Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
January 2013

Applied Business

Assessment Unit AS 4

assessing

E-Commerce

[A3B41]

MONDAY 14 JANUARY, AFTERNOON

MARK
SCHEME

1 Explain what is meant by the term 'E-Commerce', and give details of **two** examples from the case study.

Definition:
- E-commerce is taken to mean the conduct of business activities or transactions in an electronic form.

Examples:
- website: users can access website to check results/play games;
- telecommunications – TV/Texting/iPhone Applications are available to check lottery results.

	AO1 Knowledge and understanding	**AO2 Application**
Level 2	**2 marks** Candidate demonstrates a satisfactory understanding of the term E-Commerce.	**3–4 marks** Candidate applies a satisfactory level of knowledge in context of stimulus material.
Level 1	**1 mark** Candidate demonstrates a limited understanding of the term E-Commerce.	**1–2 marks** Candidate applies limited knowledge in context of stimulus material.
Level 0	**0 marks** Candidate demonstrates no understanding of the term E-Commerce.	**0 marks** Candidate does not attempt to apply knowledge to stimulus material.

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2 Explain each of the following terms, and identify **one** example of each from the case study:

- Business-to-Consumer (B2C):
  Definition:
  - A business model whereby businesses are engaged in selling direct to consumers.

  Example:
  - Users can access The National Lottery website in order to play games (scratchcards/lottery) once an account has been registered;

- Business-to-Affiliate (B2A):
  Definition:
  - A business model whereby a business will charge an affiliate to provide services on their behalf by providing the affiliate with a white label website, which they over-brand with their own design/colour scheme.

  Example:
  - The National Lottery website includes an 'Affiliate' link which enables affiliates to direct website traffic to The National Lottery website.

	AO1 Knowledge and understanding	**AO2 Application**
Level 2	**3–4 marks** Candidate demonstrates a satisfactory understanding of the terms Business-to-Consumer and Business-to-Affiliate.	**2 marks** Candidate applies a satisfactory level of knowledge in context of stimulus material.
Level 1	**1–2 marks** Candidate demonstrates a limited understanding of the terms Business-to-Consumer and Business-to-Affiliate.	**1 mark** Candidate applies limited knowledge in context of stimulus material.
Level 0	**0 marks** Candidate demonstrates no understanding of the terms Business-to-Consumer and Business-to-Affiliate.	**0 marks** Candidate does not attempt to apply knowledge to stimulus material.

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3   Explain how The National Lottery can use E-Commerce for each of the following.
- Sales Channels
  - the ways in which scratchcards/lottery games can be distributed to customers
  - Examples:
  - Retail:
  - Retail partners – using automated terminals in retail outlets, connected to The National Lottery computer networks/systems – delivered a £38.9 million increase in total retail sales – from £2,313.9 million to £2,352.8 million.
  - Interactive via the Internet/website: subscription sales growing from £314.8 million to £369.2 million.
- Payment Systems
  - Facilitates quicker payments between Camelot and customers (prize payments, payments to Good Causes) and vice versa (purchasing scratchcards/lottery tickets), website indicates that customers can open an account online.
  - Using direct channels, interactive and subscriptions sales grew from £314.8 million to £369.2 million.
- Market Research
  - Allows Camelot to instantly sample customer opinions about types/prices/availability of scratchcards and lottery games.
  - Methods by which information can be gained through the website include 'contact us' and 'about us' links.
  - Camelot can monitor various website statistics, e.g. 5 million registered customers, types of games played, amounts of money spent by customers.
- Advertising
  - This activity allows Camelot to operate The National Lottery effectively in the UK.
  - With reference to the website/other websites, the screen shot displays advertisements for various scratchcards/lottery games provided by Camelot, e.g. Euromillions, Lotto, scratchcards.
  - With donations to the Good Causes as stated – National Lottery players have helped to raise over £25 billion for the Good Causes to date – this represents a form of advertising thus is important to Camelot.

	AO1 Knowledge and understanding	AO2 Application
Level 3	**5–8 marks** Candidate demonstrates a competent understanding of the ways in which The National Lottery uses E-Commerce.	**3–4 marks** Candidate competently applies knowledge in context of stimulus material.
Level 2	**3–4 marks** Candidate demonstrates a satisfactory understanding of the ways in which The National Lottery uses E-Commerce.	**2 marks** Candidate applies a satisfactory level of knowledge in context of stimulus material
Level 1	**1–2 marks** Candidate demonstrates a limited understanding of the ways in which The National Lottery uses E-Commerce.	**1 mark** Candidate applies limited knowledge in context of stimulus material.
Level 0	**0 marks** Candidate demonstrates no understanding of the ways in which The National Lottery uses E-Commerce.	**0 marks** Candidate does not attempt to apply knowledge to stimulus material.

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4   Analyse **four** benefits to Camelot of the use of E-Commerce.
  • Lower transaction costs
      – With over 5m customers registered, this number of customers means
        Camelot can benefit from economies of scale and reduce the transactions
        costs per customer.
      – Case study states that it is the biggest online lottery in the world.
      – Top e-commerce site month by month.
  • Larger purchases per transaction
      – Customers may be tempted to purchase greater numbers of scratchcards/
        lottery tickets when massive jackpots are advertised, such as
        Euromillions.
      – Using online facilities, this may increase revenues and thus contributions
        to Good Causes.
  • 24/7 selling
      – Games/scratchcards are available at most times, except for site updates.
      – Enables customers to make purchases at a convenient/remote location.
      – Games are also available using e-commerce facilities at retailers.
  • Updated regularly
      – Recent success of Thunderball and Millionaire Draw (including addition
        of Tuesday night Euromillions draws.
      – Updates include launch of a number of new and innovative Scratchcards
        and online Instant Win games, including the introduction of The National
        Lottery's fourth 3D game, Monopoly.
      – Case study indicates that 'other plans in the pipeline which we are
        confident will boost sales further – and deliver even greater returns to the
        Good Causes.', thus website is updated regularly.
  • Better/more customer interactions
      – Over 5m people registered to play, Camelot operates the biggest online
        lottery in the world.
      – This size of an e-commerce operation yields better and frequent customer
        interactions such as, playing games, claiming prizes, online
        communications, advertising.
  • Reduced costs – bypasses retailers
      – Interactive sales bypasses retailers and saves The National Lottery
        paying commission;
      – It is assumed that the size and scope of Camelot's customer base will
        yield reduced costs, as stated in case study, it gives increasing amounts
        of money to Good Causes.
      – Amounts to Good Causes over the half year – were up from
        £757.2 million to £784.8 million – an increase of £27.6 million.
  • Shortened supply chain
      – Camelot had strong performance across its direct channels, with
        interactive and subscriptions sales growing from £314.8 million to
        £369.2 million.
      – This approach eliminates the 'middle-man' and shortens the supply chain.
  • Increased information about customers
      – Camelot gains increased information about customer habits/needs.
  • Increased revenue
      – Use of e-commerce enables Camelot to increase revenues. Camelot
        increased sales of both draw-based games and instant play games, in
        particular sales of the latter rose from £641.6 million to £672.2 million,
        buoyed by the launch of a number of new and innovative Scratchcards
        and online Instant Win games, including the introduction of The National
        Lottery's fourth 3D game, Monopoly. Use of e-commerce enables
        Camelot to increase profits.

– Case study indicates that Camelot increased total sales (and profits) across the portfolio of National Lottery games to £2,722 million, a rise of £93.4 million (3.6%) on the corresponding period in 2009/10.

	AO1 Knowledge and understanding	AO2 Application	AO3 Analysis
Level 3	**4 marks** Candidate demonstrates a competent understanding of the benefits of E-Commerce to Camelot.	**4 marks** Candidate applies a competent level of knowledge in the context of the stimulus material.	**7–8 marks** Candidate shows a competent attempt to analyse the benefits of E-Commerce to Camelot.
Level 2	**2–3 marks** Candidate demonstrates a satisfactory understanding of the benefits of E-Commerce to Camelot.	**2–3 marks** Candidate applies a satisfactory level of knowledge in the context of the stimulus material.	**3–6 marks** Candidate shows a satisfactory attempt to analyse the benefits of E-Commerce to Camelot.
Level 1	**1 mark** Candidate demonstrates a limited understanding of the benefits of E-Commerce to Camelot.	**1 mark** Candidate applies limited knowledge in context of stimulus material.	**1–2 marks** Candidate shows a limited attempt to analyse the benefits of E-Commerce to Camelot.
Level 0	**0 marks** Candidate demonstrates no understanding of the benefits of E-Commerce to Camelot.	**0 marks** Candidate does not attempt to apply knowledge to stimulus material.	**0 marks** Candidate does not attempt to analyse the benefits of E-Commerce to Camelot.

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5   Evaluate **five** ways in which the requirements of the Data Protection Act might affect Camelot.

- Personal Data: Camelot must ensure that any data collected from customers is processed lawfully and fairly; this is an important issue as it includes personal data of customers;
- Specific Purpose: Camelot must ensure that the data obtained is only used for one specified purpose – e.g. bank details to verify/authorise customer payments in respect of playing games; this is important as it relates to personal data of customers;
- Data to be Relevant: Camelot must ensure that personal data is relevant, adequate and not excessive relative to the purpose for which it is used – e.g. bank details to verify/authorise customer payments in respect of playing games or to verify that customer is a UK resident; this is important as it relates to personal data;
- Accurate: Camelot must ensure that data is accurate and up-to-date – e.g. customer contact details, account balances per customer are correct; correct lottery numbers registered per draw; this is important as the correct winnings must be paid correctly to the correct customer;
- Time: Camelot must ensure that personal data is not kept for longer than is necessary – e.g. once a customer changes their password or username details the old information should be destroyed/deleted; this is important to ensure security of customer data/access;
- Technical: Camelot are required to take technical/operational measures to ensure authorised and lawful processing of personal data – e.g. personal data must be kept private/secure in respect of verification of address/UK citizenship/location of computer within UK only to facilitate customer play; this is an important issue as the gaming laws affect UK customers;
- Geographical: Camelot must ensure that personal data is not transferred outside of the European Economic Area – e.g. placed in hands of a person in USA; this is important as only UK citizens are eligible to play The National Lottery and games;
- Data Processing: personal data shall be processed in accordance with the rights of the data subjects under this Act; this is important as Camelot must comply with the law;
- Final Judgement: the requirements of the Data Protection Act are important to Camelot.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	**4–5 marks** Candidate demonstrates a competent understanding of the requirements of the Data Protection Act.	**4–5 marks** Candidate competently applied knowledge.	**4–5 marks** Candidate competently analyses the requirements of the Data Protection Act.	**4–5 marks** Candidate gives a competent evaluation of the requirements of the Data Protection Act, 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	**2–3 marks** Candidate demonstrates a satisfactory understanding of the requirements of the Data Protection Act. Candidate makes adequate use of specialist vocabulary when it is appropriate.	**2–3 marks** Candidate makes satisfactory attempt to apply knowledge.	**2–3 marks** Candidate makes a satisfactory attempt to analyse the requirements of the Data Protection Act.	**2–3 marks** Candidate gives a satisfactory evaluation of the requirements of the Data Protection Act, 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 mark** Candidate demonstrates a limited understanding of the requirements of the Data Protection Act. Candidate makes some use of specialist vocabulary when it is appropriate.	**1 mark** Candidate makes a limited attempt to apply knowledge.	**1 mark** Candidate shows a limited attempt to analyse the requirements of the Data Protection Act.	**1 mark** Candidate attempts a limited evaluation of the requirements of the Data Protection Act. 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. Organisation of the answer is limited.
Level 0	**0 marks** Candidate demonstrates no understanding of the requirements of the Data Protection Act. Candidate makes no use of specialist vocabulary when it is appropriate.	**0 marks** Candidate does not attempt to apply knowledge.	**0 marks** Candidate shows no attempt to analyse the requirements of the Data Protection Act.	**0 marks** Candidate makes no attempt to evaluate the requirements of the Data Protection Act.

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6 Evaluate how each of the following would be used by Camelot in its on-line trading activities:

- Product
- Place
- Promotion
- Price
- Product:
  - The product range is the The National Lottery products (ie. scratchcards, lottery tickets, e.g. Retro Scratchcards, Euromillions, Lotto and Lotto+5).
  - The National Lottery is the only one of its kind in the UK and the largest in the world, as stated in case study.
  - The products are available online and have the advantage of making contributions to the Good Causes (£25bn+).
  - The product ranges can be incorporated into the latest technology using TV, Texts and iPhone Application software.
  - The product range represents a unique selling proposition globally within the UK gaming industry.
  - This element of the marketing mix can be successfully employed to boost future sales of the product;
  - Limited to sale of The National Lottery products;
- Place:
  - This refers to the location where customers can acquire the product.
  - The website represents an online solution to meet the needs of customers, in purchasing scratchcards or playing lottery games (Lotto, Lotto+5, Euromillions), and operates in an online environment in addition to remote operation capability.
  - The system is available online and thus exposes the company (The National Lottery Limited) to the UK.
  - This element of the marketing mix can be successfully employed to boost future sales of the product;
  - Limited to UK sales only/over 15s.
- Promotion:
  - This refers to the ability of the company to promote/advertise the product.
  - Evidence of this can be seen from the press release from Camelot, The National Lottery website, customer feedback, newsletters, and other interactive elements present on the website.
  - The emphasis on the level of contributions to the Good Causes (£25bn+) is an effective promotional tool to Camelot.
  - This element of the marketing mix can be successfully used to boost future sales of the product;
  - Nuisance advertising can distract customers, e.g. pop ups.
- Price:
  - This refers to the price at which the product is sold to customers.
  - Case study indicates that it is the only product of its type sold nationally in the UK, hence it is assumed that in order to develop and grow market share, the product (The National Lottery) is priced competitively – in order to attract interest (e.g £1, £2, £3, £5 and £10 scratchcards; or lottery tickets available at £1 or £2 (Lottery, Lotto+5, Thunderball, Euromillions, Hotpicks).
  - The National Lottery can charge a premium price – to capitalise on the initial interest and take advantage of the situation whereby it is the only product of its kind in the market, e.g. Euromillions and Millionaire Draw (£2).

Final judgement: it is possible to conclude that the key elements of the marketing mix can be used effectively to market the product portfolio and boost future sales of the product, despite the negative issues raised.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	**4 marks** Candidate demonstrates a competent understanding of the stated methods of marketing the E-Commerce business. Candidate makes good use of specialist vocabulary when it is appropriate.	**4 marks** Candidate competently applies knowledge.	**4 marks** Candidate competently analyses the stated methods of marketing the E-Commerce business.	**7–8 marks** Candidate competently evaluates the stated methods of marketing the E-Commerce business, 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	**2–3 marks** Candidate demonstrates a satisfactory understanding of the stated methods of marketing the E-Commerce business. Candidate makes adequate use of specialist vocabulary when it is appropriate.	**2–3 marks** Candidate attempts to apply a satisfactory level of knowledge.	**2–3 marks** Candidate shows a satisfactory attempt to analyse the stated methods of marketing the E-Commerce business.	**3–6 marks** Candidate gives a satisfactory evaluation of the stated methods of marketing the E-Commerce business, 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 mark** Candidate demonstrates limited understanding of the stated methods of marketing the E-Commerce business.	**1 mark** Candidate attempts to apply limited knowledge.	**1 mark** Candidate shows a limited attempt to analyse the stated methods of marketing the E-Commerce business.	**1–2 marks** Candidate attempts a limited evaluation of the stated methods of marketing the E-Commerce business. 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. Organisation of the answer is limited.
Level 0	**0 marks** Candidate demonstrates no understanding of the stated methods of marketing the E-Commerce business. Candidate makes no use of specialist vocabulary when it is appropriate.	**0 marks** Candidate does not attempt to apply knowledge	**0 marks** Candidate shows no attempt to analyse the stated methods of marketing the E-Commerce business.	**0 marks** Candidate makes no attempt to evaluate the stated methods of marketing the E-Commerce business.

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Total   **80**