

**Cambridge National**

**Enterprise and Marketing**

**R064/01: Enterprise and marketing concepts**

Level 1/2 Cambridge National Certificate/Award

**Mark Scheme for January 2022**

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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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## 1. Annotations

Annotation	Meaning
	Correct
	Incorrect
	Not sure what the candidate is trying to say, or it does not make sense.
<b>BOD</b>	Benefit of doubt given (counts as a mark)
<b>L1</b> <b>L2</b> <b>L3</b> <b>L4</b>	Levels of response awarded at this point (only to be used in Q25)
<b>CONT</b>	Context (Q25 only)
<b>NE</b>	Not Evaluation (Q25 only – to show that a seemingly evaluative answer has not been awarded due to it being generic)
<b>OFR</b>	Own figure rule (counts as a mark)
<b>TV</b>	Too vague
<b>NAQ</b>	Not answered the question (what has been written is not relevant)
<b>NUT</b>	Not used the context (generic)
<b>REP</b>	Repetition. The candidate has merely restated what has already been said and so no further credit given.
<b>SEEN</b>	The paragraph or answer has been seen but no reward given.

**EVERY QUESTION AND/OR PAGE, INCLUDING BLANK PAGES (use the BP annotation on pp.15/16), 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 24 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 25 must **NOT** use ticks. The level indicators, L1, L2, L3, L4 **MUST** be used to signify the mark.

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

Question	Answer	Marks	Guidance
<b>SECTION B</b>			
17		4	Award one mark for correctly matching each functional area with the activity, up to a maximum of four marks.

Question		Answer	Marks	Guidance
18	a	<p><b>Identify three primary market research methods you could use.</b></p> <p><b><u>Indicative Content</u></b></p> <ul style="list-style-type: none"> <li>• Observations</li> <li>• Questionnaires</li> <li>• Interviews</li> <li>• Surveys/polls</li> <li>• Focus groups</li> <li>• Consumer trials</li> </ul>	3	<p><b>Award one mark for each method, up to a maximum of three marks.</b></p> <p>'Feedback' is too vague (<b>TV</b>)</p> <p>Study group or similar is <b>BOD</b></p> <p>No reward for only stating the media used (e.g., online or face-to-face)</p>
18	b	<p><b>Identify three ways you could segment the market.</b></p> <p><b><u>Indicative Content</u></b></p> <ul style="list-style-type: none"> <li>• Age</li> <li>• Gender</li> <li>• Occupation</li> <li>• Income/Wealth</li> <li>• Geographic/Location</li> <li>• Lifestyle/Behaviour</li> </ul>	3	<p><b>Award one mark for each method of segmentation, up to a maximum of three marks.</b></p> <p>Allow specific examples of each segmentation type, e.g., young &amp; old, where people live.</p> <p>Accept 'hobbies/interests' as an example of lifestyle segmentation</p> <p>Accept 'Religion' and 'Ethnicity' as methods</p> <p>'Demographics' is too vague (<b>TV</b>)</p>

Question	Answer	Marks	Guidance
18	<p data-bbox="277 217 331 240">c</p> <p data-bbox="344 217 1245 280"><b>State and explain two advantages of you segmenting the market for jewellery.</b></p> <p data-bbox="344 320 607 344"><b><u>Indicative Content</u></b></p> <ul data-bbox="344 357 1279 632" style="list-style-type: none"> <li>• Ensures customer needs are matched/met <u>or</u> better understand customers</li> <li>• Potential for increased profits/profitability/prevent future losses</li> <li>• Increased customer retention/numbers/sell more</li> <li>• Allows for targeted marketing/no wasted marketing/know who to aim the marketing at</li> <li>• Potential for an increase in market share/identify gaps in the market</li> <li>• Reduces the risks (of failure)</li> </ul> <p data-bbox="344 671 622 695"><b><u>Example responses</u></b></p> <p data-bbox="344 708 1234 772">Products can better meet customer needs <b>(1)</b> by producing jewellery better suited to different age groups <b>(1)</b>.</p> <p data-bbox="344 812 1272 876">More profits will be made <b>(1)</b> as I can charge different prices to different income groups <b>(1)</b>.</p> <p data-bbox="1218 908 1279 932" style="text-align: right;"><b>ARA</b></p>	4	<p data-bbox="1420 217 2056 344"><b>Award one mark for each identified advantage of segmenting the market and one mark for a development of this advantage, up to a maximum of two advantages.</b></p> <p data-bbox="1420 384 2033 448">Each advantage must be different but does not need to be in context.</p> <p data-bbox="1420 488 1995 584">The advantage must make (at least implicit) reference to one of the bullet points in the indicative content list</p> <p data-bbox="1420 624 2047 687">Allow the advantage to be rewarded if it is found within the explanation</p> <p data-bbox="1420 727 2018 791">The advantage needs to say more than “to be more successful”</p> <p data-bbox="1420 831 2033 991">Ensure that the explanation adds something to the advantage <u>and</u> is about segmentation (i.e., the splitting up of a market into different groups rather than simply focusing the product on one group of customers.)</p> <p data-bbox="1420 1031 2056 1094">No reward for answers which explain methods of segmentation rather than their advantages</p>

Question		Answer	Marks	Guidance
19	a	<p><b>Explain one legal requirement of setting up your business as a sole trader.</b></p> <p><b><u>Indicative Content</u></b></p> <ul style="list-style-type: none"> <li>• Register business (with HMRC) - to pay VAT / tax on profits</li> <li>• Obtain a license to trade – to give permission to sell products</li> <li>• Complete a self-assessment tax return – as you are self-employed</li> <li>• Keep records of your business – e.g., sales and expenses</li> </ul> <p><b><u>Example response</u></b> Register my business (1) so that I can pay VAT (1).</p> <p style="text-align: right;"><b>ARA</b></p>	2	<p><b>Award one mark for a legal requirement of <u>setting up a business</u> and one mark for an explanation of it.</b></p> <p>No reward for general legal requirements (e.g., health &amp; safety, copyright etc.)</p> <p>Accept ‘fill in a form <u>to register a business</u>’</p>
19	b	<p><b><u>Other than legal requirements</u>, analyse two disadvantages of running your business as a sole trader.</b></p> <p><b><u>Indicative Content</u></b> Disadvantages may include:</p> <ul style="list-style-type: none"> <li>• Nobody to share decision making with</li> <li>• Unlimited liability/must repay all debts</li> <li>• The sole trader may have to work long hours</li> <li>• The business is unlikely to operate if the sole trader is unable to work due to illness/holidays</li> <li>• The sole trader will struggle to take holidays (no payment during holidays and there may be nobody to run the business)</li> <li>• The sole trader may struggle to obtain additional finance, e.g., banks may consider sole trader businesses as a higher risk</li> <li>• The sole trader may lack experience/expertise in some functional areas of the business, e.g., finance</li> </ul> <p><b><u>Example responses</u></b> Unlimited liability (1) which means that I am responsible for all business debts if the business fails (1). This may result in me having to sell my house/car (1).</p>	6	<p><b>Award one mark for each disadvantage, up to a maximum of two marks.</b> <b>AND</b> <b>Award one further mark for an explanation of each disadvantage, up to a maximum of two marks</b> <b>AND</b> <b>Award one further mark for analysis of each disadvantage (<u>by showing the impact on the business/you</u>), up to a maximum of two marks.</b></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>Ensure the third mark is for a tangible impact on the owner/business (‘affects the future’ or ‘could be disorganised’, for example, are too vague.)</p>



Question	Answer	Marks	Guidance
	<p>I may be unable to easily raise additional finance (1), as lenders may believe that I have a greater risk of failure (1) so I may struggle to grow the business (1).</p> <p style="text-align: right;"><b>ARA</b></p>		<p>A disadvantage which refers to 'limited liability' and then proceeds to explain unlimited liability <u>cannot gain any marks at all</u> (contradictory response)</p> <p><u>Do not reward any answers which are about legal requirements (NAQ)</u></p>
20	<p><b>Analyse one advantage and one disadvantage for your business of using price skimming.</b></p> <p><b><u>Indicative Content</u></b>  Advantages may include:</p> <ul style="list-style-type: none"> <li>• Profits can be increased</li> <li>• High price may help to cover high development costs</li> <li>• High price may signal 'high quality'/provide a good image</li> </ul> <p>Disadvantages may include:</p> <ul style="list-style-type: none"> <li>• High price may deter some customers/revenue may be lost</li> <li>• May be challenging to enter the market</li> <li>• Competitors may 'undercut' the business with a lower price</li> <li>• Only normally successful if the product/service is unique</li> </ul> <p><b><u>Example responses</u></b>  This will help increase profits (1) as high prices will increase my revenue (1). This will help to cover the costs of developing the product (1).</p> <p>Many customers may not buy the high-priced product (1) as they cannot afford it (1), which will reduce my sales revenue (1).</p> <p style="text-align: right;"><b>ARA</b></p>	6	<p><b>Award one mark for one advantage <u>and</u> one mark for one disadvantage</b>  <b>AND</b>  <b>Award one further mark for an explanation of the advantage and one mark for explanation of the disadvantage</b>  <b>AND</b>  <b>Award one further mark for each analysis of the advantage/disadvantage (<u>by showing the impact on the business/you</u>), up to a maximum of one mark each.</b></p> <p>The third mark in each case may be awarded independently from the second mark for explanation</p> <p>No reward for any answers which suggest price skimming involves setting low prices</p> <p>No reward for a disadvantage which considers what happens after a price skimming campaign (i.e., any eventual drop in price).</p>

Question	Answer	Marks	Guidance
21 a	<p><b>Calculate how many bracelets you sell in an average month.</b></p> <p>Number of sales = <math>\frac{\text{Total revenue}}{\text{Selling price}}</math> (1)</p> <p>Number of sales = <math>\frac{£487.50}{£3.25}</math></p> <p>Number of sales = <b>150 (1)</b></p>	2	<p><b>Award one mark for using the correct formula (may be implied by use of numbers)</b></p> <p><b>Award one mark for correct calculation of 150</b></p> <p>Correct answer of 150 should be awarded full marks (with or without workings)</p>
b	<p><b>Calculate the amount of profit made per year.</b></p> <p>Profit = Sales revenue – Total costs</p> <p>Total costs per month = £80 + £35 Total costs per month = £115 (1)</p> <p>Profit per month = £487.50 - £115 = £372.50 (1)</p> <p>Profit per year = £372.50 x 12 = <b>£4470 (1) (OFR)</b></p> <p><u>Alternative method</u> TC per year = £115 x 12 = £1380 (1)</p> <p>TR per year = £487.50 x 12 = £5850 (1)</p> <p>Profit per year = £5850 - £1380 = <b>£4470 (1) (OFR)</b></p>	3	<p><b>Award one mark for correctly calculating the total costs per month</b></p> <p><b>Award one mark for correctly calculating the profit per month</b></p> <p><b>Award one mark for correctly calculating the profit per year (OFR)</b></p> <p>Correct answer of £4470 should be awarded full marks (with or without workings)</p> <p>Within the alternative method, one mark may be awarded for a correct process and answer of multiplying by 12, as long as the number being multiplied is clearly the result of a previous calculation. (OFR)</p>

Question	Answer	Marks	Guidance
	<p><b>c</b></p> <p><b>State three examples of a fixed cost.</b></p> <p><b><u>Indicative Content</u></b></p> <ul style="list-style-type: none"> <li>• Rent/mortgage</li> <li>• Loan interest/repayment</li> <li>• Insurance</li> <li>• Advertising</li> <li>• Salaries</li> <li>• Utilities (e.g., water, electricity, gas)</li> </ul>	3	<p><b>Award one mark for each fixed cost, up to a maximum of three marks.</b></p> <p>'Wages' is not rewardable as it is listed as a 'variable' cost in the specification</p> <p>Only accept one answer from each bullet point</p> <p>'Bills' is <b>TV</b></p>
22	<p><b>a</b></p> <p><b>Identify two organisations that may award a small business grant.</b></p> <p><b><u>Indicative Content</u></b></p> <ul style="list-style-type: none"> <li>• Banks</li> <li>• Government</li> <li>• Charities</li> <li>• Local authority / (local) council</li> </ul>	2	<p><b>Award one mark for each organisation, up to a maximum of two marks.</b></p> <p>Only allow one example from any one category</p> <p>No reward for any other providers of loans or start-up capital (e.g., business angels, crowdfunding).</p>
22	<p><b>b</b></p> <p><b>State and explain two disadvantages of raising capital using a small business grant.</b></p> <p><b><u>Indicative Content</u></b></p> <ul style="list-style-type: none"> <li>• Funds may be hard to obtain - strict qualifying criteria</li> <li>• Only a limited amount of funding available – so may not be successful in gaining funding</li> <li>• Takes time - may have to complete a lengthy application form / business plan</li> <li>• A lot of other business owners are likely to apply for the capital – the process is very competitive</li> <li>• May be rules to follow because of receiving the grant – this may affect how you operate the business</li> </ul> <p><b><u>Example responses</u></b></p>	4	<p><b>Award one mark for each disadvantage of using a small business grant and one mark for each explanation, up to a maximum of two disadvantages.</b></p> <p>Make sure that the two disadvantages are clearly different</p> <p>Make sure that the explanation adds more to the disadvantage</p> <p>No reward for answers which consider the disadvantages of generally raising capital (e.g., may not be enough capital).</p>

Question	Answer	Marks	Guidance
	<p>My business may not qualify for a grant (1) as the conditions to apply may be strict (1)</p> <p>A long application form may need to be completed (1) which be a waste of time if I am refused funding (1)</p> <p style="text-align: right;"><b>ARA</b></p>		
23	<p><b>a</b> <b>What is the name of this diagram?</b></p> <p>Product lifecycle (1)</p>	1	<p><b>Award one mark for correctly stating the name of the model.</b></p> <p>The key words to look for are 'product life' <u>or</u> 'life cycle'</p>
	<p><b>b</b> <b>What is the name of the stages labelled A, B and C?</b></p> <p><b>A.</b> (Research &amp;) Development (1)  <b>B.</b> Growth (1)  <b>C.</b> Maturity/Saturation/Stabilisation (1)</p>	3	<p><b>Award one mark for each correct answer, up to three marks.</b></p>
	<p><b>c</b> <b>State and explain two methods to differentiate the products you sell.</b></p> <p><b><u>Indicative Content</u></b></p> <ul style="list-style-type: none"> <li>• <u>Creating a strong</u> brand image / name</li> <li>• Changing an element of the design mix, e.g., function, cost, appearance/aesthetics</li> <li>• Create a Unique Selling Point (USP)</li> <li>• <u>Improved</u> offering, e.g., features, location, selling price</li> <li>• Packaging</li> </ul> <p><b><u>Example responses</u></b></p> <p>A strong/clear brand (1) would make the products appear different to others on the market (1)</p> <p>New packaging (1) may create a temptation for new customers to buy the product (1)</p> <p style="text-align: right;"><b>ARA</b></p>	4	<p><b>Award one mark for each method of differentiation and one mark for an explanation of each method, up to a maximum of two methods.</b></p> <p>Ensure that the two methods are different although they may both come from the design mix or improvements to offering of the product</p> <p>Make sure the explanation is adding something to the knowledge and is not just a repeat of it</p> <p>Any reference to brand name/image/logo <b>MUST</b> include a reference to strong/unique/bold or similar</p> <p>Allow references to quality/adding value if there is a relevant explanation</p>

Question	Answer	Marks	Guidance
			Only accept an answer about changing price as an explanation of improved offering (or similar)
24	<p><b>Analyse two appropriate methods that you could use to obtain customer feedback before you start designing new items of jewellery.</b></p> <p><b><u>Indicative Content</u></b></p> <ul style="list-style-type: none"> <li>• Social media / online communities or forums (with reviews/ comments/ratings)</li> <li>• Surveys / questionnaires</li> <li>• Customer comment cards</li> <li>• Comments made to staff members / face-to-face comments to employees</li> <li>• Telephone/email</li> <li>• Email contact forms</li> </ul> <p><b><u>Example responses</u></b></p> <p>Social media <b>(1)</b>. Many customers will add comments regarding the quality of my jewellery <b>(1)</b> which I can review to gain an insight into how customers rate my products <b>(1)</b>.</p> <p>I could email a form to customers <b>(1)</b> with a series of questions on specific aspects <b>(1)</b> which I can analyse to find out what customers want <b>(1)</b>.</p>	6	<p><b>Award one mark for each method, up to a maximum of two marks.</b></p> <p><b>AND</b></p> <p><b>Award one further mark for each explanation, up to a maximum of two marks.</b></p> <p><b>AND</b></p> <p><b>Award one further mark for analysis of how each method collects customer feedback (<u>by showing the usefulness for your business</u>), up to a maximum of two marks.</b></p> <p>The third mark in each case may be awarded independently from the second mark for explanation</p> <p>The explanation (second mark) needs to exemplify the method rather than being about what the business gains from the method</p> <p>Do not accept focus groups</p>

Question	Answer	Marks	Guidance
25	<p><b>Recommend which of these two advertising methods you think should be used. Justify your answer.</b></p> <p><b><u>Indicative Content</u></b> Local newspaper:</p> <ul style="list-style-type: none"> <li>• A local newspaper will target customers in a small geographic area</li> <li>• The advert can contain complex information in writing as well as pictures of the product</li> <li>• A local newspaper may be published weekly and so the advert has a one week 'shelf life'</li> <li>• A local newspaper is particularly effective at targeting older people</li> <li>• The advert may be 'missed' if there are lots of other adverts on the page</li> </ul> <p>Local radio:</p> <ul style="list-style-type: none"> <li>• The timing of the radio advert can be targeted at a specific type of customer, e.g., time of day - early morning/evening when people are driving to/from work/school, or type of programme</li> <li>• Speech and music can be used to attract attention</li> <li>• The radio may become 'background' noise and may be missed by listeners</li> <li>• Listeners often turn off their radio when the adverts appear or channel surf</li> <li>• Complex information may be lost as there is no written record / the listener may not note key information</li> </ul> <p><b><u>Example response</u></b> An advert in the local newspaper will target local people (L1) and will be relatively cheap (L2) As I only sell my bracelets locally <u>via social media and the market stall</u> it will help to develop my business's sales in this local area only (L3).</p>	8	<p><b><u>Levels of response</u></b></p> <p><b>L1 (1-2 marks)</b> <b>Identifies knowledge of one/both methods of advertising</b></p> <p><b>L2 (3-4 marks)</b> <b>Explains one/both methods of advertising</b></p> <p><b>L3 (5-6 marks)</b> <b>Analyses one/both methods of advertising <u>in context</u></b></p> <p><b>L4 (7-8 marks)</b> <b>Evaluates at least one method (once L3 has been achieved)</b></p> <p><b><u>A justified recommendation based on analysis of each method and/or a comparison must be made for full marks</u></b></p> <p>Award the bottom mark of each level if only one of the methods is considered</p> <p><b><u>Available context to reward at L3/L4</u></b></p> <ul style="list-style-type: none"> <li>• You are a new business/start up</li> <li>• Business sells bracelets</li> <li>• Jewellery is a common gift/present</li> <li>• Produced bracelets for a number of years</li> <li>• Products are different to those sold in other local shops</li> <li>• Sole trader</li> <li>• Sell bracelets on buy &amp; sell social media site and at a local market stall</li> <li>• Funded via a small business grant</li> </ul>

Question	Answer	Marks	Guidance
	<p>A radio advert may gain more attention due to the use of sound/music <b>(L1)</b> and it can be aired at specific times of the day <b>(L2)</b> only when my target market is likely to be listening. As <u>I am a new business</u>, this will increase the efficiency of the money that I spend on advertising <b>(L3)</b>.</p> <p>I feel that a radio advert is the most effective way to advertise. My business is funded using a small business grant so will have limited funds to spend <b>(L4)</b>. By using radio, although more expensive, I can ensure that advertising funds spent are targeted to the times that my target market listen <b>(L4)</b>.</p> <p style="text-align: right;"><b>ARA</b></p>		<ul style="list-style-type: none"> <li>• Price skimming</li> <li>• Carry out all functional activities yourself</li> <li>• Feels customer feedback is important when developing products/customer service</li> </ul> <p><b>NB1:</b> Do <b>NOT</b> award any context for just referring to the local nature of the market/business</p> <p><b>NB2:</b> No context rewardable for references to being able to 'see' a newspaper advert or 'hear' a radio advert</p> <p>Any context must be used to aid analysis or evaluation rather than just stated</p>

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