

Examiners' Report/
Principal Examiner Feedback

Summer 2012

GCE Applied Business (6925)
Paper 01

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General Comments

The main scenario for this paper was related to *Michelin* and considered both its tyre business and its operation of the I-Spy books. Generally the context was well received and most candidates were able to apply their knowledge and understanding of marketing decisions to the business and the markets into which it sells its products.

Question 7 asked for candidates to consider changes made to a business's products because of legislation that had an impact on some technological element of the products. Despite there being a very wide range of possible situations many candidates found it difficult to select an appropriate example.

Question 8 asked candidates to consider a business with products that were in a price leadership situation. Candidates who were comfortable with this term tended to give good answers but there was a significant minority who did not really understand what price leadership implied.

Unfortunately the usual perennial weaknesses remain and lead to a considerable loss of potential marks for many candidates. These weaknesses are:

- Not reading the questions carefully enough
- Not considering the context of the question in sufficient depth
- Not understanding some very basic terminologies
- Not considering the number of marks being awarded for a question
- Writing to the space provided, especially for candidates with large handwriting.
- Not developing answers
- A poor understanding of many aspects of Section 10.3 of the syllabus.

Comments on specific questions

1 (a)

Most candidates could give a relevant feature of a strategic marketing decision, but few went on to state clearly why the takeover would lead to that feature. A not untypical answer was that it was strategic because it was a long term decision and taking over another business was long term. That was an insufficient explanation. What was needed was some explanation of why a takeover is a long term decision, either in terms of the time taken to make the decision because of research, raising finance, etc, or in terms of the time before this second business can be fully integrated into *Michelin's* business.

There were also a significant number of candidates who simply wrote that it was strategic because it was a takeover and that would be a strategic decision, or that it was strategic because it would increase market share. Candidates need to consider what they are writing against a simple substitution of another situation, such as 'an increase in advertising because that would increase market share'. The latter is of course tactical and, without a clear explanation of what makes a takeover increasing market share being strategic, and increased advertising not being strategic, does not apply or explain the term. Simply stating the end effect, 'increased market share' does not do this.

1 (b)

Candidates could consider the situation before *Michelin* took over the I-Spy business or the situation of having acquired it, but in both cases the strengths and weaknesses needed to be internal to the business. Weaker candidates still confuse strengths with opportunities and weakness with threats.

Answers needed to come from the information provided in Figure 1 and most candidates could select appropriate information for the strengths with fewer being able to find a suitable weakness. The main errors came from putting down bland statements that often lead to an opportunity or a threat, or made little sense, as with they could find new customers, they could lose money and this will increase market share. A fairly common weakness was given as *Michelin* having no knowledge of producing books because it was a tyre manufacturer, even though it already produced maps and guides.

1 (c)

A significant number of candidates did not know what constituted these two sectors of the Ansoff Matrix, or could only accurately identify the requirements of one of them, usually diversification. There were also many candidates who did state the requirements in terms of new or existing market and product but did not then go on to say why the takeover of *Uniroyal* was the same product and the same market, and why the takeover of I-Spy books was a new market for *Michelin* with a new product. Some candidates took new market to mean 'did it exist?', rather than 'was it new for *Michelin*?'

Where candidates responded to the command word 'analyse' (to examine methodically), they usually gave well reasoned answers that explained why the market and product were, or were not, new.

Q2 & Q4

Most candidates only managed to get to Level 2 for these extended answer questions. There was generally a lack of detail and development in the answers and limited thought about the way in which marks were likely to be awarded. Together these two questions account for nearly a quarter of all the marks available for the paper, so it is very important that candidates appreciate what kind of developed answers will gain high marks.

2

It was important that candidates understood the processes of a channel of distribution in marketing and especially the functions of the different components. Where candidates gained very low marks this was mainly due a lack of understanding of channels of distribution and how the individual elements of the tyre manufacturer, vehicle manufacturer, tyre distributor and the consumer would be expected to relate to each other. This was despite the diagram shown in Figure 2 and the examples of the individual elements that were given, *Michelin*, *Toyota* and *Kwik-Fit*.

Some candidates ignored the question altogether and, instead of explaining why different promotional strategies were needed, simply explained the importance of promotion in general and then gave examples with no application to the different businesses or to the consumer. Some candidates argued promotional strategies on the assumption that *Michelin* was selling original equipment tyres direct to consumers. This might have been a misunderstanding of the term 'original equipment' but more importantly it ignored the channel clearly shown on the diagram.

Candidates who understood the different processes of the channels had little difficulty in getting into Level 2, but often the arguments given for the different promotional strategies selected were then poorly justified. Even if candidates did not understand the nature of the tyre industry they should have been familiar with the terms manufacturer, distributor and consumer. They should also have been able to recognize that *Michelin's* primary contacts were business-to-business and that would require a professional relationship between the two elements. Despite that, some candidates argued that promotions such as posters and leaflets would be appropriate.

Where candidates understood all the relationships and had thought out where the likely demands would be coming from, for example many consumers expecting replacement tyres to be the same as those they already had unless they were persuaded otherwise, they developed well reasoned answers. A weakness at the top end was, however, some lack of development in the answers. Only the very best candidates got into Level 4.

3 (a)

There was some confusion as to what a marketing objective could be. Here the marketing objective was for the business, rather than for a separate functional area and should have been justified by what the data on Table 1 revealed about the business. The table clearly showed that *Michelin's* market share had fallen and, therefore, the basic objective should have been to reverse that or halt it, or set in train significant objectives, such as increasing the level of sales, that would help to place the business in a better position in the market.

Generally candidates had little difficulty in selecting an appropriate objective, although some described the way of achieving some unstated objective as with spending more on advertising and lowering prices. Usually candidates also went on to justify their objective on the basis of the data on the table, but there were some who did not do this and instead, essentially, gave the answer to part (b).

3 (b)

Most candidates understood the term tactical and gave a suitable example. Where this was done there also tended to be good development to explain how the tactical marketing decision would help to achieve the objective stated in part (a). Some candidate only gave the decision and no further explanation. Some candidates gave strategic decisions, a common one being the takeover of other businesses listed in Table 1. They could still gain the marks for showing how this would meet the objective but the first two marks of the mark allocation were lost.

4

There is a very significant, and continuing, misunderstanding that students have about the meaning of 'market growth' on the Boston Matrix. This is growth of the whole market, shown on Table 1 by the final row of World Car production. It is **not** the growth of an individual business, or product, within the whole market. Should students be unclear about the distinction, or indeed about any parts of the Matrix a useful source would be http://www.ngfl-cymru.org.uk/boston_matrix-2.pdf. This also gives examples of businesses that are, or have been, in each of the sectors.

Many candidates could identify *Michelin's* market share from Table 1 as either good, being in Cash Cow, or weak, moving to Dog and, with a good understanding of what was happening to market growth (a clear decline), the best candidates could then argue for the Cash Cow or Dog positions. Unfortunately there were many candidates who did not understand market growth and argued that the fall in market share meant that market growth was poor. The majority of candidates ignored the final row of the table.

Some candidates misinterpreted the sections of the Matrix confusing the attributes required. Generally these candidates also did not know what market growth meant in terms of the Matrix and so were struggling to get into Level 2. This should have been a relatively easy question on which to score good marks but only candidates who really understood the full nature of the Boston Matrix could then assess the data of Table 1 and argue for a realistic position.

5 (a)

Many candidates still find any questions related to sampling methods very difficult to answer because they really do not understand what they entail. This question required a good understanding of what a quota sample is and, through that, application to the details being given in the stem. A quarter of candidates failed to score any marks because they did not know what quota sampling meant and so could not begin to show how it should be constructed. Another quarter of candidates gained what was probably a lucky single mark simply because they could identify possible quotas from the target audiences but did not know how that related to the sampling process.

Where candidates understood the sampling method they easily gained 2 marks, but they did not always think about the sub-group. That was also, generally, where candidates stopped in their explanation of the construction of a quota sample. Only the best candidates went on to consider the need to construct the sample in a particular way because of the nature of the target audience or the need to have additional data about the structure of the market. Many candidates seem to think that once the basic sections of any quota has been identified then every section should have exactly the same number of people being surveyed as every other section, which, of course, completely negates the point of having quotas in the first place.

5 (b)

The stem provided various elements which could be evaluated in terms of usefulness and the candidates, who considered all of the potential elements, positive and negative, gave good answers. Poor answers mainly came from candidates who wandered away from the details in the stem and, for example, considered the current state of the economy, or from only writing about the problems or benefits of the research in general terms with no reference to the setting of a price for the books.

Some candidates seemed to think that 15 interviews was a valid number, providing no justification for such a conclusion. Other candidates took the research to be about how much parents spent on going on a holiday and not what the school holidays cost parents.

5(c)

The only candidates who failed to score at least one mark were those who argued that this was secondary research, or took a feature of secondary research and then argued that that was what was happening here. The vast majority of candidates could give a feature of secondary and state that this was not present, or a feature of primary and state that this was present. However, only about 50% of candidates went on to show how the actual research did or did not meet the feature they had selected. A common error is to believe that because the research was carried out by the business it must be primary. Researching data on the internet is carried out by the business but that is secondary.

6(a)

Most candidates were able to describe a part of the table which showed the dynamics of the market but there was limited development in the explanation to show that the majority of candidates clearly understood the meaning of the term. There was also a sizable minority of candidates, about a quarter, who had no understanding of the term and could not select sufficient details from the table to demonstrate that it did actually show dynamics.

6(b)

This question was generally reasonably well answered. However, some candidates did not refer to Table 2 and other candidates did not identify the target market, despite these being the instructions given at the start of the question. Candidates were also asked to discuss the 'relative' benefits and that require some consideration of the other channels given on Table 2.

A significant minority of candidates only considered one aspect, the table or the target market. Those who considered the table argued the benefits of using the supermarkets well, but often had limited development. Those candidates focusing on the target market could usually identify why parents, etc, would be using supermarkets. However, some of the characteristics of supermarkets that were chosen, such as that families can drive there, did not obviously support choosing them as the channel for selling books.

6(c)

Many candidates misinterpreted what this question had asked them to consider. They took 'additional research' to mean the method of research rather than the actual research itself. They then described the use of interviews, consumer panels, etc, or the use of quota sampling, cluster sampling, etc. Some of these candidates actually hit on a valid piece of research by accident so gained a single mark. A fifth of candidates scored no marks and nearly another fifth scored only 1 mark.

Candidates should have been referring back to Table 2 and then considering the limitations of the data shown there. When this was done candidates were easily able to suggest additional research that would have been helpful in making a decision as to which channel would be best. Even then however, only the better candidates went on to clearly explain how this additional research would help *Michelin* to choose the best channel.

Q7

Many candidates found this a difficult question to answer because of the reference to technological requirements. A quarter of candidates failed to score any marks at all. There were in fact a very wide range of possible examples that could be taken because many forms of legislation related to businesses lead to some need to change technology. Examples would include many aspects of vehicle manufacture, safety requirements for toys, food, medicines, etc, and legislation that would need a change to some element of technology in the production process, as with the new relations for battery hens, and even in service industries, as with the need to store customers personal data securely or provide facilities for disabled customers.

(a) Candidates did not need to specify the actual Act, which in many cases they put down incorrectly anyway. Where candidates had selected an appropriate technological change they identified the main requirement well. Some candidates appeared to decide on any piece of legislation they could remember and then struggled in part (b) to show how this would create a change to the product.

(b) Where an appropriate piece of legislation had been selected, and the requirement(s) had been identified in part (a), candidates generally gave clear and full details of the changes made to the products in part (b). There were some candidates who did not go on to explain how the changes made complied with the requirements of the legislation and there were some candidates who simply described how the product met the requirements of the legislation but did not identify any changes that had been made. There

were also candidates who clearly had not studied a particular business or product and were hypothesising about the changes, a risky approach.

(c) Generally candidates, who had given reasonable answers to parts (a) and (b), then gave at least basic explanations of how the business used the changes as part of their ongoing promotional strategy. Only the better candidates then explained why the use of the changes helped to promote the new product. Again there were examples of candidates who were supposing what might have done rather than describing what was actually done by the business.

Q8

There was confusion for some candidates as to what the term 'price leadership' means. The correct meaning is a situation in which a company sets a price for a product and this company's market share and/or brand loyalty is so strong that other companies are compelled to match or beat the price. Many candidates argued a position in which the business was following, or reacting to, what other businesses were doing with their prices.

(a) Most candidates could give a suitable condition, but that was not always based on an accurate understanding of what price leadership is.

(b) Suitable marketing decisions were selected by most candidates and applied to the condition given in part (a). Where candidates had a poor understanding of the term they found it difficult to explain how the business used these marketing decisions to remain as a price leader, rather than just a significant player in the market.

(c) Very few candidates could not give an example of a competitor. However, some candidates decided to describe a situation in a different market altogether. Where a suitable competitor was chosen candidates also generally gave a valid marketing decision, and gave a basic reason why this would help the business to compete. This was often the part of Q8 that gained the most marks.

Issues for future series

The points listed below repeat comments made in previous reports, but they are ones that are still **not** being addressed by many candidates – hence marks are being lost unnecessarily.

1. **The applied approach** – All businesses used in these papers relate to real businesses, either named or with the names changed. Preparation for this paper should, therefore, include as much study of the promotional techniques used by real businesses as possible.

2. **Terminologies** – Candidates need to know all of the terms given in the syllabus **and** common terms that relate to the real world of promotion.

3. Reading the question/following instructions – Many marks are still being unnecessarily lost, simply because candidates have not read the question carefully enough or taken the context into consideration.

4. Questions requiring extended answers – There will continue to be two questions with 11 marks in the future series. Students should be shown how to develop their answers so that they can provide in-depth and detailed answers for these questions.

5. Questions based on own study – Students must be able to use knowledge and understanding of a wide range of real promotional situations in order to answer questions on any part of the syllabus. This must be in sufficient depth to show clear details of the promotional campaigns.

Please also note the comments made about online marking in previous reports and the comments made about writing only to the space provided on the paper itself. Centres need to ensure that their candidates are not being disadvantaged simply because of the layout of the paper. Additional work outside of the specified area on the paper, or on additional sheets, is totally acceptable, but, when this is done, it is vital that the candidates indicate somewhere on their answer to a specific question that they are using additional paper or completing the answer somewhere else in the actual booklet. Preferably, they also indicate where the rest of the answer is.

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