how HMV has used Ansoff's competitive strategies, such as market and product development.</i>	<i>(8 marks)</i>
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Level	Descriptor	Marks	Assessment Objective
3	Uses Item B to analyse how <i>HMV</i> has used Ansoff's Competitive Strategies.	6–8	AO3
2	Uses Item B to describe how <i>HMV</i> has used Ansoff's Competitive Strategies.	3–5	AO2
1	Defines Ansoff's Competitive Strategies.	1–2	AO1

Possible answers might include the following:

- market penetration – focus on reducing costs, presumably to help *HMV* to reduce prices and penetrate existing markets with existing products
- market development – improving the appeal of *HMV*'s stores, perhaps targeting different market segments, eg those customers who download music; focus on increasing the revenue gained from online retail site
- product development – introducing portable digital music players which, presumably, are being sold to the existing market and not seen as complete diversification
- diversification – no evidence that *HMV* are using this strategy.

(c) Discuss the possible reasons why HMV's recovery plan might **not** improve its position in the UK market for recorded music. (12 marks)

Level	Descriptor	Marks	Assessment Objective
3	Analyses factor(s) affecting HMV's position in the UK market for recorded music.	4–5	AO3
2	Explains why action(s) might not work.	2–3	AO2
1	Identifies a feature of HMV's position in the UK market.	1	AO1

Possible answers might include the following:

- the actions could be copied and improved on by competitors, eg supermarkets could also sell portable digital music players and already have drinks areas
- the actions do not address the real problems facing HMV, eg a shift towards downloading music and the continued problem of illegal sharing. For example, allowing customers to burn their own CDs does not seem to be a particularly appealing action
- the actions do not go far enough, eg is a shift in the percentage of sales made by HMV.co.uk from 6% to 20% sufficient?

In general, the actions might not be radical enough, ie not addressing the real issues and/or not going far enough.

In addition (and separately) award marks for evaluation 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 possible reasons. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in conventions of written communication.	6–7	AO4 and Quality of written communication
2	Judges, with some justification, possible reasons. Ideas are communicated in a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	3–5	
1	Judges, using limited evidence, possible reasons. 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	

3

Total for this question: 34 marks

(a) Using **Item C**, assess the significance of downloaded music to specialist retailers, such as HMV. (14 marks)

Level	Descriptor	Marks	Assessment Objective
3	Uses the data to analyse features of the download music market.	5–7	AO3
2	Explains possible use of the data.	3–4	AO2
1	Describes the data.	1–2	AO1

Possible answers might include the following:

Within the UK market:

- a small share of the overall market, but it is growing rapidly – sales of singles increased by 100% and the UK market is comparatively strong within Europe
- however, still only 8% of Internet users pay for downloaded music
- overall, an emerging market with future potential within which retailers will need to establish a competitive presence.

World market:

- the market is in an early stage of development and is not sufficient to make up for falling CD sales – retailers will need to continue to find other sources of revenue in the short term
- a highly competitive market – 500 retailers, all potentially accessible by consumers around the world
- perhaps the problem of illegal downloads will diminish in significance as the market matures.

In the short term, the market does not seem to be particularly significant. However, it would seem that the market is growing rapidly and is a global market. Retailers need to establish a competitive presence as soon as possible in order to benefit from potentially high long-term revenues.

In addition (and separately) award marks for evaluation 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 significance of data. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in conventions of written communication.	6–7	AO4 and Quality of written communication
2	Judges, with some justification, significance of data. Ideas are communicated in a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	3–5	
1	States significance 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) *Analyse how HMV might carry out additional research into the market for downloaded music.* (8 marks)

Level	Descriptor	Marks	Assessment Objective
3	Analyses the nature of the research in relation to the market for downloaded music.	6–8	AO3
2	Explains the nature of the research.	3–5	AO2
1	Describes valid additional research.	1–2	AO1

Possible answers might include the following:

- market research – focused research into download habits/intentions and in relation to pricing of downloads; perhaps in relation to the functionality of website
- observation of market activities – need to research the technologies within the market and competitor actions, ie functionalities of current websites and the characteristics of successful download retailers
- business and trade publications – latest Mintel and Keynote reports into the download market, ie to monitor market share and size and any opportunities and threats highlighted by these reports
- government publications – figures on Internet access and general economic indicators, but perhaps not as important as market research and observations of market activities.

(c) *Propose and justify **one** marketing strategy that HMV could use to exploit the opportunities offered by the market for downloaded music.* (12 marks)

Level	Descriptor	Marks	Assessment Objective
3	Analyses the suitability of the strategy in context.	4–5	AO3
2	Explains the suitability of the strategy in context.	2–3	AO2
1	Describes a marketing strategy.	1	AO1

A range of marketing strategies could be selected, eg integrated growth or segmentation strategies. Candidates are required to justify the strategy in relation to the opportunities and threats shown in **Item C**. The levels awarded will depend on the extent to which a candidate identifies a key issue from **Item C** (eg mobile phone technologies) and justifies a marketing strategy capable of addressing the issue (eg establishing agreements with mobile phone networks).

In addition (and separately) award marks for evaluation 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 the marketing strategy. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in conventions of written communication.	6–7	AO4 and Quality of written communication
2	Judges, with some justification, the importance of the marketing strategy. Ideas are communicated in a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	3–5	
1	Supports suitability of the marketing 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	