

Marketing – GCSE Business Paper 2

1. No.1(01.4, 01.5, 01,7)

0 1 . 4

Which one of the following is a method of primary market research?

[1 mark]

A Focus groups

☐

B Internet research

☐

C Magazines

☐

D Newspapers

☐

0 1 . 5

Which of the following is an example of qualitative data gathered through market research?

[1 mark]

A Customer opinions of a product

☐

B How often customers buy a product

☐

C The amount customers spend on a product

☐

D The number of products sold

☐

0 1 . 7

Identify **two** pricing methods used by businesses.**[2 marks]**

Method 1 _____

Method 2 _____

2. No.2(02.1 _ 02.7)

0 2

Item A: Suheila Web Designs

Suheila Web Designs (SWD) is a website design business set up by Suheila as a sole trader. Suheila works on her own with no employees to support her. SWD designs websites for businesses to promote and market their goods and services.

SWD has set specific objectives which has led to an increase in sales. The business continues to grow rapidly and profits are high.

Many of Suheila's customers are now asking for her to add e-commerce features to their websites. However, Suheila is unable to meet this demand because she lacks the necessary skills.

Suheila is considering forming a partnership with Johal, her brother-in-law. He has 10 years' experience of working in web design with advanced e-commerce features.

0 2

. 1

Explain **one** benefit of carrying out market research before starting a business.

[2 marks]

0	2	.	2
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SWD has set objectives of increasing market share and providing a quality service.

Analyse one reason for SWD setting objectives.

[6 marks]

[illegible]

Extra space

[illegible]

Item B: Suheila Web Designs

SWD has experienced continued success. Johal has joined the business and as a result of offering the service of e-commerce, sales revenue and profit has continued to grow.

In 2024, revenue is expected to grow by 35% from 2023. Net profit has also been increasing and the business currently has £38 000 in retained profits.

Table 2 Selected financial information for SWD (figures are in £000s)

Year	Revenue (£000s)	Net Profit (£000s)
2022	74	32
2023	120	54

Due to the rapid growth of the business SWD needs to invest in some new, modern computers. This would cost £36 000.

Table 3 Cost and additional profit expected from investing in new computers

Cost of new computers	£36 000
Additional profit over 5 years	£45 000

Johal believes that SWD should use retained profit to pay for the investment. He feels that the business is in a strong financial position.

Suheila is investigating a leasing agreement. SWD could return the computers after 3 years for more up-to-date computers. Leasing the new computers would cost £8000 per year.

0	2	.	5
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Using data from **Item B** and **Table 2**, calculate the expected revenue for SWD in 2024.

Show your workings.

[2 marks]

Answer _____

0	2	.	6
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Using data from **Table 3**, calculate the average rate of return if SWD invests in new computers.

Show your workings.

[3 marks]

Answer _____

0	2	.	7
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The new computers are expected to last 5 years, after which they will need replacing again.

Recommend whether SWD should use retained profits to purchase the new computers.

Give reasons for your recommendation. Use the financial information provided to support your answer.

[9 marks]

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3. No.3(03.1, 03.2, 03. 8)

0 3

Item C: Fitness Today

Fitness Today (FT) is a UK based business. The business manufactures and sells fitness equipment for people to use at home. FT only sells two pieces of fitness equipment: an exercise bike and a treadmill (running machine). A recent billboard campaign located in areas where there are lots of bars, cinemas and restaurants has slightly increased orders. FT uses segmentation to target customers. Through market research FT has found out that its customers are fitness enthusiasts aged between 25 and 44. The company wants to reach more of these customers in the future.

FT is considering giving customers the option to use trade credit. This would allow customers to pay for equipment in 24 equal monthly instalments. FT's main competitors do not offer trade credit.

0 3 . 1

Explain **one** benefit of using billboards as a method of advertising.

[2 marks]

0 3 . 2

Through market research FT has found out that its target customers have high disposable income.

Explain how FT can target customers by using segmentation. You should use information in **Item C** in your answer.

[4 marks]

Item E: Fitness Today

FT has decided not to invest in the V2 bike. Instead, it is going to focus on increasing revenue through sales of its existing equipment. FT is considering two options.

Option 1 – Use TV advertising to promote the existing equipment in the UK

FT is considering running a national TV campaign. The aim would be to demonstrate the bike and treadmill in action. Previous adverts on billboards have not met the sales targets FT wanted. The advert would be shown on a popular sports channel where Premier League football matches have over 2 million viewers. The campaign would be expensive. A prime-time advertising slot costs £30 000 for one showing of an advert.

Option 2 – Create a better design for the global market

FT could add a screen to its equipment for the international market. A feature of the screen would be streaming live workout classes which run for 5 hours each day and are linked specifically to the equipment. A monthly subscription would be needed, costing £10 per month. There is a lot of competition in the global fitness market, but FT is confident that the new screen would make its bike and treadmill stand out. Development and production of the screen would increase the price customers pay for the equipment by at least 25%.

0	3	8
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FT wants to increase its revenue. It is considering **two** options to achieve this:

- use TV advertising to promote the existing equipment in the UK
- create a better design for the global market.

Analyse the effect of **each** of these **two** options on the business.

Evaluate which of these **two** options will have the biggest impact on FT's revenue.

[12 marks]

4. No.1(01.1, 01.2,01.7,01.12)

0 1 . 1

Which of the following is a method of secondary market research?

[1 mark]

A Focus group

☐

B Internet research

☐

C Interview

☐

D Questionnaire

☐

0 1 . 2

Which of the following describes dividing potential customers into groups based on different characteristics?

[1 mark]

A Differentiation

☐

B Globalisation

☐

C Integration

☐

D Segmentation

☐

0 1 . 7

Identify **two** factors a business will consider before deciding on the promotional mix for its product or service.

[2 marks]

Factor 1 _____

Factor 2 _____

0 1 . 12 State and explain **two** pricing methods that a business can use.

[4 marks]

Method 1 _____

Explanation _____

Method 2 _____

Explanation _____

5. No.2(02.3)

0	2
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Item A: One Day Photography

Debbie Day set up One Day Photography (ODP) after completing a photography course at a local College. ODP offers wedding photography and family photography. Her previous job had been in a supermarket, working full time from 10am to 6pm on minimum wage. This made it difficult to spend time with her family. To ensure she is available to pick her children up from school, Debbie would prefer not to travel more than an hour from her home for work.

Debbie already owned some camera equipment and decided to run the business from home. This meant she was able to set up the business quickly. Last year Debbie made enough profit to help her buy a new car, something she could not afford in her previous job.

Debbie has recently set up a social media account to promote ODP and show potential customers her photos. Many of her previous customers have started leaving reviews and the messenger function has been a great way to answer questions, although people do expect a quick response. A lot of people have 'liked' Debbie's social media posts and photos; however, she is unsure how many have gone on to make a booking.

6. No.3(03.7)

Item E: Emilios

St Ives is a seaside resort. It is very popular in the spring and summer but has lower visitor numbers from October to February. Emilios needs to increase its sales during these months.

A local successful restaurant chain has asked Emilios to develop and produce a new range of ice cream desserts which it would sell in its eight large restaurants across Cornwall. The restaurant chain would promote Emilios by adding its logo to the menu. The restaurant chain has offered to sell the desserts for a two-week trial period. If sales are good, then the desserts will stay on the menu. Emilios will receive half of the price the restaurant chain charges its customers.

Another option is for Emilios to open an ice cream shop in a nearby town from October to February. Emilios would sell its current popular range of ice cream in the new shop. The town centre has many popular high street stores and is very busy at Christmas time. However, it can be very quiet in January and February. There are already two successful ice cream shops on the town's high street.

0 3 7

Emilios wants to increase sales revenue during the winter months. It is considering **two** options to achieve this. Both options will cost the same to set up. The options are:

- develop a new product range of ice cream desserts to sell to the restaurant chain
- expand by opening an ice cream shop in the town centre.

Analyse the effect of **each** of these **two** options on Emilios.

Evaluate which of these **two** options will have the biggest impact on **sales revenue** for Emilios.

[12 marks]

7. No.1(01.3, 01.6_01.10)

01.3

Which of the following is an example of qualitative data?

[1 mark]

A Customer opinions on a product

☐

B Market growth of a product

☐

C Number of customers

☐

D Percentage change in net profit

☐

01.6

Extension strategies are used to try to prevent a product from entering which stage of the product life cycle?

[1 mark]

A Introduction

☐

B Growth

☐

C Maturity

☐

D Decline

☐

01.7

Identify **two** methods of organic growth.

[2 marks]

Method 1 _____

Method 2 _____

01.8

Explain **one** type of public relations (PR) activity that a business might use.

[2 marks]

01.9

Explain **one** reason for conducting market research.

[2 marks]

0 1 . 10

Explain **one** economic influence on consumer spending.**[2 marks]**

Table 1 Extract from a cash flow forecast

	July £	August £
Total cash inflows	3 420	3 200
Total cash outflows	4 620	3 575
Net cash flow	(1 200)	(375)
Opening balance	2 000	
Closing balance		

To pay for the sponsorship of a national skateboarding competition, Skate4U Ltd is considering using £50 000 of its available overdraft at the current 12% annual interest rate.

Give reasons for your recommendation.

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Item B: Skate4U Ltd

Recently, sales of skateboards have fallen. To widen its product portfolio, Skate4U Ltd is considering entering a new market by developing a range of low-price scooters (non-motorised). The scooter market has grown rapidly in the last three years and is dominated by four businesses that receive 80% of the sales revenue in the market.

Skate4U Ltd currently sells high-price skateboards using high-quality materials. There are concerns about the possible negative impact on Skate4U Ltd's brand image if it begins selling low-price scooters. Skate4U Ltd will need to set clear sales targets to make sure the business will make a profit from the sale of scooters. The business can produce 10 000 scooters a year.

The market leader has recently run a successful sales promotion offering a signed scooter as a prize to the customer who creates the best new scooter design. This promotional activity resulted in an increase in its sales of 10%. Skate4U Ltd is considering which methods of promotion would be best to help gain brand awareness when entering the scooter market. Skate4U Ltd will promote the new scooters to its current market of skateboard users.

0 2 . 5 The scooter market is a highly competitive market dominated by four businesses.

Analyse **one** reason why promotion would be useful to Skate4U Ltd when entering the scooter market.

[6 marks]

[illegible]

0	2	.	6
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Skate4U Ltd is considering taking the risk of extending its product portfolio into a new market.

Recommend whether Skate4U Ltd should develop a range of low-price scooters. Give reasons for your recommendation.

[9 marks]

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9. No.3(03.1, 03.2, 03.5, 03.6)

0 3

Item C: Skyline plc

Nadia Aslam is a wealthy entrepreneur. Two years ago, she bought a struggling airline and changed the name to Skyline plc. The airline offers low-price flights from the UK to popular European destinations. There are high levels of competition in this market.

Nadia has found out that Sibiu, a city in Romania, is becoming popular for city breaks, but no UK airlines currently fly there. Nadia is planning to buy an additional plane and start flying there. Fees and taxes at Sibiu International Airport are much higher than at other destinations. Nadia will need to consider how to cover these additional costs.

Nadia has rebranded the planes with the new Skyline plc logo and colours. To raise the finance needed she used a share issue which reduced her ownership of the business from 90% to 70%. Although her shareholders do not have a say in the day-to-day running of the business, they are able to vote on major decisions such as whether to expand. Nadia has worked hard for the past two years to make Skyline plc a profitable business. She would like to reinvest all the profits back into the business but whatever she does she must also keep her shareholders happy.

0 3 . 1

Explain one advantage of a strong brand image for a business.

[2 marks]

0 3 . 2

Skyline plc is planning to introduce a new route to Sibiu in Romania.

Explain **one** factor that will influence the price that Skyline plc charges customers for each flight.

[4 marks]

Item D: Skyline plc

Skyline plc is going to add a new route to the city of Sibiu in Romania. An additional plane will require extra investment of £72 million. Based on the age of the plane being considered for purchase, it is estimated that it has 12 years of service left. The plane will increase Skyline plc's profit by £108 million over its lifetime.

Skyline plc has a large database of customers. It would like to set up a telesales team to call all past and present customers individually to tell them about the new route. Not all customers have indicated that they would be happy to be contacted by telephone.

Each member of the telesales team will:

- inform customers about the city of Sibiu and then encourage them to book flights
- be provided with some information about Sibiu, but not a formal script to use
- be expected to contact at least 12 customers per hour.

0 3 . 5

Skyline plc plans to set up a telesales team to generate a high level of sales for flights to Sibiu.

Analyse **one** disadvantage to Skyline plc of using telesales to contact customers.

[6 marks]

0 3

Item E: Skyline plc

The low-price flight market is very competitive and passenger numbers have fallen recently. Skyline plc's marketing department has been working to develop a solution.

Option one – use a loss leader pricing method for off-peak midweek flights.

Skyline plc has fewer customers travelling to city destinations midweek. Most people work Monday to Friday and prefer to book a short break over a weekend. Skyline plc would aim to cover costs and make a profit by charging customers more for luggage and extras such as seat upgrades and meals and drinks during the flight. Skyline plc has found that once customers have flown with them they return again and again.

Option two – keep prices the same and improve sustainability.

Consumers are increasingly aware of the environmental impact of air travel and the marketing department thinks that this will attract a new market. No other low-price airlines are promoting themselves as sustainable. A more sustainable approach would include removing all single-use plastic from Skyline plc flights and only serving drinks to customers who bring reusable cups and bottles on board. Skyline plc would also donate 1% of the profit from each flight to environmental projects to make up for the pollution the airline produces.

0 3 . 6

Skyline plc wants to increase the profit of the business. It is considering **two** options to achieve this:

- introduce loss leader pricing to increase customer numbers on midweek flights
- improve sustainability to attract a new target market.

Analyse the effect of **each** of these **two** options on the business.

Evaluate which of these **two** options will have the biggest impact on the profit of the business.

[12 marks]
