



Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2011**

Business Studies

Assessment Unit AS 1

assessing

The Competitive Business

[AT111]

FRIDAY 10 JUNE, MORNING

MARK SCHEME

- 1 (a) Explain what is meant by market segmentation using an example from the case study to illustrate your answer

A market segment is a grouping of customers within the overall market for a product that can be reached with a unique marketing mix.

Examples of market segments in the case study would include mens and ladies shoes, high quality hand-made shoes, Irish brogue shoes, shoes for teenagers and safety shoes.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of market segmentation.	[2] Candidate applies knowledge effectively.
Level 1	[1] Candidate demonstrates some understanding of market segmentation.	[1] Candidate attempts to apply knowledge.
Level 0	[0] Candidate demonstrates no understanding of market segmentation.	[0] Candidate does not attempt to apply knowledge.

[4]

(b) Explain what is meant by the labour market using an example from the case study to illustrate your answer.

The labour market is the market that brings together the buyers of labour, the employers, and sellers of labour, the workers. It differs from other markets because individuals and households are now the suppliers rather than the buyers. The price in the labour market is known as the wage rate.

The most obvious example from the case study relates to the difficulty Robin Stewart had in recruiting a top quality shoe repairer. He eventually had to advertise in a Polish language magazine in London.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of the labour market.	[2] Candidate applies knowledge effectively.
Level 1	[1] Candidate demonstrates some understanding of the labour market.	[1] Candidate attempts to apply knowledge.
Level 0	[0] Candidate demonstrates no understanding of the labour market.	[0] Candidate does not attempt to apply knowledge.

[4]

- (c) Analyse how Robinson's Shoemakers achieves competitive advantage in its market.

Competitive advantage refers to the advantage that a firm has over its rivals, which allows it to attract and retain more customers and therefore generate more sales and profits.

Robinson's Shoemakers achieves competitive advantage by a variety of strategies. These might include:

- having a good brand name. The business was established in 1954 so has a loyal customer base
- differentiation – Robinson's Shoemakers concentrates on the upper end of the market, setting itself apart from other shoe shops by the brands that it stocks and makes
- quality of service – Robinson's Shoemakers states on its website that it believes in a high quality, personal service to customers
- cost advantage – by specialising in different areas the business is able to gain from economies of scale that competitors cannot access. This helps keep Robinson's costs down
- use of ICT
- unique selling point
- skilled labour force.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO3 Analysis [4]
Level 2	[2] Candidate demonstrates good understanding of competitive advantage. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[4]–[3] Good analysis of competitive advantage.
Level 1	[1] Candidate demonstrates some understanding of competitive advantage. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[2]–[1] Limited analysis of competitive advantage.
Level 0	[0] Candidate demonstrates no understanding of competitive advantage.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of competitive advantage.

[8]

- (d) Discuss the advantages and disadvantages to a business such as Robinson's Shoemakers of having its own website.

Robinson's Shoemakers appears well aware of the importance of e-commerce and has developed its own website.

The advantages to Robinson's Shoemakers of having its own website might include:

- it enables the business to sell to a global marketplace. Its online sales are greater than those from its men's shop
- it can use it to target new market segments. For example, Robinson's Shoemakers sells Irish brogue shoes online to the American market
- it can save the business money by not having to build up its quality brand image using expensive high street premises
- it can use the website to promote its other products to customers and improve its corporate image
- Robinson's Shoemakers can use the website to gain feedback from its customers which helps it to develop its products to meet customer needs
- online store open all the time/increased sales.

The disadvantages to Robinson's Shoemakers of having its own website might include:

- it can be time consuming for Robinson's Shoemakers to keep the website continually up to date
- Robinson's Shoemakers needs to be sure that its website is secure or it will gain the business a bad reputation
- not all potential customers have access to the internet so Robinson's may be missing out on a market segment
- Robinson's website may suffer from technical difficulties outside the control of the business
- higher administration costs from returns as customers cannot try on shoes.

As part of their discussion, candidates should consider both positive and negative aspects and come to a final judgement.

Candidates are expected to evaluate throughout.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]
Level 3	[3] Candidate demonstrates very good understanding of the advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.		[3] Very good analysis of arguments.
Level 2	[2] Candidate demonstrates good understanding of the advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[2] Good analysis of arguments.
Level 1	[1] Candidate demonstrates some understanding of the advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[1] Limited analysis of arguments.
Level 0	[0] Candidate demonstrates no understanding of the advantages and disadvantages.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of arguments.

	A04 Evaluation [4]
Level 3	[4] Candidate gives a full evaluation of the arguments presented 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	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented 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] Candidate attempts some evaluation of the arguments presented. The 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. The organisation of the answer is limited.
Level 0	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

- (e) Evaluate whether a business such as Robinson's Shoemakers should segment its market.

The advantages to a business such as Robinson's Shoemakers of segmenting its market might include:

- it will enable Robinson's Shoemakers to practice price discrimination, charging each group of customers the maximum amount that they will pay
- it will allow Robinson's Shoemakers to focus closely on each specific group of customers giving them exactly what they want and increasing overall sales
- it will mean that larger businesses may be less likely to try to compete in a small market segment so Robinson's will have less competition
- enables Robinson's to target promotions better.

The disadvantages to a business such as Robinson's Shoemakers of segmenting its market might include:

- it will mean that a separate marketing mix is required for each segment. This might mean producing a wide range of different products
- competitors may be able to target their products at the mass market and gain cost advantages
- there are many possible ways of segmenting the shoe market and Robinson's may not use the most appropriate characteristics to do so
- high research costs to discover market segments.

As part of their discussion, candidates should consider both advantages and disadvantages of market segmentation and come to a final judgement.

Candidates are expected to evaluate throughout.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]
Level 3	[3] Candidate demonstrates very good understanding of market segmentation. Candidate makes good use of specialist vocabulary when it is appropriate.		[3] Very good analysis of points.
Level 2	[2] Candidate demonstrates good understanding of market segmentation. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[2] Good analysis of points.
Level 1	[1] Candidate demonstrates some understanding of market segmentation. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[1] Limited analysis of points.
Level 0	[0] Candidate demonstrates no understanding of market segmentation.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of points.

	A04 Evaluation [4]
Level 3	[4] Candidate gives a full evaluation of the arguments presented 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	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented 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] Candidate attempts some evaluation of the arguments presented. The 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. The organisation of the answer is limited.
Level 0	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

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2 (a) Explain **two** reasons why Nissan Motors should carry out market research.

Market research involves the systematic collection, collation and analysis of data relating to the marketing and consumption of goods and services.

Reasons why Nissan Motors should carry out market research might include:

- allows Nissan to identify the wants and needs of consumers so that it can design the features of the Leaf to suit them
- modifications and improvements to car design can be made on the basis of feedback from customers
- will give Nissan an idea of the size of its market so that production of the Leaf can take place at an appropriate scale
- allows Nissan to identify different market segments so that it can modify its cars for different customers
- the £420 million investment would be a critical mistake for Nissan to make so it is crucial to reduce risks through market research
- allows Nissan to identify competitors.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of the reasons for market research.	[2] Candidate applies knowledge effectively.
Level 1	[1] Candidate demonstrates some understanding of the reasons for market research.	[1] Candidate attempts to apply knowledge.
Level 0	[0] Candidate demonstrates no understanding of the reasons for market research.	[0] Candidate does not attempt to apply knowledge.

[4]

(b) Explain **two** factors that might affect productivity in the Nissan Motors factory in Sunderland.

Productivity is a measure of the ratio of outputs to inputs in the production process. There are many factors which might affect productivity in the Nissan factory in Sunderland. These include:

- the amount of machinery in the factory and how up to date it is. Nissan are spending £420 million so it is likely to be the latest, highly automated machines
- the motivation level of the workforce. This is likely to be high since production of the Leaf secures 2000 jobs in the factory
- the level of training that the workforce receives. This is likely to be high as Nissan will only want fully trained employees on its new production line
- productivity may be lower than usual to begin with as the Leaf is a new design and it will take time to discover the best methods of solving production line problems
- level of specialisation
- level of absenteeism
- external issues such as supply chain issues.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of productivity.	[2] Candidate applies knowledge effectively.
Level 1	[1] Candidate demonstrates some understanding of productivity.	[1] Candidate attempts to apply knowledge.
Level 0	[0] Candidate demonstrates no understanding of productivity.	[0] Candidate does not attempt to apply knowledge.

[4]

- (c) Analyse the main factors that Nissan Motors might have considered when setting the selling price for the Leaf.

Nissan Motors might have set the selling price at around £17,000 for the Leaf for a number of reasons. These might include:

- it has to compete with existing petrol and diesel cars on the market
- customers will be very reluctant to switch from petrol and diesel models as they have been using them all their lives. They need an incentive to switch
- competitors will also be bringing out new technology alternatives including hybrid cars that have both petrol and electric engines
- Nissan needs to cover the huge costs of research and development associated with the Leaf
- Nissan needs to be able to cover its production costs and pay back the £420 million investment
- the selling price of the Leaf needs to be compatible with the other elements of the marketing mix. It has to reflect both the build quality of the product and customer expectations regarding its value
- market research results
- what consumers are willing to pay/level of demand
- government incentives available.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO3 Analysis [4]
Level 2	[2] Candidate demonstrates good knowledge and understanding of pricing strategy. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[4]–[3] Good analysis of relevant examples.
Level 1	[1] Candidate demonstrates some knowledge and understanding of pricing strategy. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[2]–[1] Limited analysis of relevant examples.
Level 0	[0] Candidate demonstrates no knowledge and understanding of pricing strategy.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of relevant examples.

[8]

- (d) Discuss the benefits and drawbacks to a business such as Nissan Motors of using a telephone survey as a method of market research.

There are a number of benefits associated with using telephone surveys. These might include:

- Nissan can keep costs down as researchers can be located together centrally with no travel costs
- Nissan can cover a large geographical area so sample can be more representative
- people are often more willing to answer questions over the telephone so Nissan can gain personal data about its customers which may help in marketing the Leaf
- Nissan can obtain the results much faster from a telephone survey, especially using a Computer Assisted Telephone Interview (CATI) System.

There are a number of drawbacks associated with using telephone surveys. These might include:

- not everyone has a telephone or has their number listed so results are not truly representative of the population
- telephone interviews are restrictive as Nissan could not use images or photographs of the Leaf
- increased concern over identity fraud has led to people becoming more suspicious and reluctant to participate in telephone surveys
- it may prove difficult for Nissan to contact the right person by telephone
- Nissan cannot be sure who has actually completed the interview
- people sometimes too busy/reluctant to answer telephone questions.

As part of their discussion, candidates should consider both positive and negative arguments associated with both types of survey and come to a final judgement.

Candidates are expected to evaluate throughout.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]
Level 3	[3] Candidate demonstrates very good understanding of the arguments for and against. Candidate makes good use of specialist vocabulary when it is appropriate.		[3] Very good analysis of arguments.
Level 2	[2] Candidate demonstrates good understanding of the arguments for and against. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[2] Good analysis of arguments.
Level 1	[1] Candidate demonstrates some understanding of the arguments for and against. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[1] Limited analysis of arguments.
Level 0	[0] Candidate demonstrates no understanding of the arguments for and against.	[0] Candidate does not apply knowledge.	[0] No analysis of arguments.

	A04 Evaluation [4]
Level 3	[4] Candidate gives a full evaluation of the arguments presented 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	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented 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] Candidate attempts some evaluation of the arguments presented. The 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. The organisation of the answer is limited.
Level 0	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

- (e) Evaluate the advantages and disadvantages of producing on a large scale for a car manufacturer such as Nissan Motors.

A car manufacturer such as Nissan Motors is likely to experience both internal and external economies of scale as it produces on a large scale.

The internal economies of scale experienced by Nissan might include:

- the law of multiples. Nissan will be able to employ a larger number of slower machines than fast ones so that a better overall balance in production is achieved
- increased dimensions. Increased plant size will lead to a proportionally smaller increase in costs
- machines will be able to be used at full capacity to make cars so average production costs will fall
- flow production techniques will be employed by Nissan enabling capital to replace labour
- managerial economies. Nissan will be able to employ more specialised managers in order to increase efficiency
- financial economies. Nissan would find it easier to raise capital and to borrow money. They may also receive more favourable interest rates
- purchasing economies. Nissan will be able to buy raw materials for cars in bulk, receiving discounts and keeping costs down
- marketing economies. Selling and administration costs will not rise in proportion to sales of cars.

The internal diseconomies of scale experienced by Nissan might include:

- communication may become more difficult in the larger factory so Nissan may find it difficult to co-ordinate its activities
- morale amongst the workers at Nissan may suffer as they see themselves becoming less important in a larger firm. This may impact upon productivity
- technical diseconomies in production may arise leading to an increase in average production costs beyond a certain level of output.

Arguments relating to mass production/globalisation are equally acceptable responses, for example:

For

- standardisation drives down costs
- can increase sales/take market share in new market.

Against

- faults in production are very costly
- predicted sales may not materialise.

As part of their discussion, candidates should consider both economies and diseconomies of scale and come to a final judgement.

Candidates are expected to evaluate throughout.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]
Level 3	[3] Candidate demonstrates very good understanding of economies and diseconomies of scale. Candidate makes good use of specialist vocabulary when it is appropriate.		[3] Very good analysis of arguments.
Level 2	[2] Candidate demonstrates good understanding of economies and diseconomies of scale. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[2] Good analysis of arguments.
Level 1	[1] Candidate demonstrates some understanding of economies and diseconomies of scale. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[1] Limited analysis of arguments.
Level 0	[0] Candidate demonstrates no understanding of economies and diseconomies of scale.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of arguments.

	A04 Evaluation [4]
Level 3	[4] Candidate gives a full evaluation of the arguments presented 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	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented 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] Candidate attempts some evaluation of the arguments presented. The 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. The organisation of the answer is limited.
Level 0	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

Total

40

80