

Business Studies

Advanced GCE

Unit **F293**: Marketing

Mark Scheme for June 2013

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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Annotations

Annotation	Meaning
	Unclear
	Benefit of the doubt
	Incorrect point
	Level 1
	Level 2
	Level 3
	Level 4
	Not answered question
	No use of text
	Own figure rule
	Repetition
	Noted but no credit given
	Correct point
	Too vague

Question	Answer	Marks	Guidance
1	<p>Formula: $\% \Delta QD / \% \Delta P(1)$</p> <p>$\% \Delta QD = (102-96)/102 \times 100 = 5.88\% (1)$</p> <p>$\% \Delta Price = (1.99-1.89)/1.89 \times 100 = 5.29\% (1)$</p> <p>$PED = -5.88/5.29 = 1.1 (1)$</p> <p>OR</p> <p>Formula: $(P1-P2/QD1-QD2) \times (\Delta QD / \Delta P)(1)$</p> <p>$= (1.99-1.89)/(102-96) \times (6/0.10) (2)$</p> <p>Ignore '-' sign</p>	4	<p>4 marks for correct answer with or without working OR 1 mark for correct formula 1 mark for correctly calculated $\% \Delta QD$ 1 mark for correctly calculated $\% \Delta P$ 1 mark for correctly calculated PED (based on OFR)</p> <p>An answer of 1 with correct supporting working should receive max 3 marks An answer of 1 with no supporting working should receive 0 marks A correct answer with more than 1 decimal place can receive full marks.</p> <p>If a candidate inverts figures then max 3 marks (ie wrong formula) – Therefore answer of 0.9 with supporting working receives 3 marks</p> <p>If candidate uses actual figures (rather than %s) then max 1 mark – Therefore answer of 60, 6 or 0.6 with supporting working receives 1 mark</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
2		<p>Indicative content in this answer is likely to be utilised by candidates from the following areas of the specification:</p> <ul style="list-style-type: none"> • Price Elasticity of Demand • Pricing Strategy • Market Research. <p>Context is likely to be based on Table 2, the type of product, the size/market share of SOL and the three geographic markets mentioned in the question.</p> <p>Candidates will be expected to demonstrate the ability to present analysis of the usefulness of PED in the setting of pricing strategies as it helps to analyse the relative sensitivity of demand for the product in accordance with different price levels.</p> <p><i>For example: The figures in table 1 show that as price rises the response becomes more elastic. (L2). This suggests that it would be a bad idea to increase the price of a smoothie because SOL would gain less sales and less profit (low L3). This would suggest that they should not use skimming because of the relatively steep fall in demand if they have a higher price, but on the other hand penetration pricing would be a good strategy because a drop in price would bring in much more demand than the lost revenue (high L3).</i></p>	13	<p>Evaluative judgement may be demonstrated by considering that price may be only one element impacting on SOLs choice of pricing strategies and therefore it should be used as a method alongside other market research or market data – be it of a qualitative or quantitative nature.</p> <p>Further evaluation within strong answers may well focus on the fact that this is UK and Europe data and therefore may have some fundamental flaws if applied in an international marketing sense to the USA with the different consumer expectations, trends and economic conditions.</p>	<p>Level 4 (9–13 marks) Candidate demonstrates evaluative skills when formulating a judgement on the usefulness of PED in formulating pricing strategies for SOL Smoothies.</p> <p>Level 3 (6–8 marks) Candidate demonstrates analytical skills when considering the usefulness of PED in formulating price/pricing strategies for SOL Smoothies.</p> <p>Level 2 (3–5 marks) Candidate demonstrates understanding of Price Elasticity of Demand and/or pricing strategies. No context required.</p> <p>Level 1 (1–2 marks) Candidate offers only knowledge of Price Elasticity of Demand and/or pricing strategies.</p>

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3		<p>Indicative content in this answer is likely to be utilised by candidates from the following areas of the specification:</p> <ul style="list-style-type: none"> • Market Share • Market Size • Market Analysis • Marketing Planning <p>Candidates may well focus on the cost implications of anything more than a geographical test market approach and strong answers (L3) are likely to analyse the risk involved in the venture and why this strategy may reduce some of that risk.</p> <p><i>For example:</i> <i>By targeting one state in the USA, SOL can see if there is demand for their Smoothies without having to pay for a nationwide launch (L2). This reduces their costs and more importantly reduces the risk involved in the expansion, especially since it is already a competitive market with 5 key players. (L3).</i></p> <p><i>The market in the USA is much larger (estimated \$3 billion in 2015) than the market in the UK (estimated £145 Million in 2015) and SOL may not have the cashflow to pay for a nationwide launch. By initially launching only in California they can use their increased revenue to slowly expand across the rest of the USA in the future (L3)</i></p>	6	<p>Level 3 One issue analysed – 5 marks Two issues analysed – 6 marks</p> <p>Level 2 One issue explained – 3 marks Two issues explained – 4 marks</p> <p>Level 1 One issue stated – 1 marks Two issues stated – 2 marks</p>	<p>Level 3 (5–6 marks) Candidate demonstrates analytical skills when considering the reasons why an initial distribution/marketing strategy targeting only one state is proposed for the USA launch</p> <p>Level 2 (3–4 marks) Candidate demonstrates understanding of marketing/distribution strategy. No context required.</p> <p>Level 1 (1–2 marks) Candidate offers only knowledge of marketing/distribution strategy.</p>

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4		<p>Indicative content in this answer is likely to be utilised by candidates from the following areas of the specification:</p> <ul style="list-style-type: none"> • Promotional Techniques • Branding • Above and Below the Line Promotional Methods • International Marketing • Marketing Planning. <p>Context is likely to be based on social networking (especially the use of Facebook), the nature of the USA market compared to the UK/European market, the nature of the product, the size/market share of SOL (or lack of it in the USA).</p> <p>Candidates will be expected to demonstrate to present analysis of the arguments for and against social network marketing <i>ie on the one hand, the use of social network marketing may be cost effective, appropriate to brand-building and in an international context. However, it offers limited control and measurability of the direction of the marketing of the product or building of the brand.</i></p>	13	Evaluative judgement may be demonstrated by considering cost vs benefit of using Facebook as the premium vehicle for the marketing and branding of the products in the USA.	<p>Level 4 (9–13 marks) Candidate demonstrates evaluative skills when formulating a judgement on the use of social network marketing, by SOL, to target the market in California.</p> <p>Level 3 (6–8 marks) Candidate demonstrates analytical skills when considering the arguments for/against using social network marketing to build the brand of SOL Smoothies in the US market.</p> <p>Level 2 (3–5 marks) Candidate demonstrates understanding of promotional/marketing strategies. No context required.</p> <p>Level 1 (1–2 marks) Candidate offers only knowledge of promotional/marketing strategies.</p>

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5		<p>Indicative content in this answer is likely to be utilised by candidates from the following areas of the specification:</p> <ul style="list-style-type: none"> • Market Research methods • Appropriateness of research methods • Sampling methods. <p>Candidates will be expected to demonstrate knowledge and understanding of market research methods and way in which they are used to collect data.</p> <p>Candidates are able to demonstrate the issues that may arise in the market research data used in the presentation being of a secondary nature.</p>	6	<p>Level 3 responses will analyse the effects and possible knock on effects of basing a large scale investment and strategy on research such as this.</p>	<p>Level 3 (5–6 marks) Candidate demonstrates analytical skills when considering one concern with the market research data being presented.</p> <p>Level 2 (3–4 marks) Candidate demonstrates understanding of secondary data No context required.</p> <p>Level 1 (1–2 marks) Candidate offers only knowledge of secondary market research methods.</p>

Question		Answer	Marks	Guidance	
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6*		<p>Indicative content in this answer is likely to be utilised by candidates from the following areas of the specification:</p> <p>Marketing:</p> <ul style="list-style-type: none"> • New market development risks and potential rewards • Knowledge requirement of new market • Lack of brand awareness in new market • Distribution strategy requirements • International marketing issues • International Legal issues regarding products, packaging and promotion. <p>Finance:</p> <ul style="list-style-type: none"> • Initial start-up costs of the international launch • Exchange rate fluctuations may impact on financial performance • Large scale investment needed • Seeking venture capital investment could dilute the ownership of the business. 	18	<p>Candidates will be expected demonstrate the ability to present a two sided argument in that on the one hand, based on knowledge, judgement and evidence in the case, a new venture such as this may be considered risky however, candidate in this may consider in some of their strategies and approaches, SOL may be reducing some of that risk for example, through test marketing or through minimal investment in promotional strategy.</p> <p>Candidates will be expected to consider the wider implications of the venture and the likely impact on all other functions within the business and the interdependency of people, financial and production/logistics strategies. The short term and long term financing of the venture and the production issues involved coupled with the required distribution and logistics.</p> <p>Candidates may wish to suggest that the engagement of a US-based third party distributor to ease some of the burden of reaching a wider geographical section of the US market.</p>	<p>Level 4 (13–18 marks) Candidate demonstrates evaluative skills when considering whether SOL should enter the US market. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There have been few, if any, errors of spelling punctuation and grammar.</p> <p>Level 3 (7–12 marks) Candidate demonstrates analytical skills when considering whether SOL and its investors should enter the US market. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> <p>Level 2 (3–6 marks) Candidate demonstrates understanding of the factors affecting the decision of whether SOL and its investors should enter the US market. No context required. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p>

Question		Answer	Marks	Guidance	
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		<p>People:</p> <ul style="list-style-type: none"> • Considerable increase in the workforce requirements needed to support the international venture • Increasing pressure on the leaders of the business may bring some loss of coordination/control. <p>Operations:</p> <ul style="list-style-type: none"> • Logistics and distribution network challenges • Production increases could bring new efficiencies and economies of scale or possibly diseconomies of scale • Impact of increased scale and international strategy on USP, brand image and potentially quality. 		<p>NB: An answer which only includes or does not include marketing issues should only be awarded the lowest mark in the appropriate level.</p> <p>A one sided argument cannot achieve a Level 4 mark.</p>	<p>Level 1 (1–2 marks) Candidate offers only theoretical knowledge of strategic changes which might impact on the business in general if they decide to enter the US market. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar, which will be noticeable and intrusive. Writing may also lack legibility.</p>

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