

## 3: Marketing

### Paper 2 – Topic questions

The questions in this document have been compiled from a number of past papers, as indicated in the table below.

Use these questions to formatively assess your learners' understanding of this topic.

Question	Year	Series	Paper number
1a	2017	March	22
2a	2017	March	22
4b	2018	March	22
3a	2018	March	22

## Bags and Belts (BB)

BB is a small private limited company. It manufactures leather handbags and belts. It only uses the best quality leather. BB sells the bags and belts using its own brand name to large retailers. BB currently does not use the Internet in its business operations.

The leather used by BB has always been purchased from the same local business since BB was set up. This supplier guarantees high quality leather and has always delivered on time.

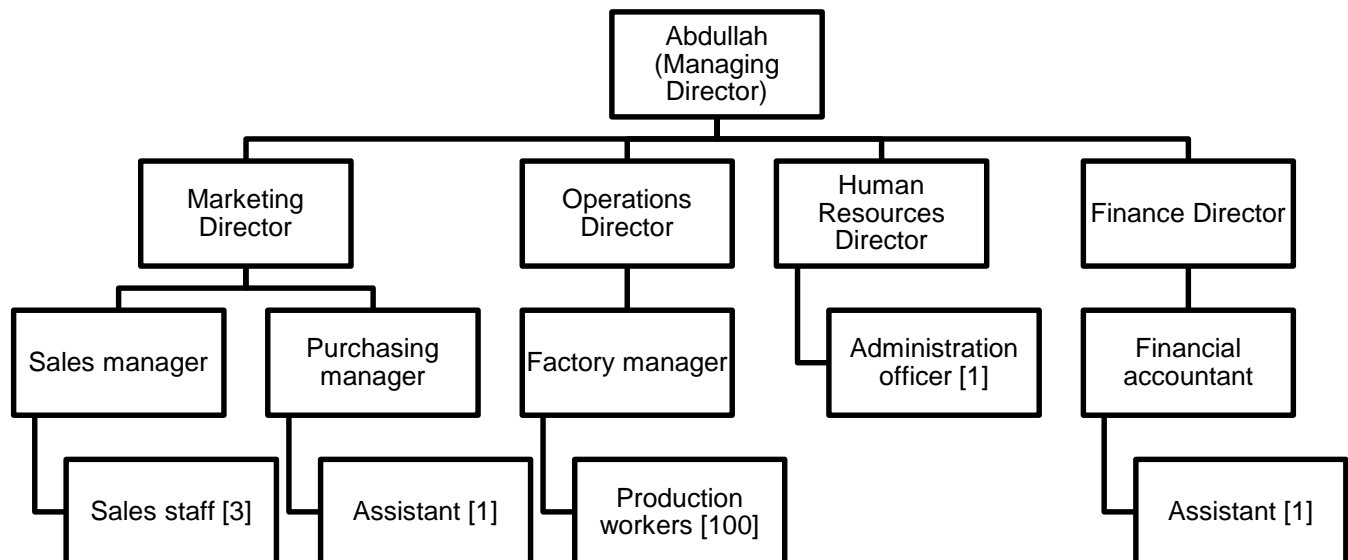
BB was started 35 years ago and is now managed by Abdullah, the grandson of the original owner. The other directors are all members of the family. BB employs workers from the local community to manufacture the handbags and belts.

BB uses batch production. The workers who make the handbags and belts are skilled, but wage costs are kept low by employing young workers to pack the products. The production process has waste materials and these are put into the nearby river. However, local people complain that it affects their drinking water.

The directors want to increase profit. They are thinking of either increasing prices or making some of the handbags out of a material that looks like leather but is much cheaper to buy. The Marketing Director thinks the demand for their handbags is price inelastic as many consumers are loyal to the BB brand.

## Appendix 1

### Organisation chart for BB



## Appendix 2

From: Abdullah  
To: BB directors

I want BB to expand and I am considering the following two options.

### Option A:

Sell BB branded handbags to wholesalers. This will allow BB to sell its handbags all over the country. We will need to spend a lot of money on advertising in magazines aimed at people on high incomes. The economy has been growing rapidly and many people now have high incomes.

### Option B:

To accept a contract to manufacture luxury handbags for a major global business. This global business will then sell these handbags using its own channels of distribution across the world. The global business has a recognised luxury brand and its handbags sell at very high prices in exclusive shops all over the world. All the workers will need to be skilled and fully trained as the highest quality will be expected. New equipment costing \$20 000 will need to be purchased. BB will still make some BB branded handbags.

We must meet to discuss which option you think we should choose.

## Appendix 3

### Summary of BB balance sheet (\$000)

	2015	2016
Non-current assets	100	120
Current assets:		
Inventories	10	40
Cash	10	10
Trade receivables	10	40
Current liabilities:		
Trade payables	40	50
Non-current liabilities:		
Long-term bank loan	80	80

**1(a)** Identify and explain **two** reasons why having a brand image for its products is important to BB.

Reason 1: .....

.....

Explanation: .....

.....

.....

.....

.....

.....

Reason 2: .....

.....

Explanation: .....

.....

.....

.....

.....

.....[8]

**2(a)** Identify and explain **four** ways BB could use the Internet.

Way 1: .....

.....

Explanation: .....

.....

Way 2: .....

.....

Explanation: .....

.....

Way 3: .....

.....

Explanation: .....

.....

Way 4: .....

.....

Explanation: .....

.....[8]

- 4(b)** Consider how the following **three** legal controls might affect BB. Which legal control is likely to have the biggest effect on BB's profit? Justify your answer.

Restrictions on the waste put into rivers:

.....

.....

.....

.....

.....

All materials used in the product must be listed on the product packaging:

.....

.....

.....

.....

.....

Restrictions on the youngest age that a person can start work:

.....

.....

.....

.....

.....

Conclusion: .....

.....

.....

.....

.....

.....[12]

## City Café (CC)

When George Brown left school he worked as a chef in several restaurants but he had always wanted to be his own boss. He set up City Café (CC) as a sole trader 15 years ago. He purchased a building with \$10 000 he received from his grandfather and made it into a café. It is located in the centre of Main City, in country X. George works very hard and is willing to take risks. He creates his own recipes for the café and his customers like the food.

CC has been successful every year and George has always paid himself a high salary. However, he now wants to increase the profit from CC by expanding the café. It is already open every day from 08:00 to 20:00 and in order to serve more customers he needs a larger café. The café is located in a very busy shopping mall. George has undertaken some market research and found out that 50% of his customers visit the café every day. The other 50% of customers visit less frequently and are often attracted by the special menu items on the board outside the café.



George is considering two options for expansion.

### *Option 1:*

Buy the building next door and make it into one larger café that can serve 50% more customers. The building became empty after a clothes shop closed. The cost of the shop is \$20 000 and it will cost \$10 000 for redecorating and building work.

### *Option 2:*

Move to a new building 10 kilometres away in another part of the city. This building is twice as large as the existing café and will cost \$2 000 a year to rent as it is not for sale. George will be allowed to redecorate and he will need to buy equipment for the kitchen. The total cost for this will be \$5 000. It is in a busy part of the city with many shoppers visiting the area.

## Appendix 1

*Daily News*

*2 February 2018*

The Government has forecast that interest rates will be increased later this year. This is very worrying for many local businesses that require finance. Country X has a fast growing economy and the Government does not want this to lead to higher inflation.

A multinational coffee shop chain wants to open cafés in malls all over country X, attracted by the high rate of economic growth. Local businesses are worried about the competition from this business as it benefits from economies of scale. Some market researchers think that customers will prefer to stay with their local café and not use an international style of café.

## Appendix 2

### Three applicants for the vacancy of chef (cook)

	Jim	Sally	Vera
Experience	6 years as a chef in a small café with some responsibility for managing the café	10 years as a chef in a large city centre restaurant	18 years as a chef in a high quality café in an expensive shopping mall
Age	25	35	40
Interests	Holidays abroad	Taking part in cooking competitions	Baking cakes and cooking
Qualifications	Health and safety qualification 3 IGCSEs	Qualified chef 6 IGCSEs	12 IGCSEs 2 Cambridge A Levels
Wage per hour in previous job	\$5	\$7	\$10

## Appendix 3

### Cash flow forecast for CC for the second half of 2018 (\$000)

	July	August	September	October	November	December
Cash from sales	10	15	10	5	5	4
Total cash inflows	10	15	10	5	5	4
Payment to suppliers	3	5	2	2	2	2
Fixed costs	4	4	4	4	4	4
Bank loan repayments	2	2	2	2	2	2
Total cash outflows	9	X	8	8	8	8
Net cash flow	1	4	2	(3)	(3)	(4)
Opening bank balance	1	2	6	8	5	2
Closing bank balance	2	6	Y	5	2	Z



**3(a)** Identify and explain **two** roles of marketing for City Café.

Role 1:.....

Explanation:.....

.....

.....

.....

.....

.....

.....

Role 2:.....

Explanation:.....

.....

.....

.....

.....

.....

.....

[8]

Question	Answer	Mark
1 (a)	<p><b>Identify and explain two reasons why having a brand image for its products is important to BB.</b></p> <p>Knowledge [2 × 1] – award one mark for each reason identified  Analysis [2 × 1] – award one mark for a relevant explanation for each reason  Application [2 × 2] – award two application marks for each relevant reason  Award one mark for each reason (maximum of two), such as:</p> <ul style="list-style-type: none"> <li>• To give the product a USP</li> <li>• To differentiate the product from competitors</li> <li>• Encourages customer loyalty</li> <li>• Higher quality product than unbranded products</li> <li>• Can charge higher price than price of unbranded products</li> </ul> <p>Award a maximum of three additional marks for <b>each</b> explanation – <b>2 of which must be applied to this context</b> – of the reason.</p> <p>Indicative response:</p> <p>A brand image allows a business to charge a higher price for its products because customers think it is of a higher quality.(k) BB produces high quality handbags using the best quality leather (ap) and without a brand image BB may find it more difficult to charge high prices.(an) This makes it important to BB as it needs to charge higher prices to cover its higher leather costs in order to make a good profit for the company.(ap)</p> <p>Possible application marks: small private limited company; manufactures leather handbags and belts; best quality leather; sold to large retailers; does not use the internet; leather purchased -same local business; supplier guarantees high quality leather; use material that looks like leather but cheaper; demand for its handbags is price inelastic; loyal customers to the BB brand; directors aim to increase profit.</p> <p>There may be other examples in context that have not been included here.</p>	8

Question	Answer	Mark
2 (a)	<p><b>Identify and explain four ways BB could use the internet.</b></p> <p>Knowledge [4 · 1] – award one mark for each way</p> <p>Application [4 · 1] – award one application mark for each way</p> <p>Award one mark for each way (maximum of four), such as:</p> <ul style="list-style-type: none"> <li>• Advertise online</li> <li>• Research competitors prices</li> <li>• Research different suppliers</li> <li>• Sell online</li> <li>• Email customers/supplier/employees</li> <li>• Pay invoices/internet banking</li> <li>• Video conferencing</li> </ul> <p>Award a maximum of one additional mark for each explanation in the context of BB.</p> <p>Indicative response:</p> <p>BB could research suppliers online. (k) BB only uses high quality leather but it may find other suppliers of high quality leather at cheaper prices as there will be access to more information about other leather suppliers online. (ap)</p> <p>Possible application marks: manufactures leather handbags and belts; best quality leather; uses own brand name; sold to large retailers; supplier guarantees high quality leather; always delivered on time; uses material that looks like leather but cheaper; demand for its handbags is price inelastic; loyal customers to the BB brand. There may be other examples in context that have not been included here.</p>	8

Question	Answer	Mark														
4 (b)	<p><b>Consider how the following three legal controls might affect BB. Which legal control is likely to have the biggest effect on BB's profit? Justify your answer.</b></p> <p><b>Relevant points might include:</b></p> <table><tr><td>Restrictions on the waste put into rivers</td><td>Increased costs of cleaning up waste – reduce profit – but if all businesses have to do this then competitiveness not affected – less effect on profit</td></tr><tr><td>All materials used in the product must be listed on the product packaging</td><td>Cannot make false claims about materials used – customers trust information provided on packaging – assured of the quality materials being used – increases BB sales – increases profit Competitors information must be truthful – cannot claim they use high quality materials if not true – increases sales if clear the quality is higher for BB products</td></tr><tr><td>Restrictions on the youngest age a person can start work</td><td>May increase wage cost if young workers cannot be employed – reduces profit – but if efficiency increases – no effect – may already employ skilled workers – so no effect.</td></tr></table> <p>Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.</p> <table><tr><td></td><td>Knowledge/Analysis/Evaluation</td></tr><tr><td>Level 3</td><td>At least 2 · Level 2 + 9–10 marks for well justified conclusion as to which legal control will have the biggest effect on profit and why the others less effect. 7–8 marks for some limited conclusion as to which legal control will have the biggest effect on profit.</td></tr><tr><td>Level 2</td><td>4–6 marks Discussion of the effects of the legal controls.</td></tr><tr><td>Level 1</td><td>1–3 marks Outline of the effects of the legal controls.</td></tr></table> <p>Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Increased cost of cleaning up waste. Level 2 – one L2 calculation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Increased cost of cleaning up waste meaning that profit is reduced. However, if all the handbag manufacturers also have to clean up waste products then the costs for all producers will increase and they might all increase prices. This may mean that there is little effect on profit. (L2 plus app for considering handbag manufacturer) Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a conclusion as to which legal control will have the biggest effect on BB profit.</p> <p><b>Award up to 2 additional marks for relevant application.</b></p>	Restrictions on the waste put into rivers	Increased costs of cleaning up waste – reduce profit – but if all businesses have to do this then competitiveness not affected – less effect on profit	All materials used in the product must be listed on the product packaging	Cannot make false claims about materials used – customers trust information provided on packaging – assured of the quality materials being used – increases BB sales – increases profit Competitors information must be truthful – cannot claim they use high quality materials if not true – increases sales if clear the quality is higher for BB products	Restrictions on the youngest age a person can start work	May increase wage cost if young workers cannot be employed – reduces profit – but if efficiency increases – no effect – may already employ skilled workers – so no effect.		Knowledge/Analysis/Evaluation	Level 3	At least 2 · Level 2 + 9–10 marks for well justified conclusion as to which legal control will have the biggest effect on profit and why the others less effect. 7–8 marks for some limited conclusion as to which legal control will have the biggest effect on profit.	Level 2	4–6 marks Discussion of the effects of the legal controls.	Level 1	1–3 marks Outline of the effects of the legal controls.	12
Restrictions on the waste put into rivers	Increased costs of cleaning up waste – reduce profit – but if all businesses have to do this then competitiveness not affected – less effect on profit															
All materials used in the product must be listed on the product packaging	Cannot make false claims about materials used – customers trust information provided on packaging – assured of the quality materials being used – increases BB sales – increases profit Competitors information must be truthful – cannot claim they use high quality materials if not true – increases sales if clear the quality is higher for BB products															
Restrictions on the youngest age a person can start work	May increase wage cost if young workers cannot be employed – reduces profit – but if efficiency increases – no effect – may already employ skilled workers – so no effect.															
	Knowledge/Analysis/Evaluation															
Level 3	At least 2 · Level 2 + 9–10 marks for well justified conclusion as to which legal control will have the biggest effect on profit and why the others less effect. 7–8 marks for some limited conclusion as to which legal control will have the biggest effect on profit.															
Level 2	4–6 marks Discussion of the effects of the legal controls.															
Level 1	1–3 marks Outline of the effects of the legal controls.															

Question	Answer	Mark
3 (a)	<p><b>Identify and explain two roles of marketing for City Café.</b></p> <p>Knowledge [2 × 1] – award one mark for each role</p> <p>Analysis [2 × 1] – award one mark for a relevant explanation of each role</p> <p>Application [2 × 2] – award two application marks for each role</p> <p>Award one mark for each role (maximum of two):</p> <ul style="list-style-type: none"> <li>• Identify customer needs</li> <li>• Satisfy customer needs</li> <li>• Maintain customer loyalty</li> <li>• Gain information about customers</li> <li>• Anticipate changes in customer needs</li> </ul> <p>Award a maximum of three additional marks for <b>each</b> explanation of the role – <b>2 of which must be applied to this context.</b></p> <p>Indicative response:</p> <p>It is important to identify customer needs (k) so that the café provides drinks and food that customers want to buy. (ap) This will ensure that customers keep coming back and become repeat business (an) so that George can increase his profit and expand the café. (ap)</p> <p>Possible application marks:</p> <p>Set up as his own boss – café/restaurant; menu; cafe is located in shopping mall in Main City; creates his own recipes for the café; wants to expand the café and increase profit; cafe is open 6 days a week; 50% of customers visit every day/ 50% visit less frequently; advertises using menu board outside the café; details of the two options for expansion.</p> <p>There may be other examples in context that have not been included here.</p>	8