

Principal Examiner Feedback

January 2013

GCE Applied Business (6925)
Paper 01

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General Comments

The main scenario for this paper was about the marketing decisions of a publisher of specialist book, *The Trade Publishing Company (TPC)*, as it decided to branch out into publishing books for the wider consumer market. Generally the context was well received and understood, although some candidates seemed to be confused as to what a publisher would actually be doing. Some thought that Eoghan Reilly, the chef and author, was the publisher and that *TPC* was merely distributing the book. Some thought that *TPC* would be setting up bookshops and would be in direct competition with WH Smith, which others thought also published books.

Question 7 asked candidates to consider how a business had reacted to a change in economic conditions. This was generally well answered except by those candidates who seemed to think that this related to ethical or environmental issues.

Question 8 asked candidates to consider a business expanding into another country. This was only well answered by candidates who could choose an appropriate example for which there had a good understanding of the actual facts. What this question did reveal, for the first time across a large number of series, is just how poor the understanding some candidates have of the actual business they have chosen to make a specialist study of. Examples are given with the comments on the performance of the question.

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)

This was very poorly answered by most candidates. The majority could provide a factor that would determine if the decision was strategic or tactical but only the best candidates could go on to explain why the decision by *TPC* to start producing for the consumer market would show that strategic factor. Typical answers were that strategic is long term but there was then no explanation of why this decision would be long term, either in terms of the time needed to make the decision - research, establishing new channels of distribution, etc. - or in terms of it being something that would take a long time to realise - breaking into the market, getting established, etc. Frequently the explanation would be 'strategic is long term, and this would be a decision for the long term'.

Many of the explanations given applied equally to tactical as to strategic, for example 'increase market share' or 'expand'. For most businesses these are the objectives of tactical decision as well as strategic.

1 (b)

Generally the term 'channel of distribution' was understood, although some candidates confused this with physical distribution. Where candidates thought Reilly was the publisher that also caused confusion.

The majority of candidates could show the meaning of the term and give the basic change although a significant minority ignored the details given on Figure 1. It was clearly stated there that the books were sold direct to businesses, colleges and universities, so the channel would also have been direct, publisher to customer. It was also clearly hinted that the new channel would be through retailers such as WH Smith (not a competitor but a customer), creating a new, and longer channel, publisher to retailer to consumer.

Despite the question asking candidates to explain why the decision was likely to change the channel of distribution only a small percentage of candidates attempted to give any reasons for the change.

Q2 & Q5(b)

Most candidates only managed to get to Level 2 for Q5(b) but generally reached Level 2 for Q2. 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

Almost all candidates knew what SWOT stood for and, through their analysis of the positive and negative points of the decision to publish the book, showed its use, easily gaining Level 1.

One fifth of candidates only scored marks at Level 2. This was either because they simply stated SWOT points but then did not explain why they would be important in terms of the decision to publish the book, or they confused the

internal and external elements of SWOT. The starting point for distinguishing S from O and W from T needs to be, does the point relate to, say, and internal weakness – such as Reilly never having written a book before – or an external threat – a highly competitive market full of well-known people writing cookbooks.

Where candidates identified the SWOT elements correctly and showed their importance in terms of the decision they scored well at Level 3. But many candidates getting to this stage gave no, or very weak, reasons for why the decision would or would not be sensible. It was not sufficient, as some candidates stated, simply to say 'it is therefore sensible/risky decision to publish the book because the strengths and opportunities outweigh the weaknesses and threats (or vice versa).' Only the top 3% of candidates gave well reasoned answers that justified their conclusions and merited Level 4.

3 (a)

Twenty percent of candidates failed to score any marks for this question. The main reasons for this were either that they wrote about the wrong matrix, the Ansoff Matrix, or that they chose the wrong part of the Boston Matrix and described elements of market share and market growth that did not match the situation. There also remains a very strong misapprehension in some students' minds that 'market growth' means the growth of the product in the market. It does not. It refers to the growth of the market into which the product is going, as outlined by The Boston Consulting Group's Product Portfolio Matrix. Centres do need to emphasize this.

The other problem that some candidates had was in not considering the position of the book 'as it is launched' into the cookbook market. At that stage it would clearly have had a low market share in what candidates had been told in Figure 1 was a growing market, hence Problem Child/Question Mark. Many candidates did give a reason for the low market share, but only the top 10% gave full explanations to gain 5 or 6 marks.

3 (b)

The main reason for candidates not scoring marks, and that was over 50% of candidates, was that they did not read the question carefully enough. Instead of writing about why *TPC* would have constraints in identifying the target market, they wrote about why there would be constraints in selling the book. Other candidates took a completely general approach which was impossible to justify on the information they had been given, for example *TPC* would not have enough money to carry out the market research.

Where candidates did identify a suitable constraint only half of these candidates went on to explain why it would make identifying the market difficult. A very low percentage scored full marks.

4 (a)

The question asked candidates to consider 'the information in Figure 1'. Some candidates did not do this and selected a pricing strategy that might have been appropriate and then gave a general explanation of how it works. The answer required careful thought about the position of Reilly cookbook in the market and needed recognition of the highly competitive state of the market, the fact this was *TPC's* first book for the consumer market and that Reilly was a comparatively unknown chef.

The majority of candidates did score 3 or 4 marks but only the best candidate gave fuller answers to score higher marks.

4 (b)

This was usually fairly well answered except by the 12% of candidates who did not know what the term meant. Some did confuse this with premium pricing, which may be a temporary feature of skimming, but does not explain the term without the intended lowering of the price.

Most candidates could give the features of skimming, usually high price and then after a time a drop in the price. Only the better candidates then went on to answer the actual question set, i.e. to explain why *TPC's* decision was skimming by giving details of what was planned, the actual figures for the price and the actual time before the paperback version was to be brought out. Candidates could also have focused on the slight change to the product (a fairly common feature), hardback to paperback.

A significant proportion of the candidates went on to explain the benefits of skimming for the business. That was not asked for, and was the whole focus of the following question. Candidates should have realised that they had done this and gone back and corrected their answers.

4 (c)

This was also fairly well answered except by those who did not understand the term. Most candidates scored 2 or 3 marks depending on the depth and detail in their explanations of why the benefits came because of the way skimming works. There was good minority of candidates who gave well developed answers and gained full marks.

5 (a)

This common form of sampling has been asked about in previous papers, and should be one of the methods covered by Centres. However, over half of the candidates score 0 marks. This was usually because they did not know the term and were making wild guesses, such as 'it has asked the age and the income.' Some seemed to have a vague idea but then allowed it to become confused, as with 'they were in the restaurant so Reilly knew they might be interested in buying the book.' True, but not 'convenience sampling'. A convenience sample is where the units that are selected for inclusion in the sample are the easiest to access, in this case because they were where Reilly was conducting the survey. It is not about the convenience of the respondent, unless that is making it convenient for the person carrying out the survey.

5 (b)

Few candidates were unable to get into Level 2 and this mainly came from very poor attempts, or no attempt, at answering the question. A significant number of other candidates essentially ignored Table 1 altogether and simply wrote about the suitability of aiming the book at a young age group or a wealthy income group, sometimes noticing that that age group would be unlikely to have Reilly's recommended income range. These candidates ignore the stem to 5(b) where it stated that Reilly had made his recommendations on the basis of the survey results. Candidates were expected to check Reilly's recommendation against the data on the table.

The majority of candidate scored high Level 2 or low Level 3 marks. Candidates generally noticed that the 16-25 age range was not the most significant range across the four restaurants, but the Reilly's recommendation for the income range was the correct one in terms of numbers of people visiting the restaurant. The calculation were generally fairly basic and assumed that the percentage figures were numbers of people attending. Only the best candidates made comments on the different numbers of people survey in each restaurant, the very wide middle age range, or the fact that there is no indication of how the age ranges match the income ranges. Overall this was a rather flawed table and poor recommendations by Reilly.

It is interesting to note that if the actual number of people in each age range is taken, not the percentage figure, it would be 16-25 = 68, 26-55 = 84 and 56+ = 48. If one also considered the number of years in the bottom two age ranges, 10 years wide and 29 years wide, then the number of people surveyed for each of the year of the age ranges, would, on average, be:

6.8 people for the age range 16-25

2.9 people for the age range 26-55.

This would suggest that relatively more 16-25s visit the restaurants and maybe Reilly was right in his recommendation about the age target.

6 (a)

There is some confusion as to the exact meaning of the term 'desk research'. For many professionals in marketing it is taken simply to be secondary market research, and that approach would have allowed candidates to gain full marks. However, it can also refer to research that is conducted from a desk, and includes, for example, telephone interviews, which would be primary research. It was important that candidates made it clear which approach they were taking.

A third of candidates clearly did not understand the term. Some did not attempt an answer, others gave general points about research that would equally apply to field research. Good answers required candidates to identify likely desk research sources and then describe the type of information that the specific source would provide and then how this would help *TPC* identify a suitable market for the cookbook. Only the best 10% of candidates could do this.

6(b)

The same lack of basic knowledge about desk research as for 6(a) was here, but also a poor understanding of what the term 'dynamics of the market' means, with nearly 50% of candidates scoring 0 or 1 mark. The few scoring 1 mark mainly received the mark for the information being out of date, but not relating this to dynamics.

Candidates who understood the dynamics in terms of a changing market usually gave fairly well developed answers. Candidates who took the dynamics to refer to the structure of the market found this more difficult to tie back to why desk research would make it more difficult to find the structure as, generally, it would not make it more difficult.

Q7

This question was generally well answered with 50% of candidates scoring half marks. Failure to score higher marks was often due to lack of development in the answers. Some candidates confused 'economic' concerns with 'ethical' or 'environmental' concerns – for example, health issues in food, pollution issues from cars. These candidates scored no marks for parts (a) and (b).

(a) Where candidates understood the term 'economic condition,' they tended to gain an easy mark. However, some candidates who clearly understood the term, as shown by their answer to part (b), did not 'describe the changed economic condition' but, instead, described the change the business made to deal with it.

(b) Candidates were usually able to provide suitable changes to the marketing mix and give a brief explanation of how that helped the business to cope with the changed condition. Only the best candidate clearly tied back all the changes of the marketing mix to how these benefited the business, or dealt with its problems. Many of the solutions (and hence the businesses chosen) related to changes, such as Tesco's Value range, which had been introduced years earlier, 1993, and under different economic conditions, usually related to competition.

(c) This part was well answered by candidates who have given good details in part (b). It was pleasing to see that some candidates did not immediately assume that the alteration in the marketing mix had been unsuccessful and gave a good explanation of why they had not been unsuccessful.

Q8

Choosing the right business for this question was vital. It certainly needed to be one where the candidates had a solid understanding of the ownership and what it had actually done in terms of expansion into other countries.

The question actually asked for a UK-based business starting to sell or produce in another country(ies). For the marking of this question it was agreed that this did not have to be a UK owned business. The only paramount stipulation was that the business could not be expanding into its own country. Despite that, there were a very significant number of business chosen where that is exactly what the candidate was saying was happening. First, it was not true, because the business

was already there. Second it showed that many students have a very poor understanding of the businesses they are studying.

Examples of this included TGI expanding into the USA even though that is where the parent company originated, Mini locating to produce in Germany even though it is owned by BMW and Asda, bought up and owned by US Walmart, expanding into the US. There were also examples of business expansion which had not actually taken place, as with Marks & Spencer setting up stores in the US, where it has no stores. There were also examples of expansion that were explained in terms that made no sense, for example Nike opening a store in Brazil because it had been awarded the World Cup for 2012. That decision was not made until 2007, but the store opened in 2004, three years before any award was made. Perhaps what most clearly illustrates why some answers seriously question the basic understanding that candidates have of what should be the results of careful, and detailed, study, was an answer which argued that the well known UK fast-food chain, McDonalds, expanded into the USA because Americans like the UK and the type of food we eat.

Candidates, and Centres, need to know that the accuracy of what is written is checked. Here, a significant number of candidates failed to score any marks of parts (b) and (c) simply because what they were describing was not true.

A problem for part (c) was caused for candidate who decided to use a business starting to produce, rather than sell, in another country. That is difficult, but not impossible, to find tactical decision for.

(a) Most candidates could give a basic reason why the move into another country would be strategic.

(b) Where candidates thought about what they had been asked, and had a specific country in mind, they usually gave valid but limited reasons. Some candidates simply gave reasons for why any expansion was beneficial and completely ignored the feature of the country that led the business selecting that particular country(ies).

(c) Where candidates had selected an appropriate business and country, especially for selling, basic tactical decisions were given. Development marks came for details of the actual decision(s) and how this helped the business to 'start' in the country. Some candidates gave post launch details and some gave strategic decisions, so gained no 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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