

Clear**Revise**[®]

OCR Cambridge Nationals **Enterprise and Marketing** J837

Illustrated revision and practice

Published by
PG Online Limited
The Old Coach House
35 Main Road
Tolpuddle
Dorset
DT2 7EW
United Kingdom

sales@pgonline.co.uk
www.clearrevise.com
www.pgonline.co.uk
2022



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.

ACKNOWLEDGEMENTS

The questions in the ClearRevise textbook are the sole responsibility of the authors and have neither been provided nor approved by the examination board.

Every effort has been made to trace and acknowledge ownership of copyright. The publishers will be happy to make any future amendments with copyright owners that it has not been possible to contact. The publisher would like to thank the following companies and individuals who granted permission for the use of their images in this textbook.

Design and artwork: Jessica Webb / PG Online Ltd

Graphics / images: © Shutterstock

McDonald's, Monopoly Cup © NKM999 / Shutterstock

Crocs © Avelina / Shutterstock

Five Guys Exterior © Ima_ss / Shutterstock

Point of Sale Display © Gulpa / Shutterstock

Nescafé Jar © chrisdorney / Shutterstock

Heinz Fridge Pack © Ralf Liebhold / Shutterstock

First edition 2022 10 9 8 7 6 5 4 3 2 1

A catalogue entry for this book is available from the British Library

ISBN: 978-1-910523-48-3

Copyright © PG Online 2022

All rights reserved

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means without the prior written permission of the copyright owner.

Printed on FSC certified paper by Bell and Bain Ltd, Glasgow, UK.



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

1. Mayer, R. E., & Anderson, R. B. (1991). Animations need narrations: An experimental test of dual-coding hypothesis. *Journal of Education Psychology*, (83)4, 484–490.
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.
6. Cepeda, N. J., Vul, E., Rohrer, D., Wixted, J. T. & Pashler, H. (2008). Spacing effects in learning a temporal ridgeline of optimal retention. *Psychological Science*, 19(11), 1095–1102.
7. Busch, B. & Watson, E. (2019), *The Science of Learning*, 1st ed. Routledge.

CONTENTS

Unit R067 Enterprise and marketing concepts

Command verbs	vi	<input type="checkbox"/>
---------------------	----	--------------------------

Topic Area 1 Characteristics, risk and reward for enterprise

Specification point		<input checked="" type="checkbox"/>
1.1 Characteristics of successful entrepreneurs.....	2	<input type="checkbox"/>
1.2 Potential rewards for risk taking.....	3	<input type="checkbox"/>
1.3 Potential drawbacks for risk taking	4	<input type="checkbox"/>
Examination practice	5	<input type="checkbox"/>

Topic Area 2 Market research to target a specific customer

Specification point		<input checked="" type="checkbox"/>
2.1 The purpose of market research.....	6	<input type="checkbox"/>
2.2 Primary market research methods	8	<input type="checkbox"/>
2.3 Secondary market research sources.....	10	<input type="checkbox"/>
2.4 Types of data	12	<input type="checkbox"/>
2.5 Types of market segmentation	13	<input type="checkbox"/>
2.6 The benefits of market segmentation to a business.....	14	<input type="checkbox"/>
Examination practice	15	<input type="checkbox"/>

Topic Area 3 What makes a product financially viable

Specification point		<input checked="" type="checkbox"/>
3.1 Cost of producing the product	16	<input type="checkbox"/>
3.2 Revenue generated by sales of the product.....	18	<input type="checkbox"/>
3.3 Profit and loss	19	<input type="checkbox"/>
3.4 How to use the formula for break-even as an aid to decision making	20	<input type="checkbox"/>
3.5 Importance of cash.....	22	<input type="checkbox"/>
Examination practice	23	<input type="checkbox"/>

Topic Area 4 Creating a marketing mix to support a product

Specification point		<input checked="" type="checkbox"/>
4.1 The marketing mix elements for a good or service	25	<input type="checkbox"/>
4.2 How the elements of the marketing mix work together	26	<input type="checkbox"/>
4.3 Types of advertising medium used to attract and retain customers	27	<input type="checkbox"/>
4.4 Sales promotion techniques used to attract and retain customers	30	<input type="checkbox"/>
4.5 Public relations	32	<input type="checkbox"/>
4.6 How to sell the good or service to the consumer	34	<input type="checkbox"/>
4.7 The product lifecycle	36	<input type="checkbox"/>
4.8 Extension strategies for products in the product lifecycle	37	<input type="checkbox"/>
4.9 Factors to consider when pricing a product to attract and retain customers	39	<input type="checkbox"/>
4.10 Types of pricing strategies	40	<input type="checkbox"/>
Examination practice	42	<input type="checkbox"/>

Topic Area 5 Factors to consider when starting up and running an enterprise

Specification point		<input checked="" type="checkbox"/>
5.1 Appropriate forms of ownership for business start-ups	45	<input type="checkbox"/>
5.1 Franchising	47	<input type="checkbox"/>
5.2 Sources of capital for business start-ups and expansion	48	<input type="checkbox"/>
5.3 Support for enterprise	50	<input type="checkbox"/>
Examination practice	51	<input type="checkbox"/>
Scenario and contextual practice	52	
Examination practice answers	54	
Levels based mark schemes for extended response questions	59	
Index	62	
Formulae	64	
Examination tips	65	
Examination practice	65	

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.

Eight-mark questions require extended responses. These answers should be marked as a whole in accordance with the levels of response guidance on **page 59**.

COMMAND VERBS

Analyse	Separate or break down information into parts and identify their characteristics or elements. Explain the pros and cons of a topic or argument and make reasoned comments. Explain the impacts of actions using a logical chain of reasoning.
Annotate	Add information, for example, to a table diagram or graph until it is final. Add all the needed or appropriate parts.
Calculate	Get a numerical answer showing how it has been worked out.
Choose	Select an answer from options given.
Circle	Select an answer from options given.
Compare and contrast	Give an account of the similarities and differences between two or more items or situations.
Complete	Add all the needed or appropriate parts. Add information, for example, to a table diagram or graph until it is final.
Create	Produce a visual solution to a problem (for example: a mind map, flowchart or visualisation).
Describe	Give an account including all the relevant characteristics, qualities or events. Give a detailed account of.
Discuss	Present, analyse and evaluate relevant points (for example: for/against an argument).
Draw	Produce a picture or diagram.
Evaluate	Make a reasoned qualitative judgement considering different factors and using available knowledge/experience.
Explain	Give reasons for and/or causes of. Use words or phrases such as 'because', 'therefore' or 'this means' in answers.
Fill in	Add all the needed or appropriate parts. Add information, for example, to a table, diagram or graph until it is final.
Identify	Select an answer from options given. Recognise, name or provide factors or features.
Justify	Give good reasons for offering an opinion or reaching a conclusions.
Label	Add information, for example, to a table, diagram or graph until it is final. Add all the necessary or appropriate parts.
Outline	Give a short account, summary or description.
State	Give factors or features. Give short, factual answers.



TOPICS FOR UNIT R067

Enterprise and marketing concepts

Information about Paper 1

Mandatory written exam: 1 hour 15 minutes

Externally assessed

48 Guided learning hours

70 marks

All questions are mandatory

40% of the qualification grade

Calculators are permitted in this examination

Specification coverage

Enterprise and entrepreneurship, spotting a business opportunity, putting a business idea into practice, making a business effective, understanding external influences on business.

The content for this assessment will be drawn from topics 1.1 to 1.5 in the specification.

Assessment overview

The paper is divided into two sections:

Section A: 10 multiple choice questions with 1 mark each

Section B: 60 marks

The paper will consist of calculations, multiple-choice, short and medium answer questions, extended-response analysis and evaluation questions.

POTENTIAL REWARDS FOR RISK TAKING

Setting up a new business or introducing a new product involves taking risks. Entrepreneurs will calculate these against the potential reward.

Financial rewards

A new business may not make millions, but there is the opportunity that it could, and the profits would be there for the entrepreneur in return for the risks they take in putting their own time, ideas, reputation and personal investment at stake.

Independence

Owning and running a business offers greater flexibility to do what you want with the enterprise and to choose the actions and directions it takes. As an employee, the direction of the business and working hours may be well out of your control. Many businesses are started by former employees.

Self-satisfaction

Many entrepreneurs simply have a passion for business. It can be highly motivating to create and grow an enterprise, especially one that aligns with their own values. The prestige and opportunity to become experts in their field may also be an attractive source of pride and achievement.

Make a difference or change

One of the biggest success factors of business lies in making a positive difference to other people and to improve their lives. This also creates huge motivation and satisfaction for people involved in the business. Some businesses are started by people trying to change the way things are currently done. This may be to put right a wrong, to find more environmental ways of doing things or to better support others in their industry.

Which **one** of the following is a risk an entrepreneur could experience when starting a new business? [1]

- A. Being their own boss
- B. Flexibility with working hours and holidays
- C. Making a difference to people
- D. Personal relationship issues

D: Personal relationship issues.^[1]



With multiple choice questions, look for the correct answer, but check it by ruling out others that cannot be correct. You may be able to deduce the right answer.



EXAMINATION PRACTICE

1. Which **one** of the following is an important personal characteristic for an entrepreneur? [1]
 - A. Age
 - B. Confidence
 - C. Health
 - D. Wealth

2. Which **one** of the following factors is not a potential incentive for business owners? [1]
 - A. Being their own boss
 - B. Financial reward
 - C. Freedom to run a business their way
 - D. Improved personal relationships

3. Identify **three** areas of an entrepreneur's life that may suffer as a result of risk-taking. [3]

4. Give **two** examples when negotiation skills may be used by an entrepreneur. [2]

5. David is a successful serial entrepreneur. He has started a new online marketplace business selling craft items produced by local artists and sculptors who otherwise cannot reach a market for their produce. 10% of the profits are reinvested into local community art projects.
 - (a) Give **one** likely motivation for David in starting the enterprise. [1]
 - (b) Explain how the new enterprise may impact David's work-life balance. [2]

- David has employed an agency to build a website for the online craft store.
 - (c) Explain **one** risk that David might face when setting up the website. [2]

TYPES OF MARKET SEGMENTATION

Market segmentation involves grouping customers together based on shared characteristics, wants and needs. Once the target segment is identified, a business must decide what its needs are and where to place its product in the market.

Age

Customers can be grouped by how old they are. Different age groups have common interests. For example, children's toys will appeal to a younger **age** range.



Gender

Traditionally, goods or services were divided into markets based on male or female **genders** according to their interests and needs. For example, aftershave is typically worn by males whereas perfume is worn by females. Additional forms of gender are also recognised which enterprises may target.



Occupation

People in similar **occupations** may have similar needs. Categories of **unskilled, skilled, administrative, managerial** and **professional** occupations may be defined in order to target a certain group with a product based on their job roles or the likely income associated with those roles. Ties and shirts, for example, may be targeted at professionals and those with office-based or administrative roles.



Income

Customers may be grouped based on how much money they earn. A business may need to charge less to a lower **income** group or they may target luxury goods such as watches and sports cars towards the higher earning groups.



Location

Customers are grouped together based on where they live. A business may choose to focus on selling to people in certain **areas**. For example, a local taxi service.



Lifestyle

Grouping customers based on their **hobbies** and **interests** or based on the way they live their lives (e.g. health conscious and active).



Failing to concentrate on the needs of specific groups can mean no-one feels fully satisfied.

Gino runs a popular upmarket Italian restaurant and takeaway service for handmade pizzas. Pizzas are made using the finest organic ingredients and priced above those of other competitors locally.

Explain **two** ways that Gino could segment the market for the Italian restaurant. [4]

Gino's likely target market is based on nearby location^[1] as people need to be able to receive a pizza while it is still hot.^[1] Since the pizzas are handmade and more expensive, Gino should target wealthier customers^[1] who can more easily afford the food.^[1] Groups who lead busy lifestyles^[1] may like the convenience of a delivery service, even for an additional cost, which could widen the delivery catchment / increase the size of the local market.^[1]

THE BENEFITS OF MARKET SEGMENTATION TO A BUSINESS

Segmenting a market allows a business to focus on the precise needs of each group. This aids satisfaction, provides a greater competitive edge against those who don't segment their market and improves customer retention.

Segmentation provides multiple advantages that each impact the others to provide further benefit:

Ensures specific customer needs are matched and met

A **niche** or small group may have distinct needs which can be uniquely met with a product or service designed specifically with them in mind.

Potential for increased profits/profitability

The more that people feel their needs are met by a product or service, the more likely they are to buy it and recommend it to others. This benefits **sales**.

Enables targeted marketing

Marketing costs can be reduced by sending promotional material and emails to highly targeted groups only. These include people who are most likely to become customers. Knowing the distinct needs of a segment also helps to get the marketing messages right.

Increased customer retention

Customers who feel well supported with their needs are most likely to remain **loyal** and continue to purchase from a business. This builds a valuable base of repeat business.

Potential for an increase in market share

Increased satisfaction in a segment is likely to increase sales. Overall, this may contribute to a greater whole **market share** for a business, especially if they can repeat their successes in several different groups.



The VW group make small hatchbacks, family saloons, sports cars and SUVs under different brands including Skoda, VW, Audi, Porsche and Lamborghini. This provides something specifically for each target group and for each budget.

HOW TO USE THE FORMULA FOR BREAK-EVEN AS AN AID TO DECISION MAKING

A firm will **break even** when it sells enough products to generate sufficient revenue to cover its total costs.

Calculating break-even

A business must know how much it needs to sell so that it can ensure that the operation is viable. A break-even analysis is used to aid a business in making decisions about what price to charge, how much to produce and to help in managing costs.

The break-even level of output is the number of products that a business needs to sell in order for revenue to equal total costs. It can be calculated using this formula:

$$\text{Break-even} = \text{Fixed costs} \div (\text{Selling price} - \text{Variable cost per unit})$$

You will not be expected to recall the break-even quantity formula in an exam. It will be provided where required, but you may need to rearrange it to find a missing number.

Reanna runs a mobile dog grooming business. She has provided the following information:

- Average amount paid per customer – £25
- Fixed costs of running the business per year – £7,500
- Variable cost of materials used for each dog grooming session – £10

Calculate the number of dog grooming sessions per year that Reanna will have to do in order to break even. [2]

$$\text{Break even} = \text{fixed costs} \div (\text{selling price} - \text{variable cost per unit})$$

$$£7,500 \div (£25 - £10)$$

$$= 500 \text{ dog grooming sessions per year}^{[2]}$$

How break-even is used by an entrepreneur

Break-even analysis is particularly useful for new start-up businesses as it will allow them to see if their business is viable. This is because they will know how many goods or services they need to sell to cover their costs. They can then decide whether that is an achievable amount.

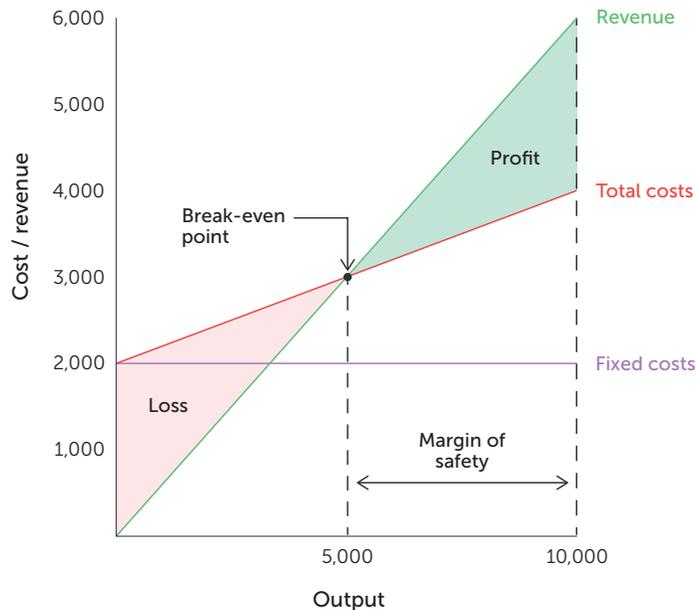
Break-even is used for **what-if** analysis. A business can change the variables, such as the selling price and variable cost per unit, to see what impact that has on the level of break even. This will also tell the business what might happen to profit levels, so it can make important decisions related to price, production levels and costs.



Break-even charts

Break-even can also be shown diagrammatically with the use of a break-even chart. In this chart, a business will plot its costs and revenues at different output levels in order to find out the break-even level of output.

When constructing a break-even chart, revenue, total costs and fixed costs must each be plotted.



Revenue

Revenue is the **green** line. This shows how much income is coming into the business. It starts at 0 as no sales means no income. To calculate revenue, the enterprise must multiply the number sold by the sales price.

Total costs

The **red** line shows the total costs of the enterprise. This is calculated by adding together the **fixed costs** and the **variable costs**. A variable cost is one that changes with output. The total costs line starts at the fixed cost line. This is because an enterprise must still pay fixed costs even if it only sells one unit.

Fixed costs

The **purple** line shows the **fixed costs** for the business. As these do not change with output, they are a fixed horizontal line. Fixed costs must be paid regardless of number of products sold.

Break-even point

The **break-even point** on the graph is where the **red** and **green** lines intersect. This shows where the total costs and total revenue meet. This is the point at which the business neither makes a profit or a loss. In this example, 5 000 units need to be sold to break even.

You will not be expected to draw a break-even graph from scratch, but you may be asked to interpret one or complete one that is already partially drawn.

SALES PROMOTION TECHNIQUES USED TO ATTRACT AND RETAIN CUSTOMERS

Promotion helps to create awareness of a business and its products. Its purpose is to instil the desire in a customer to want to purchase the product or to be associated with a brand by building a strong brand image.

Promotional mix

Discounts

Discounting allows a business to attract customers based on limited time offers.

Benefits

- Can increase sales quickly.
- Can attract a lot of attention which drives customers to your high street or online store.

Limitations

- Reduces the margin of profit on discounted items.
- Can damage a brand's premium image if their products are discounted.
- Limited to short-term discount offers only.



Competitions

Competitions help to drive interaction between customers and businesses. They raise awareness and can be used to create a stir of excitement, especially if combined with an on- or offline advertising campaign.

Benefits

- Improves awareness of a product and market presence.
- Can help launch a new product or service.

Limitations

- Prizes need to be very attractive for people to bother entering.
- Competition prizes and promotion can be expensive if not outweighed by a successful campaign.



Buy one get one free (BOGOF)

Offers encourage greater sales, especially if they represent good value or something for free.

Benefits

- Encourages additional sales and promotes habitual use.
- May help the business to sell stock more quickly.

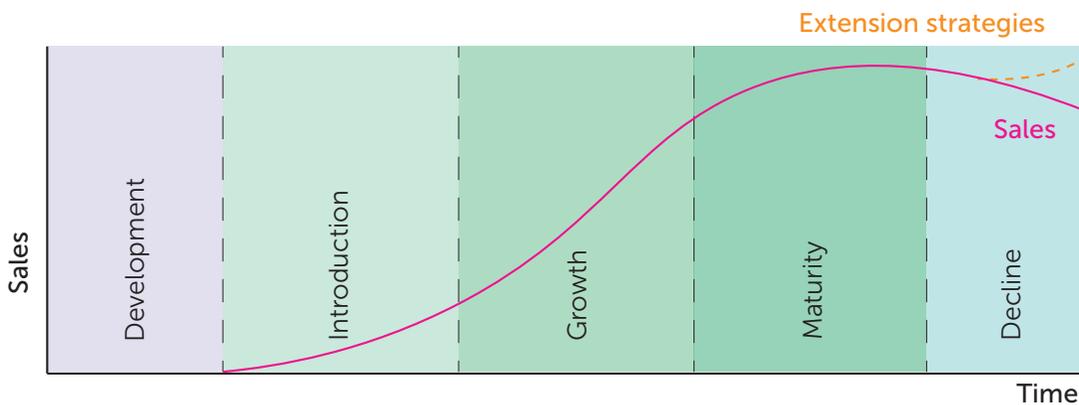
Limitations

- Reduces the margin of profit on selected items for the duration of the offer.
- May increase wastage, especially with unused food products.

THE PRODUCT LIFE CYCLE

Businesses use the **product life cycle** to evaluate product life span. The product life cycle is a method that describes a product's stages from its introduction to the market until it is removed from the market. There are five stages: **development**, **introduction**, **growth**, **maturity**, and **decline**.

The phases of the product life cycle



Development	Introduction	Growth	Maturity	Decline
Research and development is employed to come up with a marketable product. As this is pre-launch, no sales are made, but the business incurs lots of costs, so related cash-flow is negative.	The product is launched onto the market. Sales start to increase. Cash-flow is likely to remain negative as the business must heavily promote the product to develop awareness of it.	Sales will start to rise more rapidly after a successful launch as customers become more familiar with the product. As sales start to rise, cash-flow starts to become positive.	Sales levels and cash-flow are at their highest. However, growth in sales will start to slow down. The market may become saturated as more competitors enter the market.	Sales of the product decrease. This may be because the product is outdated. If this continues, the business may decide to withdraw the product.



Brenda sells burgers on a food truck. Brenda has noticed that the truck's new homemade vegan burger has become much more popular over the last few months. Identify the likely position of the vegan burger on the product life cycle. [1]

Growth stage.^[1]

! Note

Different products can be at different stages of this product life cycle at different times. Not all products reach the decline stage. Consider Coca-Cola. This product continues to be at the maturity stage despite being released over 100 years ago.

APPROPRIATE FORMS OF OWNERSHIP FOR BUSINESS START-UPS

When an entrepreneur decides to start up a business, they have a number of different options for its formation. Each option will have an impact on the legal status of the business.

Limited and unlimited liability

If a business owner (entrepreneur) has **unlimited liability**, then they and the business are seen as the same legal entity. This is known as an **unincorporated** business. Any debts that the business has, will be the total responsibility of the owner. If the business cannot pay the debts off, then the owner may have to sell personal possessions to clear them. If an entrepreneur has **limited liability**, then they are seen as separate from the business in the eyes of the law. This is called **incorporation**, where the debts of the business are not regarded as personal debts of the owner. The entrepreneur is only liable for the amount of money that they have personally invested.

Types of ownership

Sole trader

Unlimited liability



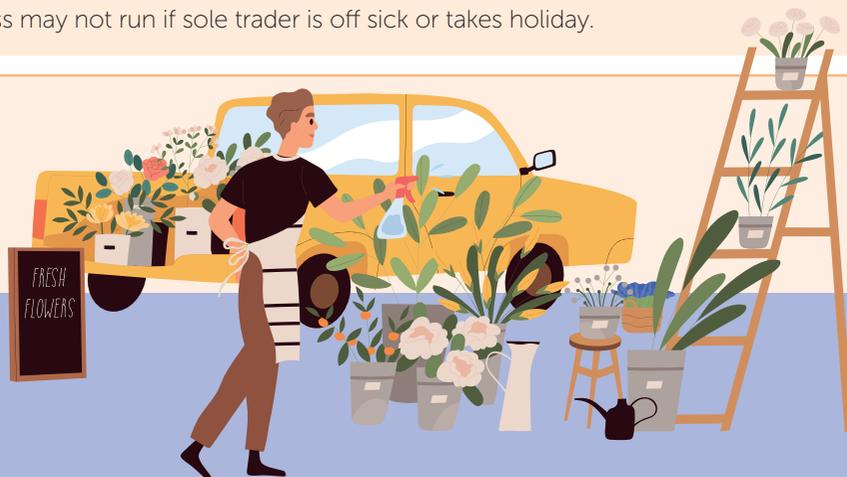
A **single owner** keeps or reinvests all the profits as they wish.

Advantages

- Quick and easy to set up.
- Sole trader makes all the decisions.
- Business' financial information is kept private.

Disadvantages

- Sole trader faces unlimited liability.
- No partners to share the decision making with which can be lonely and stressful.
- May be more difficult to raise finance.
- Business may not run if sole trader is off sick or takes holiday.



FRANCHISING

An entrepreneur has the option to set up as an independent business or set up as a **franchise**. A **franchisee** is licensed to sell the products or services of an already established business, known as the **franchisor**.

Franchise

The license given by the franchisor allows the new owner to trade using the name, products and equipment of the franchisor, whilst remaining independent. However, the franchisor will charge a **fee** in return, as well as taking a share of the business' revenues, known as a **royalty**.

Discuss the drawbacks to an owner of setting up a business as a franchisee. [6]

One drawback is that a franchisee cannot choose where to get supplies from.^[1] This lack of control means that they have no room to shop around to find a cheaper supplier,^[1] meaning that they are unable to reduce their variable cost by finding someone selling supplies for less.^[1]

Therefore, they may be unable to change the price that the product is sold for,^[1] which could make them uncompetitive against other local independent competitors.^[1] This could have a negative impact on sales levels,^[1] causing the business not to sell enough products to break even.^[1]

Other drawbacks include expensive start-up fees, royalty fees to the franchisor regardless of profits made, the impact of other franchisees affecting your own reputation, and other restrictions placed on the franchisee such as choice of location.

Why start as a franchise?

By setting up as a franchise rather than an independent business, the new owner is hoping to reduce the risks faced when starting a business. Risk is reduced because of the following reasons:

- **Brand name** is already established: This will mean that customers will recognise the business name and its products, so may be more likely to purchase products. The business will already have an established customer base.
- Access to **established products and processes**: Not only will the franchisee be able to sell products that customers already know about, they will also gain access to the franchisor's processes and equipment.
- Franchisor provides **training**: The franchisor will provide ongoing support for the franchisee. This is because it is in their interest that the business is successful too.
- Franchisor undertakes **advertising and promotion**: This means that there is one less thing for franchisee to do. The franchisor can afford to undertake expensive advertising that the individual owner may not be able to pay for if they were completely independent.

The responsibility for decision making in a franchise will belong with the owners and the franchisors jointly.



SCENARIO AND CONTEXTUAL PRACTICE



Section B contains 9 questions. All Section B questions will relate to a single scenario. The scenario will always be introduced at the start of Section B, and will develop through the section. Questions will consist of short, medium and longer points-based questions and one extended answer response marked by levels of response. Your answers should relate to the context of the scenario.

Katie owns a small café and has invited you to join her as a partner. The café is based in the centre of a busy town near shops and offices.

1. (a) Give **two** reasons why Katie would want a partner in her business. [2]

Katie has asked you about a potential lunchtime desk delivery service the café could offer to local offices. You decide to conduct some market research by asking potential customers who visit the café.

2. (a) State whether this is primary or secondary research. [1]

(b) Explain the purpose of conducting market research in this way. [2]

You are considering building a website to collect online orders for delivery if the service is popular.

(c) Explain **one** disadvantage of taking orders for deliveries via an online sales channel. [2]

3. Katie has suggested that delivering to office workers may open up a new target market. Describe the segment that includes office workers. [3]

4. Analyse how the marketing mix may need to change for office deliveries. [3]

5. Market research has been positive and you are required to plan the costs of running a delivery service. A small business expansion grant is available from the local council.

(a) Give **one** advantage and one disadvantage of getting a grant. [2]

(b) Suggest **one** source of support and information on how best to set up a local delivery service. [1]

EXAMINATION PRACTICE ANSWERS

Topic Area 1

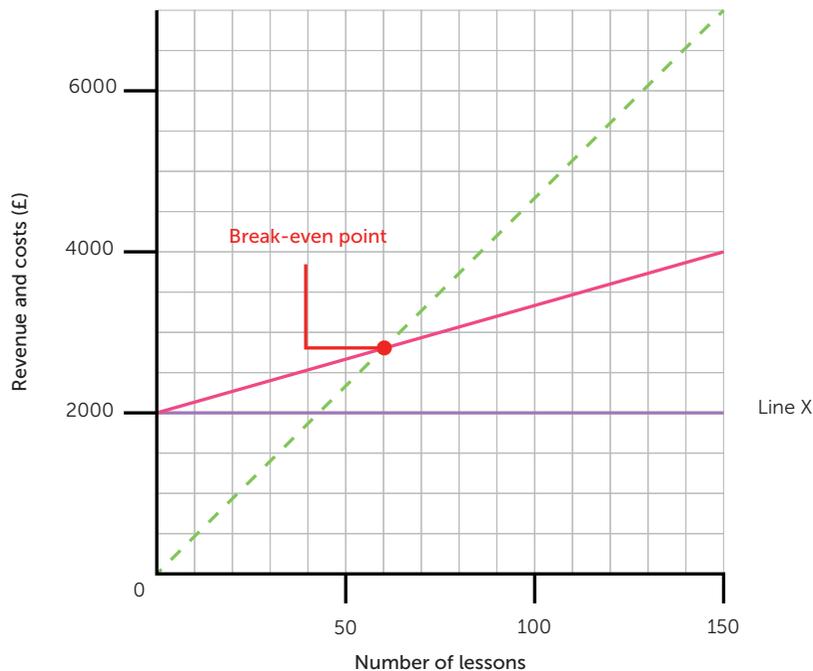
1. B – Confidence. [1]
2. D – Improved personal relationships. [1]
3. Personal relationships with family/friends/spouse.[1] financial wellbeing.[1] personal well-being/health,[1] work-life balance. [1] [3]
4. An entrepreneur will need to negotiate the best deals for raw materials and stock with their suppliers.[1] They will need to be able to negotiate to recruit good potential employees to ensure that both parties feel happy with any agreement.[1] Negotiation with resellers/banks/legal contracts to ensure the best outcomes.[1] Negotiate the sale of the business.[1] [2]
5. (a) To help others/to make a difference.[1] Self-satisfaction of helping/being a respected figure in the community.[1] Do not allow independence/financial return as he may already have that through other businesses. [1]
- (b) David already runs businesses/may already be busy[1] so another business may require even more of his spare time and attention.[1] A new business is likely to require a lot of hours to set up[1] which will come at the cost of his social life or time spent on other enterprises.[1] [2]
- (c) David may have to pay for his website upfront even though he may not have had a single sale.[1] This means that he may make a financial loss.[1] [2]

Topic Area 2

1. B – Find out what customers want. [1]
 2. B – Qualitative data [1]
 3. A – Generic information which may not apply to your business. [1]
 4. (a) (i) It is usually cheaper than primary research.[1] It can be less time consuming because information is more easily found. [1]
 - (ii) The information may be out of date.[1] The information gathered may not be specific or relevant to the business.[1] [1]
 - (b) If the business has unreliable data, then they may offer a service that isn't wanted[1]. This could be because they have not surveyed a representative sample of their target market[1]. This could mean a lot of money is wasted in designing the wrong grooming service[1], causing the business to have cash flow problems[1]. [3]
 - (c) Social media could be used[1] so that customers could post reviews.[1] Surveys could be delivered in person or by email[1] which could gather responses to specific questions.[1] Contact forms could be made available on a website[1] for customers to email their thoughts.[1] [2]
5. Marketing is more efficient / less expensive,[1] because the market is divided up into smaller segments to focus on / which makes limited budgets go further.[1] The best way to reach customers is clearer,[1] because each segment will be based on / have similar customer characteristics.[1] Sales may increase,[1] because customers feel that their needs are more closely met / are more likely to become loyal / make repeat purchases.[1] Overall market share may increase,[1] because sales increase within each of several smaller segments / which decreases the risk of failure.[1] [2]

Topic Area 3

1. A – Advertising. [1]
2. D – A cost that varies with the level of output. [1]
3. C – Loss. [1]
4. Fixed costs = £12,500
Variable costs = £2.00 × 5,000 = £10,000
Total costs = Fixed costs + variable costs = £12,500 + £10,000 = £22,500[2]. [2]
5. A business will need cash to pay its employees/suppliers.[1] Without paying them, they would very quickly stop working for / supplying the business. As a result, the business would not be able to produce goods or provide a service.[1] [2]
6. (a) Fixed costs. [1]



- (b) (i) As given in green. [1]
- (ii) As shown above. [1]
- (c) Break-even = $2000 / (40 - 15)$
= $2000 / 25$
= 80 lessons [2]
- (d) $125 = 2000 / (\text{selling price} - 15)$
Selling price - 15 = $2000 / 125$
Selling price - 15 = 16
Selling price = 16 + 15
Selling price to break even = £31 [2]
7. Using cheaper raw materials in production of the product[1] will mean that variable costs per unit are lower[1]. This increases the difference between the selling price and the cost of making the product[1]. This will lower the amount needed to be sold to break even.
A business can reduce its break even by increasing the selling price[1]. Therefore, the difference between price and variable costs will be greater[1], meaning they need to sell fewer products or services to cover the fixed costs[1]. [3]

LEVELS BASED MARK SCHEME FOR EXTENDED RESPONSE QUESTIONS

Questions that require extended writing use mark bands. The whole answer will be marked together to determine which mark band it fits into and which mark should be awarded within the mark band. The levels of response each describe the top of the band.

Level	Mark band	Descriptor
Level 3	7–8 marks	A thorough discussion which: <ul style="list-style-type: none">• shows clear analysis of advantages and disadvantages of both options• makes a justified decision, using appropriate context• consistently uses appropriate terminology• shows detailed understanding
Level 2	4–6 marks	An adequate discussion which: <ul style="list-style-type: none">• shows sound analysis of an advantage and a disadvantage of both options• makes limited use of appropriate context• uses some appropriate terminology• shows sound understanding
Level 1	1–3 marks	A basic discussion which: <ul style="list-style-type: none">• shows limited analysis of an advantage or a disadvantage of an option• makes limited use of appropriate context• makes limited or no use of appropriate terminology• shows limited understanding
Level 0	0 marks	Response is missing or not worthy of credit.

INDEX

Symbols

4Ps 25, 27

A

accountants 50
adding value 37
advertising 16, 37
advertising medium 27
age 13
analysis 12
angel investment 49
auction sites 35

B

bank 50
billboards
blogs 28
books 10
break-even 20, 64
break-even point 21
bricks and clicks 34
bricks and mortar shops 34
business
 angel 50
 angel investment 49
 generated posts 29
buy one get one free (BOGOF)
 30

C

capital 48
cash 22
celebrity endorsement 32
census 11
chamber of commerce 50
change 3
characteristics 2, 13
charities 50
cinema 28
communication 2
competition 26
competitions 30, 53
competitive
 edge 14
 pricing 41
competitor data 10

components 16
confidence 2
consumer trials 9
costs 16
costs per unit 16
creativity 2
crowdfunding 49
customer
 needs 6, 13, 14
 retention 14, 27, 30

D

data 12
decision making 6
decline 36
determination 2
development 36
digital
 advertising 27, 28
 sales 34, 35
discounting 30, 37
disposable income 6, 39
downloads 35
Dyson, Sir James 2

E

e-commerce 35
endorsement 32
enterprise support 50
entrepreneur 2
extension strategies 37, 39

F

face-to-face selling 34
feedback 29
financial
 rewards 3
 risks 4
fixed costs 16, 21, 64
 per unit 64
focus groups 8
forms of ownership 45
formulae 64
four Ps 25
franchise 47
free gifts 31
friends and family 50

G

gap in the market 6
gender 13
goods 25, 37
government 50
 publications 11
grant 49, 52
growth 36

H

health 4
high street shop 34

I

income 13
income levels 39
independence 3
influencers 32
innovation 2
insolvency 22
insurance 16
internal data 10
internet 11
interviews 8
introduction 36

K

Keynote 11

L

leaflets 27
liability 45
lifestyle 13
limited liability 45
limited liability partnership 46
loan interest 16
loans 49
local council enterprise
 department 50
location 13
loss 19
loyalty 14
 schemes 31

M

magazines 28
marketing
 mix 25, 26, 39, 52
 targeted 14
marketplace sites 35
market
 research 52
 companies 11
 primary methods 8
 purpose of 6
 secondary 10
 segmentation 13, 14, 26
 trends 6
maturity 36
Mintel 11

N

negotiation 2
new markets 38
new packaging 38
newspapers 10, 27

O

observations 9
occupation 13
offers 30
online
 auction sites 35
 banner 28
 sales 34
ownership 45

P

packaging 16, 38
partnership 46
personal relationships 4
pilot 9
place 25, 34
podcasts 29
point of sale advertising 31, 53
pop-up 28
posters
potential market 6
press release 33
price 25, 39, 40
 changes 37
 penetration 40
 skimming 37, 40

primary market research 8
private limited company (ltd) 46
product 25, 26, 37
 development 6
 life cycle 26, 36, 39
 placement 32
 trials 31
production 16
 costs 39
 profession 13
 profit 16, 19, 22, 64
 promotion 25
 promotional mix 30
 prototype 9
 psychological pricing 41
 public relations (PR) 32

Q

qualitative data 12
quantitative data 12
questionnaires 8

R

radio 27
raw materials 16
rearranging a formula 18
relationships 4
rent 16
retention 14, 27, 30
revenue 16, 18, 21
risk 2, 3, 4, 6

S

salaries 16
sales 18
sales promotion 30
savings 48
secondary market research 10
segment 13, 14, 26, 52
self-satisfaction 3
service 25
services 37
SMS texts 29
social media 29, 35
sole trader 45
solicitors 50
sources of capital 48
sponsorship 31
support 50, 52
surveys 8, 11

T

targeted marketing 14
technology 26
test marketing 9
third-party-generated posts 29
total cost per unit 64
total costs 17, 21, 64
total revenue 18, 64
total variable costs 16, 64
trade magazines 10
traditional advertising 27

U

unlimited liability 45
utilities 16

V

variable cost per unit 64
variable costs 16
video 29
vlogs 28

W

wages 16
website 28, 35
well-being 4
what-if analysis 20
Which? 11
work-life balance 4

FORMULAE

Total costs	= Fixed costs + Variable costs
Total cost per unit	= Fixed costs + Variable costs
Total variable costs	= Variable cost per unit × Number of units sold
Variable cost per unit	= Total variable costs ÷ number of units sold
Fixed costs	= Total costs – variable costs
Fixed costs per unit	= (Total costs – variable costs) ÷ number of units sold
Total revenue	= Selling price × number of units sold
Profit	= Total revenue – Total costs
Break-even	= Fixed costs ÷ (Selling price – Variable cost per unit)



If your final answer to a calculation is correct, full marks will usually be given. However, some questions may specifically ask you to show your workings so that your thought process can be assessed. You can still gain marks in questions that require working to be shown, even if the final answer is incorrect. For this reason, it is good practice to show working in all calculation questions as it will still be possible for examiners to award you some marks.



EXAMINATION TIPS

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

	Level 2				Level 1		
Grade	Distinction*	Distinction	Merit	Pass	Distinction	Merit	Pass
Code	2*	D2	M2	P2	D1	M1	P1
Boundary	90%	80%	70%	60%	50%	40%	30%

1. Be prepared with a black pen, a calculator, and a ruler.
2. Read each question carefully as some students give answers to questions they think are appearing rather than the actual question.
3. Try to not repeat the question in the first line of your response. It will not score you any marks, but simply wastes your time. Avoid losing marks by not finishing the paper.
4. Try not to repeat the same points in your answers. Only the first will gain marks.
5. Focus your responses on the scenario or context in the question and consider the impact on the business or the concept in the question. Use the information you have been given in the question and make sure you reference it in your answer.
6. Learn and understand each of the different types of costs.
7. Learn each of the calculations required and practice rearranging equations.
8. In calculation questions, marks may be awarded for workings out if the final answer is incorrect. Make sure to show your working in case you make a mistake and the answer is incorrect. Workings also help you check through your own answers more quickly at the end of an exam.
9. Test yourself on pricing strategies and franchising as these topics are often poorly understood.
10. Become familiar with break-even charts and how they are constructed. You will not be expected to draw a break-even graph in the exam but you may be asked to interpret one or complete one that is already partially drawn.
11. When explaining your points, you need to use clear connectives to show that you are developing the point you have made and not moving onto a separate point. These connectives include; 'thus', 'therefore', 'this means that', 'this leads to', 'because' and 'as a consequence'. This demonstrates your skills of analysis which are assessed in medium and longer answer questions.
12. Avoid undeveloped answers such as 'quick', 'simple', 'fast' and 'easy'. These cannot be awarded marks.
13. Each question starts with a command word. Make sure you fully understand what each command word requires you to do. Reading the command verbs at the start of this guide will help you with this.
14. 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').

Good luck!

New titles
coming
soon!

Revision, re-imagined

These guides are everything you need to ace your exams 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.

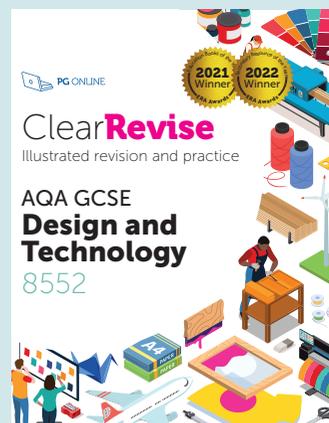
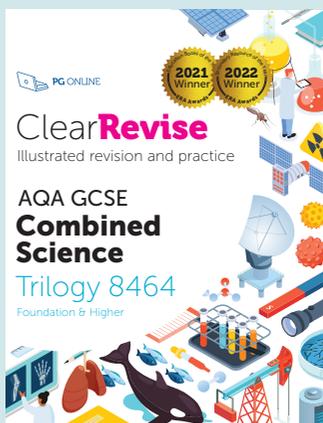
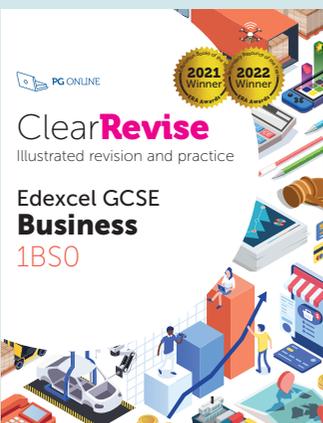
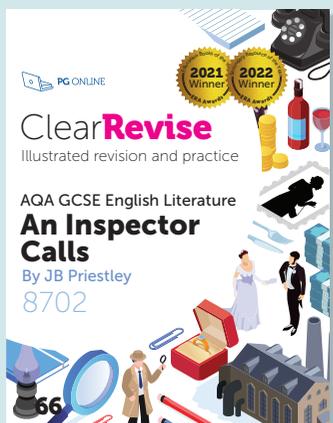
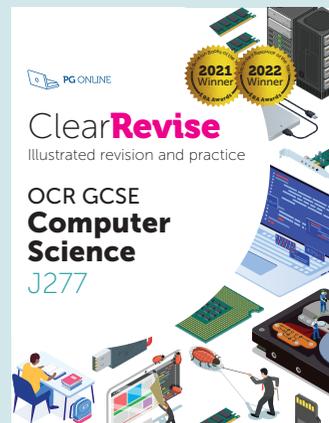
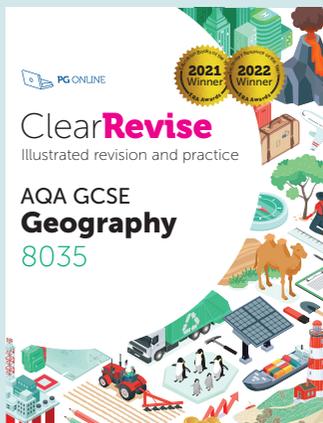
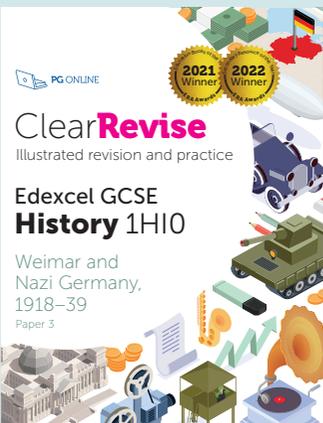
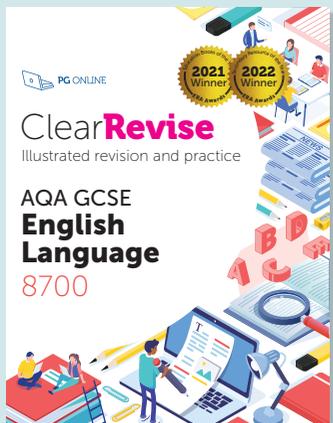
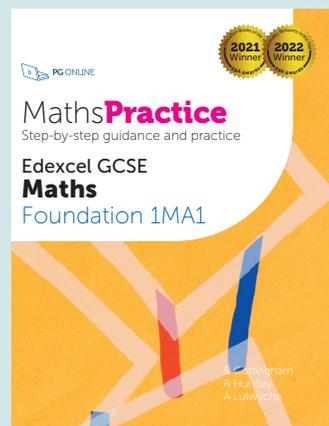
They have been expertly compiled and edited by subject specialists, highly experienced examiners, industry professionals and a good dollop of scientific research into what makes revision most effective. Past examination questions are essential to good preparation, improving understanding and confidence.

- Hundreds of marks worth of examination style questions
- Answers provided for all questions within the books
- Illustrated topics to improve memory and recall
- Specification references for every topic
- Examination tips and techniques
- Free Python solutions pack (CS Only)

Absolute clarity is the aim.

Explore the series and add to your collection at www.clearrevise.com

Available from all good book shops



Clear**Revise**TM

Illustrated revision and practice:

- Over 175 marks of examination style questions
- Answers provided for all questions within the book
- Illustrated topics to improve memory and recall
- Specification references for each topic
- Examination tips and techniques

Experience + science + beautiful design = better results

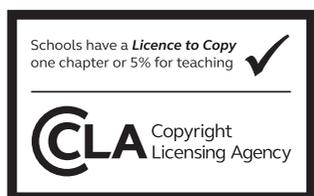
Absolute clarity is the aim with a new generation of revision guide. This guide has been expertly compiled and edited by successful entrepreneurs, highly experienced teachers, examiners and a good measure of scientific research into what makes revision most effective.

PG Online have a record of significantly raising and sustaining examination results at Key Stage 4 in schools using their award-winning teaching resources.

Past examination questions are essential to good preparation, improving understanding and confidence. This guide has combined revision with tips and more practice questions than you could shake a stick at. All the essential ingredients for getting a grade you can be really proud of.

Each specification topic has been referenced and distilled into the key points to make in the examination for top marks. Questions on all topics assessing knowledge, application and analysis are all specifically and carefully devised throughout this book.

www.clearrevise.com



PG ONLINE