BUS.IN12 Business Responses to Competition: Differentiation Strategies

AQA 8132 · Calculators not allowed · about 45 minutes

Total Marks

Name: ______________________________ Date: ____ / ____ / ______

Answer ALL questions. Use full sentences for the 9-mark question. Show any simple working where asked. All businesses named in questions are fictional scenarios for practice.

1 Which one of the following is an example of product differentiation used by a coffee shop competing locally?

- ☐ A) Reducing the price of all drinks by 20%
- ☐ B) Selling ethically sourced single-origin coffee with tasting notes
- ☐ C) Agreeing a longer credit period with a paper supplier
- ☐ D) Offering a loyalty card that gives a free drink after five purchases

(Total for Question 1 is 1 mark)

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2 Which one of the following is primarily a retention strategy rather than a differentiation strategy for a retailer?

- ☐ A) Launching a new premium product line
- ☐ B) Hiring extra staff to improve in-store service
- ☐ C) Introducing a points-based loyalty scheme for repeat customers
- ☐ D) Rebranding products with new packaging

(Total for Question 2 is 1 mark)

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3 Identify the response strategy used by 'Mira Books', a small UK bookshop, when it offers book-binding workshops and author events to compete with the large online retailer 'ReadFast'.

(Total for Question 3 is 2 marks)

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4 Identify the response strategy used by 'GreenGo Grocers', a UK supermarket, when it introduces its own-brand premium organic range to compete with 'FreshMart', a rival chain.

(Total for Question 4 is 2 marks)

5 State one way a small UK bakery, 'Park Lane Bakes', could use customer service to differentiate itself from a national chain bakery.

(Total for Question 5 is 1 mark)

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6 State one disadvantage to a café called 'Corner Cup' of competing only on price against the higher-quality rival 'Bean House'.

(Total for Question 6 is 1 mark)

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7 Explain one way 'Mira Books' offering author events helps it compete with the online retailer 'ReadFast'. Refer to customer behaviour in your explanation.

(Total for Question 7 is 3 marks)

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8 Explain one way GreenGo Grocers' premium organic own-brand helps it compete with FreshMart, referring to brand perception.

(Total for Question 8 is 3 marks)

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9 Explain how 'Park Lane Bakes' using a loyalty card that gives a free item after ten purchases helps it compete with 'BakeCo', a rival franchise. Use two developed points.

(Total for Question 9 is 4 marks)

10 Explain how 'Corner Cup' improving staff training and service speed could be more effective than cutting prices to compete with 'Bean House'. Give two developed points.

(Total for Question 10 is 4 marks)

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11 State two benefits to 'GreenGo Grocers' of using clear organic certification labels on its premium own-brand range when competing with FreshMart.

(Total for Question 11 is 2 marks)

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12 State two possible drawbacks for 'Mira Books' of investing in frequent author events to differentiate from ReadFast online, referring to costs or scale.

(Total for Question 12 is 2 marks)

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13 Explain one reason why a unique selling point (USP) can protect a small retailer from competitors who try to match prices. Use an example in your explanation.

(Total for Question 13 is 3 marks)

14 Noah owns 'GreenGo Grocers' which faces growing competition from 'FreshMart' in nearby towns. GreenGo has options: (A) invest in high-quality, clearly labelled organic own-brand products and a premium in-store display, or (B) cut prices on several lines to match FreshMart. Recommend which strategy GreenGo should adopt and justify your answer using the scenario and likely effects on brand, margins and customer loyalty.

(Total for Question 14 is 9 marks)

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15 Which one of the following best describes why a business might use emotional branding to differentiate itself from a discount rival?

- ☐ A) To make customers remember the lowest price available
- ☐ B) To build a connection that encourages repeat purchase despite higher prices
- ☐ C) To avoid all advertising costs
- ☐ D) To guarantee a higher market share immediately

(Total for Question 15 is 1 mark)

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16 Identify one measurable indicator GreenGo could monitor to check whether its premium own-brand strategy is improving customer loyalty, naming the indicator and why it matters.

(Total for Question 16 is 1 mark)

Mark scheme · BUS.IN12 Business Responses to Competition: Differentiation Strategies

Question 1

- **B1** B cao
- **Answer: B**

Question 2

- **B1** C cao
- **Answer: C**

Question 3

- **B1** identifies differentiation via customer experience or added services
- **B1** recognises the creation of a unique selling point through events and services
- **Answer: Differentiation through added services and customer experience, creating a unique selling point with workshops and events.**

Question 4

- **B1** identifies product differentiation through higher quality or premium own-brand goods
- **B1** identifies branding/positioning as part of the strategy
- **Answer: Product differentiation by launching a premium organic own-brand range and repositioning the brand to signal higher quality.**

Question 5

- **B1** one valid example, e.g. personalised recommendations and remembering regular customers' preferences
- **Answer: Provide personalised service, for example remembering regular customers' preferences and making tailored recommendations.**

Question 6

- **B1** one valid drawback, e.g. lower profit margins which may be unsustainable
- **Answer: Lower profit margins which may be unsustainable and reduce ability to invest in quality or service.**

Question 7

- **B1** identifies a relevant point, e.g. events create an in-store experience customers cannot get online
- **B1** develops the point, e.g. this encourages customers to visit the shop and spend more time there
- **B1** links to an outcome, e.g. increased footfall and purchases and stronger customer loyalty
- **Answer: Author events provide an in-store experience that online retailers cannot offer; this draws customers into the shop and encourages them to spend more time and money, boosting sales and loyalty.**

Question 8

- **B1** identifies a relevant point, e.g. premium own-brand improves perceived quality
- **B1** develops the point, e.g. customers may pay a higher price because they trust the quality
- **B1** links to an outcome, e.g. stronger brand image and higher margins for the retailer
- **Answer: The premium own-brand improves perceptions of quality so customers may choose GreenGo and be willing to pay more, strengthening GreenGo's brand image and allowing higher margins.**

Question 9

- **B1** states that the loyalty card encourages repeat purchases
- **B1** explains how repeat purchases raise customer lifetime value or sales volume
- **B1** states that gift/discount incentivises customers to choose Park Lane over BakeCo
- **B1** explains the effect on customer retention and potential word of mouth
- **Answer: The loyalty card encourages repeat purchases because customers aim to reach the free item, increasing customer lifetime value and sales volume. The reward also gives customers a reason to choose Park Lane over BakeCo, improving retention and potentially generating positive word of mouth.**

Question 10

- **B1** identifies improved service as a differentiation strategy
- **B1** develops: better service can justify a higher price or maintain customer numbers
- **B1** identifies cutting price as a short-term tactic with risks
- **B1** develops: price cuts reduce margins and may start a price war, harming long-term viability
- **Answer: Improving service differentiates Corner Cup by offering speed and experience customers value, which can justify charging similar or higher prices and retain customers. Cutting prices reduces profit margins and risks a price war that the small café may not sustain in the long term.**

Question 11

- **B1** builds trust/credibility with customers about organic claims
- **B1** allows GreenGo to charge a premium price and stand out on the shelf
- **Answer: Builds trust and credibility with customers about organic claims; allows GreenGo to charge a premium price and stand out on the shelf.**

Question 12

- **B1** events cost time and money to organise
- **B1** limited scale: events serve local customers only and may not reach online customers
- **Answer: Events cost time and money to organise, and they have limited scale because they mainly serve local customers rather than the wider online audience.**

Question 13

- **B1** identifies that a USP offers something competitors cannot easily copy
- **B1** develops with an example, e.g. specialist local expertise or exclusive products
- **B1** links to outcome, e.g. customers remain willing to pay or travel for the USP
- **Answer: A USP gives the retailer something competitors cannot easily copy, for example exclusive local artwork or specialist expertise, so customers will continue to pay or travel for that unique offering even if rivals match prices.**

Question 14

- **Level 1** (1-3): Makes simple, undeveloped comments about one or both options with little or no use of the scenario and no clear justification.
- **Level 2** (4-6): Gives a developed argument for one option using some scenario details, and considers at least one implication for margins or customer behaviour, but evaluation is not fully balanced.
- **Level 3** (7-9): Weighs evidence for and against both options, uses the scenario to assess effects on brand, margins and loyalty, and reaches a clearly justified recommendation.
- **Indicative content:**
  - For option A: investing in premium own-brand and display should strengthen GreenGo's brand image and perceived quality, attracting customers who value organic goods and are less price-sensitive, and allowing higher margins on those lines.
  - For option A: stronger branding and labelling builds trust and loyalty over time, reducing the risk of customers switching for a small price difference.
  - Against option A: the up-front cost of relabelling, new packaging and display is a risk and may take time to return higher sales.
  - For option B: cutting prices can quickly win back price-sensitive customers and may increase short-term footfall.
  - Against option B: lower prices reduce profit margins and risk starting a price war with FreshMart, which GreenGo may not sustain; cutting price undermines the premium positioning and may damage long-term brand equity.
  - Judgement: a justified recommendation should weigh the importance of long-term brand strength and margins versus short-term gains, and typically favour option A when GreenGo can target customers seeking organic quality, unless immediate cash-flow problems require a short-term price response.

Question 15

- **B1** B cao
- **Answer: B**

Question 16

- **B1** one valid indicator with reason, e.g. repeat purchase rate or loyalty scheme retention numbers because they show returning customers and loyalty trends
- **Answer: Repeat purchase rate or loyalty scheme retention numbers, because they measure how many customers return and therefore indicate growing loyalty.**