

## **CAMBRIDGE NATIONALS**

*Examiners' report*

# ***ENTERPRISE AND MARKETING***



**J819**

## **R064 Summer 2019 series**

Version 1

## Contents

Introduction .....	3
Paper R064 series overview .....	4
Section A overview .....	5
Question 4 .....	5
Question 9 .....	5
Section B overview .....	6
Question 17 (a) .....	6
Question 17 (b) .....	6
Question 17 (c) .....	7
Question 18 .....	7
Question 19 .....	8
Question 20 (a) .....	8
Question 20 (b) .....	9
Question 21 (a) .....	11
Question 21 (b) .....	12
Question 22 .....	12
Question 23 (a) .....	14
Question 23 (b) .....	15
Question 23 (c) .....	15
Question 24 (b) .....	16
Question 25 .....	17
Question 26 .....	18

## Introduction

Our examiners' reports are produced to offer constructive feedback on candidates' performance in the examinations. They provide useful guidance for future candidates. The reports will include a general commentary on candidates' performance, identify technical aspects examined in the questions and highlight good performance and where performance could be improved. The reports will also explain aspects which caused difficulty and why the difficulties arose, whether through a lack of knowledge, poor examination technique, or any other identifiable and explainable reason.

Where overall performance on a question/question part was considered good, with no particular areas to highlight, these questions have not been included in the report. A full copy of the question paper can be downloaded from OCR.

DOC

### Would you prefer a Word version?

Did you know that you can save this pdf as a Word file using Acrobat Professional?

Simply click on **File > Save As Other ...** and select **Microsoft Word**

(If you have opened this PDF in your browser you will need to save it first. Simply right click anywhere on the page and select **Save as ...** to save the PDF. Then open the PDF in Acrobat Professional.)

If you do not have access to Acrobat Professional there are a number of **free** applications available that will also convert PDF to Word (search for *pdf to word converter*).



### We value your feedback

We'd like to know your view on the resources we produce. By clicking on the icon above you will help us to ensure that our resources work for you.

## Paper R064 series overview

This examination marks the completion of the first two-year cycle of the course. There has been a rapid increase in entries, to nearly 8,000 candidates this session, with a further increase expected next year.

The much larger examining team reported that the paper showed good differentiation (with total marks ranging from 79 to 0) and wide coverage of the specification. Most candidates clearly understood the nature of the scenario, appearing to be more comfortable than when dealing with the wedding photography business in January. There was no evidence of candidates running out of time and, compared to January, there were fewer answers missed out.

Overall, the standard of performance was very slightly down on that seen in January, with fewer very good scripts seen. However, at the other end of the scale, most candidates were able to make an attempt at a majority of the questions and there were fewer very poor scripts seen by the examining team.

The main differentiator between average and good scripts continues to be the ability to keep to the question being asked, considering the impact on the business and using the context in the final question.

<i>More successful topics</i>	<i>Less successful topics</i>
<ul style="list-style-type: none"> <li>• Break-even</li> <li>• Functional areas</li> <li>• Forms of primary market research</li> <li>• Benefits of being a sole trader</li> </ul>	<ul style="list-style-type: none"> <li>• Fixed and variable costs</li> <li>• Limited and unlimited liability</li> <li>• Customer service</li> <li>• Business loans</li> <li>• Impact of a recession</li> </ul>

## Section A overview

The multiple choice questions proved to be a fair test for the candidates, with a wide range in total mark on the section, including quite a few scoring full marks. Fewer candidates left out one or more questions this session. Questions 1, 8, 12, 15 and 16 were the best answered. On the other hand, only Questions 4 and 9 had more candidates getting the wrong answer than the correct answer.

### Question 4

4 Which of the following is an example of a variable cost for a gym?

- (a) Advertising in the local newspaper
- (b) Insurance for the gym premises
- (c) Rent for the gym buildings
- (d) The fitness instructor's wage

☐  
☐  
☐  
☐

[1]

The specification clearly sets out which costs are classified as fixed or variable for the benefit of this qualification. In this case, wages are the only variable cost. No one distractor was more popular than the other which suggests that many candidates simply do not know what a variable cost is.

### Question 9

9 Which of the following business owners benefits from limited liability?

- (a) A partner
- (b) A shareholder
- (c) A sole trader
- (d) The Government

☐  
☐  
☐  
☐

[1]

Learning outcome 5.1 of the specification states that candidates must know which type of liability relates to each form of ownership. There is some confusion among candidates between limited and unlimited liability which may explain the large number who gave A or C as their correct answer.

## Section B overview

Candidates appeared to cope well with the nature of the business. Candidates scored less well this session on the three questions requiring analysis (Q17c, Q20b & Q24b). This was due to not considering the impact on the business which is needed for top marks. Some candidates continue to under-perform on the final question, as they often write answers which are completely generic, so limiting their mark to 4.

### Question 17 (a)

Many of your friends and family have pet dogs and cats. Each summer you enjoy looking after the pets, for example, taking dogs for walks and feeding them. As you care for the animals so well, one of your friends has suggested that you should start a 'pet-care' business for pet owners within a three-mile radius of your home. You plan to look after their pet while they are on holiday.

17 You decide first to carry out some market research.

(a) Identify **two** purposes of market research.

- 1 .....
- 2 ..... [2]


Most candidates scored at least one mark. Many did not get a mark for their second purpose as it was too similar to the first. Others did not read ahead and gave two types of market research.

### Question 17 (b)

(b) Identify **two** primary market research methods which you could use.

- 1 .....
- 2 ..... [2]

Most candidates scored two marks.

	<b>AfL</b>	Candidates need to be reminded to only provide one answer on each line in questions such as 17(a) & 17(b). Regardless of where the answers are written, examiners are only allowed to reward the first two answers.
---	------------	---

## Question 17 (c)

- (c) Analyse **two** benefits for your business of carrying out primary market research rather than secondary market research.

Benefit 1 .....

.....


Benefit 2 .....

.....

[6]

Some candidates confused primary and secondary research; others only considered the benefits of carrying out market research. Many answers showed good understanding of one or two benefits but did not then consider the benefit of these for the business.

Better answers made good comparisons between using primary and secondary market research, often in a succinct manner.

	<b>Misconception</b>	<p>Answers stating that primary market research is cheaper were often seen. It is not correct to say that primary methods are cheaper. The amount of time and effort spent on designing, collecting and interpreting primary data will be significant, especially for a start-up business. It would, however, be accurate to say that primary research is more cost efficient (as you are getting more accurate, reliable and up-to-date data.)</p>
--	----------------------	---

## Question 18

- 18 After carrying out the market research, you start to think about what price to charge for the services offered by your pet-care business.

Explain why you need to consider the income levels of target customers when setting your prices.

.....

.....

.....

..... [2]

Many candidates did not get both marks for this question as they tended to repeat the question in most of their answer, usually with a passing reference to customers being able to 'afford' the service without saying why. Too many answers just focused on price setting without relating income to price.

Better answers referred to high or low earners and how this may affect the price which they would be willing or able to pay.

## Question 19

- 19** In addition to price, you understand that good customer service is important to attract and retain customers.

State and explain **two** ways customer service could be used to attract and retain customers for your business.

Way 1 .....

.....

Explanation .....

.....

Way 2 .....

.....

Explanation .....

.....

[4]

This question was not answered well by many candidates. Some students wrote about customer feedback rather than customer service. Others wrote about how evidence of good customer service could be used to promote the business (e.g. posts on social media and 'if customer service is good then people will tell their friends').

Around 20% of candidates had clearly remembered the difference between customer service and customer feedback and produced some excellent answers from the three categories in the specification; product knowledge, customer engagement and after sales service. However, there was some further confusion here with extension strategies.

## Question 20 (a)

- 20** You plan to run your business as a sole trader.

- (a) Other than operating as a sole trader, identify **two** types of business ownership which you could have considered for your business.

1 .....

2 .....

[2]

Only half of the candidates scored full marks on this question. 'shareholders' and 'limited liability' were common wrong answers.



## Question 20 (b)

(b) Analyse **two** benefits to you of running your business as a sole trader.

Benefit 1 .....

.....

Benefit 2 .....

.....

[6]

This was the better answered of the two 6-mark questions, with most candidates scoring at least 4 marks. There were some good comparisons with other types of business ownership, usually partnership. As with Question 17c, many answers did not try to show the impact on the business. Compare exemplar 1 below, which although correct does not show any impact on the business (e.g. the money could be reinvested to help your business grow and you might be able to react more quickly to changing demand) and Exemplar 2 which does. Being able to keep all the profit/money and having full decision-making power were the most common answers.

Some candidates wasted time by also providing disadvantages in their answers and there was a common misconception among many that a sole trader did not need to pay wages or employ anyone and would be able to make more profit.

## Exemplar 1

Benefit 1 By running a business as a sole trader you get all the profit you make from selling the goods that you made. This means that you don't have to share the finance with any one else in your business if you were in a partnership.

Benefit 2 If you worked as partnership, you get lots of ideas <sup>so</sup> however the people you work with might not agree with you. However, bei working as a sole trader, if you make any decisions then you get to run the business ~~not~~ depending on how you want without disagreement with other partner(s).

## Exemplar 2

Benefit 1 ..... The sole trader gets to keep all the profit. This allows for the business to <sup>have increased</sup> ~~increase~~ profits as it is not being shared and allows for more available capital to invest into product development for the caring of the pets.

.....

.....

.....

.....

Benefit 2 ..... The sole trader makes all the decisions. This allows for them to avoid conflict over decision making. Therefore allows the business to carry out activities faster which means the customers will be satisfied as there is no delay in meeting the customers demand in the pet care service:.....

## Question 21 (a)

- 21 You see a post on social media which promotes a business loan available for people aged 16 to 30 years, who want to set up a small business. You decide to apply for these funds to help set up your business.

(a) Name **two** organisations which typically offer loans to small businesses.

1 .....

2 .....

[2]

Most candidates scored at least 1 mark. Some candidates thought that crowdfunding offered loans or that 'family and friends' was an organisation! Answers such as 'other businesses' or 'entrepreneurs' were also considered to be too vague. The examining team did allow a response of 'Business angel' even though these often want an equity stake.

## Question 21 (b)

(b) State and explain **two** benefits of obtaining capital via a business loan.

Benefit 1 .....

.....

Explanation .....

.....

Benefit 2 .....

.....

Explanation .....

.....

[4]

Even though this is only the third examination for this specification, it is clear that questions about finance and the economy are not well attempted by candidates.

More than half of all candidates did not score a mark on this question. Many were confused between a loan and a grant, often stating that a loan does not have to be paid back and no interest is charged. Other common responses wrote about the general benefits of raising capital without linking them to a loan. Some felt that loans were a bottomless money pit which any sole trader could gain easy access to and so were 'quick and easy'.

## Question 22

22 The economy is predicted to enter a 'recession' in the next six months.

State and explain **two** impacts of a recession in the economy on demand for your new pet-care services.

Impact 1 .....

.....

Explanation .....

.....

Impact 2 .....

.....

Explanation .....


.....

[4]

A previous examination had a question about 'boom' which was often wrongly associated with a declining economy. Here, the reverse was the case. Many candidates produced sensible sounding answers which were completely the wrong way around, such as customers having more money, prices rising and less unemployment.

A lot of candidates also wrote about the impact on the business (e.g. you would go out of business) when the question (and the specification) only refers to the impact on product development.

There were a small number of very good answers which wrote about the impact on demand (due to customers having less money to spend or going on holiday less often).

	<b>AfL</b>	<p>As with the other 'state and explain' questions, Centres are reminded to make sure that candidates are taught to give a clear advantage/impact/benefit and then give further exemplification of it. Too often, a candidate only scores half of the marks as they repeat themselves in their explanation. For example:</p> <p>Impact – demand will fall</p> <p>Explanation – because of the recession consumers will demand less pet care services</p> <p>This explanation provides no further information that is not already in the impact. If the explanation was slightly reworded as “because of the recession consumers will have less money to spend” there is now a reason for the fall in demand, so a second mark can be given.</p>
---	------------	---

## Question 23 (a)

- 23** You plan to offer two different levels of service. Customers can choose from the 'standard' service which involves you visiting their pet two times per day to feed it, or the 'luxury' service which involves you visiting their pet three times per day to feed and exercise it, as required. The price and costs of each service are shown in the table below.

	<b>Standard</b>	<b>Luxury</b>
Fixed costs (for 1 week)	£2000	£2600
Variable cost per customer	£25	£35
Price per customer	£50	£75

You need to produce a business plan as part of the application process for the business loan. The business plan must include break-even calculations, using the formula below.

$$\frac{\text{Fixed Costs}}{\text{Selling price per unit} - \text{Variable cost per unit}}$$

- (a)** Using the formula, calculate the difference in the break-even point for the 'standard' pet-care service compared with the 'luxury' service.

Show your workings.

Answer .....

**[5]**

This calculation was very well answered with the vast majority of candidates scoring at least 4 out of 5 marks. The main reason for scoring 4 marks was giving the answer as £15 instead of 15 customers.

### Question 23 (b)

- (b)** State **one** way that you may use this break-even information.

.....

[1]

Only a quarter of candidates answered this question correctly. Most described the break-even point rather than how it might be used. A common wrong answer was to say that it shows how much profit will be made.

### Question 23 (c)

- (c) You forecast that 200 customers will purchase the 'standard' pet-care service during an average week.

Calculate the forecast profit or loss for the 'standard' pet-care service during an average week.

Show your workings and state whether you will make a profit or loss.

Answer .....

[4]

This question was not as well answered as the break-even question with the variable costs calculation causing particular challenge. Some candidates 'missed out' on the final mark by not reading the question carefully enough and so not stating the £3000 was a profit.

## Question 24 (b)

(b) Analyse **one** limitation for your business of carrying out all of the functional activities yourself.

.....

.....

.....

.....

.....

..... [3]

Zero was the most common mark for this question. Correct answers tended to focus on how time consuming this would be or that you would not have the necessary range of skills, but without considering the impact on the business. Too often, any impact was on the individual (e.g. 'too stressed') which did not then go on to say how the success, or otherwise, of the business may be affected.



## Question 25

- 25** The organisation offering the business loan asks you a question about how you plan to keep your business successful in the future.

State and explain **three** extension strategies which you could use for your pet-care business in the future.

Strategy 1 .....

.....

Explanation .....

.....

Strategy 2 .....

.....

Explanation .....

.....

Strategy 3 .....

.....

Explanation .....

.....

[6]

There were some excellent answers to this question, gaining full marks, and many more which scored 4 marks for two correct strategies. Often, marks were not gained as answers were repetitive. For example, giving two strategies which were both advertising or adding value. The first response in exemplar 3 below is advertising/promotion and the third response is a form of adding value. However, the second response is another example of promotion and too similar to the first response (as opposed to a response which wrote about a permanent price reduction).

Some candidates did not fully appreciate the nature of an extension strategy and so suggested the introduction of a new product or new buildings. Others wrote about new packaging which was not appropriate for a pet care business. There was also some confusion with pricing strategies.

## Exemplar 3

Strategy 1 Deals (Bogof)

Explanation keep the customers interested and loyal. Make them interested in more deal.

Strategy 2 Extended sales

Explanation (sale ends Sunday) Make your business be a priority for something consumers need to do.

Strategy 3 Loyalty scheme

Explanation The loyal customers will want to complete the scheme to get the deals, so they will stay. [6]

## Question 26

- 26 To support the launch of your pet-care service, you are considering **either** advertising via leaflets through the doors of local homes **or** setting up a website.

Recommend which of these two advertising methods you think should be used. Justify your answer. [8]

Following on from comments made in the examiners' report for both previous sessions of this examination, there are still a majority of candidates who do not try to answer this final question in context. This is shown by the fact that 4 marks is the most popular mark for this question by a very considerable margin. There were some excellent examples of detailed explanations of the two different methods which did not consider the context of the business. See exemplar 4 below which concludes with a very well written justification but refers to 'a shop' and contains no context at all.

There was plenty of opportunity to gain Level 3 or Level 4 marks through mentioning that the business has a target audience of a 3-mile area or that it is a start-up business. Exemplar 5 shows this can be done by fully integrating the context about the target market. A clear decision is made at the start of the response which then goes on to justify that choice by stating that leaflets can be focused in the 3-mile radius of the target market and how using a website could lead to huge inconvenience for your business when trying to visit a pet two or three times a day. Although this response is shorter than the previous exemplar it contains the higher order skills necessary to achieve full marks.

## Exemplar 4

An advantage of a leaflet would be that you can offer a discount (50%) and people are more likely to be attracted and visit your pet care service. However, printing for colour can be expensive. Setting up a ~~best~~ website is also a good option because now more members of the public go on their electronics and are likely to ~~go on~~ <sup>click on</sup> your sites. So that's a ~~dis~~ disadvantage. It's also cheap and free. On the other hand, using the method (through<sup>m</sup> doors) is not ideal because not many people might pay attention to it and they might end up throwing them because they don't like it or think it's useless. So I recommend 'leaflets' and 'setting up a website' because leaflets even if you will charge a little more price on colour, you are likely to get more ~~visitors~~ views to know about your shop because then you can offer deals on the leaflets. I also ~~re~~ recommend 'setting up a website' because ~~some~~ <sup>most</sup> people go on social media like young ~~to~~ people and so they are likely to click on it and see it as a pop up advert next to their account so they might like it and contact the business and maybe find out information and will visit your shop. ~~Although~~ <sup>on</sup> You can also add ~~spe~~ special offers and deals to make people more persuaded. Although 'through doors' might be good, some people may not want mail delivered through like these kind of adverts. That's why I personally think 'leaflets' & 'setting up a site' is better.

## Exemplar 5

I would recommend the leaflets through the doors of local homes. This is because when creating a service where you go 'door-to-door' you will want customers that are in the same geographical area as you. This can be achieved through local leaflets, as the people who will know about your business will be ~~these~~ those who live in the same area as you. This cannot be achieved through a website as you will get customers wanting to buy your services from a different geographical area from you. This would be a huge inconvenience for you if you had to travel from place to place to visit customers per to visit them from 2-3 times a day. This is why choosing the leaflets through the ~~to~~ doors of local homes would be easier and more practical as you ~~had to~~ have to travel less distance and wouldn't be as time-consuming. Choosing setting up a website would mean you have to travel further distance which would be more time consuming which would cost more to drive around which would increase your overall total costs.

## Supporting you

For further details of this qualification please visit the subject webpage.

### Review of results

If any of your students' results are not as expected, you may wish to consider one of our review of results services. For full information about the options available visit the [OCR website](#). If university places are at stake you may wish to consider priority service 2 reviews of marking which have an earlier deadline to ensure your reviews are processed in time for university applications.



*Review students' exam performance with our free online results analysis tool. Available for GCSE, A Level and Cambridge Nationals.*

It allows you to:

- review and run analysis reports on exam performance
- analyse results at question and/or topic level\*
- compare your centre with OCR national averages
- identify trends across the centre
- facilitate effective planning and delivery of courses
- identify areas of the curriculum where students excel or struggle
- help pinpoint strengths and weaknesses of students and teaching departments.

\*To find out which reports are available for a specific subject, please visit [ocr.org.uk/administration/support-and-tools/active-results/](https://ocr.org.uk/administration/support-and-tools/active-results/)

Find out more at [ocr.org.uk/activeresults](https://ocr.org.uk/activeresults)

## CPD Training

Attend one of our popular CPD courses to hear exam feedback directly from a senior assessor or drop in to an online Q&A session.

Please find details for all our courses on the relevant subject page on our website.

[www.ocr.org.uk](https://www.ocr.org.uk)

## OCR Resources: *the small print*

OCR's resources are provided to support the delivery of OCR qualifications, but in no way constitute an endorsed teaching method that is required by OCR. Whilst every effort is made to ensure the accuracy of the content, OCR cannot be held responsible for any errors or omissions within these resources. We update our resources on a regular basis, so please check the OCR website to ensure you have the most up to date version.

This resource may be freely copied and distributed, as long as the OCR logo and this small print remain intact and OCR is acknowledged as the originator of this work.

Our documents are updated over time. Whilst every effort is made to check all documents, there may be contradictions between published support and the specification, therefore please use the information on the latest specification at all times. Where changes are made to specifications these will be indicated within the document, there will be a new version number indicated, and a summary of the changes. If you do notice a discrepancy between the specification and a resource please contact us at: [resources.feedback@ocr.org.uk](mailto:resources.feedback@ocr.org.uk).

Whether you already offer OCR qualifications, are new to OCR, or are considering switching from your current provider/awarding organisation, you can request more information by completing the Expression of Interest form which can be found here: [www.ocr.org.uk/expression-of-interest](http://www.ocr.org.uk/expression-of-interest)

Please get in touch if you want to discuss the accessibility of resources we offer to support delivery of our qualifications: [resources.feedback@ocr.org.uk](mailto:resources.feedback@ocr.org.uk)

## Looking for a resource?

There is now a quick and easy search tool to help find **free** resources for your qualification: [www.ocr.org.uk/i-want-to/find-resources/](http://www.ocr.org.uk/i-want-to/find-resources/)

**[www.ocr.org.uk](http://www.ocr.org.uk)**

OCR Customer Support Centre

### Vocational qualifications

Telephone 02476 851509

Facsimile 02476 851633

Email [vocational.qualifications@ocr.org.uk](mailto:vocational.qualifications@ocr.org.uk)

OCR is part of Cambridge Assessment, a department of the University of Cambridge. *For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored.*

© **OCR 2019** Oxford Cambridge and RSA Examinations is a Company Limited by Guarantee. Registered in England. Registered office The Triangle Building, Shaftesbury Road, Cambridge, CB2 8EA. Registered company number 3484466. OCR is an exempt charity.



**Cambridge  
Assessment**

