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Pearson
Edexcel GCE

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Applied Business

Unit 10: Marketing Decisions

Wednesday 10 June 2015 – Morning
Time: 1 hour 30 minutes

Paper Reference

6925/01

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 90.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Questions labelled with an **asterisk** (*) are ones where the quality of your written communication will be assessed
– *you should take particular care with your spelling, punctuation and grammar, as well as the clarity of expression, on these questions.*

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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Questions 1 to 6 relate to marketing decisions made by Reading's Exclusive Lifestyle Magazine (RELM).

RELM is a lifestyle magazine delivered free of charge to over 7,000 homes in the Reading, Oxford, Swindon and Newbury area. The homes are chosen on the basis of the value of the properties being over £1 million. Turnover and profits for the business are earned from advertisements placed by businesses aiming to target wealthy, high spending families.

The magazine is produced monthly and includes articles on designer fashion, interior and garden design, luxury holidays, the best restaurants and nightclubs to visit and interviews with 'A list' celebrities.

The owners are Gill and Albert Westerly, both millionaires in their own right. Gill ran a chain of upmarket dress shops in London and Albert ran a consultancy firm advising wealthy clients on investment properties, also in London. Having retired from their previous businesses in 2011, they started RELM in 2012 and have slowly built up the circulation and a loyal advertising base.

The initial production and delivery costs were very high. In 2014 they are just beginning to cover costs. Finding the right staff was difficult. The business has had a fairly high turnover of staff because they often move on to work for publications that are produced weekly, or have a higher national profile.

Figure 1

When starting their new business, Gill and Albert considered the macro marketing environment that might affect their magazine.

- 1** (a) Describe **two** elements of the macro marketing environment that Gill and Albert should have considered before they committed themselves to producing RELM.

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(b) Explain why it would have been a strategic rather than a tactical decision for Gill and Albert to start RELM.

(5)

Area with horizontal dotted lines for writing the answer.



(c) Explain who RELM's customers are.

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(Total for Question 1 = 15 marks)



3 (a) How might RELM's position on its product life cycle between 2012 and 2014 have affected the pricing strategies it used for businesses advertising in the magazine during this period?

(5)

(b) Considering the readership of RELM, analyse a suitable pricing strategy for the owners to use for businesses advertising in the magazine in 2014.

(5)

(Total for Question 3 = 10 marks)



Gill and Albert know that their main advertisers want to capture the interest of potential customers at an early age. They are thinking about starting a second magazine aimed at people between the ages of 17 and 25.

4 (a) Justify why this would be 'diversification' on the Ansoff Matrix.

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(b) Analyse if starting this second magazine would be a sensible marketing decision to make at this time.

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(Total for Question 4 = 9 marks)



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Figure 2

Gill and Albert feel that setting up a magazine aimed at 17 to 25 year olds in the same geographical area might have a negative effect on RELM, especially as the focus and content would be different. They are, therefore, looking at publishing the new magazine in an area centred on Edinburgh, Scotland. **Table 1** shows the results of some published data that they have found for the age group they are interested in.

Table 1 – Leisure Activities among 17–25 year olds in Scotland (by %)

| | Gender | | Age | | | | |
|-------------------|--------|------|-------|-------|-------|-------|----|
| | Female | Male | 17–18 | 19–20 | 21–22 | 23–24 | 25 |
| Listen to music | 90 | 88 | 92 | 91 | 88 | 85 | 83 |
| Watch TV | 87 | 80 | 86 | 85 | 83 | 83 | 79 |
| Go to a pub/bar | 70 | 76 | 66 | 83 | 80 | 73 | 57 |
| Use the internet | 71 | 74 | 71 | 79 | 78 | 67 | 64 |
| Visit friends | 73 | 71 | 77 | 72 | 75 | 71 | 57 |
| Go to the cinema | 57 | 52 | 55 | 58 | 59 | 49 | 42 |
| Shop for pleasure | 70 | 34 | 51 | 52 | 51 | 54 | 52 |
| Rent a video/DVD | 55 | 47 | 55 | 51 | 49 | 50 | 49 |

(Source: Adapted from MORI)

This MORI survey was conducted at home and incorporated a self completion questionnaire.

- 5 (a) Examine the possible drawbacks of using a self completion questionnaire for this survey.

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Gill and Albert want to carry out a follow-up survey, just for the Edinburgh area. They will use a quota sample based on gender, age and income.

- 6 (a) Explain what additional information would be needed before they could create an effective quota sample.

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- (b) Justify suitable secondary sources of data about incomes for the 17 to 25 age group.

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(Total for Question 6 = 10 marks)



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Questions 7 and 8 are based upon your own investigations of real marketing campaigns that you have studied during your course.

7 Many businesses have products that rise to a Star position on the Boston Matrix and then move to a Cash Cow position because the market has stopped growing or started to decline.

With reference to a business that has experienced this move for one of its products, answer the following questions.

Name of the business

Name of product.....

(a) State which market the product was being sold in. (1)

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(b) Explain why the market stopped growing or went into decline. (4)

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(c) How did the business use tactical marketing decisions to ensure that it remained in a Cash Cow position as the market growth slowed or declined?

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(Total for Question 7 = 10 marks)



8 Many businesses sell essentially the same products to consumers and to other businesses but use different promotional strategies and different channels of distribution for the two markets.

With reference to a business that sells the same product to these two different markets, answer the following questions.

Name of business

The product being sold

The two markets

(a) Show how the business alters its promotional strategy to effectively reach its customers in these two markets.

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(b) Explain why different channels of distribution are used for the two markets.

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(Total for Question 8 = 10 marks)

TOTAL FOR PAPER = 90 MARKS



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