

## UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International Diploma Standard Level

### MARK SCHEME for the May 2006 question paper

#### CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS

5164

Marketing, maximum mark 100

These mark schemes are published as an aid to teachers and students, to indicate the requirements of the examination. They show the basis on which Examiners were initially instructed to award marks. They do not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.

- CIE will not enter into discussion or correspondence in connection with these mark schemes.

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Across the whole paper, Examiners should accept any examples given which are suitably justified.

Generally: **(marks shown relate to a task of 10 marks)**

Level 1 answers will leave the Examiner to 'fill the gaps'. The answer will show little evidence of understanding of theory, simply listing terms and failing to explain them in a marketing context. **(1 - 3 marks)**

Level 2 answers will be adequate answers that attempt to bring together theory and practice. Evidence of understanding is limited and the use of the context restricted. **(4 - 5 marks)**

Level 3 answers will combine theory and practice in an effective manner. It is not a Level 4 answer because it fails to apply the theory as effectively and/or is not as realistic/relevant as it might be. **(6 - 8 marks)**

Level 4 answers will be rare, and will be exceptional, bringing together theory and practice in a professional manner. The answer will demonstrate an understanding of theory used effectively in the context of marketing and the circumstances described. **(9 - 10 marks)**

**1 The senior management of 'Auctions Online' in China has asked you to explain the importance of marketing to the rest of the staff. Produce a memo that covers the following:**

**(a) a definition of marketing [5]**

Marketing is the relationship between the seller and the buyer, it is used to meet and anticipate the needs of the customer, it facilitates exchanges and identifies that the customer is important to all organisations.

**(b) the purpose of marketing [10]**

Answers to this question will vary. However, candidates should identify that marketing has many purposes including:

- To identify, anticipate, influence and satisfy customer needs
- To respond to changes in the market
- Improve/increase market share
- Enter new markets
- Increase awareness of products and services
- Achieve organisational goals
- Facilitate communications – internally and externally
- Builds relationships with stakeholders

**(c) the benefits of developing a marketing orientation. [5]**

Answers to this question will vary. However, key points to identify are as follows:

- The importance of keeping good customers
- Putting customers at the centre of all activities across the organisation
- All employees need to focus on the customer
- Customer loyalty needs to be built and maintained

Stronger candidates will use examples to illustrate these points.

**[Total for Question 1: 20]**

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**2 'Auctions Online' is considering using marketing research to help with its business decisions in China.**

**(a) Explain how 'Auctions Online' would benefit from marketing research. [5]**

The benefits of conducting marketing research are as follows:

- Find out more about the market and competitor's services – e.g. size of market
- Understand demand for the service and potential new services
- Understand the prices customers will accept
- Explore current customer satisfaction levels

Stronger candidates will answer the question in the context of 'Auctions Online' researching the Chinese market.

**(b) Explain the difference between primary and secondary research methods. [6]**

Primary research methods obtain first-hand information. Secondary research methods involve the collection of secondary data.

Stronger candidates will offer examples of primary and secondary research methods, including:

Primary

- Interviews
- Focus groups
- Observation
- Surveys

Secondary

- Company records
- Government publications
- Trade journals
- Competitors
- Internet

Level 4 candidates will identify that secondary research occurs first in the conduction of a marketing research project.

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- (c) Identify three research methods that would be suitable for 'Auctions Online'. Explain why these methods are suitable. [9]**

Answers to this question will vary – however, the examples given should specifically relate to the context of the question.

Examples include:

Secondary research

- Company records
- Government publications
- Trade journals
- Competitors

Primary research

- Interviews
- Focus groups
- Observation
- Surveys

Candidates should be awarded up to three marks for each suitable example identified and expanded upon as to why/how it can be used by 'Auctions Online'.

**[Total for Question 2: 20]**

- 3 The senior management at 'Auctions Online' is concerned that it does not have enough knowledge of customer segments and customer needs in the Chinese market.**

- (a) Identify the five stages of the research planning process for the collection of market information and explain what happens at each stage. [10]**

The five stages of the planning process for the collection of information are:

- Setting objectives
- Select sources of information
- Collection of the data
- Analysis of the data
- Drawing conclusions **(5 marks)**

Candidates are also asked to explain, briefly, what happens at each stage:

- Reasons for research – what does the organisation need to know
- Should primary or secondary research be used, suitability and cost
- Sample size
- Analyse data to obtain useful information
- Use information to inform marketing decisions **(5 marks)**

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**(b) (i) Define segmentation** [1]

Segmentation is – the division of markets into groups of customer with similar needs.

**(ii) Identify and explain three key methods used to segment consumer markets.** [9]

Three key bases for segmenting the consumer market:

- Geographic
- Demographic
- Psychographic

The basis of each type of segmentation can include the following:

- Geographic – Location – country, region, city
- Demographic – Age, gender, ethnicity, socio-economic class
- Psychographic – Attitude, interests, motivation, lifestyle

**[Total for Question 3: 20]**

**4 As a new marketing executive at 'Auctions Online', one of your first tasks is to prepare a new marketing plan for the coming year. Explain what happens at each of the following stages:**

**(a) Environmental analysis (Marketing Audit)** – External PEST factors (Political, Economic, Social, Technological) – Internal factors (Current plans, sales figures etc.). [4]

**(b) SWOT analysis** – Strengths, weaknesses, (internal) opportunities and threats (external). Informed by Environmental Analysis (Marketing Audit). [4]

**(c) Setting objectives** – What do we want to achieve? SMART objectives. [4]

**(d) Segmentation** – decisions about what customer segments to target. [4]

**(e) Implementing the marketing mix** – Marketing mix – The 4 P's of the marketing mix, the further 3 P's of the extended marketing mix – monitoring and reviewing progress. [4]

**[Total for Question 4: 20]**

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- 5 (a) Outline an extended marketing mix (7Ps) with a description of each element in relation to 'Auctions Online'. [14]**

The seven P's of the expanded marketing mix are:

- Product
- Price
- Promotion
- Place
- People
- Process
- Physical Evidence

Level 3 and 4 candidates will describe each element in the context of the 'Auctions Online':

- Product – a service – online auctions
- Price – pricing strategies for market entry (skimming or penetration)  
Price of registration
- Promotion – Use of the promotion mix to communicate with 'Auctions Online's' customers
- Place – Direct channel of distribution
- People – Training employees who interact with customers – via email or telephone
- Process – Ease in which customers partake in auctions, make payments etc.
- Physical evidence – 'Auctions Online' website

- (b) Explain why it is important for 'Auctions Online' to consider the extra three Ps of the extended marketing mix. [6]**

#### **Marks**

'Auctions Online' provide a service – not a tangible product. The three P's of the extended marketing mix help build relationships with the customer.

People – Need to ensure they have good people on the end of their customer service lines, and enough personnel to maintain increased demands on the web site technically.

Process – improvements such as speed of download or ease of access may be made.

Physical evidence – maintain clear image, and ensure this is replicated in every form of communication.

**[Total for Question 5: 20]**