

CAMBRIDGE NATIONALS

Examiners' report

ENTERPRISE AND MARKETING

J819

R064 January 2021 series

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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. A selection of candidate responses is also provided. 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 and the mark scheme can be downloaded from OCR.

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R064 series overview

A smaller than usual cohort took this examination, with just over a quarter of the normal number of entries. After the slight fall in standard in January 2020 it is pleasing to report that the performance levels returned to those seen previously, with a significant majority of candidates scoring more than half marks. There were many excellent scripts which showed wide-ranging knowledge and understanding of most of the specification and so scored more than 65 marks.

At the other end of the ability range, there were few candidates who were unable to show some relevant knowledge. Hence, there were very few candidates scoring less than 20 marks.

There was evidence that candidates found the context of a hairdressing business to be accessible, although it was apparent that some knew little about franchised operations. One of the factors which continues to help a candidate to gain the highest marks is their ability to engage with the context and to make use of it in the answers which require it.

Candidates who did less well on this paper Candidates who did well on this paper generally did the following: generally did the following: Had a thorough and wide-ranging grasp of the Showed poor knowledge about costs specification. (including calculations). Focused their responses on the topic and did Had little knowledge of the terminology of pricing strategies. not repeat themselves within an answer. Considered the impact on this business of the Had limited knowledge about franchise concept being examined. operations. Did not relate their responses well to the specific concepts being asked in the question. Did not make any use of the context in Question 27.

Section A overview

Performance on the multiple choice questions showed the full range of ability and discriminated very well. There were many candidates who scored full marks or only got one or two responses wrong. At the other extreme, a few candidates scored less than 4 out of 16.

Questions 2, 4, 8, 10 and 16 were the best answered, with at least 85% of candidates getting each one correct. In comparison, Questions 6 and 7 were the least well answered.

Question 6				
6 Afte	er running her busines	ss for a year, Kiera owes £850 in tax on her profits	S.	
То	which of the following	organisations must Kiera pay her tax?		
(a)	Bank			
(b)	Companies House			
(c)	HMRC			
(d)	Local council			
, ,				[1]
business (•	ion which requires knowledge of the basi ea of weakness for many candidates. Ne RC.		
	AfL	Candidates only need a basic understa business. This is primarily what is requi partnership. The exemplification in the staught as a minimum.	red for a sole tr	ader or a
Question	n 7			
7 A fi	xed cost can be define	ed as:		
(a)	A cost that always s	tays the same		
(b)	A cost that cannot be	e measured		
(c)	A cost that does not	vary with output		
(d)	A cost that varies wi	th demand		[1]
Cost defini	itions continue to b	pe a source of difficulty for candidates. M	lost wrong resp	onses were (a). It is

important to emphasise that fixed costs are only fixed in the short run, so do not always stay the same.

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Section B overview

As previously mentioned, the general level of performance was very good. However, one notable issue this session was the increase in the omit rate for some questions in Section B. In particular, Question 23(b), Question 24(c), Question 24(e) and Question 25(a) had omission rates above 10%. Two of these questions were only 1-mark each. The fact that the other two questions were calculations suggests that this is an area which centres need to focus on in the future. This would help to increase the confidence of candidates to attempt these questions.

Maybe equally significant was an omit rate close to 10% on Question 22, worth 6-marks. Given that this was about the role of the marketing department suggests that candidates need to have a greater understanding of what each functional department is responsible for, as outlined in Section 6.2 of the specification.

Question 17 (a)

You completed an apprenticeship last year which involved you working and qualifying as a hairdresser. As you have always wanted to run your own business, you have decided to become a franchisee of a mobile hairdressing brand, Supreme Salons. You think this is the best way to be successful in such a highly competitive market.

As a mobile hairdresser, you will visit your customers at home to cut, style and colour their hair. Your target market will be young families with children, who may not have the time to visit a hairdressing salon.

You will need to purchase a car, using money that you saved whilst working as an apprentice.

17	(a)	State and explain one advantage and one disadvantage of using your own saving purchase a car.	s to
		Advantage	
		Explanation	
		Disadvantage	
		Explanation	
			[4]

The first question in Section B is intended to be a straightforward introduction to the questions ahead. However, on this occasion, Question 17(a) was one of the least well answered questions. Around a quarter of candidates scored no marks, as they did not read the question carefully. Their responses were focused on the advantages and disadvantages of purchasing a car, rather than how they were purchasing it. It is also vital that candidates read the stem to the question. Some gave responses which implied it would take a long time to save the necessary money when, in fact, they are told that the money has already been saved.

Candidates who did answer the question set, tended to write better advantages than disadvantages. Many were able to make comparisons to a loan, where the money must be paid back with interest.

Question 17 (b)

(b)

	[3]
ntify three other sources of capital which you could have used to purchase a car.	

This was well answered with more than half of candidates scoring full marks. Once again, reading the question is important, as some gave 'using own savings' as a response. Some interesting responses which were not accepted by the examiners, included leasing (not used for purchasing a car) and loan sharks.

Question 18

18

Analyse two disadvantages of starting your hairdressing business as a franchisee.
Disadvantage 1
Disadvantage 2
[6]

This question clearly showed the difference between those candidates who had a good understanding of how a franchise agreement works and those who did not. Better ability candidates scored very well on this question, with many gaining full marks. The paying of royalty fees and the lack of compete decision-making control were the most popular responses.

It seemed fairly transparent where franchises had been thoroughly covered by centres, allowing candidates to generally answer well. Those candidates who appeared not to know about franchising mainly gave generic responses about the disadvantages of starting a business. Unless this type of response specifically made a comparison with setting up as a sole trader or partnership (i.e. not as a franchise), it was not rewarded by examiners.

A small number of candidates confused the franchisee with the franchisor.



AfL

Although this was the first time that the concept of franchising was examined directly in Section B, it is a form of ownership set out in the specification. Centres also need to teach the ownership forms of sole trader, partnership and limited liability partnership. Limited companies do NOT have to be studied in the current specification.

Question 19

19	Identify three ways that your customers' needs may vary.	
	1	
	2	
	3	
		[3]

There continues to be confusion between the needs of customers (Section 1.1 of the specification) and the types of segmentation (Section 1.2). About a third of candidates scored no marks in this question, as they gave responses about segmentation methods. At the other extreme, over 40% of candidates scored 2 or 3 marks.

[4]

Question 20

franchisees to buy new hairdryers and hairstyling products to promote shinler hair.
State and explain two ways that technological developments may affect your business.
Way 1
Explanation
Way 2
Explanation

20 Due to technological developments in hairstyling equipment, Supreme Salons is asking its

This question produced some very good full-mark responses from about a quarter of the candidates. The next most common mark was 2, usually from candidates listing two ways that technology may affect your business, without providing an explanation which was more than just repeating the way.

Compare exemplars 1 and 2. Exemplar 1 scored 4 marks as each way is followed with a clear explanation which adds to the response. This is specific to the impact of technological development (i.e. the need to spend money every few years and the need to spend time learning to use new equipment). On the other hand, exemplar 2 correctly identifies cost and difficulty of use (for 2 marks) but the explanations repeat the way, without any obvious link to technology.

Way 1 The Constant advancements in technology will
mean you will have to keep buying new products.
Explanation Some customers will want to
whe the latest product, meaning you will have to spend more money every couple of years. Way 2 New products require new skills which may
be time consuming to learn.
Explanation This will mean you may have to spend
extra time learning outside of the working day, which will affect your personal life. [4]

Exemplar 2

Way 1						••••••
Explanation	new Ke expens	ive to us	, Khese	days	is get	ting.
Way 2 ha	rder	ko us	e			•••••••
Explanation A	s kechnole Ko	ogy prog use med	Cesses, in Mor lo	t 3 500 nplicated	\$ 15 g	elling E
						[4]

Question 21

21

The Supreme Salons brand regularly advertises in fashion magazines.
Analyse two benefits for your business of Supreme Salons' magazine advertising.
Benefit 1
Benefit 2
[6]

This question performed very differently to the other 6-mark question requiring analysis (Question 18) even though they had similar mean marks. Answers to Question 21 were concentrated around 2 and 3 marks, with few candidates scoring very low or very high marks. This was generally because responses did not focus on the specific area of <u>magazine</u> advertising. Another recurring mistake was candidates suggesting that magazine advertising is cheap; it is not. (Examiners did give some reward to candidates who suggested that magazine advertising is 'cheaper' than, say, TV advertising.)

This very generic 'advertising' response is shown in exemplar 3 (which scored 3 marks). The first benefit is correct (a wider range of customers) and has an impact on the business (more sales and profit) but could apply to any form of advertising. The second benefit only refers to an improved brand image (again, correct) but has no impact on the business and could, again, apply to any form of advertising.

Even better ability candidates found it difficult to gain high marks, because responses lacked a direct linkage to magazine advertising, rather than advertising in general. Few candidates also acknowledged that the franchisor paying for the advertising is a benefit. The most typical contextual responses came from the benefits with regards to targeted advertising, the use of visual media and the wider circulation of magazines.

Exemplar 4 is a full-mark (and concise) response which is clearly about magazine advertising and relevant to a franchisee of a hairdressing brand. There is reference to Supreme Salons being a well-known brand in the first benefit and the second benefit is clearly couched in terms of both magazine advertising and the hairdressing industry, rather than making a generic reference to 'getting more customers'.



OCR support

The published mark scheme for this (and previous examinations) is a vital source of information. In particular, it sets out the process for marking these 'analytical' responses which are found in each examination. Each part of the response needs to contain a correct benefit (the 'A' mark), an explanation of that benefit (the 'B' mark) and an impact of the benefit on you or the business (the 'C' mark). Correct exemplar responses are set out in each mark scheme along with what is expected for the 'B' mark.

Benefit 1 Advertise to a vide large us potential customers. This con
attent rule new austoness to your Business, likely to purchase
services or goods, this will increase sales and proported ally
proxit.
Benefit 2 Build a strong brand lruge + byalty. As it is advertised
regularly people will recognize your hrund and rayly even start
going to purchase services there as it is always advertised
nentioned,

Benefit 1 Because you became a franchisee of Supreme
Salons the Franchison will pay for advertising
which means that you won't need to. This will
reduce your costs and therefore in crease your
profibre Furthermore, Supreme Salons is a vell-
known brand so more people will pay attention to
the advertising so more customers will be attracted
Benefit 2 The people who was regularly read fashion
magazines will most likely care about their hair
and want to use a professional hair diessing
service. This will mean that the advertising will
attract more customers than if it was in
onother type of magazine. This will help you
make more sales, more revenue and more profis.
[6]

Question 22

22 The marketing department of Supreme Salons contacts any new franchisee during their first month of business, to offer any help they can.

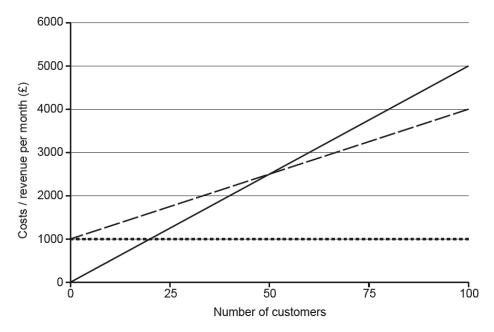
Other than advertising, state and explain three activities carried out by a marketing department
Activity 1
Explanation
Activity 2
Explanation
Activity 3
Explanation
91

There were a small number of excellent responses to this question which asked for a range of different activities carried out by a marketing department. Most common were responses about market research, setting appropriate prices and promotion methods. A mark of 4 or 2 was common, accounting for about half of the candidates. This was mainly due to repetition within responses, for example giving two (or three) activities which were all fundamentally linked to market research. Some candidates also incorrectly stated activities which were carried out by other departments, such as hiring, training and stock control.

Once again, some candidates did not read the question carefully as they gave advertising as an activity, even though this had been specifically excluded in the question

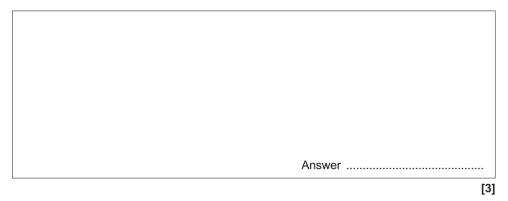
Question 24 (c)

24 You have produced a break-even graph to identify how many customers you need each month to break-even.



(c) Use the graph to calculate the variable cost per unit.

Show your workings.



Very few candidates scored marks for this calculation, with only a fifth scoring full marks. Many were unable to use the correct line from the graph, often calculating the average revenue (even though they then went on to make the same calculation for Question 24(e)).

Some candidates gained a mark for evidence that they had subtracted £1000 of fixed costs from a total cost figure. Others gained a mark for identifying a correct pair of numbers from the total cost line. This shows the importance of writing out clear workings, as this allows examiners to identify marks for correct stages even if the response is incorrect.

Question 24 (d)

(d)

Identify three examples of variable costs your business will need to pay.	
1	
2	
3	
	[3]

Most candidates scored 1 or 2 marks. A significant number included fixed costs, especially rent and utilities. There was also some repetition of similar responses, such as shampoo and conditioner (both are items of stock).

Question 24 (e)

(e)	Use the graph	on page	12 to	calculate	the	average	price	paid	by	each	custon	ner.

Show your workings.	
	Answer
	[2]

This was better answered than the calculation in Question 24(c), although half of the candidates scored no marks.

Question 25 (b)

25 Supreme Salons makes a range of products that franchisees can sell to customers, such as shampoos. The shampoo range has been produced for the past five years, but it is now entering the decline stage of the product lifecycle. Supreme Salons has decided to change the packaging of the shampoo.

)	State and explain one advantage and one disadvantage of changing the packaging of an established product.
	Advantage
	Explanation
	Disadvantage
	Explanation
	[4]

This was the better answered of the 4-mark state and explain questions in this examination, with nearly half of all candidates gaining full marks. In the main, this was because candidates were able to explain or contextualise their responses.

The most common responses were that new customers would be attracted to the product, so the business might sell more, and that current customers would not recognise the product, so may not buy it anymore. However, the key to success was that the responses were clearly focused on the context of this business. This is clearly shown in exemplar 5, with reference to 'children' and 'parents' in the advantage and the nature of the hairdressing industry in the disadvantage.

Exemplar 6 can then be seen lacking the necessary explanation to allow the examiner to award the second mark in each case. To 'attract customers' is an advantage, but the explanation virtually repeats this statement and could apply for any product. Where is the reference to the shampoo range? Again, the disadvantage of cost ('could come out a bit expensive') is correct, but there is then no development. For example, this is a 'shampoo range' so it is not just one set of packaging to change.

[4]

Exemplar 5

(b) State and explain one advantage and one disadvantage of changing the packaging of an established product.

Advantage Appeal to a new sort of customer. Explanation for example, bright packaging will attract children. So the pavents are more likely to buy. Disadvantage Lose brand recognition in the marketplace. Explanation In a industry as full as hairdnessing, ar instantly recognisable product is crucial to retaining customers!

Exemplar 6

(b) State and explain one advantage and one disadvantage of changing the packaging of an established product.

Advantage Advantage to the packaging COuld affract customers Explanation Maning Packaging change could polentially attract customers Disadvantage Money 1055 Explanation Changing the facuaging for every product could come our a bit expensive, [4]

Question 25 (c)

(c)	Identify three other methods that Supreme Salons could have used to increase the sales of the shampoo range.
	1
	2
	3
	[3]

This was well answered, with most candidates scoring 2 or 3 marks. Answers needed to fit into one of the four remaining categories of extension strategy (packaging having been excluded). Most candidates did this, although some responses showed repetition by choosing more than one example from a particular category, for example, special offers and discounts.

Question 26

considering it for the future. Before making this decision you have decided to organise some consumer trials.
State and explain one advantage and one disadvantage of using consumer trials.
Advantage
Explanation
Disadvantage
Evaluation

26 You do not currently offer any of the shampoo range for sale to your customers, but you are

This question was reasonably well answered, with lots of responses linked to the benefits of a more authentic or targeted approach against the time or cost involved in the method.

Lower scoring responses tended not to relate directly to consumer trials, being highly generic to any form of market research. To award the explanation mark in each case, examiners needed to see at least an implicit link to the use of consumer trials. In many cases, responses could apply to any form of primary (or secondary) market research and others were really about focus groups.



Misconception

The specification identifies five categories of primary market research (Section 1.5) and they each have individual characteristics, advantages and disadvantages. In previous examinations there has been evidence of a lack of clarity between questionnaires and surveys and on this occasion between focus groups and consumer trials.

[4]

Question 27

income levels of your target customers and the price of competitor products.	
Recommend whether the income level of your target customers or the price of competitor produis the most important factor when setting a price for your new shampoo range. Justify your answers	
	••••

27 After carrying out your consumer trials, you decide to offer the shampoo range for sale to your customers. You need to select a price for your new shampoo range and have considered the

It was pleasing to see that most candidates clearly understood the idea of setting prices based on both income levels and competitor prices. This was clear from the evidence that about two-thirds of candidates scored 3 or 4 marks. However, what this also shows is something written in every examiners' report since this unit started in 2018; most candidates still make no attempt to contextualise their responses, something which is necessary for a mark of 5 or more.

Exemplar 7 shows a good level of understanding of both pricing factors but contains no reference to the context presented throughout Section B about Supreme Salons and the hairdressing industry. This is the candidate's complete response and shows how brief a response can be to achieve this non-contextual response, scoring a maximum of 4 marks. Many responses were twice the length (or longer) but still only scored 3 or 4 marks, as they contained no context.

Once a response contains some relevant context (this is summarised at the end of the guidance column in the mark scheme) it can be straightforward to achieve a Level 4 response, as long as the candidate makes a supported decision. Exemplar 8 is an extract from a rare full-mark response. Note how there is reference to the specific target market (families with young children) which may make targeting income levels difficult. Then, when referring to competitor prices, the very competitive nature of the hairdressing market (mentioned in the information provided at the start of Section B) is used to contextualise the response. Having discussed both factors, in context, the final paragraph makes a decision that using income levels of target customers is a more sensible option, in comparison with the alternative.

If the business considers the Income level 101
Of customers , setting a high price coald
mean that some customers can not afford
it or customers are not willing to pay
such a high price for a bottle of snampoo
and go to another store or competitors
to buy. Bue it setting a low price of
Could affract customers meaning that they can
also afford it but other so if price set
to low customers may think it's bad
quality, and put them off,
If On the other hand it the Business
considers competitor pricing and you are in
a competitive industrial trying to muten
your competitors pricing or knying to beat
them courd ruin your profit margin and
pue your business ar a risk of 1055. But
keeping an close eye to your competitors
and trying to neep up with them aspecially
when you don't have a lot of competitors
Ground you could help to have a profil-
and sales ass you attract more customers
and steat customers of your competitors.

Over all in My opinion considering the
In come lever will be the best option as
you won't have to take a visu and you
COULD target customers at a lower income
3
and make sales and profit and eventicially
raise price slowly slowly meaning mat
you will be able to maximize ex sells.

it. On the other hand my company turgets members
of a Gamily who are unable to access a hair
- diesser due to young Old Aud Children This is a
wide Group Market and Selting a price that Can be
appealing to all of their Wall be difficult.
Setter Haerdiessing is a very Competitives but market and
it is important to use market research to check the
price of ampetitus and nates your Celling price
with their. This nears autiness will be less
likely to use they businesses Just because they
have better prees Atthough, quality is very
important is hairliessing and pronden better quality
, due to ansumer that, may be more effective than
matching Competitive prices.
Overall using competitue to price your my Shampoo
World heep the market Competitive however it would
leud to less differentiation between Companies Gem
the Customer paint of view. While using income
of two the target audience allers us to set a
Give Duca that would appear to my topped and one
and attend new autimes. Therefore making it the optimel
and attend new Custimes . Therefore Mohene, it the cotings way to price my new product. Optimal

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