Solutions

Marking: **K** knowledge, **App** application to the case, **An** analysis (a developed chain of reasoning), **Ev** evaluation (a justified judgement); calculations earn **M1** for the method and **A1** for the answer.

Each answer shows the steps, then the **result**.

2.1

any two: identify customer **needs**; satisfy needs; keep customer **loyalty**; build relationships; gain market information

2.2

- $(46 - 40) \div 40 \times 100$
- $=$ **15** %

2.3

- advantage: **less competition** from large firms, so it can charge **higher prices** for specialist guitars (K + An)
- disadvantage: **few customers**, so sales are limited; if demand falls, it has no other market (K + An)

3.1

B

3.2

C

3.3

(a)

- an identifiable **group of customers** with similar characteristics / needs within a market

(b)

- $2 \div 8 \times 100$
- $=$ **25** %

(c) two ways, each outlined (K + App each):

- **use / lifestyle**: competitive swimmers vs holiday swimmers
- **age**: children's club swimwear vs adults
- **gender**: men's and women's ranges
- **income**: premium racing suits vs budget training suits

(d) two reasons, each explained (K, App, An each):

- clubs buy **every season**: repeat sales give steady revenue
- keeping customers is **cheaper** than winning new ones, so marketing costs fall
- loyal swimmers **recommend** the brand to others
- loyalty protects Aqua Sport against rivals who cut prices

(e) for: (An)

- a market 25 times larger; growth; spreads risk beyond one niche

against: (An)

- strong **competition** from large retailers with economies of scale; Aqua Sport is small; cheap fashion swimwear may damage its **premium brand** with clubs; needs new skills in fashion and big retail

decision: (Ev) for example, Aqua Sport should stay in its niche, or test a small premium range for serious leisure swimmers, because competing on price with large retailers would risk the brand loyalty that gives it its 25 % share.

Level 3 (5–6): a justified decision for this business, weighing both sides. Level 2 (3–4): points explained and applied. Level 1 (1–2): points identified.