



General Certificate of Education

Applied Business 8616/8619

BS11 The Marketing Environment

Mark Scheme

2007 examination - June 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: 18 marks**

(a) Using **Item A**, describe the change in the share of UK foreign holidays booked through tour operators since 2001. (2 marks)

The share has fallen (1 mark (AO1)) from over 50% in 2001 to under 50% in 2005 (1 mark (AO2)) or other qualifying statement (1 mark (AO2)).

(b) Using **Item A**, explain how the growth of budget price airlines and the Internet might reduce the profits of tour operators, such as Thomson Holidays. (7 marks)

Level	Descriptor	Marks	Assessment Objective
3	Uses Item A to explain how both factors could reduce profits.	6–7	AO2
2	Uses Item A to explain how one factor could reduce profits.	4–5	
1	Describes the factor or its effect on profits.	1–3	AO1

The growth of budget airlines:

- UK consumers can book their own flights at a very low price
- encourages independent bookings and could reduce the demand for package holidays from tour operators.

The Internet:

- helps consumers to book independently
- websites, such as *Expedia*, make it easier to put a package together and helps consumers to choose the package that best meets their needs
- provides an alternative to tour operators and could reduce demand and revenues. In response, tour operators might reduce their prices.

Overall, the two factors will reduce revenues (and possibly increase promotional costs) which will reduce profits.

(c) To what extent might changes in the marketing environment have **increased** competition in the UK market for foreign holidays? Use **Item A** to justify your answer. (9 marks)

Level	Descriptor	Marks	Assessment Objective
4	Uses Item A to judge the extent to which changes in the marketing environment have increased competition in the UK market for foreign holidays.	8–9	AO4
3	Uses Item A to analyse how changes in the marketing environment could alter competition in the UK market for foreign holidays.	6–7	AO3
2	Uses Item A to explain how changes in the marketing environment can alter competition in a market.	3–5	AO2
1	Describes general aspects of marketing environment or competition.	1–2	AO1

Possible answers might include the following:

- competition has increased due to a reduced share of the market held by the tour operators and an increase in the numbers of businesses targeting current and potential customers (eg *Expedia*)
 - the item states that the market for package holidays is dominated by four tour operators. The market for package holidays is oligopolistic and, with a shrinking market size, competition between the four businesses will intensify
 - competition is even more intense due to businesses outside of the package tour industry offering facilities for customers to by-pass tour operators
- tour operators will probably be finding it difficult to protect any competitive advantage and brand loyalty they have
- the market could be defined as monopolistic competition – some barriers to entry might exist, but consumers can now use the Internet to package their own holidays and brand loyalty is diminishing.

2

Total for this question: 28 marks

(a) Explain **one** possible reason why high profits can be achieved in the specialist and activity holiday sectors. (4 marks)

Level	Descriptor	Marks	Assessment Objective
2	Explains a possible reason for achieving high profits in the specialist and activity holiday sectors.	3–4	AO2
1	Describes a possible reason for high profits.	1–2	AO1

Possible reasons might include the following:

- the target market might have high incomes and be willing to pay a high price
- the target market places a high value on these holidays and is willing to pay a high price.

(b) Using **Item B**, analyse why:

First Choice used TV advertising

(6 marks)

Thomson Holidays set up Thomsonfly.com

(6 marks)

Apply the marking grid below to each answer.

Level	Descriptor	Marks	Assessment Objective
3	Uses Item B when analysing the purpose of the action.	5–6	AO3
2	Uses Item B when explaining the purpose of the action.	3–4	AO2
1	Describes the action or explains the general benefits of the action.	1–2	AO1

First Choice used TV advertising:

- part of its strategy to move into high value market segments
- communicating the benefits of the product
 - flight comfort
 - range of 'far-away' destinations
- TV advertising perhaps better suited to this than other forms of marketing activities.

Thomson Holidays set up Thomsonfly.com:

- focusing on short journey flights from several airports – would seem to be a market penetration strategy in direct competition with the budget airlines
- also allowed people to package their own holidays – again in direct competition with Internet sites (eg *Expedia*)
- *Thomson Holidays* would appear to see competition from budget airlines and Internet sites as a real threat and have decided to challenge the dominance of businesses such as *Ryanair* and *Expedia*.

(c) Discuss whether the planned merger between MyTravel and Thomas Cook could help the combined business to deal with increased competition in the UK market for foreign holidays (**Item B**, lines 14 to 20). (12 marks)

Level	Descriptor	Marks	Assessment Objective
3	Uses Item B when analysing how a merger could or could not help the combined business to deal with increased competition in the UK market for foreign holidays.	5–6	AO3
2	Uses Item B when explaining how a merger could or could not help a business to deal with increased competition.	3–4	AO2
1	Uses Item B to describe the benefits of the merger or outlines general advantages/disadvantages of mergers.	1–2	AO1

Possible answers might include the following:

- advantages include economies of scale – marketing, operational and financial – which could reduce costs and improve the ability of the combined business to meet customer needs
- disadvantages include possible diseconomies of scale resulting from poor integration of the two businesses, eg managerial and marketing activity conflicts
- the merger could:
 - gain efficiencies so as to compete more effectively in the main market, ie respond to *Thomson Holidays*
 - share expertise so as to attack the specialist and activity holiday sector, ie respond to *First Choice*
 - allow the combined business to maintain/increase profits without introducing any new strategies, ie by reducing costs
- whether the merger could help the combined business to deal with increased competition will ultimately depend on:
 - how successfully the two businesses integrate
 - the success of any new strategies implemented after the merger
 - decisions made by the Competition Commission.

Please turn over for AO4.

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 ability of the merger to deal with increased competition in the UK market for foreign holidays. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in conventions of written communication.	5–6	AO4 and Quality of written communication
2	Judges aspects of the merger's ability to deal with increased competition. Ideas are communicated in a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	3–4	
1	Identifies an advantage and a disadvantage of the merger. 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 market opportunities and threats facing tour operators.
(14 marks)

Level	Descriptor	Marks	Assessment Objective
4	Uses the data to analyse a market opportunity and threat.	7–8	AO3
3	Uses the data to analyse a market opportunity or threat.	5–6	
2	Explains possible use of the data.	2–4	AO2
1	Describes the data or defines opportunities or threats in general terms.	1	AO1

Possible answers might include the following:

- changing population structure – expanding market for 55 and over age group. Possible issue relating to the profitability of the segment and also understanding what the segment wants. Reduction in demand from the youth and family sectors is an obvious threat but this does not necessarily mean a reduction in revenues
- rising income levels leading to increased spending power and increase in the size of the specialist and activity holiday sector. Whether this is an opportunity or threat would depend on the ability of the tour operator to respond to this trend and meet the needs of this sector
- increasing environmental concerns:
 - could create some profitable new sectors which would be an opportunity or threat depending on the capabilities and reactions of the tour operators
 - general threat in the form of increased costs due to government intervention, perhaps leading to more domestic tourism which, in turn, could be turned into an opportunity
- general issues in relation to the data:
 - Key Note report is from 2005 and might be providing false information or a wrong focus
 - does the population chart indicate significant changes in population structure by 2011 – how far ahead should tour operators plan?

Please turn over for AO4.

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 opportunity(ies) and threat(s). Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in conventions of written communication.	5–6	AO4 and Quality of written communication
2	Judges significance of opportunity(ies) or threat(s). Ideas are communicated in a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	3–4	
1	Identifies opportunity(ies) and threat(s). 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 what additional research a tour operator, such as First Choice, might want to carry out in order to confirm the results shown in **Item C**. (8 marks)

Level	Descriptor	Marks	Assessment Objective
3	Analyses the purpose of the research in relation to the result(s) shown in Item C .	6–8	AO3
2	Explains how the research could help to confirm result(s) shown in Item C .	3–5	AO2
1	Describes valid additional research.	1–2	AO1

Possible answers might include the following:

- Mintel research to investigate opinions of key segments in the market, eg 55+ age group or niche markets such as sustainable tourism
- observation of market activities to identify competitor behaviour or future government legislation, eg when increases in taxation might occur
- business and trade publications to receive a second opinion or a more up-to-date one, eg the latest relevant Mintel reports or other market intelligence reports
- government publications, eg to provide a more detailed breakdown of population changes and lifestyle data
- market research (eg focus groups) to identify needs of key market segments (eg ethical tourism).

(c) *Propose and justify **one** marketing strategy that a tour operator, such as First Choice, could use to respond to the market opportunities and threats described in **Item C**.*
(12 marks)

Level	Descriptor	Marks	Assessment Objective
3	Uses Item C to analyse the suitability of the marketing strategy.	5	AO3
2	Uses Item C to explain the suitability of the marketing strategy.	2–4	AO2
1	Describes a marketing strategy.	1	AO1

A range of marketing strategies could be selected, eg integrated growth or an aspect of Ansoff's competitive 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 the growth in demand for specialist and activity holidays) and justifies a marketing strategy capable of addressing the issue (eg product development).

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 ability of the strategy to respond to market opportunity(ies) and/or threats(s). 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 aspects of the strategy's ability to respond to the market opportunity(ies) or threat(s). Ideas are communicated in a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communications.	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 communications.	1–2	