

Cambridge National

Enterprise and Marketing

R064/01: Enterprise and marketing concepts

Level 1/2 Cambridge National Certificate/Award

Mark Scheme for January 2021

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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Annotations

Annotation	Meaning
	Correct
	Incorrect
	Not sure what the candidate is trying to say, or it does not make sense.
BOD	Benefit of doubt given (counts as a mark)
L1 L2 L3 L4	Levels of response awarded at this point (only to be used in Q27)
CONT	Context (Q27 only)
NE	Not Evaluation (Q27 only – to show that a seemingly evaluative answer has not been awarded due to it being generic)
OFR	Own figure rule (counts as a mark)
TV	Too vague
NAQ	Not answered the question (what has been written is not relevant)
NUT	Not used the context (generic)
REP	Repetition. The candidate has merely restated what has already been said and so no further credit given.
SEEN	The paragraph or answer has been seen but no reward given.

EVERY QUESTION AND/OR PAGE, INCLUDING BLANK PAGES (use the BP annotation on p15/16), MUST HAVE SOME ANNOTATION

Please ensure that, wherever possible, annotations are placed in the margins and not over the candidate's answer. This makes it very difficult to read when the paper is printed out in black & white.



Questions 1 to 26 must be marked so that the number of ticks equals the mark awarded. However, if **BOD** or **OFR** is used they replace the tick. In other words, a tick and a BOD is 2 marks.

Question 27 must **NOT** use ticks. The level indicators, L1, L2, L3, L4 **MUST** be used to signify the mark.

Question	Answer	Marks
SECTION A		
1	Indicative content: D	1
2	Indicative content: C	1
3	Indicative content: C	1
4	Indicative content: D	1
5	Indicative content: A	1
6	Indicative content: C	1
7	Indicative content: C	1
8	Indicative content: B	1
9	Indicative content: C	1
10	Indicative content: D	1
11	Indicative content: D	1
12	Indicative content: A	1
13	Indicative content: C	1
14	Indicative content: C	1
15	Indicative content: B	1
16	Indicative content: B	1

Question	Answer	Marks	Guidance
SECTION B			
17	<p>a</p> <p>State and explain one advantage and one disadvantage of using your own savings to purchase a car.</p> <p><u>Indicative Content</u> Advantages include:</p> <ul style="list-style-type: none"> • No interest or fees to pay • No need to pay the money back/no debt • No application form required • The money is immediately available/quick and easy • I know exactly how much I have available to spend <p>Disadvantages include:</p> <ul style="list-style-type: none"> • Limited funds/may not have enough for a car • I may not have any more savings to use for other reasons • May limit future growth as less capital available in the future <p><u>Example responses</u> The money is available to spend immediately (1) so I can purchase a car as soon as I see it without waiting to borrow money (1).</p> <p>I cannot spend the money on anything else (1) which may mean that I cannot afford to buy important supplies (1).</p> <p style="text-align: right;">ARA</p>	4	<p>Award one mark for an identified advantage of using own savings and one mark for an explanation of this advantage AND Award one mark for an identified disadvantage of using own savings and one mark for an explanation of this disadvantage.</p> <p>Make sure that the explanation adds something to the advantage/disadvantage and does not just repeat it (e.g. “I will not have to pay interest – using your own savings means no interest” is only 1 mark)</p> <p>A comparison (e.g. “a loan would mean you had to pay it back”) would be acceptable for the explanation</p> <p>Only reward answers which consider the advantage/disadvantage of using your own savings rather than any advantage/disadvantage of owning or choosing your own car</p> <p>The stem of the question refers to “money that you saved”. Therefore, do NOT accept “it takes a long time to save up” as you have already saved it.</p>

Question	Answer	Marks	Guidance
17 b	<p>Identify three other sources of capital which you could have used to purchase a car.</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Friends or family/'bank of mum & dad' • (Bank) loan/overdraft • Crowdfunding • (Small business) grants • Business angel/investor/venture capital/franchisor • Credit card • Retained profit 	3	<p>Award one mark for each source identified, up to a maximum of three marks.</p> <p>'Personal savings' is excluded (REP)</p> <p>Make sure that each source of capital is different (from separate bullet points)</p> <p>Do not accept 'the businesses money' or 'lease/rental/payment plan/hire purchase'.</p>
18	<p>Analyse two disadvantages of starting your hairdressing business as a franchisee.</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • The franchisor may make all the important decisions/you have a lack of control • Requires a lump sum to buy the franchise/rights for that area • Royalty fee must be paid/have to pay a share of the revenue (profits) to the franchisor • The actions of franchisor/other franchisees may affect the reputation of my franchise <p><u>Example responses</u></p> <p>I will have to pay a share of any revenue (1) to help pay for the services I receive from the franchisor (1) which will limit the profit I can make (1).</p> <p>Some decisions will be made by the franchisor (1), e.g. I can only sell the shampoo products authorised by Supreme Salons (1). This means that I will not have the freedom to make my own decisions (1).</p> <p style="text-align: right;">ARA</p>	6	<p>Award one mark for each disadvantage, up to a maximum of two marks</p> <p>AND</p> <p>Award one further mark for each explanation of a disadvantage, up to a maximum of two marks</p> <p>AND</p> <p>Award one further mark for each analysis of a disadvantage (<u>by showing the impact on the business/you</u>), up to a maximum of two marks.</p> <p>Ensure that the two disadvantages are different</p> <p>The third mark in each case may be awarded independently from the second mark for explanation</p> <p>The disadvantages need to be specifically about being a franchisee, rather than general problems of setting up a business (e.g. 'it is expensive', 'you have to pay all the bills') or raising the necessary money.</p>

Question	Answer	Marks	Guidance
19	<p>Identify three ways that your customers' needs may vary.</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Different benefits required (may be specific to this industry) • Amount of money (price) they are willing to pay (NOT income) • Quantity of goods/services (they require) • Quality of goods/services (they require) • Time • Location 	3	<p>Award one mark for each way identified, up to a maximum of three marks.</p> <p>Accept a specific example of differing needs which are contextual to the hairdressing market (e.g. whether they want their hair cut or styled).</p> <p>Do NOT reward answers which ONLY contain the methods of segmentation or preferences/characteristics of customers.</p>
20	<p>State and explain two ways that technological developments may affect your business.</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Cost/affordability of investment/pass on cost to customers • Technology can be used to make jobs quicker/safer for humans • Customer satisfaction/customers attracted/lost to your business • Products become outdated/lose appeal to customers • May require more training for staff (or more skilled ones) • Technology may break down or no longer be supported • Use of social media/internet – easier for customers to find out about you or your competitors <p><u>Example responses</u></p> <p>The new technology may be expensive to purchase (1) which may reduce the profits that my business earns (1).</p> <p>May attract more customers (1) as they want to try my new services (1).</p> <p style="text-align: right;">ARA</p>	4	<p>Award one mark for each identified impact and one mark for each explanation, up to a maximum of two impacts.</p> <p>Make sure that the two answers are clearly different</p> <p>Make sure that the explanation adds something to the impact and does not just repeat it (<u>and is linked in some way to technological development</u>)</p> <p>Answers may be positive or negative for your business</p> <p>'Technology may be bad/good for your business' is too vague (TV)</p>

Question	Answer	Marks	Guidance
21	<p>Analyse two benefits for your business of Supreme Salons' magazine advertising.</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • The franchisor pays for the advertising • The advertising can be targeted to the target market served by Supreme Salon • Magazines remain in circulation a long time/may be passed on to many people/reach a wider range of potential customers • National/regular advertising may boost the reputation of the franchise/brand recognition • Print advertising can include a lot of information/visual • The magazine may have an accompanying social media presence <p><u>Example responses</u></p> <p>This type of advertising can contain a lot of information (1) which focuses on the Supreme Salon brand (1). I may gain more customers who want to use a national brand rather than an unknown business (1).</p> <p>The franchisor organises and pays for the advertising (1) on a scale which I would not be able to afford (1). This will give my business a better image (1).</p> <p style="text-align: right;">ARA</p>	6	<p>Award one mark for each benefit, up to a maximum of two marks</p> <p>AND</p> <p>Award one further mark for each explanation of a benefit, up to a maximum of two marks</p> <p>AND</p> <p>Award one further mark for each analysis of a benefit (<u>by showing the impact on the business/you</u>), up to a maximum of two marks.</p> <p>Ensure that the two benefits are different</p> <p>The third mark in each case may be awarded independently from the second mark for explanation</p> <p>Do NOT accept an answer which says that magazine advertising is cheap or inexpensive</p> <p>Benefits may be of the advertising taking place <u>or</u> of the franchisee doing it for you</p> <p>Any explanation <u>must</u> be clearly about magazine/print advertising, as opposed to advertising in general.</p>

Question	Answer	Marks	Guidance
22	<p>Other than advertising, state and explain three activities carried out by a marketing department.</p> <p><u>Indicative Content</u> The activities may include:</p> <ul style="list-style-type: none"> • Market research/carry out customer feedback/helping to identify the needs or wants of customers/finding new customers/compare prices with competitors/measure success • Developing the marketing mix/ensure the compatibility of the 4Ps • Price/set prices/pricing strategies • Product/develop products to meet customer wants • Promotion/produce leaflets/develop the Supreme Salon brand • Place/channels of distribution • Help to segment the market • Prepare a marketing plan • Extension strategies • Customer service/product knowledge/after sales service • Work with other functional areas (but <u>only</u> accept one) <p><u>Example responses</u></p> <p>Market research (1) which helps me to target my customers more accurately (1).</p> <p>Help to identify a suitable price (1) so that I am able to maximise my demand/revenue/profit (1).</p> <p style="text-align: right;">ARA</p>	6	<p>Award one mark for each identified activity and one mark for each explanation of this activity, up to a maximum of three methods.</p> <p>No marks can be awarded for any form of advertising activity using any medium, e.g. television advertising. (NAQ) Other forms of promotion are rewardable.</p> <p>Only reward one form of market research (e.g. surveys/interviews/focus groups)</p> <p>'Marketing' is too vague (TV)</p>
23	<p>a</p> <p>State the name of the pricing strategy used for the first six months.</p> <ul style="list-style-type: none"> • Price penetration/penetration pricing 	1	<p>Award one mark for the correct answer</p>
23	<p>b</p> <p>State the name of the pricing strategy used after the first six months of running your business.</p> <ul style="list-style-type: none"> • Competitive pricing 	1	<p>Award one mark for the correct answer</p> <p>Accept 'competition-based' or 'market-based'.</p>

Question		Answer	Marks	Guidance
24	a	<p>Use the graph to identify the number of customers you need each month to break-even.</p> <p>50 or 50 customers/units</p>	1	<p>Award one mark for the correct answer</p> <p>Do NOT accept £50</p> <p>Accept any answer from 49 to 51</p>
24	b	<p>Use the graph to identify your monthly fixed costs.</p> <p>£1,000</p>	1	<p>Award one mark for the correct answer</p> <p>Accept an answer of 1000 (no units)</p>
24	c	<p>Use the graph to calculate the variable cost per unit.</p> <p>Total costs for 50 customers = £2500 (taken from graph)</p> <p>Variable costs = Total costs – Fixed costs = £2500 - £1000 = £1500</p> <p>Variable cost per unit = £1500 ÷ 50 = <u>£30</u></p>	3	<p>Correct answer of £30 should be awarded full marks (with or without workings).</p> <p>Award one mark for deducting 1000 (FC)</p> <p>Award one mark for dividing variable cost (OFR) by the appropriate number of customers from the total cost line (e.g. 4000 & 100, 3250 & 75, 2500 & 50, 1750 & 25).</p>
24	d	<p>Identify three examples of variable costs your business will need to pay.</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Raw materials • Components • Stock/hair consumables/product used to carry out service • Packaging • Fuel/petrol/travel costs • Car parking • Wages <p style="text-align: right;">ARA</p>	3	<p>Award one mark for each example, up to a maximum of three marks.</p> <p>Do NOT accept equipment (e.g. hairdryers), utility bills, salaries or transport (including maintenance of car).</p> <p>‘Resources’ is too vague (TV)</p>

Question	Answer	Marks	Guidance
24 e	<p>Use the graph on page 12 to calculate the average price paid by each customer.</p> <p>Total revenue for 100 customers = £5000 (taken from graph)</p> $\text{Selling price} = \frac{\text{Total revenue}}{\text{Number of customers}}$ <p>Average price paid = £5000 ÷ 100 = <u>(£)50</u></p>	2	<p>Correct answer of £50 should be awarded full marks (with or without workings).</p> <p>Award one mark for identifying a correct pair of numbers from the total revenue line (e.g. 5000 & 100, 3750 & 75, 2500 & 50, 1250 & 25).</p>
25 a	<p>Changing the product packaging part way through the product lifecycle is an example of what type of strategy?</p> <ul style="list-style-type: none"> Extension (strategy) 	1	<p>Award one mark for the correct answer</p> <p>Accept 'product extension' or similar</p>
25 b	<p>State and explain one advantage and one disadvantage of changing the packaging of an established product.</p> <p><u>Indicative Content</u></p> <p>Advantages include:</p> <ul style="list-style-type: none"> Attracts new customers to buy/creates a USP Some customers may believe that the product is 'new' and be attracted to try it May extend the product lifecycle and reverse the decline stage The new packaging may be cheaper to produce The new packaging may be more environmentally friendly <p>Disadvantages include:</p> <ul style="list-style-type: none"> Some existing customers may not recognise the product after the change and therefore stop buying it The new packaging may appeal less to the target market so sales may fall further It will incur costs with designing and producing the new packaging so prices may increase 	4	<p>Award one mark for an identified advantage of changing the packaging and one mark for an explanation of this advantage AND Award one mark for an identified disadvantage of changing the packaging and one mark for an explanation of this disadvantage.</p> <p>Make sure that the explanation adds something to the advantage/disadvantage and does not just repeat it</p>

Question		Answer	Marks	Guidance
		<p><u>Example responses</u></p> <p>May look more attractive to customers (1) so the decline stage is prevented (1).</p> <p>Existing customers may not recognise the product if it is in an unfamiliar packaging (1) which may result in sales falling further (1).</p> <p style="text-align: right;">ARA</p>		
25	c	<p>Identify three other methods that Supreme Salons could have used to increase the sales of the shampoo range.</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Promotion/advertising (including social media, celebrity endorsement, gifts, leaflets) • Price changes/special offers/price promotions/discounts/BOGOF • Adding value, e.g. improving the ingredients, bring out different fragrances, quality of the product, new logo, brand image, USP, loyalty card • Explore new markets, e.g. launch a matching conditioner, additional retailers/channels/locations, collaborations 	3	<p>Award one mark for each method identified, up to a maximum of three marks.</p> <p>Make sure each method is different</p> <p>No reward for changing packaging (NAQ)</p>

Question	Answer	Marks	Guidance
26	<p>State and explain one advantage and one disadvantage of using consumer trials.</p> <p><u>Indicative Content</u> Advantages include:</p> <ul style="list-style-type: none"> • Customers may like the trial and then become a loyal customer once the product is available widespread • Will obtain a more authentic/valid response than other market research methods • Can target specific customer groups during the trial • As trials are only conducted in a small area, the business may save a lot of money/resources compared with a nationwide launch • A social media campaign may support the consumer trial <p>Disadvantages include:</p> <ul style="list-style-type: none"> • Can be costly to carry out – giving away a product for free • Time consuming • A competitor may hear about the trial and copy the product before you can launch it nationwide • The test area may not match the target market • Any results are based on a small sample of customers • People may be dishonest/biased/unrealistic in their answers so any results are unhelpful <p><u>Example responses</u></p> <p>The trial may support the launch of the new product (1) as the customers who trial the product may like it and become a regular customer when the shampoo is launched (1).</p> <p>Consumers in the trial may not match the target market (1) so that any results from the trials may be unhelpful in predicting demand (1).</p> <p style="text-align: right;">ARA</p>	4	<p>Award one mark for an identified advantage of using consumer trials and one mark for an explanation of this advantage AND Award one mark for an identified disadvantage of using consumer trials and one mark for an explanation of this disadvantage.</p> <p>Make sure that the explanation adds something to the advantage/disadvantage and does not just repeat it</p> <p>Any explanation <u>must</u> be about consumer trials, as opposed to market research in general.</p>

Question	Answer	Marks	Guidance
27	<p>Recommend whether the income level of your target customers or the price of competitor products is the most important factor when setting a price for your new shampoo range. Justify your answer.</p> <p><u>Indicative Content</u> Income levels of your target customers:</p> <ul style="list-style-type: none"> Customers can only purchase what they can afford. It does not matter how desirable a product is, if the target market cannot afford it, sales will suffer The business is targeting young families who often have lower disposable incomes and therefore more sensitive to price levels <p>Price of competitor products:</p> <ul style="list-style-type: none"> The shampoo market is very competitive and the product must be priced so as to appear attractive compared with rival products Comparing with competitor products will help customers decide whether to purchase the brand <p><u>Example response</u> The product must be priced to appear attractive compared with rival products (L1). If the price of my shampoo is much different than the prices charged by competitors, people may be deterred from buying my product (L2). This will damage my business' sales in such a <u>highly competitive market</u> (L3).</p> <p>Customer income levels affect the money available to them (L1) and if my shampoo product is too expensive for the target market to purchase, they will not buy (L2). The <u>young families with children</u> in my target market will not be able to afford the product range and so my sales levels will be disappointing (L3).</p> <p>I feel that customer incomes are the most important factor to consider when deciding the price for the new shampoo. There are lots of shampoo products on the market, and as it is used by many people every day it needs to be affordable (L4). As I am a mobile hairdresser, I</p>	8	<p><u>Levels of response</u></p> <p>L1 (1-2 marks) Identifies knowledge of one/both factors to consider when pricing a product</p> <p>L2 (3-4 marks) Explains one/both factors to consider when pricing a product</p> <p>L3 (5-6 marks) Analyses one/both factors to consider when pricing a product, <u>in context</u></p> <p>L4 (7-8 marks) Evaluates at least one method</p> <p>A justified recommendation based on <u>analysis of each method and/or a comparison must</u> be made for full marks</p> <p>Award the bottom mark of each level if only one of the factors is considered</p> <p><u>Available context to reward at L3/L4</u></p> <ul style="list-style-type: none"> You are a new franchisee of Supreme Salons The business targets young families with children who may struggle to travel to a salon You are a mobile hairdresser and offer your products/services in customers' homes It is a highly competitive market

Question	Answer	Marks	Guidance
	<p>visit customers at home so will be aware of their income levels and therefore able to set the price in line with what my target market can afford (L4).</p> <p style="text-align: right;">ARA</p>		<ul style="list-style-type: none"> • Customers are requesting the Supreme Salons franchisees invest in new hairdryers to lead to shinier hair • The shampoo was trialled by consumers before launch onto the market • The Supreme Salon brand is regularly advertised in fashion magazines • Supreme Salon products are sold at a low price for the first six months and then increase in line with competitor hairdressers in the local area • The shampoo range has been sold by the franchisor for the past five years, however, you are only just starting to stock it within your franchise business • The packaging of the shampoo has been updated <p>This context must be used to aid analysis or evaluation rather than just stated</p>

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