

# AQA Exam Practice Resource

## Unit 1

### Marketing and Accounting and Finance

(sample pages)

# New Exam Paper 3

Please read the information in the box below before starting this exam

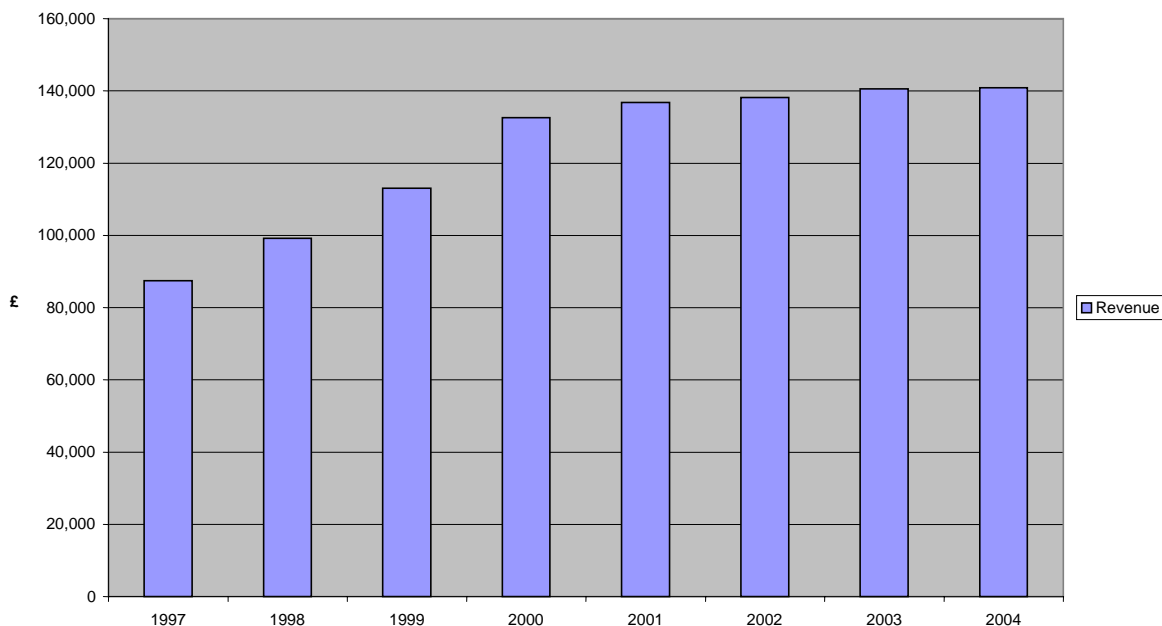
- ◆ The time allowed for this paper is 1 hour and 15 minutes
- ◆ Figures in brackets at the end of questions are the number of marks allocated to that question.
- ◆ There are two questions in this paper. Candidates should answer both questions.
- ◆ Each question is worth 30 marks.
- ◆ A further three marks will be awarded depending on the quality of the written communication.

## Question 1

Study the information below. Then answer all the parts of the question which follows.

### The Linfield Garden Centre: sales revenue 1997–2004

Linfield Garden Centre: sales revenue 1997–2004



# Linfield Garden Centre

Linfield Garden Centre is located on a spacious site adjacent to the busy A31 near Winchester in Hampshire. The business was set up in 1997 and has been relatively successful. However, sales revenue has stabilised in the last few years and the owners, Carl and Patricia Thompson, have decided to market the business more aggressively to help it grow. They both agree that the business should become more market orientated.

One option that has been considered is to extend the product range. The centre currently sells:

- ◆ bedding plants, seedlings, bulbs and shrubs
- ◆ fertilisers, compost, peat and mulches
- ◆ flower pots, hanging baskets and window boxes
- ◆ garden tools, lawn mowers, wheel barrows and other equipment
- ◆ garden accessories, such as water features, bird baths and gnomes.

The centre has some prominent signage along the roadside and a significant number of customers are passers by. The business also places adverts in the local newspaper every fortnight during the spring and summer. This costs £100 per month. Patricia argues that the marketing budget should be increased significantly. Carl disagrees on the grounds that it is impossible to evaluate the impact. Patricia is keen to advertise the garden centre on local radio.

One of the problems that the garden centre has is a shortage of facilities for children. Carl has noticed that, often, families arrive and leave without spending sufficient time browsing. If they stayed longer, he argues, they might spend more. Patricia agrees. They have decided to take measures to solve this problem.

## Questions

- a. What is meant by the term 'market orientated'? (2 marks)
- b. Explain one reason for the pattern of sales revenue between 2002 and 2004. (4 marks)
- c. Why is Carl uncertain about increasing the marketing budget? (3 marks)
- d. Examine one advantage and one disadvantage of using local radio to advertise the Linfield Garden Centre. (6 marks)
- e. Which elements of the marketing mix might be important to the Linfield Garden Centre? (10 marks)

# Sample answers and Examiner's Advice

## Question 1a

### Sample answer

A market-orientated business is one which continually identifies reviews and analyses consumers' needs. It is led by the market. In this case, it means that the Linfield Garden Centre will provide customers with the range of products, the environment, facilities and customer service that their customers desire.

### Examiner's advice

#### Content – 2 marks

One mark is awarded for demonstrating some understanding of the term 'market orientated'. A second mark is awarded for showing good understanding. This answer contains an accurate definition and is supported with appropriate examples. It shows good understanding.

## Question 1b

### Sample answer

Between 2002 and 2004 the sales revenue for the Linfield Garden Centre has stabilised or flattened. There has only been a very small increase of £2,700 (2.0%) over the time period. One reason for this may be because the business is not marketing itself very effectively. For example, perhaps the adverts in the local newspaper are not prominent enough. They may be too small or in a section of the paper that is often overlooked. The adverts might also be too infrequent. Perhaps the business needs to use another form of advertising media. Patricia has suggested using local radio, for example.

### Examiner's advice

#### Content – 1 mark; Application – 3 marks

A content mark is awarded for identifying the trend in sales revenue correctly or identifying one reason for the trend. This answer does both. Three application marks are awarded for applying knowledge effectively. This answer explains in detail one reason why turnover might have flattened. It suggests that the garden centre may have been using ineffective marketing. Reference is made to the particular type of advertising the garden centre was using.

Other possible reasons:

- ✓ Some competitors may have entered the market.
- ✓ There may have been a change in consumer tastes. Perhaps demand for garden centre products has fallen in recent years.
- ✓ The prices charged by the garden centre might have been increased during the period.
- ✓ The product range offered may not have been developed sufficiently over the period.

## Question 1c

### Sample answer

Carl is uncertain about increasing the marketing budget. He says that it is impossible to evaluate the impact. This means it is difficult to measure the effect of spending more money on marketing. For example, if the Linfield Garden Centre put adverts in the local newspaper every week instead of every fortnight, demand might rise. However, there could be other reasons why demand rises. For example, a good spell of weather, which coincided with the extra adverts, might increase demand. In practice, it is often difficult to determine quantitatively the effect of spending money on marketing.

### Examiner's advice

#### Content – 1 mark; Application – 2 marks

A content mark is awarded for showing understanding of the term 'marketing budget'. Two application marks are awarded for explaining that an increase in demand might not necessarily be the result of spending more on marketing. This answer is well supported with examples from the case study.

## Question 1d

### Sample answer

When using local radio to advertise a business it is sometimes possible to target a specific audience. The Linfield Garden Centre might be able to place its advert close to a scheduled gardening programme. So when people with an interest in gardening tune in to the programme, they will catch the advert. This is a big advantage because it reduces the wastage in advertising. 'Wastage' means advertising to those other than the target audience. One disadvantage of radio advertising is that it is not visual. It might be argued that people like to see what they are buying. A potential customer might not be able to imagine what the Linfield Garden Centre is like.

### Examiner's advice:

#### Content – 2 marks; Application – 2 marks; Analysis – 2 marks

Two content marks are awarded for identifying one correct advantage and one correct disadvantage. Two application marks are awarded for relating the advantage and disadvantage to the Linfield Garden Centre. For example, this answer discusses the advantage of placing an advert close to a gardening programme. Two analysis marks are awarded for explaining clearly the advantage and disadvantage. For example, the answer explains how wastage in advertising can be reduced by placing adverts carefully in a programming schedule.

#### Other possible advantages

- ✓ Enables the use of sound, potential customers could be told what services and products are available at the centre.
- ✓ Radio adverts can be produced relatively cheaply.
- ✓ Most consumer groups, including gardeners, can be targeted with radio adverts.
- ✓ The increase in local radio stations means that adverts can be directed at local and regional markets such as in this case.

#### Other possible disadvantages

- ✓ Listeners will not retain a copy of the advert. This prevents them from referring back to it.
- ✓ It is argued by some that adverts irritate listeners when they frequently interrupt programmes.
- ✓ A radio advert might not capture the audience's attention. Radios are often left on for background music, for example.

## Question 1e

### Sample answer

The marketing mix refers to those elements of a firm's marketing strategy which are designed to meet the needs of customers. In this case, the owners of the business have decided to market the garden centre more aggressively to help it grow. One option that is being considered is to widen the range of products and services it offers. Carl is concerned that families visit the centre and leave quickly because there is nothing to do for the children. One obvious solution is to provide a children's play area, perhaps an adventure playground. This could be set up in a designated area and purpose-built to provide a safe and stimulating environment for children. If this was built, parents would be able to browse and, given more time, they would be likely to spend more. Before going ahead with this option, however, it would be necessary to look at the costs and consider any appropriate health and safety legislation relating to children's play areas. Another option is to provide a café for visitors and shoppers. The main advantage of this is that it would provide another source of income for the business. There may be some buildings on the site that could be developed to provide a café facility. However, the cost of constructing a brand-new café could be prohibitive. The business might consider diversifying into other products that it could sell. For example, it could market fresh fruits and vegetables. Garden furniture is another product line that could be developed. This could be a high-margin product which would help boost profitability. The business could also develop gardening services such as garden maintenance and garden design. Design in particular has been popularised by a number of television programmes recently. Perhaps the company could cash in on this current trend. All of these suggestions emphasise the importance of the product in the marketing mix. The Linfield Garden Centre is not likely to take on board all of these suggestions. Their choice will depend on the resources they have available. However, Carl is concerned about customers with children leaving too quickly so perhaps the provision of a children's play area is a priority. Also, extending the product range to fruit and vegetables and garden furniture would seem to be a good fit, and relatively inexpensive. Finally, other elements of the marketing mix such as price, promotion and place have been sidelined. This does not mean that it is impossible to generate growth by emphasising these – by investing heavily in advertising, for example. But, given the information, the product provides an obvious target for focus.

### Examiner's advice:

#### **Content – 2 marks; Application – 2 marks; Analysis – 3 marks; Evaluation – 3 marks**

Two content marks would be awarded for understanding the term 'marketing mix' and identifying any appropriate measure to expand the business. Two application marks are awarded for answering in context – every suggestion in this answer relates directly to the Linfield Garden Centre. Three analysis marks are awarded for good analysis. An example of good analysis here is the explanation of the way the provision of a children's play area will benefit the business. Three evaluation marks are awarded for good evaluation. There are several evaluative statements in this answer. One example is the way in which the drawbacks of opening a café are raised. This raises the question of whether opening a café is such a good idea. The answer also explains the reason why the product is emphasised rather than other elements of the marketing mix – such as price, place and promotion.

#### Other possible elements in the answer:

1. Advertising and promotion could be emphasised. To generate more business the Linfield Garden Centre could invest in some appropriate promotion techniques such as discount vouchers attached to adverts in local newspapers, radio adverts, open days, leaflets and special offers.
2. The business could focus more on the customer by undertaking some detailed qualitative market research. This would help to find out exactly what gardeners and other shoppers want from the centre. Some competitor analysis might also be helpful.
3. The business could open up another distribution channel by providing an online service. This, however, would require some technical help and a delivery service.