1(a)	**Define the term *market growth*.** **Indicative content** Responses may include: **AO1 Knowledge and understanding** **CLEAR UNDERSTANDING (2 marks)** • The (percentage) increase in the size of a market over a period of time / using metrics such as number of customers, units sold, or revenue (2) • Increase in size of market over a period of time (2) Clear understanding of the term *market growth* is worth 2 marks. This is indicated by 2 ticks ✓✓. **PARTIAL UNDERSTANDING (1 mark)** • Change in the size of a market (1) Partial understanding of the term *market growth* is worth 1 mark. This is indicated by 1 tick ✓. Accept all valid responses.
1(b)	**Explain <u>one</u> pricing method.** **Indicative content** Responses may include: **AO1 Knowledge and understanding - 1 mark for identifying ONE pricing method.** • competitive • penetration • skimming • price discrimination • dynamic • cost-based • psychological **AO2 Application** **2 marks for a DEVELOPED application / explanation of ONE pricing method.** **1 mark for a LIMITED application / explanation of ONE pricing method.** • price is similar to competitors to avoid damaging / expensive levels of competition between businesses OR price set below competitors in markets where it is easy for customers to compare prices of different businesses • setting a relatively low price to enter a market, attract customers and gain market share quickly, price may rise later • setting a high price for a new product when it is unique or highly differentiated / has low price elasticity of demand / price is reduced over time • charging different prices for the same product at different times or to different customers to increase demand and/or revenue • selling at a price which changes according to the level of demand and the customer's ability to pay • setting a price which covers all the costs of producing/supplying the product plus an additional amount to give profit • takes account of the psychological effect of a price on customers e.g. just below a price level ($9.99 not $10) or a high price for luxury goods Accept all valid responses.

6(a)

Analyse <u>two</u> ways international markets may present different challenges to a business than national markets.

There are 8 marks in total for Q6(a)
4 marks for each of the ways international markets may present different challenges to a business than national markets.

These 4 marks consist of

1 mark for K

1 mark for APP

2 marks for AN

Indicative content

Responses may include:

AO1 Knowledge and understanding

1 K mark for identifying **one** way international markets may present different challenges to a business than national markets Repeat this for a **second** identified way.

NOTE: International markets are global markets outside the international borders of a business's country of citizenship – people and businesses from different nations and sharing different cultures may compete in an international market. National market is a domestic market for goods and services operating within the borders of, and governed by, the regulations of a particular country. A business is likely to be more familiar with trading relationships and regulations and there is likely less risk, uncertainty and complexity when operating in a national market.

6(a)

Ways may include:

- International markets may present language challenges to business entrants
- International markets may have business cultures that do not match national market expectations
- Operating in an international market may require more expertise, competence and special management skills
- Competition is likely to be tough and intense in international markets
- International markets may present more high-risk challenges to businesses, such as political volatility, changing fashion, etc
- International markets may require acceptance of different tariff and non-tariff constraints and local laws and policies

AO2 Application

1 mark for APP of the chosen way. Repeat this for a **second** identified way.

- International markets may present language challenges to business entrants – many languages may be used.
- International markets may have business cultures that do not match national market expectations, e.g. in respect of religion, dress codes, working hours, personal space and facility, and gift giving. An ability to recognise, respect and adapt to these differences may reduce your ability to succeed in an international market.
- Operating in an international market may require more expertise, competence and special management skills to deal with the more complex circumstances and situations like changes in the strategies of governments and the mindsets of customers.
- Competition is likely to be tough and intense in international markets – global competition involves competition not only with competitors from home countries, but also with competitors from foreign lands.
- International markets may present more high-risk challenges to businesses, such as political volatility, changing fashion trends, sudden war situations, changing government regulations, and communication barriers.
- International markets may require acceptance of different tariff and non-tariff constraints and local laws and policies enforced in different nations – business relationships may involve complexity and lengthy time dimensions.

6(a)

AO3 Analysis

2 marks for **developed** analysis of the chosen way L2 AN Repeat for second identified way.

1 mark for **limited** analysis of the chosen way L1 AN Repeat for second identified way.

- International markets may present distinctive challenges to national businesses – they may exhibit very unique and volatile market situations regulations, and conventions requiring creative, responsive and flexible reactions, accommodations and compromises.
- The business cultures of international markets may be distinctive and unusual and outside the experience of national competitors, requiring adaptability and acceptance of unusual and often morally questionable business practices.
- International markets may be politically volatile requiring fast responses by national business`s such as making special payments in order to engage in business activity.
- Local laws and policies in international markets may be unconventional and communication channels may be far from transparent-national businesses again may need to balance national standards of business behaviour with international market expectations/requirements.

Accept all valid responses.

6(b)

Evaluate whether customer relationship marketing (CRM) is suitable for all small businesses.

There are 12 marks for Q6(b)

2 marks for K

2 marks for APP

2 marks for AN

6 marks for EVAL

Indicative content

Responses may include:

AO1 Knowledge and understanding

2 marks for **developed** knowledge and understanding L2 K

1 mark for **limited** knowledge and understanding L1 K

- CRM is concerned with forming long-term relationships/bonds with customers, rather than just with immediate sales – less transactional or hard selling – more about building emotional connections with customers
- Customers are put at the centre of marketing strategies in an effort to create customer loyalty and retention through developing a unique bond with customers – especially through customers' data and feedback
- The era of digital marketing has created opportunities for businesses of all sorts to succeed in the journey of relationship marketing

6(b)

AO2 Application

2 marks for **developed** application/context L2 APP

1 mark for **limited** application/context L1 APP

- Marketing no longer restricted to developing, selling, and delivering products and services. CRM sees this definition of marketing as too restrictive – effective marketing needs to be relationship orientated.
- Investment into CRM systems is considered to be essential and more effective than transactional marketing for the long-term health of all businesses.
- The marketing concept of using a relational software database to gather data on customer transactions for use in marketing and sales programmes has been developed and expanded into company-wide CRM systems – initially sophisticated technology orientated systems developed in/for large businesses to create, manage, and organise data in a way that drives sales and revenue through creating connections and long-term relationships.
- More recently, small business CRM systems have been devised to enhance the small business customer experience with a focus on social relationships and personal care programmes that foster customer commitment and builds trust between a business and its customers.
- Small businesses are often partnerships, sole proprietorships, or private limited companies
- Have relatively small numbers of employees, relatively low annual revenue/turnover, few human resources, and low up-front capital (vary between 'micro' businesses with less than 10 employees/turnover less than £2m – 'small' businesses with 10–50 employees and £2–10m turnover, to MSE's with 50–250 employees and £50–250m turnover)

6(b)

AO3 Analysis

2 marks for **developed** analysis L2 AN

1 mark for **limited** analysis L1 AN

The benefits of CRM programmes are said to include the following: -

- The possibility of selling more – returning customers tend to purchase more than first-time customers as a consequence of a stronger relationship.
- CRM acts as an advertising method for a product – customers satisfied with a product leave good reviews and communicate to others positive experiences.
- Loyal customers created by CRM tend to purchase new and upcoming products due to positive experiences in the past – saving advertising costs.
- CRM forces a business and brand to focus on long-term goals rather than short-term success.
- CRM, in developing a personal relationship with the customer, helps create a viral positive one-to-one marketing.
- CRM provides opportunities to solve problems immediately -opportunity to repair product failures – problem-solving via the customer service communications to Twitter accounts or person visits

The limitations of CRM are said to include the following:

- The primary limitation is said to be cost – it leads to higher costs per individual customer, with no guarantee of a quick return.
- CRM software is often designed to meet the needs of large businesses – can be daunting for smaller businesses lacking the staff time and financial resources.
- Even simple CRM systems are expensive – investment costs are high – may be inaccessible to a small business.
- CRM raises the expectations of customers – time and resource consuming – it takes many transactions to establish a trusting relationship that garners results.
- CRM likely to require a significant change in business culture and employee roles – the change from a product centric business to a customer/client end user centric business is a demanding one – there may be resistance to change, e.g. IT moves from a customer supportive role to a customer enabling role.
- CRM may treat new customers as a secondary commodity – CRM focus is on retaining and supporting the current customer base – new customers could be overlooked or ignored.

6(b)	**AO4 Evaluation: Up to 6 marks for evaluation:**

Developed/Supported judgement in context	L3 EVAL	6 marks
Developed/Reasonable evaluative comments in context	L3 EVAL	5 marks
Developed/Supported judgement without context	L2 EVAL	4 marks
Developed/Reasonable evaluative comments without context	L2 EVAL	3 marks
Limited supported judgement	L1 EVAL	2 marks
An attempt to balance the arguments/Weak attempt at evaluative comments	L1 EVAL	1 mark

- Judgements/conclusions/critical comments may be made at any point in an essay, not just in a concluding section.
- A judgement might be made that many small businesses are less likely to adopt a CRM approach due to the potential high investment costs, the time risks involved, the complexity of CRM programmes and the limited resource availability.
- A judgement may be made that potential benefits of a CRM programme/initiative outweigh the costs/risks/potential disadvantages.
- A judgement may be made that it all depends on the 'size' and resources of a 'small' business and the stage of development of the business so not all small businesses may rule out investment into CRM.
- Indeed a judgement may be made that a small business is ideally placed to really benefit from a CRM approach – a small business may be more accessible to the customer than a large one – the values, mission, vision clearer in a small business – close to the customer.
- A judgement may be made that CRM is a natural development of effective marketing and is relevant and essential for all businesses, including small businesses, and that inexpensive small business CRM systems are increasingly available (affordable cloud-based packages).
- A judgement might be made that the features and benefits of CRM are critical for all businesses – and that even non-commercial organisations, such as universities, are adopting CRM programmes in order to improve relationships with the students who increasingly assume the role of customers and expect to be heard, respected and satisfied.
- A judgement might be made that CRM is just one of the latest management fads and that effective businesses have always pursued customer relationships and enjoyed the trust and loyalty of customers/clients/end users without the adoption of expensive and trendy CRM systems.

Accept all valid responses.

4	**Analyse one advantage to a business of using mass marketing.**

There are 5 marks for this question:

1 mark for K

2 marks for APP

2 marks for AN

Indicative content

Responses may include:

AO1 Knowledge and understanding

1 mark for K identifying one advantage to a business of using mass marketing

- Business may secure economies of scale
- Mass marketing may ensure cost effectiveness in business operations
- Opportunity to secure significant sales
- Opportunity to build and develop a brand
- Opportunity to build and develop the business

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AO2 Application

2 marks for developed APP of the chosen advantage.

1 mark for limited APP of the chosen advantage.

Economies of scale – unlike niche marketing
Cost effective – when used to advertise products
Mass marketing campaigns can reach a large audience – via several channels.
Appeals to the total population – lead to more sales.
Can increase brand awareness – via several channels
Can save time with marketing campaigns – as don’t have to create new campaign for each different segment

AO3 Analysis

2 marks for developed AN of the chosen advantage

1 mark for limited AN of the chosen advantage

Economies of scale can enable substantially lower average costs of production – increase profit margin.
The ability to target the whole market could lead to huge sales – and profits.
Brand awareness could become global – could lead to becoming market leader.
Time saved on marketing campaigns could be used in other ways to increase business efficiency.
Less prone to changing tastes – so a change in consumer buying habits may not impact sales.

Accept all valid responses.
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