Please write clearly in block capitals.	
Centre number	Candidate number
Surname	
Forename(s)	
Candidate signature	

Level 3 Technical Level BUSINESS: MARKETING

Unit 1 Competitive business environment

Friday 25 May 2018

Afternoon

Time allowed: 2 hours

Materials You will need no other materials.	For Examiner's Use	
You will need no other materials.	Examine	r's Initials
Instructions		
Use black ink or black ball-point pen.	Question	Mark
 Fill in the boxes at the top of this page. Answer all questions. 	1–8	
• You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.	9	
 Do all rough work in this book. Cross through any work you do not want to 	10	
be marked.	11	
Information	12	
• The marks for questions are shown in brackets.	13	
 The maximum mark for this paper is 80. There are 50 marks for Section A and 30 marks for Section B. 	14	
There are two sections to this paper.Both sections should be attempted.	15	
 Candidates should spend approximately 60 minutes on Section A and 	16	
60 minutes on Section B.	17	
Advice	18	
Please read each question carefully before starting.	TOTAL	





	Section A	
	Answer all questions in this section.	
	Total for this se	ction: 50 marks
In the multipl	le choice questions, only one answer per question is allowed.	
For each ans	swer completely fill in the circle alongside the appropriate answer.	
CORRECT ME	THOD WRONG METHODS 🔇 🔍 🗐	
If you want to	o change your answer you must cross out your original answer as sh	iown.
If you wish to select as sho	o return to an answer previously crossed out, ring the answer you nov own.	w wish to
0 1	An employee might demonstrate enterprising behaviour by	[1 mark]
	A being a responsible member of a work team.	0
	B complaining about working conditions.	0
	C finding better ways to carry out work tasks.	0
	D working longer hours to earn more.	0
0 2	One benefit of operating as a sole trader includes being able to	[1 mark]
	A control the business vision.	0
	B issue shares to friends.	0
	C protect personal assets.	0



0 3	Which of the fo the ILO measu Someone who	ure?	d most likely be defined as unemp	bloyed, using
				[1 mark]
	A on a full-tin	ne university course.		0
	B providing f	ull-time care for a far	nily member.	0
	C receiving a	disability benefit.		0
	D seeking wo	ork after leaving a jol	Э.	0
0 4	A change in th likely	e Bank of England b	ase interest rate from 1% to 4%	would most
				[1 mark]
	A encourage	UK businesses to in	ivest more.	0
	B encourage UK citizens to save more.			0
	C increase the price of goods imported into the UK.			0
	D reduce the	cost of borrowing in	the UK.	0
0 5	The table below all businesses		f business Z and the combined sa	les of
	Year	Business Z	Sales by all businesses	
	2016	£1.0 million	£5.0 million	_
	2017	£1.2 million	£6.0 million	
	The table shov business Z	vs that, between 201	6 and 2017, the total market sha	re held by
				[1 mark]
	A declined to	20%.		0
	B increased	to 25%.		0
	C remained a	at 20%.		0
	D remained a	at 25%.		0



Turn over ►

Do not write outside the box

			Do not write outside the box
0 6	Engaging with stakeholders can best help a business to innovate by	[1 mark]	
	A copying a competitor's product.	0	
	B gaining finance to build a new factory.	0	
	C getting cheaper materials from suppliers.	0	
	D understanding what customers want.	0	
0 7	The customers of a business believe that its products are good value. When carrying out a SWOT analysis , the business could classify this		
	A internal strength.	0	
	B internal weakness.	0	
	C external opportunity.	0	
	D external threat.	0	
0 8	A fast-food retailer wants to reduce the excessive fat content of its foo advantage of healthy eating trends.	od to take	
	What type of SWOT matrix response is this?	[1 mark]	
	A S-O		
	B S-T	0	
	C W-O	\bigcirc	
	D W-T	0	8



		Do not write outside the box
09	A business has innovated by developing a smart phone with a significantly longer battery life than its competitors.	
	Identify one method that could be used to protect the innovation and explain how this protection might benefit the business.	
	[3 marks]	
		3
1 0	A market leading fashion retailer (X) is challenged by a rival (Y) that offers budget clothing at low prices.	
	Explain one benefit to the fashion retailer (X) of using Porter's cost leadership strategy.	
	[3 marks]	
		3



High Mount (HM) is a farm that also offers activities for paying visitors, including indoor play areas. HM's vision is to operate a viable and environmentally friendly business.

In 2016, HM increased its visitor entry price and used profits from 2015 to invest in solar panels (improving its energy self-sufficiency). In 2017, HM reduced the entry price and did **not** invest further in energy self-sufficiency.

Year	2015	2016	2017
Profit	£120 000	£75 000	£100 000
Visitor numbers	45 000	40 000	48 000
Energy self-sufficiency (100% being completely self-sufficient)	10%	20%	18%

HM set the following objectives for 2018: £120 000 profit; 55 000 visitors; 25% energy self-sufficiency.

Use the information above to analyse the suitability of HM's 2018 **objectives**. [6 marks]



Café Culture (CC), originally located in the South of England, expanded into the Midlands during the second half of 2017. It aims to offer an excellent customer experience in its 39 cafés.

7

CC employs managers to oversee operations. It has five experienced managers in the South. In June 2017 two managers were appointed for the Midlands.

CC has carried out a review of customer experiences and staff and regional manager performances. It has finance for training, but does **not** plan to appoint any additional staff or managers.

Region	Cafés	Customer experience	Staff performance	Manager performance
South	25	Excellent	Excellent	Excellent
Midlands	14	Good	Satisfactory	Good

Use the information above to analyse how Café Culture (CC) should **manage its human resources** across its regions.

[6 marks]





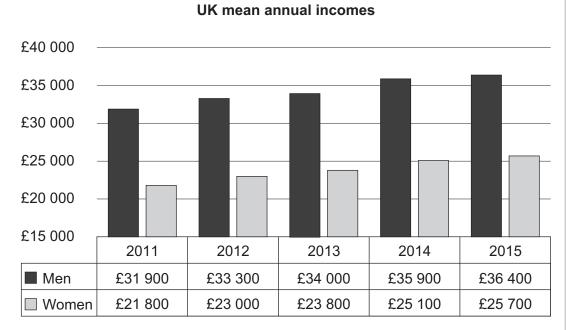
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Kingsmith Bikes (KB) is based in the UK. Its skilled workforce produces a range 1 3 of quality bicycles that sell for high prices (£500 to £2000). KB's 'made in the UK' badge, attached to every product, helps to achieve these prices. KB is struggling to keep up with demand for its bicycles from Chinese customers. It requires skilled workers, but recruiting them in the UK is difficult. KB's managing director believes that its quality bicycles can be produced at a lower cost in China. It would no longer struggle to meet orders and, in the longer term, could close its UK factory. Use the information above to analyse the factors affecting KB's location decision. [6 marks]



UK mean annual incomes, between 2011 and 2015, are shown below. These data can be used to calculate the percentage change in, and gap between, the incomes received by men and women.

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Use the information above to analyse the **trend in UK mean annual incomes** between 2011 and 2015.

[6 marks]

Petra aims to increase her restaurant's profit that has fallen in recent years. She has researched her economic and social environment.

Environment	Key findings
Economic	Economic growth has been slow, but is now increasing. Employment is rising and consumers are more willing to spend on 'luxuries'.
Social	With greater certainty about future incomes, consumers' purchasing decisions are increasingly driven by environmental and ethical concerns.

In the past, Petra kept her costs down and charged 'mid-market' prices. This meant that Petra sometimes used cheaper food ingredients from less ethical, or environmentally friendly, sources.

Use the information above to analyse how Petra might react to her **economic and social trends**.

[6 marks]





1 6 Ken owns a UK industrial 3D printing business. Sales have grown in the past three years. This is due to rising demand for the rapid production, and relatively low-cost, that 3D printing services offer. Ken has decided to purchase two new industrial 3D printers, each costing £300 000. As a sole trader, Ken can fund the purchase by: finding investors willing to go into partnership with him OR • raising share capital by establishing the business as a private limited • company (Ltd). Use the information above to analyse why Ken might react to his sales growth by establishing his business as a private limited company. [6 marks]

11



Section B

Answer **both** questions in this section.

Total for this section: 30 marks

Read **Item A** and then answer question **17**.

Item A

The market for cars in the European Union (EU)

Car manufacturing has a long history in the EU, especially in France, Germany and the UK. The competitive rivalry facing individual manufacturers is intense, with competition coming from within the EU and from the Rest of the World (eg USA, Japan and Korea). To succeed, car manufacturers focus on controlling production costs and developing cars to meet consumer needs.

In 2015, almost 14 million new cars were bought in the EU (including the UK). Approximately 80% of these cars were sold by eight manufacturers, as shown below.

Car sales in the EU (2015, by top selling brands)

Manufacturer	Head offices	Cars sold
Volkswagen	Germany	3.3 million
Renault-Nissan Alliance	France and Japan	1.9 million
PSA	France	1.4 million
Ford	USA	1.0 million
General Motors	USA	0.9 million
Hyundai	Korea	0.8 million
BMW	Germany	0.7 million
Daimler	Germany	0.7 million

Car manufacturers use lifestyle and benefit segmentation to help them succeed. For example:

- BMW and Daimler focus, to a significant extent, on higher income groups, eg, by targeting a 'business executive' lifestyle segment
- Volkswagen's multiple brands meet the needs of a wide range of benefit segments, from 'value-for-money' to 'high performance'.

Alliances, such as Renault and Nissan, also help car manufacturers to share innovations and focus on their expertise. Other business benefits can be achieved through acquisitions; for example PSA added Vauxhall and Opel to its list of brands when it bought the European operations of General Motors in 2017.



1 7	Do you think that a car manufacturer's success in the EU market depends mainly on how it segments the market ? Use Item A to justify your answer.	Do not write outside the box
	[15 marks]	
	Extra space available on following page if required	

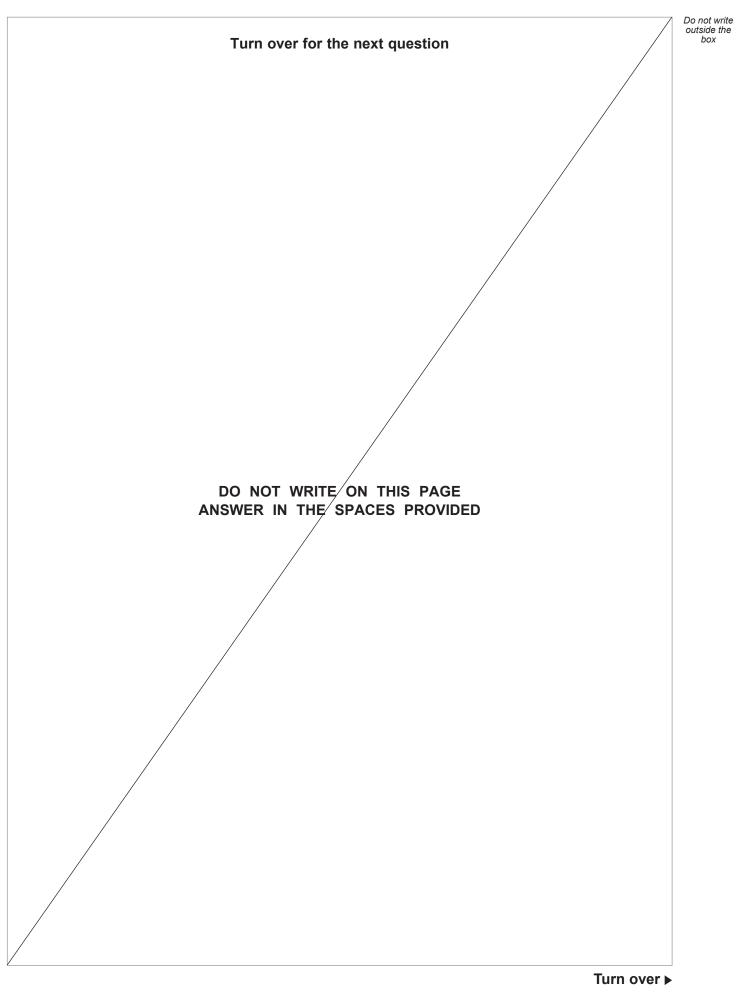
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Item B

Electric cars

To avoid the pollution caused by cars, Norway will ban the sale of new **petrol and diesel** cars in 2025. In Germany, their sales will be banned in 2030. In France and the UK, the ban will take place in 2040.

Electric cars, powered by rechargeable batteries, do **not** directly pollute the atmosphere. In 2016, electric car sales made up less than 1% of total new car sales in the EU. The Renault-Nissan alliance held 39% of the electric car market, followed by Tesla (a USA company specialising in 'luxury' electric cars) at 19% and Volkswagen at 16%. In 2017, European consumers had two reasons to **avoid** buying a new electric car:

- the limited range of electric cars 300 km was the maximum range (on a fully charged battery) for many electric cars at the time. This is half of the 600 km available from petrol and diesel cars on a full tank of fuel.
- the high price of electric cars for example, in 2017, an electric Volkswagen Golf cost approximately £32 000 compared with the basic petrol model cost of approximately £20 000.

Innovation in battery technology will bring electric car prices down and increase their travel ranges. However, it is estimated that it will take until 2030 for electric cars to gain more than 50% of the EU market.

Tesla saw its European sales grow in 2017. Its bestselling car was priced at around £60 000 and could travel close to 500 km on a single battery charge. For an additional £20 000, this range could be extended to 630 km.

In 2017, Volkswagen responded to the opportunities and threats created by countries banning the sale of new petrol and diesel cars:

- electric cars between 2020 and 2025 it will introduce 50 electric car models across its range of cars. For example, its 'VW ID' model will be on sale in 2020. This model will be priced at £22 000 and have a range of 400 km
- batteries it will invest up to €50 billion in battery development and production between 2017 and 2025. The intention is to reduce battery costs and increase their range (possibly to 1000 km).



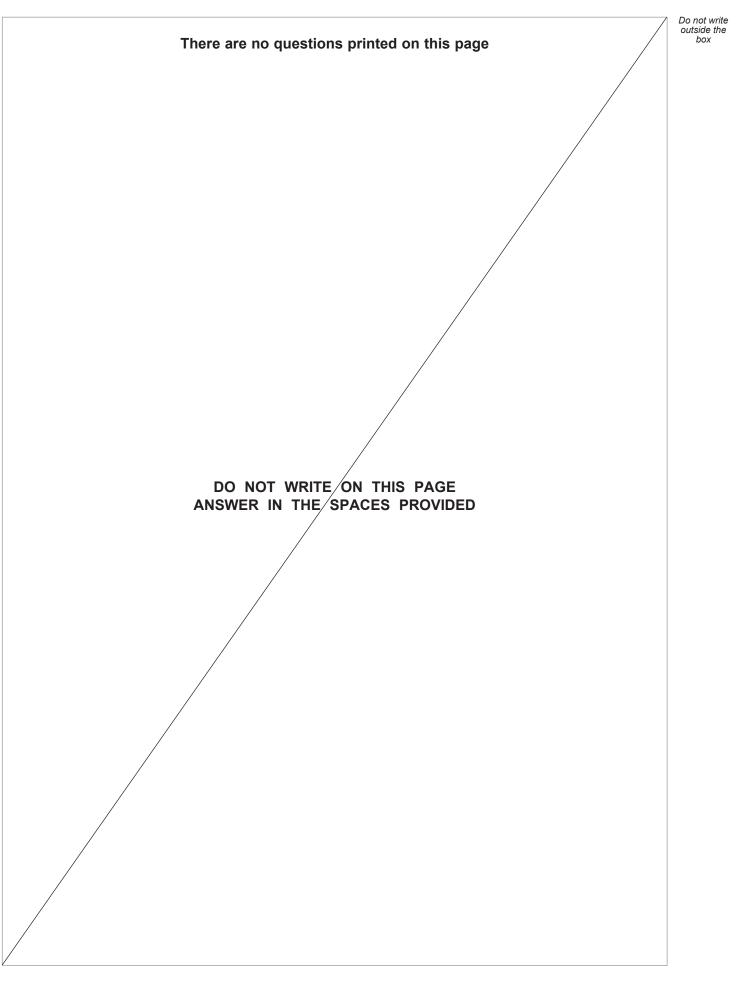
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Use Item B to justify your answer.	[15 marks]	

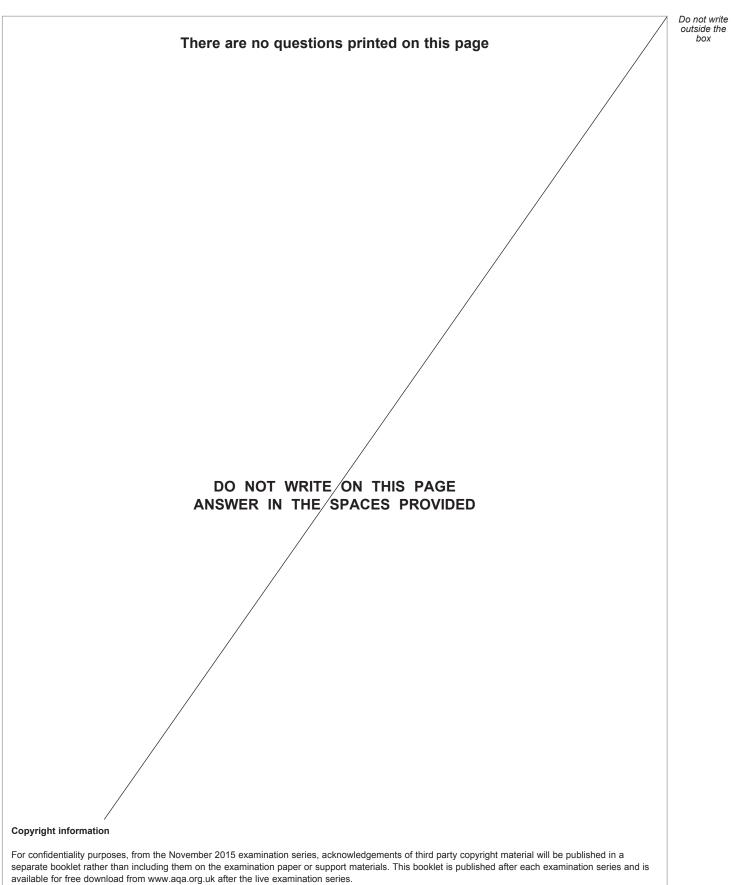












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