

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International Diploma Advanced Level

MARK SCHEME for the October 2004 question paper

CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS

5174 Business Marketing (Optional Module), maximum mark 100

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows 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.



October 2004

CAMBRIDGE INTERNATIONAL DIPLOMA

Advanced Level

MARK SCHEME

MAXIMUM MARK: 100

PAPER: 5174

BUSINESS
Marketing (Optional Module)



| | | |
|---------------|---|--------------|
| Page 1 | Mark Scheme | Paper |
| | CAMBRIDGE INTERNATIONAL DIPLOMA – OCTOBER 2004 | 5174 |

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

Generally: *[marks shown relate to a task of 10 mark]*

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 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.

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]

| | | |
|--------|--|-------|
| Page 2 | Mark Scheme | Paper |
| | CAMBRIDGE INTERNATIONAL DIPLOMA – OCTOBER 2004 | 5174 |

1 Larry has decided that, in order to market their new product effectively, PlusCo will need to set up a new marketing department. He has asked you to provide the following information to help him present this idea to the other Directors. Write a memo that:

(a) Sets out four key benefits of setting up a marketing department [4 x 2]

Benefits include -

- Ensuring corporate goals are set and met
- Focusing all operations within the organisation of the customer
- Giving the organisation a sense of purpose and direction
- Works towards meeting customer needs profitably
- Increase awareness of the company and its products

[2 marks for each of any four of the above benefits, explained in the context of the Case - 8 marks]

(b) Identifies and explains four key functions that will be carried out by the marketing department. [4 x 3]

Key functions of a marketing department include -

- Marketing research
- Marketing analysis
- Marketing planning
- Design of a marketing mix
- Segmentation, targeting and positioning
- Marketing communications
- Brand management
- New product development

[3 marks to be awarded for each of any four of the above functions, suitably expanded - 12 marks]

[Total: 20]

| | | |
|--------|--|-------|
| Page 3 | Mark Scheme | Paper |
| | CAMBRIDGE INTERNATIONAL DIPLOMA – OCTOBER 2004 | 5174 |

2 (a) Explain the difference between continuous and ad-hoc marketing research. [2 x 3]

| Continuous Research | Ad-hoc research |
|--|---|
| <ul style="list-style-type: none"> • Research conducted on an ongoing basis to inform marketing decisions • Examples include - diary panels, consumer audits, monitoring of competitor activity, monitoring of the external environment, tracking studies, etc • Can include both qualitative and quantitative research | <ul style="list-style-type: none"> • Research conducted for 'one-off' use and a specific purpose • Examples include - new product development, testing consumer opinion, pre-testing of an advertising campaign, packaging tests, etc • Can include both quantitative and qualitative research |

[1 mark for each of the above points - 6 marks]

(b) Using the information in the Case Study, give one example of how PlusCo might use the following, and explain the method that might be used:

(i) continuous research data collection

PlusCo might use continuous research for any of the following purposes (from the Case Study)

| Purpose | Method |
|---|---|
| Monitoring competitor activity | Desk research, fed into marketing information system e.g. Annual Report and Accounts |
| Monitoring the external environment - PEST - particularly in technology | Desk research, fed into marketing information system e.g. Internet checks on developments |
| Monitoring trends in customer behaviour | Tracking studies |

[3 marks for one suitable example from the Case Study, and a further 4 marks for appropriate methods - 7 marks]

| | | |
|--------|--|-------|
| Page 4 | Mark Scheme | Paper |
| | CAMBRIDGE INTERNATIONAL DIPLOMA – OCTOBER 2004 | 5174 |

(ii) **ad-hoc research data collection**

[2 x 7]

PlusCo might use ad-hoc research for any of the following purposes (from the Case Study)

| | |
|--|----------------------------|
| Concept testing for the new product | Focus groups or hall tests |
| Testing a name for the new product | Focus groups or hall tests |
| Testing consumer opinion of the packaging for the new product | Focus groups or hall tests |
| Testing consumer opinion of the price for the new product | Surveys |
| Testing consumer opinion of promotional campaign for the new product | Focus groups or hall tests |

[3 marks for one suitable example from the Case Study, and a further 4 marks for appropriate methods – 7 marks]

[Total: 20]

- 3 PlusCo has decided that its new snack will directly compete with peanuts and other small savoury snacks. Recommend one target market for the new product, describing this target market in demographic terms. Give reasons for your answer. [20]**

Demographics is dividing the population in terms of
Age/life-cycle
Gender
Ethnicity
Socio-economic grouping
Occupation

Three marks for description of a target segment in each of the above five terms - for example, males, age 21 – 35, socio-economic group B or C1, who work in the City and who visit bars after work for a drink. Five marks for justification - e.g. This group are likely to buy snacks to accompany their drinks.

[Total: 20]

4 The Case Study states that PlusCo has succeeded through a diversification strategy.

(a) Draw Ansoff's matrix, and explain the features of a diversification strategy. [10]

| | | | |
|---------|----------|------------------------|-----------------------|
| | | MARKET | |
| | | EXISTING | NEW |
| PRODUCT | EXISTING | MARKET PENETRATION | MARKET DEVELOPMENT |
| | NEW | PRODUCT DEVELOPMENT | DIVERSIFICATION |

Features of a diversification strategy include -

- Involves developing new products
- Involves seeking new markets
- Most risky strategy, as dealing with completely unknown issues
- Needs major investment
- Needs marketing research to be carried out
- Needs careful market mix design for target market

[4 marks for diagram, correctly labelled, and a further mark of each of the above features - 10 marks]

(b) Explain to PlusCo the difference between strategic and tactical issues when carrying out marketing planning. [2 x 5]

Strategic issues - long term planning

Decisions about strategy would include -

- Which of Ansoff's strategies?
- Which of Porter's generic strategies - cost leadership, differentiation, focus/niching
- Segmentation, targeting and positioning decisions
- How plan should be monitored and controlled

[5 marks]

| | | |
|--------|--|-------|
| Page 6 | Mark Scheme | Paper |
| | CAMBRIDGE INTERNATIONAL DIPLOMA – OCTOBER 2004 | 5174 |

Tactical issues - short term planning

Decisions about tactical issues would include -

- Marketing mix activities and scheduling
- Product range and development
- Pricing
- Place decisions
- Promotional activity - advertising, PR, sales promotion, direct marketing, personal selling

[5 marks]

[Total: 20]

5 (a) **Recommend a pricing strategy for the launch of PlusCo's new snack product. [2]**

Candidates should suggest either a penetration pricing strategy - pricing low to beat the competition and encourage brand switching.

or

Price skimming strategy - pricing high to take the top of the market.

[2 marks for either strategy, suitably explained]

(b) **Explain the seven stages of the new product development process. [7 x 2]**

The seven stages are -

- Idea generation
- Idea screening
- Concept testing
- Business analysis
- Product development
- Test marketing
- Commercialisation

[1 mark for correctly identifying each stage, and a further mark for explanation of each stage - 14 marks]

(c) **Suggest two types of advertising that PlusCo might use to help launch their new product. [2]**

Candidates might select any two of the following types of advertising and justify these in terms of product launch -

- Press
- Magazine
- TV
- Radio
- Cinema
- Other - e.g. drinks mats, posters, buses etc

[2 marks for each of the two methods selected and described - 4 marks]

[Total: 20]