

Examiners' Report/
Principal Examiner Feedback

Summer 2013

GCE Applied Business (6925)

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General comments

The main scenario for this paper was about the marketing decisions of the new London-based banking chain, *Metro Bank plc*. This was generally well-received, although weaker students did not consider the context in which the questions had been set carefully enough, thereby failing to gain the development marks available on most questions. Most students were comfortable with the selected business being one that operated in the banking industry.

Question 7 asked students to consider product development in the context of an extension strategy for an existing product. Most students chose either games consoles or mobile phone technology.

Question 8 asked students to consider how businesses used the marketing mix to sell effectively direct to the end user (consumer) and to consider drawbacks of selling direct to the end user. Students took both direct marketing and retailing so there was a wide range of possible businesses to select from.

Unfortunately, the usual perennial weaknesses remain and lead to a considerable loss of potential marks for many students. 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
- Not writing in the space provided, especially those students with large handwriting.
- Not developing answers
- A poor understanding of many aspects of Section 10.3 of the syllabus.

Specific comments

1 (a)

This should have been a straightforward question to answer, especially considering the various potential weaknesses given in Figure 1. However, a significant number of students did not appreciate the difference between a weakness and a threat, even though they were then asked to consider the threats in part (b). Some students could identify potential weaknesses but did not go on to explain why they were weaknesses. The best quarter of students did not muddle up weaknesses with threats, selected the appropriate weaknesses from Figure 1 and explained why they were weaknesses for the business.

1 (b)

This was generally well-answered with most students able to identify threats and state why they would be a threat for the business. Only the best students went on to examine the threats in more detail and question how much of a threat each would have been. Threats were taken from the details in Figure 1 and, for some, a good understanding of the economic conditions in 2011.

2 (a)

For both this question and 2(b), the major problem with the Boston Matrix remains students' misunderstanding of the term 'market growth'. This term refers, as is clearly stated by the original Boston Matrix, to the growth of the market as a whole and not the growth of the business within the market (that is measured by market share).

About a fifth of students either confused the Boston Matrix with the Ansoff Matrix or could only state that low market share was a measure. Most students could identify the two requirements for the Dog section or low market share and low market growth and the majority could then say why the market share would be low. Many students did not clearly identify what market was involved here and only the top 10% of students could state why growth of the market as a whole would be low. This was disappointing, considering the details given in Figure 1.

2 (b)

Very few students scored more than 2 or 3 marks for this question. The instruction to advise was generally ignored and that, coupled with the fact that most students did not know what 'market growth' on the Boston Matrix means, restricted nearly all of the answers to dealing with ways of increasing market share. The answers also showed a poor understanding of the Star segment in terms of just how large market share would need to be before a business, or its products, could be considered to be in that segment. Students who referred back to the information given in Figure 1, and the number of high street branches that the major players had, could then give reasoned advice about how difficult it would be for *Metro Bank* to achieve Star status even in market share.

2 (c)

A third of students scored no marks for this question. This was either due to the fact that they did not know what the Ansoff Matrix was measuring, or because they confused market penetration with penetration pricing. Most students could state the basic requirements of same product and same market but then either did not go on to say why they would be the same or could only explain why one of these would be the same. Some students knew the axes but saw this expansion as either a new product or a new market. There was a lot of confusion here.

Q3 & Q5

Most students just managed to get to Level 3 for Q3 but the majority of students only reached Level 2 for Q5. For both questions, the reading of the question was poor and this prevented them from applying their answers to the information given so that they could 'assess' the effectiveness of the facilities and 'discuss' how the table could be used.

3

A significant omission from many students' answers was following the instruction - 'considering the likely main requirements of private banking customer....' Most students clearly understood the benefits of the facilities, but without clearly stated requirements it was difficult to evaluate the facilities in terms of their effectiveness in meeting these requirements. It also generally meant that all of the facilities were treated as being equally beneficial.

There were some very good answers from the best students, where the main requirements had been stated, or very clearly implied, and then most, if not all, of the facilities assessed against these requirements. That would normally mean dismissing the toilets, dog biscuits and sweets as a gimmick rather than as facilities that would make people choose *Metro Bank* for their banking services. The term 'security screen' was misunderstood by some students who took this to mean screening people for the purposes of security.

4 (a)

This was well-answered with three quarters of students gaining full marks. Most of the rest lost a mark for not showing how the table met the feature of secondary data that they had identified. As an example, they stated that it had not been collected by *Metro Bank* but did not add whom it had been collected by or why the data showed that *Metro Bank* had not collected the data - for instance it was collected 5/6 years before the bank was set up.

4 (b)

This question was about the limitations of the data shown on Table 1, not about how the data might limit *Metro Bank's* business. Not all students appreciated that and nearly a fifth of students failed to score any marks for this question.

Most students went for the obvious limitation that the data was from 2004/05 and followed that up by explaining that conditions in the market would have changed and then the best students went on to advise *Metro Bank* on the basis of that. There were, however, many limitations - for example, that this was the whole of the UK, only age and sex had been taken, that other accounts were not specified and that there were wide differences in the age ranges. Despite this, many students failed to identify more than one. A worrying minority of students gave a limitation of the figures as not adding up to 100%.

4 (c)

Students' understanding of what different forms of sampling entail remains very very poor. Well over half of students did not know what quota sampling is, and another quarter of students either gained just 1 mark for a basic statement of what it means, with reference to breaking down the sample in terms of different characteristics, or gained the mark by a lucky guess as to what additional information would be needed.

The most common approach was to state that what was needed before it could be determined if the data had been collected using quota sampling was knowledge about where, geographically, the data was collected. Whilst that could be quota sampling if that was the differentiating characteristic, this was not the case here as the characteristics of age and gender had already been taken as the characteristics. There was also a lot of guesswork as to what additional information would be needed, including people's incomes, and if it was carried out by interview.

5

Students who understood what the data in Table 1 was showing, and then analysed the data in terms of different accounts and how these changed depending on age and gender, scored well at high Level 3 or at Level 4, but this was only about 17% of students. At the other end of the scale, nearly a fifth of students scored no marks at all. For a very few this was because they did not attempt the question. For others it was because they interpreted the data as showing *Metro Banks'* clients' holdings, not an average for the UK and then wrote about how well *Metro Bank* was doing. Some students simply launched into methods *Metro Bank* could use for promotion with no reference to the table at all.

Students also limited their possible marks by only writing about the stocks and shares element, even though the question had asked them to consider different accounts. A further problem was a misunderstanding of what the 'stocks and shares' element referred to, even though this was clearly stated in the stem to the question. Some students took this to mean buying shares in *Metro Bank*, not buying 'stocks and shares through the bank.'

The level of analysis was, in general, poor with only the extremes considered - high current account figures therefore promote/ low stocks and share therefore don't bother. As students looked into the figures more carefully, and in more depth, the explanations and justifications for particular actions improved markedly. It was also pleasing to see the best students suggesting suitable forms of promotion based on the age, gender and even type of account being discussed.

6 (a)

There was a better understanding than normal of what the term 'macro marketing environment' means, although over 40% of students did not know what it meant or expressed the meaning so poorly that it was not possible to infer that they did understand. Another 35% of students could give the basic meaning, or a clear feature of the macro marketing environment, but only the best 25% of students went on to show why the table demonstrated this meaning or feature.

6(b)

Most students stated what the table was showing and how this might affect *Metro Bank*. Development of the explanation was generally limited although students did consider both negative effects - such as less money around to put into the bank - and positive effects - such as a larger pool of labour to recruit from for the expansion. Although not generally a definite part of this marketing unit, it was troubling to see how many students referred to the lack of funds as affecting how much people could 'invest' in the bank, rather than 'save with' the bank.

6(c)

This should have been a relatively easy question to gain marks for, especially as it did allow for some repetition from the previous question. Despite that, a third of students scored 0 marks. The main reason for this was that they ignored the instruction 'Considering Table 2...' and gave details of ways of using the marketing mix that were completely general and did not relate specifically to the unemployment situation shown on the table.

Students who did take the data into account tended to give well-reasoned answers, mainly based on place or product.

Q7

This question was generally well-answered with a mean mark of nearly 6 out of 10. A limited range of products were considered and some of them seemed to have been selected simply on the basis of a new product having been added to the business' portfolio. This needed to be an extension strategy for an existing product or line, rather than just expanding the market, or diversifying.

(a) Few students got part (i) wrong and, if they did get it wrong, their answers to part (ii) usually made little sense. Where marks tended to be lost was in part (ii) with students ignoring the fact that they were asked why the new product was introduced 'at this stage'.

(b) For this part students could explain why the new product was successful even if it had not been the right product for the extension strategy. Students should, therefore, have scored well. When they did not, this was either as a result of a lack of detail about the features or a weak explanation as to why the feature(s) would lead to success.

Q8

Considering the very wide range of businesses that qualified for inclusion in this question it was disappointing that the mean mark was only just over 4 out of 10. The weakness was mainly in part (b) and mainly came because many students had chosen high street retail businesses or supermarkets rather than direct marketing businesses.

(a) This part was generally well-answered, with marks either being lost through limited development in the explanation or through only considering one element of the marketing mix.

(b) Answers were generally poor and did not give limitations that came from the fact that the business was selling direct to the end user. Some limitations related to the nature of the product, the weakness of promotion and poor customer service, none of which were explained in terms of selling to the end user. All customers, including business-to-business sales, expect quality products and good customer service and will be attracted by good promotion. Students choosing a direct marketing business saw clear limitations in terms of additional delivery costs, the end user not seeing/trying on the product until it arrives, lack of/ limited, face-to-face contact, difficulty with cash payments, etc.

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 students – 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 as possible of the marketing processes and the decisions real businesses take. Students should also be aware of the changing marketing conditions taking place through changes in the economy, society and other internal and external influences.

2. **Terminologies** – Students need to know all of the terms given in the syllabus **and** common terms that relate to marketing. A particular problem is students' very poor understanding of sampling methods and techniques.

3. **Reading the question/following instructions** – Many marks are still being unnecessarily lost, simply because students 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 to these questions.

5. **Questions based on own study** – Students must be able to use knowledge and understanding of a wide range of real marketing situations in order to answer questions on any part of the syllabus. Centres need to ensure that their students have appropriate examples that can be applied to all parts of the syllabus. Careful selection of examples will allow students to use the same businesses studied across a range of possible topics for these final two questions.

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 students 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 students 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.

Grade Boundaries

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