

Question 7. (Business in Action)

- A. Internal and external sources of new ideas 7 + 6 and 6 + 6 marks. (Total 25 marks)
- B. Marketing mix 4 Ps 9 + 9 + 9 + 8 marks (3 + 3 + 3) and (3 + 3 + 2). (Total 35 marks)

QUESTION 7

(A) Sources of new product or services ideas

Internal Sources

- **Research and Development department** in the business, staffed with technical experts such as scientists, engineers and technicians.
- Employees improving or developing new products services based on the **existing products** of employers.
- Idea generation from within can be encouraged by **rewarding the staff**, who come up with ideas, with cash bonuses, added fringe benefits, indeed any incentive that encourages the idea generation process (intrapreneurship).
- Idea generation and development techniques such as **brainstorming** are usefully employed.
- Part time **hobbies** or occupations.
- **Community** needs.
- Agents or **distributors** for others.

External Sources

- **Changing customer needs.** All changes in society such as new legislation, regulations of various bodies and codes of practice, etc. offer the opportunity to be first in with the new requirements.
- What the competitors are doing and any trends that are developing. **What the competitors are not doing**, i.e. potential customers that are being neglected.
- **Outside research agencies** e.g. professional business advisers and consultants, trade publications and advertising agencies.
- Databases available on computer **worldwide**. The list of ideas in the patent office or research being conducted into product innovations at various educational establishments.
- **Organisations** such as An Bord Trachtala, Forbairt, the Central Statistics Office, county enterprise boards, government departments, business associations all have very useful statistical information readily available which may produce the germ of a successful product or service idea.
- **Product idea centres** are located at all the regional offices of Forbairt and allow access to all the trade statistics on record together with information on new products, sub-contracting and licensing opportunities. Forbairt also has a very successful product development service.

- Products or services that are available in **other countries** but not in Ireland as yet, could be adapted for the Irish market. If, for example a product has no patent it may be freely copied without cost.
- Investigate the needs of businesses and the bigger organisations in the market place. Organisations may be willing to **sub-contract** work such as cleaning or catering, offering a ready-made opportunity for a small business. Permanent sub-contract work is now very common in Ireland with the services being provided under commercial contracts and, in a lot of cases, solely for one firm.
- Request people to submit their ideas, conduct student competitions, public **competitions**, complaints made by existing customers, etc.
- Since most business ideas are second hand or changes to existing products and services, keep a close eye on the **existing market** and look for gaps that can be filled. For example, 'Green' products or 'Low Fat' products. These are simply variations of products which were in existence already.
- Spotting the **future requirements** and needs of the market place will give the edge over the competition and ensure a good market share.

Business Activity Groups

- **The Retailing Sector**
Retailing comprises enterprises like supermarkets, restaurants, garages, boutiques
- **Franchising**
Franchising is almost like owning your own business but with strict conditions attached. The owner of an idea franchises it, allowing somebody else make or sell their idea, provided they do it in a certain way.
- **Importing**
You may be able to bring products into the country that are not readily available on the market at the moment or are available at a very high price.
- **Exporting**
Exporting is a specialist business that has huge potential in the EU and further afield. An exporting business might be ideally based in Ireland.
- **Manufacturing**
Manufacturing is producing products in Ireland in your own manufacturing facility.
- **Agency**
Having an agency means selling for a foreign manufacturer or distributor on the Irish market and receiving payment on a commission basis.
- **Import Substitution**
Locating an imported product on sale on the Irish market at the moment and displacing it with a home-produced product of similar quality and price. Study in detail of
 - the imports lists coming into the country.
 - Provide a service
Many service providers/traders are enjoying good growth, especially with services such as professional consultants (banking, marketing, architecture, personnel, etc.) the entertainment industry (show business, films, television, etc.) personal

services (hairdressing, sport, social), home services (gardening, cleaning, decorating, child minding), business services (printing, design, book keeping etc.)

- Public Sector Purchasing (Public Procurement)

The EU now require that all public bodies such as local and central government publicly advertise all contracts above a certain value throughout the EU. An Irish-based firm will have location advantages which should translate into a competitive price.

(B) Elements of the marketing mix

- Product

The product is made up of the detailed characteristics of the item on offer, e.g. its distinctive features, its form, shape and colour. It would include any relevant information on the item for the customer such as its quality, after-sales service, guarantees, brand name and image.

- Price

Price is what one pays for a product. It is also the representation of the value of the product to the buyer. If the buyer is happy with the price of the product then the price is right. The price of a product on the market will be determined by: the product's unique properties, the cost of manufacture, the level of competition etc. Enterprises may keep the price of a newly launched product a little lower than the competition's price in an attempt to gain market share. If the particular product is aimed at the luxury end or segment (niche) of the market then the price set may be high and vice versa.

- Promotion

This is used by business enterprises to let existing and possible future customers know about the products on offer and to get them interested in buying the goods. The essential promotional techniques (methods) are advertising, sales promotion, public relations and personal selling. The purpose of all four elements of promotion is to inform the market that the enterprise has something for sale and to convince someone to actually purchase it.

- Place

There is no point in going to the trouble of locating a target group of customers and then not making the products and services readily accessible and available to that group. The promotion and sale of the enterprise's products is the primary focus and to help with this, channels of distribution such as agents or distributors are used.

Any Product or Service

Product.

Mercedes Benz Coupe

This is one of a range of German made Mercedes cars. Very reliable with a high specification.

It includes a driver's airbags and ABS among its many safety features.

It carries an anti rust warranty.

Good resale value.
Prestige market vehicle.

Price.

It is the top model in its price range and its list price is a competitive (compared to other car makes) from €50,000 - €78,000. Market share pricing.

Finance available. Competitive with similar standard cars from other marques.

Cash customers can avail themselves of a large cash discount.

Aimed at relatively high income earners.

Price includes AA membership, service agreements for years etc.

Promotion

Emphasis is placed on brand loyalty.

Advertised on television and in business and fashion magazines. Targeted market.

Mercedes are sponsors of many prestige events.

Free testing at any Mercedes garage nationwide.

Brand emphasis on safety and reliability and high quality.

Place

Main Mercedes garages distribute - Nationwide sales and service network locally

Geographically dispersed service centres. Worldwide

Reliability, dependability, convenience, service

Purchase directly from Mercedes importer/Agent in Dublin

The Coupe can be imported directly from Germany

Personal Selling

2 (2005)

(B) Promotion

This is used by business enterprises to let existing and possible future customers know about the products on offer and to get them interested in buying the goods. The purpose of promotion is to inform the market that the enterprise has something for sale and to convince someone to actually purchase it.

Product or Service Choice

The essential promotional methods are:

§ Advertising. The use of communications to influence customers towards a particular product or service. To inform, persuade and remind customers. The medium used will depend on the market segment, the type of product or service, the message and the cost effectiveness. Relate to product or service choice.

§ Public relations. The provision of details of the enterprises policies and plans to customers and the public eg. promoting the name of the enterprise in the public mind, generating goodwill for the enterprise's products. Publicity through sponsorship/ relations with local community. Relate to product or service choice.

§ Personal selling. The use of personal contact to persuade customers to purchase the product or service. Face to face meetings useful for expensive products or ones that require high degrees of expertise or technical knowledge. Relate to product or service choice

(C) Market Segmentation

All potential markets can be divided into different segments or distinct parts which are different from the other parts of the market in some way or another.

Distinguishing Market Segments eg. industrial customers and household customers.

Segments of the household consumer market can be identified as follows:

1. Socio-economic class. The researchers divide socio-economic classes into groups to help distinguish the disposable income levels of each class and the preferences for certain types of goods in the particular class.
2. Age groups. In the younger age profiles, eg teenagers are interested in their image so products like fashion clothes would be important to them.
3. Regional groups. Geographical groups in particular such as rural or urban.
4. Religion or ethnic groups. Such as Asian/African communities in a European country.
5. Housing type. Privately owned versus public housing, apartments as against houses, etc.
6. Attitude to life. The attitude to life can depend on the socio-economic class people come from. The poorer people in the market will not be interested in the top quality type product because of the price.
7. Family life style. Hobbies and interests
8. Disposable income.

(A) Outline the stages involved in the development process of the Hoodie Tracksuits.

Idea Generation: Initial ideas for the new product are thought up. It may take the form of brain-storming.

Product Screening: The ideas are vetted and the impractical and unworkable ideas are eliminated, leaving the most likely one for further examination and development.

Concept Development: This involves turning the idea into an actual product or service that will appeal to customers. A unique selling point (USP) is identified which will distinguish it from other products.

Feasibility Study: This is carried out to assess if a product is viable. It looks at whether it can be produced technically and will it be profitable. It answers question like:

- What demand is there
- What will it cost
- Can the business afford it.

Prototype Development: This is a sample or model of a product. It is produced to see if a product can be made and what materials are required to make it. It can be used to test the product to see what improvements can be made. Samples of the tracksuit can be produced.

Test Marketing: The product is tested on a sample of consumers before going into full production.

Production and Launch: The product is put into production and introduced to the market. The firm will select a suitable marketing strategy to persuade consumers to buy the product.

- (B) (i) **Explain the term ‘Market Segmentation’, illustrating your answer with reference to Olympian Ltd.**

Market segmentation involves dividing up the market into **clearly identifiable sections**, which have **common characteristics**. It allows a firm to identify who their target market is. Olympian may segment the overall market for tracksuits either by demographic or physiological methods. The **teenage market** has been identified as a **target market** for the Hoodie Tracksuit – this market may be further segmented e.g. males and females, sporty and non-sporty types to help develop and support an effective marketing strategy.

- (ii) **Outline two benefits to Olympian Ltd of segmenting the market.**

- Marketing strategy will focus on the customers who are most likely to buy the Hoodie Tracksuit
- Cost effective use of resources – avoids markets which will not be profitable
- May give Olympian Ltd a competitive advantage in the Hoodie Tracksuit market
- Olympian Ltd will have the opportunity to build loyal relationships with its customers from a young age – potential for development of future products etc
- Market segmentation provides information to help Olympian decide on the most appropriate marketing strategy to use for marketing the tracksuits e.g. Radio, T.V. etc.

- (C) **Describe the factors that the Marketing Manager of Olympian Ltd should consider when deciding on the selling price of their new range of Hoodie Tracksuits.**

The factors which should be taken into account when deciding on the selling price include:

Costs: The price should cover the firm’s costs (production, marketing, distribution etc) and include a profit margin/Cost plus pricing.

Competitors Prices: Competition is very intense in the sportswear industry and this will influence the price to be charged/Going rate pricing.

Type of Product: As the firm is selling branded tracksuits the price is likely to be high to reflect this/ Premium Pricing.

Stage of Product Life Cycle: As the products are new and at the introductory stage a high price is suitable to help recover costs/Price skimming.

Consumers: The type of buyers will determine the price which can be charged. The target market has been identified as the teenage market.

5 (2013)

(A)	Outline the market research techniques available to 'All-Weather Wellies Ltd' for developing its product range.	2 techniques @ 10 marks (2+3+3 +2)	20
(B)	(i) 'Market segmentation' with reference to 'All-Weather Wellies Ltd'. (ii) Why engage in market segmentation?	(i) 6 marks (3+2+1) (ii) 2 reasons @ 7 marks (4+3)	20
(C)	Outline the factors a marketing manager might consider in determining the selling price of products at 'All-Weather Wellies Ltd'.	4 @ 5 marks (2+3)	20

(A) Outline the market research techniques available to 'All -Weather Wellies Ltd' for developing its product range.

Desk Research

- Desk research involves accessing information that has already been gathered
- It is secondary research and can be both internal and external.
- Desk research is relatively cheap which keeps business costs down, thereby ensuring a competitive business.
- Different types of desk research include the internet, internal sales reports, trade reports, Central Statistics Office publications, newspapers etc.
- Desk research can provide information on competitors and consumer spending patterns.
- The daily sales records of 'All- Weather Wellies Ltd' would indicate if consumer spending patterns have changed and if they are ready for different accessories in the range.
- The CSO would provide information on the population details of towns (i.e. age, sex, family structure etc.) and its household budget survey would give information on households spending patterns on different types of goods.

Field research

- Field research involves going into the marketplace to gather first-hand or new business information. It is primary research which is carried out by making direct contact with customers or potential customers.
- Field research tends to be expensive and time consuming but it does provide specific information on the behaviour of the target market.
- Field research methods or techniques include: surveys, observation, questionnaires, and customer panels. Surveys involving personal interviews and questionnaires with a sample of the population can be very effective tools in accessing and collecting detailed information about consumer's tastes, behaviours, and attitudes in the market place. Surveys could be carried out on site at concerts by field researchers employed by 'All- Weather Wellies Ltd'.
- Observation involving viewing consumers in action e.g. the number of customers selecting a particular product during a particular period in the store. Field research in 'All Weather-Wellies Ltd' ascertains attitudes and opinions of its customers and they can make specific changes to their products and product portfolio based on the feedback received.
- Field research allows the company to satisfy its customer needs more effectively, encouraging customer loyalty and increasing the profits of the business.

(B) (i) Explain the term ‘market segmentation’ with reference to ‘All Weather-Wellies Ltd’.

- Market segmentation involves dividing up the market into **clearly identifiable sections**, which have **common characteristics**. It allows a firm to identify who their **target market** is.
- ‘All -Weather Wellies Ltd’ may segment the overall market for wellington boots either by demographic or physiological methods.
- This market may be further segmented e.g. males and females, sporty and non-sporty, leisure and competitive, rural and urban types to help develop and support an effective marketing strategy.

(ii) Discuss the reasons why the ‘All Weather-Wellies Ltd’ marketing department might engage in market segmentation.

- To focus its marketing strategy on the customers who are most likely to buy the wellington boots.
- To achieve cost effective use of resources by avoiding markets which will not be profitable
- May give ‘All-Weather Wellies Ltd’ a competitive advantage in the wellington boots market
- ‘All- Weather Wellies Ltd’ will have the opportunity to build loyal relationships with its customers from a young age and increase its potential for development of future products e.g. accessories such as umbrellas, scarves and hats.
- Market segmentation provides information to help All-Weather Wellies Ltd’ decide on the most appropriate marketing strategy and promotion mix to use for marketing the wellington boots e.g. Radio, T.V, competitions, sponsorship, social media etc.
- Advertising is better targeted: The selection of a certain segment will allow All-Weather Wellies Ltd to better target advertising. This will increase the impact of advertising and lead to higher sales.
- Price can be accurately used to set the right image for the product if matched or targeted at the consumer’s income.

(C) Outline the factors a marketing manager might consider in determining the selling price of products at ‘All- Weather Wellies Ltd’.

The factors include:

- **Costs:** The price should cover the firm’s costs (production, marketing, distribution etc.) and include a profit margin. Break-even analysis will help here (Cost plus pricing strategy).
- **Competitors Prices:** Competition is very intense in the clothing/footwear industry and this will influence the price to be charged. The pricing plateau for the product is a strong consideration, however, Weather-Wellies Ltd’ could opt for a low pricing strategy such as ‘penetration pricing’ in order to capture market share from competitors.
- **Type of Product/Image:** As the business is selling branded boots the price may be set at a high rate to reflect consumer’s perception of a superior product (Premium Pricing strategy).
- **Stage of Product Life Cycle:** As the products are new and at the introductory stage a high price may be charged to help recover R&D costs (Price skimming strategy).

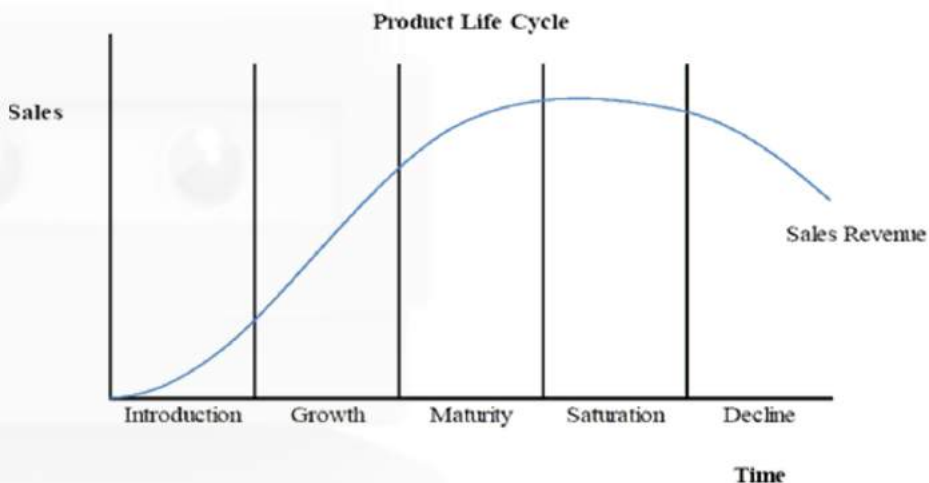
- **Consumers:** The type of buyers will determine the price which can be charged. The business may discriminate between the festival-goers and the great outdoors in the price setting process (price discrimination strategy). The target market may be a determining factor.
- **Demand:** New products launched by All- Weather Wellies Ltd' may be very popular so demand may increase. This increased demand may result in higher prices being charged at the introductory stage.

6 (2015)

	<p>Product/Service The item/service being sold plus anything related to how it is made, packaged and named. The business needs to consider product/service options, the after-sales service, warranties and servicing etc.</p> <p>Product design (Functionality): the product must take account of consumer legislation such as the Sale of Goods and Supply of Services Act 1980 which puts a legislative onus on producers to manufacture products or provide services that are of merchantable quality and fit for the purpose intended. The product/service must do what it is expected to do.</p> <p>The product (service) that Kurve Ltd offers is designed as a '<i>digital Television service</i>'.</p>	
	<p>Branding Having a brand name makes it easier to distinguish the product/service from competitor's products/services. Branding can be used as a marketing tool for advertising purposes. New products/services are easier to introduce if the brand name is already well known. Brand names can be registered to protect the owner so that no other firm can use that name.</p> <p>Branding helps buyers to identify a particular supplier's goods/ services and create and maintain their confidence in the performance of the brand encouraging, brand loyalty.</p> <p>The brand name is "<i>VISION</i>"</p>	
	<p>Price Premium pricing/penetration pricing/cost-plus pricing.</p> <p>Competition is very intense in the broadband /digital TV sector and this will influence the price to be charged. Decisions on price affect the viability of the brand and the profitability of the business, so great care is needed when deciding on the price to charge. Consumers may use price as a judge of quality/therefore one must be cautious around low prices.</p> <p>The pricing strategy that Kurve Ltd has opted for is a low pricing strategy called penetration pricing in order to capture market share as quickly as possible.</p> <p><i>"It charges a reduced subscription for the first six months to new customers."</i></p> <p><i>"Providing different bundles of channels at different prices."</i></p>	

		<p>Place The place element is about distributing the right product/service to the customer at the right place and at the right time. The most suitable channel of distribution must be used.</p> <p>Selling Direct /selling online is convenient for the consumer and cuts out the costs associated with intermediaries/no retailer margin being involved in the distribution process. It brings the organisation closer to the customer. Companies can advertise and sell their products on line using a company web site. Consumers place orders on line and the service is provided or in the case of physical goods the products are delivered using the postal system or a courier delivery service.</p> <p>The channel of distribution chosen by Kurve Ltd to get its product to the market place is the direct channel as, '<i>Orders can be placed directly on line</i>'-is direct to the consumer via the internet.</p>	
7	B i	<p>Explain the term 'Public Relations' (PR).</p> <p>Public Relations refers to all activities related to creating a good public image for the product or service amongst its stakeholders. It aims to achieve favourable publicity and build a good corporate image for the business/ its concern is the long-term objective of promoting a favourable image of the business.</p>	20
7	B ii	<p>Discuss methods a business could consider to generate good Public Relations.</p> <p>Publicity: Public Relations can take the form of press releases or press conferences where the media are given information about the company's activities.</p> <p>Sponsorship is another form where businesses pay money so that their product name will be displayed by individuals, organisations or at particular events or stadia. It can be very effective at positioning a business (sponsoring of sports events or TV programmes). Businesses can position themselves as big, national, popular, traditional etc.</p> <p>e.g. The Aviva stadium, 3arena in Dublin, the Cork Guinness Jazz festival, Irish Independent Park (formally Musgrave Park in Cork) and Kellogs GAA Cúl camps.</p> <p>Celebrity endorsements where celebrities are paid to endorse or be associated with the business and its brand. The celebrities market the product through television or radio advertisements, large event appearances etc. Businesses use celebrities in their marketing hoping to drive up sales and have a positive impact on profits. e.g. Beyonce and Taylor Swift both became "brand ambassadors" for Pepsi Amy Huberman-Newbridge Silver Brian O'Driscoll-Gillette Katie Taylor-Bank of Ireland.</p> <p>Other PR strategies include: Annual reports; company brochures; publicity literature; promotional films /Donations to charity/ Local community relations/After Sales Service etc.</p>	

7	C	<p data-bbox="295 33 1300 78">i Define the term ‘market segmentation’.</p> <p data-bbox="295 78 1300 257">Market segmentation involves dividing up the market into clearly identifiable sections which have common characteristics. It allows a firm to identify who their target market is.</p> <p data-bbox="295 257 1300 376">It involves dividing a broad target market into subsets of consumers, businesses, or countries that have common needs and priorities, and then designing and implementing strategies to target them.</p>	15
7	C	<p data-bbox="295 376 1300 481">ii Illustrate two methods a business could consider to segment its market.</p> <p data-bbox="295 481 1300 548"><u>Demographic (who are you targeting?)</u></p> <p data-bbox="295 548 1300 750">You can segment markets by many different characteristics, such as age, income, gender etc. When you have your customers grouped by demographics, you can target your strategies to reach them specifically, as people from certain demographic groups often react the same way to marketing.</p> <p data-bbox="295 750 1300 817">e.g. Age: Businesses often target certain age groups, such as toothpaste products for children and adults and toys for different ages.</p> <p data-bbox="295 817 1300 907">e.g. Gender: Males and females are targeted with different types of clothing, hairdressing, magazines, toiletries and cosmetics.</p> <p data-bbox="295 907 1300 974"><u>Geographic- (where are you targeting?)</u></p> <p data-bbox="295 974 1300 1097">This uses basic geographic measures such as nations, states, cities, regions, and neighbourhoods, climate, density of populations, and the rate at which populations are growing to segment the market.</p> <p data-bbox="295 1097 1300 1220">By using segments such as urban versus rural, north versus south, sea coasts versus interior, warm areas versus cold, the business can design a marketing strategy to satisfy the chosen target markets.</p> <p data-bbox="295 1220 1300 1321">e.g. Fáilte Ireland segmenting the country into regions such as the Cork/Kerry region, Wild Atlantic Way or City Breaks etc.</p> <p data-bbox="295 1321 1300 1422">e.g. Newspaper/Radio: local regional and national.</p> <p data-bbox="295 1422 1300 1489"><u>Psychological- (why are you targeting?)</u></p> <p data-bbox="295 1489 1300 1579">Markets divided into groups based on personality, lifestyle and value variables.</p> <p data-bbox="295 1579 1300 1641">e.g Cars to suit different life styles (hybrid an economically efficient and environmentally friendly car) /sports gear etc.</p>	

7	(A)	(i)	<p>Diagram, stages and explanation</p>  <ul style="list-style-type: none"> • Introduction-the product is launched onto the market. Sales may be low / costs of marketing the product will be high/Profits will be low if at all/Aim is to create product awareness. Heavy drain on cash flow. • Growth-customer awareness of the product increases /sales are growing rapidly/Profits should start to rise/Aim is to maximise market share. Cash Flow improves. • Maturity-Sales are at their peak and product is commonplace in the market/Profits are maximised / market share is defended. Cash flow is excellent • Saturation- Sales are levelling off/Profits should be steady/Market will have been fully exploited. Planning needs to happen to prevent a decline/Extend the life cycle. • Decline-many competitors in the market and new products will cause a decline in sales/Profits decline/May cut prices to sell/May phase out weak products/May even be making a loss. 	<p>Diagram 9m 5@1: each stage 4@1 Title Sales Time Curve</p> <p>Each stage explained 5@2</p> <p>Accept 2 references to impact on sales if clearly differentiated.</p>
7	(A)	(ii)	<p>Suggested strategies:</p> <ul style="list-style-type: none"> • Product <ul style="list-style-type: none"> ○ New product features/new image/design/use ○ Create a portfolio of products to increase popularity of the brand ○ Create line extensions (different flavours/sizes). • Price <ul style="list-style-type: none"> ○ Image/reduce price to attract more customers. • Promotion <ul style="list-style-type: none"> ○ Advertising Campaign/Sales Promotion techniques. • Place <ul style="list-style-type: none"> ○ Change Channel of Distribution ○ Sell on line to attract a worldwide audience. 	<p>2@3</p> <p>Two different elements of the marketing mix required.</p>

7

(B)

(i)

- Better matching of customer needs/to match the needs of the customer leading to increased sales/able to target particular customers who might have been overlooked in the past and provide offers suitable to their needs.
- Position the product better in the mind of the consumers leading to greater customer satisfaction.
- More focused/**targeted advertising** and marketing spend leading to **lower marketing costs**.
- Focused Communications therefore more of the target customers can be reached more often.
- Can retain customers who might shift to competing products by altering the product due to changes in life circumstances.
- Easier to compete with a niche market (small artisan manufacturer).
- Easier decision making as the focus is on a particular target group.
- **Enhance profits for the business**-different customers have different disposable incomes/may be able to raise prices for a particular income group and thereby enhance profits.
- Better opportunities for growth. Customers can be encouraged to “trade-up” to more luxury chocolate products.

2@5(2+3)

7	(B)	(ii)	<p>Demographic – analyses consumers according to age, gender, family size, income, occupation, Different types of chocolate for different ages.</p> <p>For mass marketing demographic is one of the best ways as everyone has an age, gender and income.</p> <ul style="list-style-type: none"> • Age-Freddo bars for young children • Gender-the Yorkie bar is famous in the UK for its former tag line #it’s not for girls <p>Geographic location –analyses consumers according to location: county/region/country etc.</p> <p>Geography can affect the type/taste of product being sold/different countries different tastes/chocolate in Ireland famous for its high dairy content.</p> <ul style="list-style-type: none"> • Hershey’s the most popular US brand not popular in Ireland. <p>Behavioural- analyses consumers according to their knowledge of and attitudes towards the use of or response to a product.</p> <ul style="list-style-type: none"> • Impulse buying /Value for money (special price) /Celebration packs of chocolates as seasonal treats (Easter/Christmas etc.) <p>Psychological - analyses consumers according to social class, lifestyle and personality type.</p> <ul style="list-style-type: none"> • Attitudes-organic chocolate/environmental concerns around cocoa bean production. • Lifestyles-more health conscious (natural ingredients) /sugar free chocolate/protein bars/diet conscious. • Tastes-more screen time, more snacking while watching TV/Netflix. 	2@5(2+2+1)
---	-----	------	---	------------

7	(C)	<p>Benefits:</p> <ul style="list-style-type: none"> • The shortest and simplest form of distribution channel (factory outlet to consumer) • Low overheads • Potential Global reach (internet/eBay) • Greater flexibility • 24/7 (convenient for consumers) • Higher rates of profit than indirect distribution channels/Profits given directly to producers. • More control over distribution-the longer the channel the less control is available. <p>Challenges</p> <ul style="list-style-type: none"> • Cannot compete with geographical reach and business volume of a distribution channel that includes major wholesalers and retailers. • Customers may be asked to shoulder the burden of the shipping costs if phone, mail or internet is involved. • Some competitors may be using different channels. • Lack experience and may be better off using the expertise of an established and reputable wholesaler. <p>Evaluation</p>	<p>1@7(4+3) 2@3(2+1)</p> <p>(0,2)</p>
---	-----	--	---

(A) Four pricing policies (explain):

Pricing policies include:

- Strategic Pricing
- Cost Plus Pricing
- Market Share Pricing (Penetration Pricing)
- Premium Pricing.

Application of **one** pricing policy to a product required

(B) Marketing Plan

(i) What is a marketing plan? A marketing plan is a plan that organises a firm's policies relating to the elements of the marketing mix (4Ps) in order to best achieve a firm's overall objectives. It implements a firm's marketing strategy, and particular emphasis is placed on market segmentation and the needs of customers in different markets. A SWOT analysis should be carried out in advance of drawing up a marketing plan.

(ii) Role of marketing plan for a business

- Co-ordination of activities
- Targets/goals
- Raising finance
- Performance – monitored and controlled.

Evaluation of role required

(C) 'Niche market' (outline and illustrate):

A niche market is a specialist market which is especially suitable for the marketing of a particular type of product or service. It usually has only a certain small number of suppliers because of the specialist nature and requirements of the market. A niche market is identified through market segmentation, which can be by socio-economic class, geographical area, etc. Specialist markets are more common in times of economic prosperity.

An example of a niche market is the market for bridal shoes.

(A) Product life cycle

(i) Stages in the product life cycle (explain with diagram):

- Introduction
- Growth
- Maturity
- Saturation
- Decline.

Diagram required with title, axes correctly labelled and stages in correct order

(ii) Implications for cash flow – **each** stage of the product life cycle (describe):

- Introduction – initially low sales
- Growth – sales grow rapidly
- Maturity – sales peak
- Saturation – sales slow
- Decline – little sales.

Implications for cash flow required for each stage

- **Market:** it provides information about the size of the market and whether it is growing. It also provides information about the characteristics of the market (age of people in it, their income, their location)/measures brand recall, recognition.
- **Competitors:** it reveals information about competition in the market, their products, market share and their strengths and weaknesses.
- **Marketing Mix:** it helps a business decide on the marketing mix it will use to sell its products. i.e. the Product, its Price, method of Promotion and the Place where it will be sold.
- **Consumer Reaction:** businesses can find out the reasons why consumers buy a particular product and what influences their buying behaviour.
- **Reduces Risk:** market research makes it more likely that a product will succeed. It reduces the risk of the business using resources producing products, which the consumer does not want/ may explore ways to expand and develop business with a view to providing the customer with greater quality and service.
- **Sales:** it assists a business in working out the likely sales for its products.

(B) Evaluate “Sales Promotion” and “Public Relations” as forms of Promotion.

Sales Promotion is the use of short-term incentives/ “GIMMICKS” to attract customers to the product or services on offer. Activities other than direct advertising are included. It adds to the attractiveness of the product. It is useful for stimulating sales by offering customers price reductions, buy one get one free, coupons, samples, prizes, free draws, in-store displays etc or any other incentives directly related to the product. It aims to attract new consumers for the product, rewarding loyal consumers and increasing buying frequency among occasional consumers.

Sales promotion techniques involve some contact between the customer and the seller. It lasts for a short period of time and may be repeated at a later date.

Evaluation required:

Sales Promotion is popular in the large multiples such as Tesco, Dunnes, Superquinn in the current climate in an effort to increase market share.

Public Relations is taking steps to **create a good image** for the product/service. It aims to achieve favourable publicity and build a good corporate image of the business. Public Relations is about building a relationship with the public stakeholders. It is not directly concerned with increasing sales of products.

The activities include: press releases; press conferences; TV Programmes; promotional films; sponsorship; publicity literature; donations to charity.

Sometimes you will see that in certain businesses, when dealing with certain issues, they will have a spokesperson to come out and speak about the issue. This person is usually referred to as a Public Relations Officer. The activity may be carried out by the company’s own Public Relations Officer (PRO) or by a specialist PR agency.

Public relations can pose challenges. Negative product publicity can be a nightmare for businesses e.g. Toyota recall of cars. It can lead to loss in the market share and customers losing trust in the quality of the product/service being offered.

Public Relations: can take the form of press releases where the media are given information about the company. **Sponsorship** is another form where businesses pay money so that their product name will be displayed by individuals, organisations or at particular events. e.g. The Heineken Cup. (Rugby). Vodafone (Dublin's senior football and hurling teams).

Evaluation required.

(C) Many businesses spend large sums of money developing a brand name. Illustrate the benefits of branding for the consumer and the business.

Benefits to the business:

- **Marketing:** Having a brand name makes it easier to distinguish the product from competitor's products/instantly recognisable. Can be used as a marketing tool for advertising purposes. Kelloggs is well known and they have different promotions to keep it to the fore of consumer's minds.
- **New Products are easier to introduce** if the brand name is already well known. Different products are released under the Kelloggs brand.
- **Pricing:** A well-known brand name can command a premium price. Kellogg's brands command higher prices than for instance own brand labels/ premium prices can be charged.
- **Sales increase:** Repeat purchases increase sales.
- **Market Segmentation:** Individual market segments can be identified and targeted with different products under the brand name. e.g. Kelloggs Rice Krispies.
- **Customer Loyalty:** Over time consumers become loyal to a particular brand and will not change. Consumers tend to eat the same brand or cereal each day. Branding allows a company to differentiate themselves from the competition and, in the process, to bond with their customers to create loyalty. A position is created in the marketplace that is much more difficult for the competition to 'poach'. A satisfied customer may leave, but a loyal one is much less likely to. Consumers who have grown up with Kellogg's breakfast cereals will have strong associations of childhood and home.
- Brand names can be **registered** to protect the owner so that no other firm can use that name.
- **Products may become the brand.** Some brands become so popular overtime that the product becomes the brand e.g. Google, hoover, biro, tipex etc.

Benefits for the consumer:

- Branding helps the buyer to **identify** a particular supplier's goods and creates and **maintains their confidence** in the performance of the brand.
- Consumers remember simple names. It is important to make sure the name can be associated with a positive value, characteristic, or position. Consumers like products to which they can **associate positive qualities**. Kellogg's Corn Flakes was the only cereal to be eaten aboard Apollo 11, the first lunar landing.
- The purchase and use of brands allows a consumer/buyer to fulfill their need of self expression and also communicate his or her self image. A consumer/ buyer who defines him/herself as successful and powerful may drive a Mercedes!
- Brands help consumers/buyers to judge the value/measure the quality of a product. Country of origin can influence consumers in making judgements as to whether a product is of value or not. e.g. French perfume, Italian leather, Swiss watches.
- Kellogg's has, over the years, built up some key core brand characteristics, **emphasising quality** and nutritional benefits that will apply to any Kellogg's product. Consumers will trust the Kellogg's brand name to fulfill these requirements whichever type of cereal they choose. There are currently 29 products in the Kellogg's family.

(B) Within the product element of the marketing mix, evaluate “product design” and “product packaging”.

“Product design”

Function: This is linked into the main clauses of the Sale of Goods and Supply of Services Act 1980 which puts a legislative onus on producers to manufacture goods that are of merchantable quality and fit for the purpose intended. The product must do what it is expected to e.g. a lawnmower should operate as expected and cut grass properly.

Evaluation

The value of this approach is that the specific needs of the consumer will be met in line with the marketing concept. This will lead to repeat purchasing, consumer loyalty and ultimately increased sales and profits for the business.

Form: The product must be aesthetically appealing in terms of shape, size, colour, style, image etc. e.g. (iPad).

The product must be practical and comply with safety standards; however it must also be appealing. For example car marketing campaigns emphasise efficiency, reliability and aesthetic appeal in their adverts.

Evaluation

Individuals are fashion conscious with unique tastes and preferences. If these needs can be satisfied by businesses then increased sales and profits will ensue.

“Product Packaging”

Product packaging serves many functions:

Protection: Packaging safeguards the product during transit, storage and handling. It also keeps the product fresh, preserving quality until it is used.

Information: The packaging contains information on contents, ingredients, best before date, health warnings etc.

Differentiation/source of competitive advantage: Many products are instantly recognisable because of the shape or design of the packaging, some of which are patented and legally protected e.g. Coca-Cola bottle.

Promotion: Packaging helps market the product because it can draw attention through brands and logos, shape and colour.

Customer/user friendly: Microwave porridge, popcorn, soup, beans etc. make food consumption more convenient and increase sales.

Evaluation

(Size and Quantity) Packaging can control the size and quantity of a product. Portion control helps control inventory, create product consistency and can help regulate prices.

(Marketing) Packaging is the front line of marketing. Through design and marketing communications, packages can help sell a product and differentiate it from similar products. The packaging can also help promote product branding.

(Security) Product security can be provided through packaging. Packing can make items tamper-resistant, can help reduce theft and can help prevent harm from dangerous products.

(20 marks)

7	A	<p>Evaluate the role of advertising and sales promotion as elements of the promotional mix at Sensible Foods Ltd.</p> <p><u>Advertising</u> The purpose of advertising is to inform the market that the business has something for sale and to convince someone to actually purchase it.</p> <p>Advertising is used by Sensible Foods Ltd. to let possible future customers know about the products on offer and to get them interested in buying the goods.</p> <p>Advertising informs, persuades and reminds customers about the product and its attributes. Advertising communicates a message in order to influence customers towards a particular product or service.</p> <p>The medium used will depend on the market segment, the type of product or service, the message and the cost effectiveness involved.</p> <p>Sensible Foods Ltd. is planning to have “frequent coverage on national and local radio”. With 3 million adults in Ireland tuning in every day and listening for an average of 4 hours the company will build brand awareness, and appeal to its customer base at local level and nationally as it grows.</p> <p>Evaluation required</p> <p><u>Sales Promotion</u> is the use of short-term incentives/ “gimmicks” to attract customers to the product or services on offer. Activities other than direct advertising are included. It adds to the attractiveness of the product.</p> <p>It is useful for stimulating sales by offering customers price reductions, buy one get one free, coupons, samples, prizes, free draws, in-store displays etc. or any other incentives directly related to the product.</p> <p>It aims to attract new consumers for the product, rewarding loyal consumers and increasing buying frequency among occasional consumers.</p> <p>Sales promotion techniques involve some contact between the customer and the seller. It lasts for a short period of time and may be repeated at a later date. It will help Sensible Foods Ltd. retain market share. Sales promotion is less expensive than advertising which may make it attractive for a new company like Sensible Foods Ltd.</p> <p>Sensible Foods Ltd. is supplying “special offers”.....</p>
---	---	--

7	(A)	(i)	<p>A small market segment which a firm may specialise in supplying/Small specialist segments of a larger market. Normally small firms enter niche markets because of the specialist nature / requirements of the market: the niche segment may be so small that the larger firms may not have the flexibility or desire to enter it.</p> <p>Diamond rings/bridal shoes/first communion dresses/children’s’ clothing/ specialist transport-wheelchair.</p> <p>Reference to Fantasia is required 1m</p>	(5+1)
---	-----	-----	---	-------

Possible responses include:

Little or no competition/small market

Unlike in generalised marketing where market competition is stiff, niche marketers face **less competition** in the market as they **deal with a specific product for a small market segment**.

Less investment required

As they produce limited goods for the niche market they may require less investment.

High cost base

The specialisation of products involves more expensive raw materials, highly skilled staff and job/batch production methods/personal service. The costs are very high for the business, therefore, they must charge a higher price to customers.

Less risk for the business/cost effective use of resources/more focused marketing

There may be fewer risks/costs for the business as the marketing is focused on a very small segment of the market.

Brand loyalty/loyal relationships with customers

Niche marketing makes it possible for businesses to build brand loyalty. The customers may continue to repeat the purchases of the same brand, and they may recommend it to their friends and others/ Better targeting of customers with focused advertising. They know their target customers so well that they meet their needs better.

High Margins/high profits/high prices

They achieve high margins because of the added value to the goods and services offered/Prices tend to be more expensive than mass produced goods/High quality products/High skilled labour.

Goodwill

A niche marketer can earn a name and reputation in the market. Rolls Royce command a lot of goodwill.

Survival chances may **decrease** if it depends solely on one product/Tends to sell in relatively low volumes.

May be difficult to source finance because of its small size.

7	(B)	(i)	<p>Premium pricing:</p> <p>Price is set at a high rate to reflect consumer’s perception of a superior product. Ideal for small businesses that sell unique products (bespoke diamond rings). Along with developing a high-quality product, they combine marketing, promotion and product packaging to support the premium price. Product may have a unique selling point (USP) or a distinct competitive advantage. BMW/Rolux Watch/Hermes scarf/Fantasia children’s clothing/Products based on new technologies (3D Games).</p> <p>Price skimming:</p> <p>Often most effective in the early days of a product life cycle/very few close rivals/setting high prices during the introductory phase to maximise revenues/help cover R&D costs and lowering the prices as competitor products appear on the market. May suit businesses that have a significant competitive advantage. Allows businesses to earn high profits from “early adopters” who are prepared to pay the higher price to have the latest or best product on the market, before dropping the price for price sensitive consumers (Apple iPad/Sony iPhone). Cannot last for long as rival products will come on the market. May help small businesses recover their development costs and give the illusion of an exclusive product when first introduced into the market.</p> <p>Penetration pricing/market share pricing:</p> <p>Setting the price lower than competitor’s prices initially to get a foothold in the market/capture market share from competitors/increase sales volume (“special introductory offers”). May be used to draw attention away from competitors and get consumers to try the product, even though it may result in a loss of income for the business initially. However, overtime the increase in awareness can increase profits and help businesses stand out from competitors. In the long run they may raise their prices to reflect their market position.</p>	3@5 (2+3)
---	-----	-----	---	-----------

		<p>Psychology pricing: Consumers respond on an emotional level rather than a logical one. An illusion of enhanced value is created to increase demand for a product. Sun holiday €399.</p> <p>Bundle pricing: Sky packages/Vodafone.....</p> <p>Cost plus pricing (mark-up pricing): Price set to cover costs (production, marketing, distribution) and include a target/fixed percentage profit margin.</p> <p>Tiered pricing: Customers can choose the price level that best fits their budget. They can purchase the basic model car or the luxury model. Can help a business capture a larger portion of the market.</p> <p>Competitive pricing: Setting prices in line with rivals.....</p> <p>Price discrimination: Charging different prices to different market segments for the same product. Cinema tickets/airline tickets.</p> <p>Other Seasonal pricing/market pricing/peak load pricing/predatory pricing (i.e. price wars).</p>	
7	(B)	(ii) <p>Premium pricing When a business purposefully charges a much higher price than its competitors in order to convince purchasers that they are getting a much better product/service. BMW/Rolux Watch/Hermes scarf/Fantasia children’s clothing. Expensive limited edition of a book.</p> <p>The Pricing strategy chosen must be appropriate to the product/service named to be awarded the 2 marks.</p>	(2+3) The 3m is awarded as follows (0,1,3)

Purpose of the finance/the matching principle:

The reason for the finance must be considered. Is the finance required for the day-to-day running of the business or to finance business expansion? Short term needs must be financed from short term sources (e.g. Acquiring stock may choose bank overdraft or trade credit). Long term needs require long term sources of finance (equity, debentures).

7(4+3)+7(4+3)
+6(3+3)

The size of business/type of business:

Larger businesses/companies may be able to acquire finance easier than SMEs.

Amount of finance required:

If large amounts are required generally a long term source of finance is chosen as you can spread the costs over a longer period of time.

Cost of the finance:

Debt finance is costly as monthly repayments must be made, while equity finance and retained earnings avoid costly monthly payments.

Security/collateral required:

Some sources of finance require security from the business. Assets may have to be set aside in case of default later. The business is limited regarding what it can do with the assets while they remain security for the loan.

Risk to business:

Every source of debt finance involves risk and the business must do a risk analysis in advance to assess the level of risk for the business.

Impact on ownership/control:

Different sources of finance could impact on ownership and control in a business. Issuing more shares could spread ownership and control to more people. Additional shareholders will have a say in the business and an entitlement to future dividends.

Other:

Current financial position/current gearing.....

Ability to repay/cash flow /level of reserves.....

Tax implications.....

END

14 (2019)

7	A	(i)	<ul style="list-style-type: none"> • Production costs • Demand in the marketplace • Competition • Consumer Expectations/Image of product • Taxation (tariffs, import charges) • Product Positioning • Stage of Product Life Cycle • Legal Restrictions • Target Market 	18
---	---	-----	---	----

7	A	(ii)	<ul style="list-style-type: none"> • Penetration Pricing. The business competes for a large share of the market using price. The business wishes/tries to capture as much market share as possible. This would be suitable if Intezz is being targeted at the 'lunch box' / mass market. • Skimming. The business charges a high price to 'cream off' the premium section of the market. This would be suitable if the product is to be aimed at the high end of the market such as gyms, professional athletes. 	7
7	B	(i)	<p>All efforts used by a business to create and maintain good public image of the business. It aims to achieve favourable publicity and build a good corporate image for the business/ its concern is the long-term objective of promoting a favourable image of the business. Defend the reputation of the business from criticism (in times of crisis). It is not directly linked to increasing sales but rather to increasing the reputation of the business which in turn increases sales.</p>	5
7	B	(ii)	<ul style="list-style-type: none"> • Sponsorship. Financial Support in return for positive publicity. E.g. Sponsoring a football team in return for the brand name to appear on jerseys. • Celebrity endorsements/influencers The product is seen to be used by celebrities and/or endorsed on social media. This may entice the fans of the celebrities to use the product. • Press Conferences/Launch/Media/Social Media. The official launch of the product should be profiled to attract the public and create a good image of the Intezz brand. • Other PR strategies include: Annual reports; business brochures; publicity literature; promotional films /Donations to charity/ Local community relations/After-Sales Service. 	15

- **Promotion**-Colour/design/shape to attract the customer.
- **Differentiation from competitors.** The packaging should be different from competition indicating a unique selling point/competitive advantage. Keep it in the mind of the customer that it is available to buy.
- **Image/Aesthetics.** It must look good using shape, size and colour. The product should have shelf appeal and stand out.
- **Protection**- during storage and handling-Air compressed container to maintain freshness. Easy drink bottles.
- **Legal requirements.** What information must be displayed on the packaging. E.g. Bar code for scanning, best before, ingredients, sugar content, allergens, country of origin.
- **Size/Convenience.** The unit size will depend on the marketing plan. Is the drink aimed at lunch boxes or the Keep-fit market.
- **Recyclable.** To be environmental conscious/ reusable bottle.
- **Cost**

- (A) Discuss the benefits for a business of having a strong brand image.
Provide examples to support your answer.

Question		Possible Responses	Max Mark
7	A	<ul style="list-style-type: none"> • Brand Loyalty – a strong brand, which is associated with good quality, consistency etc. will develop a loyal customer base who will continue to buy the product even when prices increase e.g. many consumers buy Barry's Tea and are averse to alternative brands Apple iPhone customers are extremely loyal to the brand and research shows most consumers upgrade to newer versions of the phone. e.g. upgrade from iPhone 7 to iPhone 8 • Higher Prices can be charged – a strong brand is usually associated with high quality. If the brand builds a reputation for quality and consistency it allows them to charge higher prices than competitors. e.g. Rolex and Ferrari are businesses who charge a high price for the product based on the strength of their brand image. Apple charging higher prices than Samsung. • Brand recognition – a strong brand makes the product/service much easier to identify against competitor's products/service e.g. Apple's distinctive logo and branding are easily recognisable and draw consumer attention. Consumers can identify brands such as McDonalds. • Easier to launch new products – by having a strong brand a business can launch new products under its existing brand name. This allows the business the opportunity to build up market share e.g. Apple launched the iPod to great success, after which followed the iPhone and iPad. The strength of Nikes brand image has allowed the business to innovate and develop new products. • Aids advertising – it is easier for businesses with a strong brand to promote their products/services. A strong well recognised brand name or logo can easily be advertised in various formats e.g. Apple do not engage in direct advertising as their brand is so strong and visible all over the world that it does not require large scale promotion. 	<p>20</p> <p>2@4+3 1@3+3</p> <p>Benefit, example</p>

(B) (i) Explain the term **marketing concept**.

Question			Possible Responses	Max Mark
7	B	(i)	<p>The marketing concept refers to the philosophy that businesses should understand, analyse and anticipate the needs of consumers and then use this information to produce products that satisfy these needs more effectively than consumers.</p> <p>The marketing concept requires a business to understand and predict the needs of the market in order to develop an effective marketing strategy.</p>	<p>5</p> <p>5m (3+2)</p>

(ii) Outline the **Promotion** and **Place** elements of the Marketing Mix for a product or service of your choice.

Question			Possible Responses	Max Mark
7	B	(ii)	<p>Promotion:</p> <ul style="list-style-type: none"> Promotion refers to all methods used by the business to create awareness of the product/service. It may involve advertising, sales promotion, public relations or direct selling. Promotion methods used depend on the type of product, budget available, position in product life cycle. <p>Reference to product or service of choice – Nike uses a variety of methods of promotion. They use advertising – some of Nikes TV ads are famous. They also use PR. Nike were one of the first companies to use Celebrity Endorsements – they use sports stars such as Michael Jordan, Rory McIlroy, Maria Sharapova and Cristiano Ronaldo.</p> <p>Evaluation – <i>I think Nike is excellent at the Promotion element of the marketing mix. Using PR and paying celebrities to endorse their product creates a demand for their products amongst sports fans/the target market. I also believe it is really clever that they also use creative tv and social media advertising to highlight their brand values and to highlight the athletes they are associated with.</i></p> <p>Place:</p> <ul style="list-style-type: none"> Place refers to the channels of distribution used by the producer to get product/service to the market. Channels of distribution used depend on type of product, costs, market location etc. The channel of distribution can have an effect on the availability of the product and the profitability of the business. 	<p>20</p> <p>2 x 10m 4,1,4,1</p>

		<p>e.g. Nike or Huawei use the following: Manufacturer – Retailer – Consumer.</p> <p>Reference to product or service of choice – Nike manufacture sports goods but use a range of retailers such as JD Sports, Elverys, Asos, Sportsdirect etc.</p> <p>Evaluation – <i>I think this is an effective strategy for Nike because the business products are widely available and therefore this increases sales. Using retailers ensures the goods are accessible by the target market.</i></p>	
--	--	---	--

(C) Discuss the advantages of a **public limited company** as a form of business ownership.

Question		Possible Responses	Max Mark
7	C	<p>Limited Liability:</p> <ul style="list-style-type: none"> The owners of a public limited company benefit from limited liability. The company is a separate legal entity and, therefore, is separate and distinct from those who run it. The company (and not the individual shareholders) is the appropriate person to be sued in the event that debts are incurred by the company which remain unpaid, despite demand. The owners only stand to lose their investment in the event of the company going insolvent. <p>Easier to raise capital:</p> <ul style="list-style-type: none"> Public limited companies such as Glanbia, Facebook etc find it easier to raise capital than sole traders, private limited companies etc. Public limited companies find it easier to raise finance which is used to fund growth <p>Prestige/Recognition/Marketing:</p> <ul style="list-style-type: none"> Public limited companies such as Glanbia, Facebook, Kingspan, Ryanair etc are referenced in news bulletins, websites and newspapers daily as their share price is quoted. This enhances the recognition of the company. <p>Find it easier to attract high quality labour:</p> <ul style="list-style-type: none"> Public limited companies find it easier to find high calibre staff than small private limited companies or local co-operatives etc. Google and Facebook find it easier to attract accounting and or marketing graduates than a local sole trader or private limited company. 	<p>15</p> <p>3 x 5m (3+2)</p>

(A) (i) Illustrate with reference to Gym Culture what a **niche market** is.

Question			Possible Responses	Max Mark
6	A	(i)	<p>A niche market is a small specialised segment of a larger market for a product or service. It is a specialised market with only a few suppliers.</p> <p>e.g. Gym Culture offers buggy bootcamp classes for parents of new babies</p> <p style="text-align: center;">OR</p> <p>Gym Culture offers classes aimed at men and women who want to meet a target for an event like a wedding.</p>	<p>6</p> <p>(3 + 3)</p>

(ii) Outline the factors Dan's bank would consider before granting a loan application .

Question			Possible Responses	Max Mark
6	A	(ii)	<p>Creditworthiness: The bank will look at his credit history and his record in terms of repayment of previous loans. Any bad debt history will affect his loan application.</p> <p>Ability/capacity to repay the loan/Business Plan: Dan will be expected to provide a business plan outlining his trading history and predicted profit trends for the short and medium term. Profitability/liquidity/gearing.</p> <p>Amount /purpose of the loan/Time period for the loan: The larger the loan amount required the riskier it is for the bank in terms of default. As a consequence, the loan application may be affected. Furthermore, it will be expected that the loan application is for a productive purpose e.g. business expansion.</p> <p>Availability of Security: A valuable asset such as premises will be required as collateral for the loan. In the event of a default the bank will be able to sell the asset to recover its loan.</p> <p>Level of own investment /Grants etc</p>	<p>14</p> <p>2@5(3+2)</p> <p>1@4(3+1)</p>

(B) (i) Discuss the benefits of Employee Empowerment.

Question			Possible Responses	Max Mark
6	B	(i)	<p>Improves decision making – staff with expertise make effective decisions - speeds up decisions</p> <ul style="list-style-type: none"> Decisions can be made quicker and without having to constantly get approval from a manager/superior - this slows decisions. Employees often have the expertise to make effective fast decisions, empowerment facilitates fast effective decision making. <p>Prepares staff for Management roles/promotions - trains staff to be decision makers</p> <ul style="list-style-type: none"> Empowerment means staff gain invaluable experience in having to make decisions and judgement calls. This prepares staff for promotions/ role of management which in turn can reduce the need for training. <p>Increased Motivation – Increased Staff Morale & Job Satisfaction</p> <ul style="list-style-type: none"> Employees will be empowered, allowing them to make decisions, increasing trust from management and allowing them to satisfy esteem needs (Maslow). <p>The benefit for the business is that there would be more energized and productive staff, and lower staff turnover.</p>	15 3x 5m (3+2)

(B) (ii) Outline **one** possible barrier to Employee Empowerment.

Question			Possible Responses	Max Mark
6	B	(ii)	<p>Management style – Controller /Autocratic Leader/ Theory X approach</p> <p>The manager might not want to give staff decision making responsibility if they have an autocratic leadership style and or a controller approach to management. An autocratic leader would be fearful that empowering staff might undermine his/her own authority.</p> <p>Staff expertise/staff experience</p> <p>It might not be possible to empower the staff if the staff do not have sufficient skills, expertise and or experience. Empowering incompetent or inexperienced staff could lead to poor decision making.</p> <p>Staff Reluctance – Staff morale</p> <p>Staff might be reluctant to accept extra decision-making responsibility.</p>	5 (3+2)

(C) (i) Explain the term **public liability insurance**.

Question			Possible Responses	Max Mark
6	C	(i)	<p>Public Liability Insurance protects the business against financial loss as a result of claims made by members of the public/consumers as a result of accidents while on the business premises.</p> <p>e.g. Public Liability Insurance protects the business against a claim for damages from a consumer who falls and is injured on the business premises.</p>	<p>5</p> <p>5m (3+2)</p>

(ii) Outline **three** types of insurance, **other than public liability**, that a business might have.

Question			Possible Responses	Max Mark
6	C	(ii)	<p>Employer Liability Insurance Covers the business against financial loss as a result claims made by employees as a result of accidents in the workplace.</p> <p>Fidelity Guarantee Insurance Protects the business against financial loss as a result fraud or cash or stock being stolen by an employee.</p> <p>Product Liability Insurance Protects the business from financial loss in the event of a customer making a claim as a result of defective products that may have caused harm to a consumer.</p> <p>Buildings and Contents This provides the business with protection against any loss caused by damage to the structure of the building caused by fire, flood or storm. You should ensure a smoke alarm is fitted and there are adequate fire extinguishers in the premises.</p> <p>Goods in Transit/Consequential Loss, Protects the business from financial loss as a result of goods/stock being damaged when they are being transported.</p> <p>Key Person Insurance Protects the business from financial loss as a result of a vital employee (a key scientist/ researcher/football player). Key person insurance is a type of life insurance policy that is taken out by a business on the life of a key employee. It is also possible for the policy to pay out in the event of the key person being diagnosed with a specified serious illness, such as cancer or heart attack.</p> <p>Motor Insurance A compulsory type of insurance that must be paid by law if the business or individual own a motor vehicle. Protects the business from being at a financial loss as a result of a motor accident. Three types of motor insurance include: third party insurance, third party fire & theft insurance and fully comprehensive insurance.</p>	<p>3 x 5m (3+2)</p>

(A) (i) Explain what is meant by a **takeover**.

Question			Possible Responses	Max Mark
5	A	(i)	A takeover refers to one business purchasing a controlling stake (50.1% or more of voting shares) in another business and 'acquires' it. Takeovers (or acquisitions) are often hostile and can go against the wishes of the existing owner.	5 5m (3 + 2)

(ii) Outline **two** advantages and **one** disadvantage of a takeover as a method of business expansion.

Question			Possible Responses	Max Mark
5	A	(ii)	<p>Advantage:</p> <p>Increased Sales/Acquire new products: An acquisition leads to the business acquiring new products and increasing their product portfolio. This can result in increased sales and profits. Apple's takeover of Beats by Dr. Dre resulted in Apple now having Beats headphones as part of their product portfolio.</p> <p>Market Share: One advantage of an acquisition is that the business gains instant market share in an industry. Apple became a market leader in the headphones industry and music streaming industry after acquiring Beats by Dr.Dre.</p> <p>Acquire expertise/achieve synergies: The business acquires the expertise of the staff from the company they have purchased. Apple gained the expertise of the staff at Beats by Dr.Dre. This helped Apple develop Apple wireless headphones and the Apple music streaming service.</p> <p>Disadvantage:</p> <p>High cost associated with an acquisition: An acquisition involves one business buying 51% of the shares in another company. This is an expensive method of expansion. There are also vast legal fees. e.g. Apple paid \$3 billion dollars to purchase Beats by Dre.</p> <p>Industrial Relations issues/ Conflict An acquisition can be hostile. This is when a large percentage of shareholders are against the takeover. This can lead to conflict. If the acquisition leads to redundancies it can cause industrial relations problems.</p>	15 3 x 5m (3+2)

(B) Discuss the reasons why a business conducts market research.

Question		Possible Responses	Max Mark
5	B	<ul style="list-style-type: none"> • Size/Potential of Market – The business needs to undertake research to find out the actual size of the target market and the potential to enter that market • To identify if there is demand – The business needs to test market the product to see if people would be interested in the product. This will also allow the business to take feedback on the product and make any changes which may be necessary. • To establish a price point – The business needs to research how much it will cost to produce, distribute and promote the product and how much potential customers would be willing to pay for the product. • To identify competitors – The business must find information on all the competitors – the number of competitors, their product range, pricing strategies etc. This will help develop strategies to compete with these other businesses. • Set targets for the business – by undertaking research the business will then be able to set goals/targets they hope to achieve over a specific period of time. • To access finance – if the business intends to apply for funding from a financial institution or Government agency, it is essential they conduct market research into the viability of the business. • Identify more opportunities – by engaging with potential customers and monitoring trends, this may assist the business in developing more ideas to enhance existing products. 	<p>20</p> <p>4 x 5m (2+3)</p>

(C) Evaluate debt capital versus equity capital as methods of financing expansion for a business.

Question		Possible Responses	Max Mark
5	C	<p>Control:</p> <ul style="list-style-type: none"> Debt capital – long term loans used to finance the business will not impact on control of the business. Equity - The issue of shares may dilute control of the business. <p>I feel equity capital is best because the current owners' control is not weakened. They maintain full control when expanding.</p> <p>Interest Repayments/Dividends</p> <ul style="list-style-type: none"> Debt Capital – Fixed Interest repayments must be made e.g. Debentures, Fixed Dividends. e.g. 8% Preference Shares Equity capital – there are no fixed repayments. There is no obligation to ordinary shareholders. However, if dividends are routinely small or not paid, this may adversely affect share price. <p>I believe that equity capital is the best option because there are no loan repayments, therefore new profits are not used to repay the debt and interest.</p> <p>Risk</p> <ul style="list-style-type: none"> Debt Capital – high risk – the business is highly geared. Fixed interest repayments on debt capital must be made regardless of profitability. Increased risk of bankruptcy – more creditors, who may seek to have business wound up and assets liquidated to pay debts. Equity – equity capital is low risk. The business is lowly geared. The business has no long-term debt and no interest repayments. Business less likely to become bankrupt, as fewer creditors. <p>I believe it is best to use equity capital because it is a low risk option whereas debt capital is high risk and could lead to the business being forced to close.</p> <p>Collateral</p> <ul style="list-style-type: none"> Debt Capital – security is required from a financial institution when seeking a long-term loan. Equity capital – no security is required when using reserves or ordinary share capital. <p>Evaluation required.</p> <p>Tax Implications</p> <ul style="list-style-type: none"> Debt Capital - Interest repayments are tax deductible. Equity Capital - Dividends to ordinary shareholders are not tax deductible. <p>Evaluation required.</p>	<p>20</p> <p>4 x 4m (2 + 2)</p> <p>Evaluation (0,2,4)</p>

