

Clear**Revise**[®]

BTEC Tech Award Level 1/2 in **Enterprise**

Illustrated revision and practice

Component 3: Marketing and finance for enterprise

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PG ONLINE

PREFACE

Absolute clarity! That's the aim.

This is everything you need to ace the exam and beam with pride. Each topic is laid out in a beautifully illustrated format that is clear, approachable and as concise and simple as possible.

Each section of the specification is clearly indicated to help you cross-reference your revision. The checklist on the contents pages will help you keep track of what you have already worked through and what's left before the big day.

We have included worked exam-style questions with answers. There is also a set of exam-style questions at the end of each section for you to practise writing answers. You can check your answers against those given at the end of the book.

LEVELS OF LEARNING

Based on the degree to which you are able to truly understand a new topic, we recommend that you work in stages. Start by reading a short explanation of something, then try and recall what you've just read. This will have limited effect if you stop there but it aids the next stage. Question everything. Write down your own summary and then complete and mark a related exam-style question. Cover up the answers if necessary but learn from them once you've seen them. Lastly, teach someone else. Explain the topic in a way that they can understand. Have a go at the different practice questions – they offer an insight into how and where marks are awarded.

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THE SCIENCE OF REVISION

Illustrations and words

Research has shown that revising with words and pictures doubles the quality of responses by students.¹ This is known as ‘dual-coding’ because it provides two ways of fetching the information from our brain. The improvement in responses is particularly apparent in students when they are asked to apply their knowledge to different problems. Recall, application and judgement are all specifically and carefully assessed in public examination questions.

Retrieval of information

Retrieval practice encourages students to come up with answers to questions.² The closer the question is to one you might see in a real examination, the better. Also, the closer the environment in which a student revises is to the ‘examination environment’, the better. Students who had a test 2–7 days away did 30% better using retrieval practice than students who simply read, or repeatedly reread material. Students who were expected to teach the content to someone else after their revision period did better still.³ What was found to be most interesting in other studies is that students using retrieval methods and testing for revision were also more resilient to the introduction of stress.⁴

Ebbinghaus’ forgetting curve and spaced learning

Ebbinghaus’ 140-year-old study examined the rate at which we forget things over time. The findings still hold true. However, the act of forgetting facts and techniques and relearning them is what cements them into the brain.⁵ Spacing out revision is more effective than cramming – we know that, but students should also know that the space between revisiting material should vary depending on how far away the examination is. A cyclical approach is required. An examination 12 months away necessitates revisiting covered material about once a month. A test in 30 days should have topics revisited every 3 days – intervals of roughly a tenth of the time available.⁶

Summary

Students: the more tests and past questions you do, in an environment as close to examination conditions as possible, the better you are likely to perform on the day. If you prefer to listen to music while you revise, tunes without lyrics will be far less detrimental to your memory and retention. Silence is most effective.⁵ If you choose to study with friends, choose carefully – effort is contagious.⁷

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2. Roediger III, H. L., & Karpicke, J.D. (2006). Test-enhanced learning: Taking memory tests improves long-term retention. *Psychological Science*, 17(3), 249–255.
3. Nestojko, J., Bui, D., Kornell, N. & Bjork, E. (2014). Expecting to teach enhances learning and organisation of knowledge in free recall of text passages. *Memory and Cognition*, 42(7), 1038–1048.
4. Smith, A. M., Floerke, V. A., & Thomas, A. K. (2016) Retrieval practice protects memory against acute stress. *Science*, 354(6315), 1046–1048.
5. Perham, N., & Currie, H. (2014). Does listening to preferred music improve comprehension performance? *Applied Cognitive Psychology*, 28(2), 279–284.
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MARK ALLOCATIONS

Green mark allocations^[1] on answers to in-text questions throughout this guide help to indicate where marks are gained within the answers. A bracketed '1' e.g. ^[1] = one valid point worthy of a mark. There are often many more points to make than there are marks available so you have more opportunity to max out your answers than you may think.

Six mark questions require extended responses. These answers should be marked as a whole in accordance with the levels of response guidance on **page 75**.

COMMAND VERBS

The exam paper will use the following command verbs in each question.

Answering questions in the correct way can considerably increase your overall grade for the paper. Study each of the command verbs below along with their meanings and how they are used to answer a question.

Give / State

Recall one or more pieces of information. These are short answers with 1 mark for each point.

Give **two** solutions to a cash flow problem. [2]

Sell unused assets(1), gain investment(1), cut costs(1), delay payments(1), chase debtors(1), increase revenue(1).

Complete

Provide some missing information for a given table or diagram.

Complete the purchase order using the information given in Figure 1. [1]

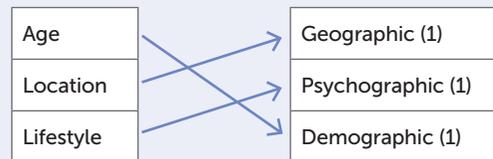
Item	Quantity	Price	Total
Butter	8 kg	£7 / kg	£56 (1)
Milk	20 l	0.50 / l	£10 (1)

Figure 1

Match

Match one option with another.

Match the following market segmentation methods by type. [3]



Explain

An explain question needs two parts. First give an example and then give a linked reason why this example answers the question. Make sure to use words such as 'because' or 'so' in this type of question.

Gibbs Bakery is concerned that its profit margins are too low.

Explain one way in which *Gibbs Bakery* could reduce its costs. [2]

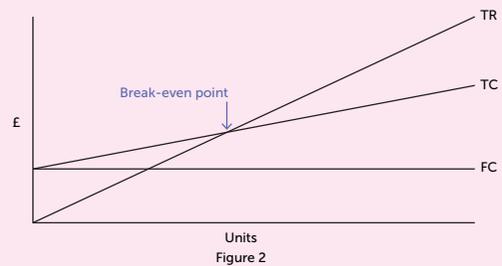
The bakery should find cheaper suppliers (1) which would reduce the cost of raw materials (1).

- --- Example
- --- Reason

Label

Label information provided in a source material, for example, a diagram or table.

Study Figure 2. Label the break-even point. [1]

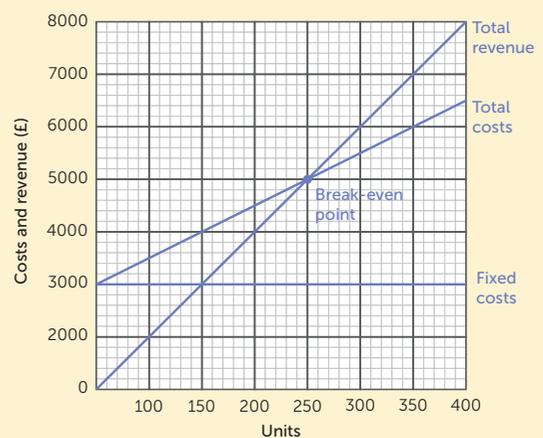


Draw

Produce a diagram, for example, a break-even chart.

The drawing should be labelled and annotated.

Using the information provided, draw and label the break-even chart. [4]



Discuss

Identify the problem or issue in the question.

Explore the relevant points that relate to the problem or issue with logical thoughts or arguments.

Think how they interrelate.

Links to content within either Component 1 or 2 will be expected in these questions.

You should use full paragraphs to answer these questions.

The full answer will usually be around a page of text.

Grants Buses are considering switching from cash to contactless card payments on board their vehicles.

Discuss the advantages and disadvantages of accepting electronic payments. [6]

Drivers will no longer need to deal with coins and change. This will mean they *spend less time at stops and increase the punctuality of the service.* *Passengers without cash can use the service more easily, but those who do not have contactless payment technology may no longer be able to use the service.* *Turning away customers would not be popular and could reduce revenues.* *Those people relying on bus services most, may also be those who don't use payment cards.*

Accurate and relevant knowledge

Detailed knowledge

Relevant to the question context

Clear links between points

Evaluate

- 1) Write down all the factors or events that apply to a given context.
- 2) Consider the strengths and weaknesses of each.
- 3) Identify those that are most important.
- 4) Give a reasoned conclusion supported by evidence.

Links to content within either Component 1 or 2 will be expected in these questions.

You should use full paragraphs to answer these questions.

The full answer will usually be around a page of text.

SureGym wants to promote a new 'Parent and child' morning.

They are considering marketing this on social media or printed flyers.

Evaluate which method would be best to increase interest and customers for the new event. [6]

SureGym could make use of *free advertising* ●----- *Accurate and relevant factor*
features in social media
which would help keep marketing costs down. ●----- *Importance of the factor*
They could also set this up very quickly and measure the response. ●----- *Pros and cons*
However, negative responses would be public and may deter other readers.

...

Printed flyers could be designed and printed in a few days. Someone would need to be employed to hand them out. Flyers could be kept and read at any time, but it is harder to measure the response. ●----- *Alternative arguments*

...

In conclusion, young parents are likely to have a social media account and may be well suited to this approach. Social media offers a greater opportunity to reach people as they can also share the posts with their wider friendship groups. Whereas, flyers would be less immediate and more limited in their reach. ●----- *Conclusion is supported by evidence*
●----- *Justification linked to question*

Calculate

Find a numerical answer to a question. Show your working and include the units.

Study Figure 2. Calculate the Gross Profit Margin (GPM) for Yarro Ltd.

[1]

$$\text{GPM} = (\text{GP} \div \text{Revenue}) \times 100$$
$$62\,000 \div 112\,000 \times 100 = 55\%$$

TOPICS FOR COMPONENT 3

Marketing and finance for enterprise

Information about the externally assessed exam

Written exam: 2 hours

60 marks

All questions are mandatory

40% of the qualification grade

Assessment type: External synoptic

Guided learning hours: 48

Specification coverage

Marketing activities, financial documents and statements, financial planning and forecasting.

The content for this assessment will be drawn from the essential subject content in sections A to C of Component 3 in the specification.

Questions

A mix of short answer and longer answer questions assessing knowledge, understanding and skills in contextual scenarios building on all components within the qualification.

TARGET MARKET

A **market** is any location where buyers and sellers come together to exchange money for goods or services. A **target market** is the likely customer group that an enterprise wants to sell its products (goods and services) to.

What is a typical target market?

A typical target market is usually a group of customers who exhibit similar characteristics. These can include age, location, income, or hobbies.

Enterprises usually try to identify who might buy their products before they stock or produce them so they can think about how much demand there might be or how to best advertise the goods or services they sell. Focused marketing messages are more effective and more likely to reach people who will make a purchase.

1. Alex wants to open a healthy snack bar opposite the local gym at a university in the city centre.

Give **two** characteristics of a typical customer of the snack bar. [2]

1. *Two from: Interested in fitness,^[1] healthy eating,^[1] university students,^[1] city workers,^[1] dietary needs.^[1]*

The importance of establishing a target market

Knowing who the enterprise's likely customers are allows the business to develop a strong **brand**. A brand is an identifying feature that enterprises can use to distinguish their products from their competitors. This might consist of logos, symbols, or words. The brand can then be developed to attract the customers the enterprise is aiming the product at.

2. Jaheen is opening a new café. Jaheen has found two available locations. One is a second floor venue in the town centre. The other is on the ground floor of the local arts centre near a park. Jaheen has identified retirees as the primary target market.

Explain **two** considerations for the most suitable location for Jaheen's enterprise. [4]

2. *Upstairs would be difficult for Jaheen's customers as it would limit access for anyone with mobility issues^[1] which would impact potential footfall / sales.^[1]*

Ground floor access may widen the target market to new parents and carers with prams^[1] which would potentially increase revenue.^[1]

The arts centre and park is likely to attract a wide variety of customers^[1] who may be inclined to stay at the café longer given a more relaxing environment than the town centre.^[1]

The town centre may have more people passing, and attract a younger audience^[1] but they have less disposable income / don't fit the target market, which could reduce revenue / spend.^[1]

A 'product' refers to a good or a service.



MARKET SEGMENTATION

Market segmentation can be used to make identifying a target market easier for an enterprise. This involves dividing a market into different groups called **market segments**.

Dividing customers into groups

Enterprises **segment** or divide the market according to demographic, geographic, psychographic and behavioural characteristics of potential or current customers. By doing this, they can match and market goods and services to suit the unique sets of needs of these groups. Segmentation also allows an enterprise to target advertising more effectively as it can focus on designing promotional material which appeals to the particular segments they target.

Knowing and understanding the target market also allows an enterprise to identify future areas of growth as it becomes more aware of the interests and needs of its target market. Meeting customer needs more effectively will allow an enterprise to improve its interactions with them. This will help to build brand loyalty, increasing its retention of customers.

The process of market segmentation involves splitting a larger market into smaller different groups. The main types of groups are demographic (e.g. age, race), geographic (location e.g. local, regional), psychographic (e.g. social class, lifestyle) and behavioural (e.g. spending, consumption). Enterprises can use one or more of these segments to identify and develop their target market.

Abby and Grace live by the seaside. They want to set up a surfing shop in the local town.

Explain **two** advantages to an enterprise of segmenting the market. [2]

An enterprise might gain a competitive advantage^[1] because targeting its products at the right people may increase sales.^[1]

Segmentation identifies a target market^[1] which allows an enterprise to concentrate its efforts in advertising products to the right consumers / to consumers' specific needs and wants.^[1]

An enterprise can better satisfy the needs of a specific set of customers^[1] if it can identify a common set of requirements that it can meet with its products.^[1]

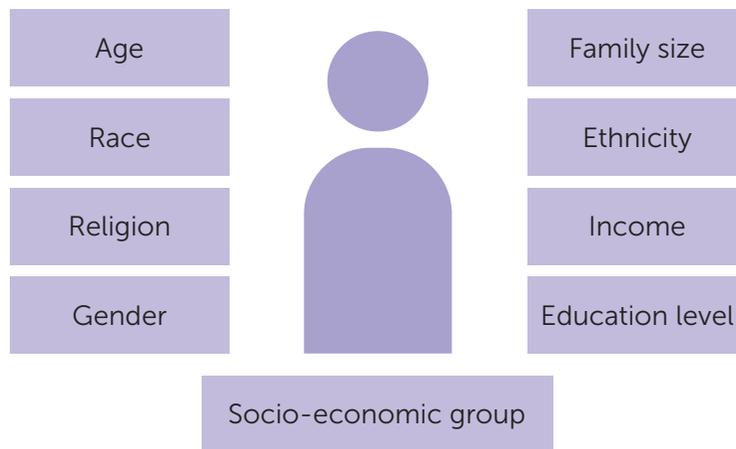


DEMOGRAPHICS

Demographic market segmentation is one of the easiest ways to segment a customer group. It allows an enterprise to market products (goods and services) to those with specific, common variables such as age, gender and education.

Advantages of demographic segmentation

Identifying a group with shared population characteristics helps an enterprise to build up a profile of what a typical customer might look like. This helps with decisions in marketing and purchasing as products can be targeted towards this type of customer.



Age

Depending on a person's **age**, they may have different interests, tastes or needs. Often, enterprises use age to segment the market as different kinds of products will appeal to different age ranges. For example, children's toys will appeal to a younger age range.



Ethnicity

Ethnic groups share common attributes such as history or culture. These attributes can influence purchasing decisions. For example, paper lanterns are commonly associated with Chinese culture so could be targeted at people of Chinese origin at festival time.



Race

Some products can also be separated by **race**. Plasters and tights are commonly produced for varying skin tones.



Income

Income is a popular way of segmenting a market. Goods and services can be targeted at different income levels. People with higher incomes are more likely to buy luxury items.



PROMOTION

Promotion is any activity which creates an awareness of an enterprise and its products. How an enterprise achieves this through a variety of promotional activities the enterprise engages in is called the **promotional mix**.

Promotional mix

Advertising involves persuading or informing customers about products or enterprises, their features and benefits and how the customer can make a purchase. Common advertising methods include television, billboards, radio, cinema, newspaper, and magazine advertising.

Social media marketing involves using different social media platforms to market an enterprise's goods or services. This could be in the form of a social network page or paid advertising. Posts could be in written form, short blogs or image orientated advertisements.

- + Viral posts can quickly reach huge audiences
- Ads can be expensive and time-consuming

Personal selling involves using salespeople to talk to potential customers. A salesperson must have good selling skills to effectively generate sales.

- + Can use telephone, video calls, email or face to face meetings
- Salespeople need to be fully trained and can be expensive to employ

PR or **OPR** means (online) **public relations**. PR or OPR usually focuses on maintaining a positive image for an enterprise through press releases, building relationships with local communities or even engaging influencers.

- + Can improve reputation
- PR could be negative

Direct marketing is a way of promoting a product directly to its target audience without mass media support from other enterprises. Common methods include direct mail or email, social media, phone calls, or text messages.

- + Can build positive relationships with customers
- Can be ignored or unwanted as 'junk mail'

Sales promotion can also be used to promote the enterprise's products and services. It is usually a short-term method to try to boost sales. These can be methods such as money off coupons, free gifts, offers, competitions, loyalty cards and point of sale materials.

- + Can attract new customers or boost sales
- Discount offers or free gifts can reduce revenue and increase costs



OFFER!

If you read this coupon, so might real customers!

Coupons, competitions, loyalty incentives and discount offers can attract attention and increase sales.

QR codes (or Quick Response codes) promote interaction and engagement with the reader to provide more details.



Scan me!

EXAMINATION PRACTICE

Scenario: *Papillon Artisan Bakery*

Zara has successfully run Papillon, an artisan bakery stall, for five years. They make speciality ethnic and traditional breads, offering a variety of high-quality baked goods.



Zara's stall is in a local indoor market, and has a steady, loyal customer base. They usually advertise via social media and also sometimes in the local newsletter produced by the community centre. They offer a special ten percent discount to regular customers via a loyalty card.

To set up the enterprise Zara segmented the market.

- (a) Give the name of this promotion strategy. [1]

After two months, Zara decides they are going to concentrate on using below the line promotion.

- (b) Zara uses posters and sales discounts. Give **two** other examples of below the line promotion. [2]
 (c) Explain **two** advantages of using below the line promotion to promote an enterprise. [4]

Zara has decided to grow the stall online by creating a website. They will also add to their product portfolio by adding a filled sandwich range. Zara is trying to decide which methods of promotion to use to promote to this new target market. They have a budget of £500 to spend on promotion.

There are **two** factors that will influence Zara's choice of promotion.

- The new target market
- A budget of £500

- (d) Explain how each of these two factors may influence the promotional methods chosen:
 (i) The new target market. [2]
 (ii) A budget of £500. [2]
- (e) Explain **one** benefit to Zara of adding to their product portfolio. [2]

Zara has been asked by the local community centre to sponsor an event.

- (f) Explain **one** reputational benefit to an enterprise of sponsoring a local event. [2]
- (g) Zara uses a premium pricing strategy.
 (i) Explain what is meant by a premium pricing strategy. [2]
 (ii) Give **one** disadvantage of using this strategy. [1]

FINANCIAL DOCUMENTS

All enterprises need to complete and interpret **financial documents**. This is so they can keep an accurate and detailed record of the transactions they participate in. This will help an enterprise to identify its financial position and accounting obligations at any time.

Purchase order

The purpose of a **purchase order** is to record an order from the buyer to the supplier. These are usually completed on a form which lists the goods or services that will be purchased from the enterprise.

Below is an example of a completed purchase order form. Once completed, the purchase order will be sent to the enterprise, to start the buying and selling process.

Note

The sequence of financial documents for B2B enterprises usually follows that shown on the next few pages of this guide. B2C enterprises often prefer to invoice before goods and services are provided.

The customer completes the purchase order form and sends it to the supplier

Delivery address

The date of ordering is entered, and a unique purchase order number created for reference

Name and address of supplier

Unique purchase order number for reference.



PEAK XV
22 Shore Lane
Elm Park
RM12 4YS
08081 2570340

PURCHASE ORDER		Date:	06/07/20XX			
SUPPLIER: Arête Outdoor Supplies		Order number:	PO-PXV-0227			
Unit 23 Ettridge Way Stubbs Industrial Estate Croydon CR23 2XS						
Qty	Item description	Order code	Unit price		Total price	
			£	p	£	p
10	25kn aluminium small ring (27mm)	361	6	00	60	00
2	Retrieval cone with cord	41	4	00	8	00
2	Fixed side pulley	87	12	00	24	00
Total					92	00
Discount (10%)					9	20
Subtotal					82	80
Delivery charge					12	00
VAT @ 20%					18	96
TOTAL TO PAY					113	76

Item / catalogue number is used to pick any goods from the warehouse

Remember to **subtract** discounts and **add** delivery charges, and VAT.

Quantity × Price of items = Total
VAT is charged at 20% to create the final total the buyer will pay. This is a tax added to most products

SCENARIO



Mike owns *Links DIY* in the centre of a town. *Links DIY* sells a wide variety of DIY materials including paint, gardening supplies and power tools. Mike offers goods at a competitive price compared to high street chains and is used by many local trades people.

They are preparing an invoice for a local painter and decorator for supplies.

1. (a) Complete the invoice using the information provided.

[5]



Links DIY | 18 High Street | Frome | BA11 8KW | 07700 9001229

INVOICE		Date:		31/03/20XX				
Merritt Painting & Decorating		Invoice number:		466				
		PO number		PO-MPD-014				
37 Peter's Close Westbury BA13 4YJX								
Qty	Description	Unit price		Total price				
		£	p	£	p			
100	Paintbrush	8	00	800	00			
10	Turpentine (1 Litre)	3	50	(i)				
50	Lining wallpaper (Roll)	5	50	(ii)				
Terms: Payment within 30 days				TOTAL		1110	00	
				Delivery charge		30	00	
				Subtotal		(iii)		
				VAT @ 20%		(iv)		
				TOTAL TO PAY		(v)		

Remember to show the pence to two decimal places.

(b) Describe **one** reason why it is important for Mike to keep an accurate record of this purchase.

[2]

(c) Mike discovers an error has been made on the invoice. The customer ordered 10 paintbrushes and not 100.

Explain **one** impact of this error on Links DIY.

[2]

2. Mike has asked you to complete a credit note for the refund against the paintbrushes. Complete the credit note using the information in Question 1.

[6]



Links DIY | 18 High Street | Frome | BA11 8KW | 07700 9001229

CREDIT NOTE		Date:	31/03/20XX		
Merritt Painting & Decorating		Credit note number:	CN-00054		
		PO number	PO-MPD-014		
(i)					
Qty	Description	Unit price		Total price	
		£	p	£	p
(ii)		(iii)		(iv)	
Reason for credit (viii)		Goods total		(v)	
		VAT @ 20%		(vi)	
		TOTAL CREDIT		(vii)	

Example answers

1. (a) In descending order down the column – (i) £35.00, (ii) £275.00, (iii) £1140.00, (iv) £228.00, (v) £1368.00.^[5]
 - (b) It is important for Mike to keep an accurate record of the purchase so the accounts are accurate^[1] which will help the enterprise with its end of year accounts / tax calculations.^[1] In the event of a dispute with the purchaser^[1] the records of sale can be checked to find if / where an error may have occurred for resolution.^[1]
 - (c) Overcharging customers / delivery errors may affect the supplier's reputation^[1] because customers may lose trust in the enterprise and will be worried in future that they might make errors again, so may go to a competitor.^[1] Invoicing errors will also affect the enterprise's accounts / stock control which will no longer be accurate^[1] creating incorrect historical records to check back on.^[1] The invoice may need to be reissued / a credit note will need to be issued^[1] which will delay the payment / incur additional cost in time and administration.^[1]
2. Six from: (i) Address for Merritt Painting and Decorating, (ii) 90 Paintbrushes (iii) 8.00 (iv) 720.00 (v) 720.00 (vi) 144.00 (vii) 864.00, (viii) Quantity error.^[6]

BALANCE SHEET

A **balance sheet** (statement of financial position) is a financial statement that shows a snapshot of an enterprise's assets and liabilities at a point in time.

It is typically produced on the last day of the financial tax year. It helps an enterprise to see the value of its assets and how much it owes in liabilities. It also allows the enterprise to see how it finances its activities.

Components of a balance sheet

Fixed assets. These are the long-term assets of an enterprise

Total assets. This is the value of the assets of an enterprise when fixed and current assets are added together

Current assets. These are owned by the enterprise and expected to be used or sold in the next year

Current liabilities. These are debts that the enterprise must pay within 1 year

Total assets less Current liabilities. The owner's equity or share capital plus profits

18 Wag Lane
Barking, IL18 7BZ
07700 9001282

GH Pet Supplies LTD

Balance Sheet for GH Pet Supplies LTD as of 31st March 2022

	£	£
Fixed (non-current) assets		
Vehicle	8 000	
Equipment	1 600	
		9 600
Current assets		
Stock	12 000	
Cash	600	
Debtors	5 500	
		18 100
Total assets		27 700
Liabilities		
Current liabilities		
Overdraft	2 000	
Creditors	8 000	
		10 000
Working capital (net current assets)		8 100
Long term (non-current) liabilities		
Mortgage	70 000	
Total liabilities		80 000
Net assets		17 700
Equity and reserves		
Share capital	14 000	
Retained profit	3 700	
Total equity		17 700

Working capital. This shows the ability of an enterprise to pay its debts. It is calculated using the formula:
WC = Current assets – Current liabilities

Long-term liabilities. These are long term debts of the enterprise

Assets and liabilities

Asset

An **asset** is something of value owned by an enterprise.

Current assets can change, and include cash, debtors and stock

Fixed assets include vehicles, equipment and buildings. These are the longer-term assets of an enterprise.

Liability

A **liability** is a debt owed by an enterprise.

Current liabilities include payments that are commonly due within a short term period. These include creditors, loan and overdraft repayments.

Long-term liabilities are long-term debts, such as a mortgage.

Remember: Debtors (accounts receivable) owe an enterprise money. Creditors (accounts payable) are owed money by an enterprise.

The value of equity is calculated as the difference between assets and liabilities on an enterprise's balance sheet. It represents the value of the owner's investment.

Capital

Capital is money that is available to an enterprise. A start-up capital fund may help get an enterprise running. It will aim to increase its capital reserves through **retained profit**, in order to invest in future projects.



SCENARIO



Peter and Jack are fishermen on the Cornish coast. They run an enterprise called *Cold Sea Supplies*. They specialise in catching lobsters using pots but are interested in growing the enterprise to catch crabs as well.

They would like to know how many crabs they would need to catch each week to break even.

Figure 1 shows some estimated costs and revenues for this venture:

1. Using the data in the table below, draw and label the break-even chart. You must draw and label:

- the fixed costs line, the total costs line, and the total revenue line.

You must also label:

- the break-even point.

[4]

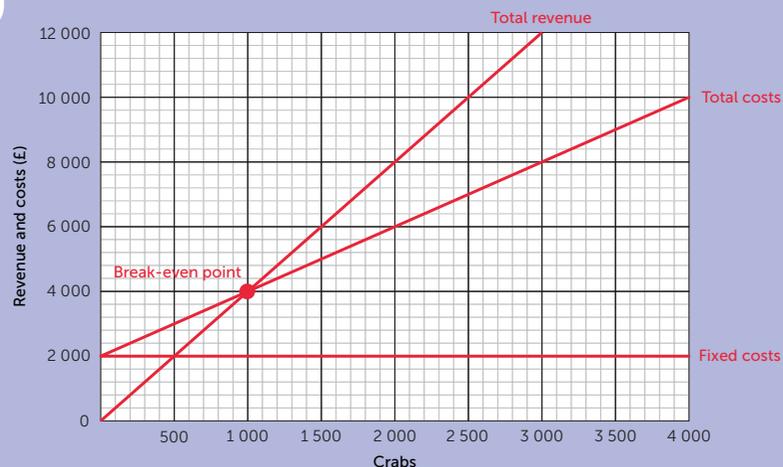
Costs and revenues for <i>Cold Sea Supplies</i> each week				
Number of units	0	1 000	2 000	3 000
Sales revenue	£0	£4 000	£8 000	£12 000
Fixed costs	£2 000	£2 000	£2 000	£2 000
Total costs	£2 000	£4 000	£6 000	£8 000

2. Calculate *Cold Sea Supplies'* margin of safety if they sell 3 000 crabs.

[2]

Example answers

1.



$$2. 3000 - 1000 = 2000 \text{ crabs}^{[2]}$$

EXAMINATION PRACTICE ANSWERS

Section A1

- (a) The enterprise is offering a specialised service. [1] Sky diving is usually a hobby /not everyone wants to sky dive. [1] [1]
- (b) Two from: psychographically by attitudes and lifestyles. [1] Demographic segmentation by age, [1] socio-economic group, [1] or income. [1] Behavioural segmentation. [1] [2]
- (c) Segmenting the market identifies which groups may buy an enterprise's products (1) which means that it can create the right advertisements / offer services more relevant to customers / develop its brand to appeal to customers. [1]
Market segmentation divides the market into specific groups to be targeted (1) so this may help the enterprise to gain a competitive advantage [1] by targeting advertising more effectively. [2]
- (d) Geographical segmentation would allow *Pineham Indoor Sky Diving* to identify the number of likely customers / needs and wants of people in the area they are looking to expand into [1] so that they can create demand in these areas. [1] [2]
- (e) The enterprise could record the details of each customer and each visit. [1] Then use this data to calculate an average usage / number of visits per customer over time. [1]
The enterprise could offer a loyalty scheme [1] which would allow it to see how often people visited the business. [1] [2]
- (f) Indicative content may include:
Advantages of B2B trading:
- The B2B market would open up a large and potentially profitable new segment.
 - Workplace outings / teambuilding events could be popular / could get interest from regular / large profitable group bookings.
 - May increase trading during the days when most B2C customers will be at work.
- Disadvantages of B2B trading:
- The B2B market has different requirements such as the approaches to marketing which would need more time to research and implement.
 - May increase the costs of marketing and hospitality.
 - May need to develop their website to accommodate enterprise group bookings and information. [6]
- (g) Indicative content may include:
Advantages of offering premium packages to people in higher socio-economic groups:
- May be able to increase revenue as people have more disposable income.
 - Premium packages and services may have a greater profit margin, or could attract more add-on sales.
 - Teenagers living in more affluent families may be attracted and spread the word at schools / colleges.
- Disadvantages of offering premium packages to people in higher socio-economic groups:
- As it is a niche product, it might be a waste of money trying to attract people if they are not interested.
 - Those in higher socio-economic groups or those with more disposable income could include those later in their lives who have had successful working lives, and these people may not fit the demographic profile of a typical customer.
 - Premium packages may create demand for services that *Pineham Indoor Sky Diving* can't offer for example, closing the centre for exclusive access, which may be difficult to arrange.
- Advantages of targeting the nearby university to attract students:
- Students may fit the demographic profile of the average customer well.
 - Groups of students may book in their accommodation groups / class or friendship groups / sports teams which may increase larger, more profitable bookings.
 - Students may be willing/able to attend at non-peak times which may help to increase business during those periods.
- Disadvantages of targeting the nearby university to attract students in neighbouring towns:
- May need to use offers and discounts to attract them which may mean it does not make as much money as it would from regular customers.
 - University students are usually only there during term time. Therefore, there may be little custom from this group of students during the holidays.
 - The students who use the enterprise may only use it for a short amount of time, and as they leave the university, they will relocate meaning *Pineham Indoor Sky Diving* has to continually work hard to attract the next cohort of students. [6]

Answers to 'discuss' and 'evaluate' questions must be written in paragraphs. We have used bullet points here to make the answers easier to understand. This type of question will be marked using a Levels Based Marks Scheme as provided on page 75.

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NOTES, DOODLES AND EXAM DATES

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Doodles



Exam date

Component 3:

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EXAMINATION TIPS

With your examination practice, use a boundary approximation using the following table. Be aware that boundaries are usually a few percentage points either side of this.

Grade	L1 Pass	L1 Merit	L1 Distinction	L2 Pass	L2 Merit	L2 Distinction
Boundary	30%	40%	50%	60%	70%	80%

1. Be prepared with a black pen, a calculator, and a ruler.
2. Read the scenario to ensure that your answers are in context. Circle, underline or highlight key parts to help you to answer correctly. Re-visit the scenario several times during the examination and re-familiarise yourself with it.
3. Read each question carefully. You cannot get marks for giving an answer to a question you think is appearing rather than the actual question. Avoid simply rewriting the question or repeating examples that are already given in the question.
4. Read the question and its stem thoroughly to ensure your answer is focused correctly e.g., an advantage to the enterprise, or an advantage to the customer.
5. Give questions require you to recall a short piece of key information. No explanation is required. There will be one mark for each point you make.
6. Where two examples are asked for, avoid giving two similar examples. For example, if you are asked to give two types of budgets, avoid giving both marketing and promotion, or purchases and materials as these terms mean the same thing. Labour and overheads would be a better answer as they are different examples of budgets.
7. Remember that *explain* questions have two marks. You need to make a point for the first mark, and then expand this point with a linked development for the second mark. To help you develop your responses, aim to include connective words such as 'because' or 'so'.
8. Avoid undeveloped answers such as 'quick', 'simple', 'fast' and 'easy'. These cannot be awarded marks.
9. There are two long answer questions on each paper. These are each awarded 6 marks and use the command verbs *discuss* and *evaluate*. Remember that the answers to these questions need both advantages **and** disadvantages, and an 'evaluate' question also needs a conclusion.
10. Be sure to learn the formulae needed to calculate revenue, gross profit, net profit (profit for the year), working capital (net current assets), break-even and margin of safety as they are **not** given in the examination.
11. Practice completing financial documents and statements. Those documents that show pence always require **two figures** in the pence column e.g. £5.00, £17.99 or £103.05. Figures may be rounded up to the nearest penny, but **not** to the nearest pound.
12. Answer questions in the spaces provided. If this is not possible, for instance, you have deleted a wrong answer, indicate the location of the corrected answer on the paper (e.g. 'see next page' or 'my answer is on the last blank page').
13. Do not use the space allocated for answers to write plans for your answers, and do not add extra pages to your answer book with plans/scribbles/items that will not be marked.

Good luck!

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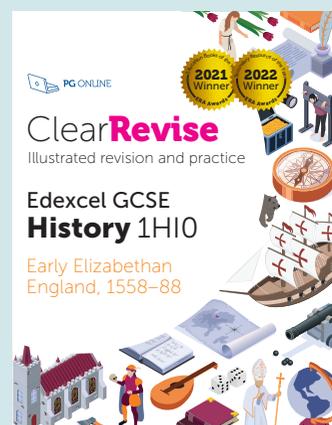
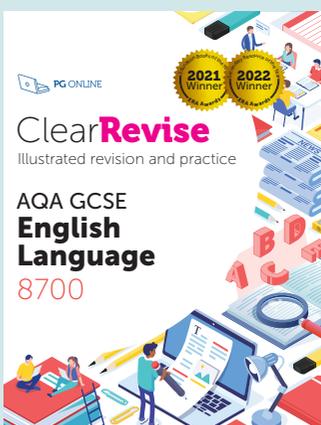
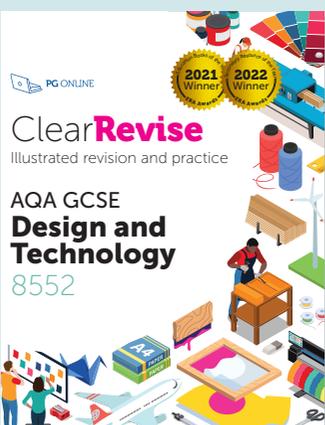
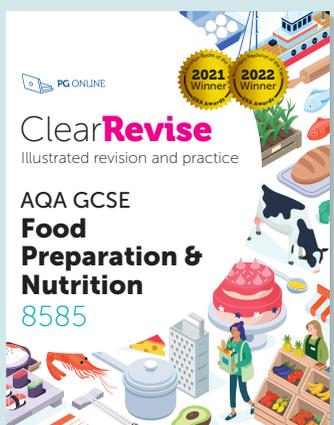
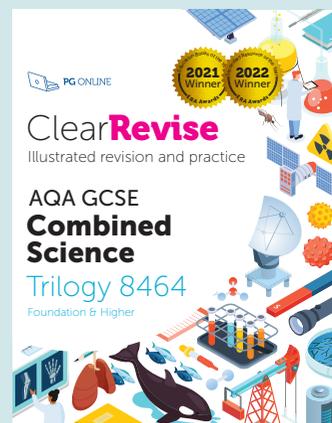
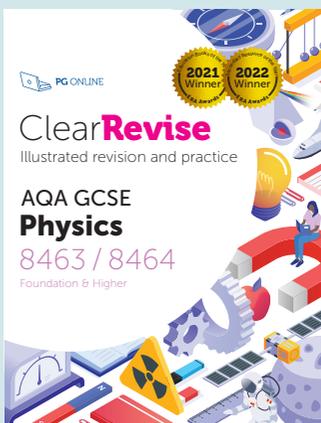
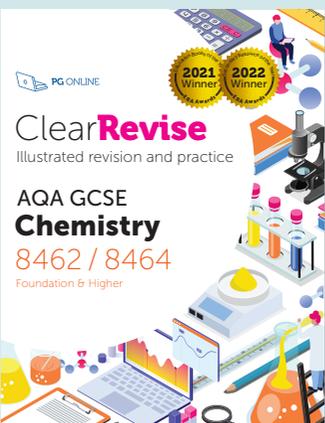
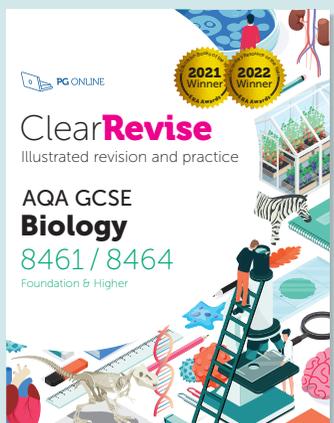
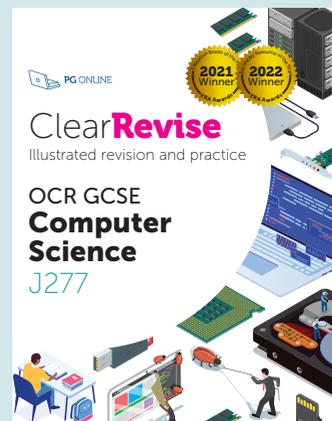
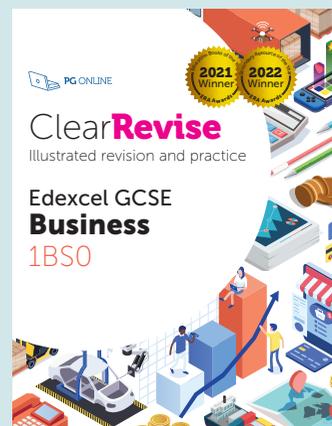
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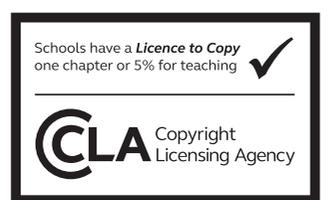
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