

CAMBRIDGE NATIONALS

Examiners' report

ENTERPRISE AND MARKETING

J819

R064 January 2023 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 answers 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

The candidate entry returned to its pre-COVID level. The experienced examining team reported that the examination allowed clear differentiation, with a range of questions which allowed all candidates to show appropriate knowledge and understanding, as well as some challenging questions which were only well-answered by more able candidates.

There was very little evidence of time pressures and most candidates appeared to be comfortable with the context about an individual buying into a restaurant franchise.

Candidates who did well on this paper generally did the following:	Candidates who did less well on this paper generally did the following:
<ul style="list-style-type: none"> • scored well on Section A • applied their responses, where required, to the context of a business starting up as a franchisee • wrote concise responses which did not repeat the question and where any explanation added to the initial point made, rather than merely repeating it • showed a wide-ranging knowledge of the specification. 	<ul style="list-style-type: none"> • wrote responses which were either too brief or unclear • were unable to explain or exemplify their responses • when asked for two or more responses gave ones which were too similar • had significant gaps in their knowledge of the specification.

Section A overview

As always, the multiple choice questions differentiated excellently, with many candidates getting all 16 correct and, at the other extreme, some only gaining 2 or 3 marks. Most candidates scored at least 10 marks on this section.

Only three questions saw a success rate of less than 60% (covered in detail below) and for most questions more than 75% of candidates knew the correct answer.

Question 3

3 Which of these is **not always** a feature of a partnership?

- (a) Decision making is shared
- (b) Each partner must register with HMRC
- (c) Limited liability
- (d) Profits are shared between partners

[1]

This question tested knowledge of partnerships (including limited liability partnerships). Limited liability is only a feature of a limited liability partnership and so it is correct to say that it is **not always** a feature. All other options are a standard feature of all types of partnership.

Question 12

- 12** Nina wants to calculate the average revenue that her business generates each week. She has collected the following figures for the month of February, which has four weeks.

Total fixed costs	£5000
Total variable costs	£3500
Selling price	£17.95
Number of products sold	552

The average revenue each week during the month of February is:

- (a) £352.10
 (b) £1408.40
 (c) £2477.10
 (d) £9908.40

[1]

This was the least well answered question in Section A, with less than a third of candidates answering it correctly. This was due to a combination of candidates being less comfortable with numbers and not reading the question carefully. The latter led to many incorrect responses of D which is the answer for the whole of February, as opposed to one week.

Question 14

- 14** Company logistics are organised within the

- (a) Finance function
 (b) Human Resources function
 (c) Marketing function
 (d) Operations function

[1]

Unlike the two questions above, this question was not one of those designed to be more demanding. Less than half of candidates were able to correctly identify logistics to be part of the Operations function. This continues a theme from previous papers, with many candidates unable to identify what activities the different business functions perform.

Section B overview

This is the first time that the context for Section B was based around a franchise operation. This did cause a challenge for some candidates who did not apply some of their responses appropriately. However, there were also some excellent responses which were well applied to the circumstances facing a new franchisee.

Performance on this section saw some excellent work from many candidates, although the topics of competitive pricing, customer service, and crowdfunding were not well answered. Omit rates were a little higher than normal; in particular, questions 24 and 25(b) were above 10%.

Question 17 (a)

You see an advertisement inviting people to apply to set up a Vegan Delights franchise, a nationwide chain of restaurants specialising in vegan food. You have always wanted to run your own restaurant. You decide to find out more about becoming a Vegan Delights franchisee.

Before deciding whether to apply to become a Vegan Delights franchisee, you carry out some local market research using an online survey.

17 (a) State **one** purpose of carrying out market research.

.....
..... [1]

This was very well answered with most candidates able to identify a purpose of market research. A small number of candidates did not achieve the mark due to giving responses about the generic understanding of a business.

Question 17 (b)

(b) State and explain **two** advantages of using an online survey to carry out your market research.

Advantage 1

Explanation

Advantage 2

Explanation

[4]

This was one of the less well answered questions on the paper. Many candidates only considered the advantages of a survey in general and did not pay attention to a key word in the question – online. Exemplar 1 clearly shows this.

In addition, some lower ability responses gave generic primary research benefits or, when providing an explanation for their advantage, repeated the point again without developing it.

Exemplar 1

Advantage 1 *Time efficient*

Explanation *People who are surfing the web most of the time could fill out an online survey quickly and efficiently. It is also quick to make.*

Advantage 2 *Cheap*

Explanation *there is no price in making an online survey; this will help keep your spending limit of your money low.*

[4]

Exemplar 1 shows the difference between an answer which is an advantage of using an online survey as opposed to a survey in general.

Advantage 1 is a correct example (it is “time efficient” as per the indicative content on the mark scheme) and is clearly about a survey being online. There is reference to “surfing the web”; some candidates made specific reference to examples of online surveys, such as ‘Survey Monkey’. This scored 2 marks.

On the other hand, Advantage 2 could apply to any survey, online or otherwise. The actual advantage (“cheap”) is correct, but the explanation does not make clear how being an online survey makes it cheap. For example, higher ability responses referred to not needing to print out questionnaires or not paying for people to stand in the street asking questions. As this second advantage was purely generic it only gained 1 mark.

Question 17 (c)

(c) Identify **two** other primary market research methods that you could have used.

1

2

[2]

Most candidates were able to name two other primary market research methods. A small number of candidates either ignored the requirement to name a different method other than a survey or named a secondary market research source.

Question 18 (a)

- 18 Vegan Delights offers two set meal options: one for children and one for adults. You have calculated the costs for each meal option. The price for each meal is set by the franchisor.

	Children	Adults
Fixed costs per week	£1000	£1500
Variable cost per customer	£5	£8
Price	£15	£20

$$\text{Break-even formula} = \frac{\text{Fixed costs}}{\text{Selling price per unit} - \text{Variable cost per unit}}$$

- (a) Using the break-even formula, calculate the difference in the break-even point for the children's set meal and the adult's set meal.

Show your workings.

Answer

[5]

About three quarters of candidates scored 4 or 5 marks for this break-even calculation. The main error was giving an answer in the wrong units (usually £). A small number of candidates were able to correctly set out their calculation using the formula but then made an 'order of operations' error (BODMAS). In these cases, it was still possible to score up to 3 marks.

Question 18 (b)

(b) Identify **two** examples of variable costs for this type of business.

1

2

[2]

Most candidates were able to name at least one variable cost, with the most popular responses being packaging and wages. A number of candidates also gave contextually based responses, such as specific examples of ingredients. Given the nature of the case study, on this occasion, two examples from the same bullet point were rewarded.

A few candidates gave examples of fixed costs, including utilities, salaries, and equipment.

Question 18 (c)

(c) Your market research forecasts that 115 customers will purchase the children's set meal option during an average week.

Calculate the forecast profit or loss for the children's set meal option during an average week.

Show your workings and identify if you will make a profit or loss.

Answer £ profit/loss

[4]

This second calculation was done less well than the previous one, with fewer full mark responses than Q18(a). Most candidates were able to calculate the sales revenue but then were unsure how to calculate variable costs. Some only included one unit of variable cost (£5) and others ignored it completely. As long as the working was clear, it was possible to give some credit to the working and wrong answer (only 20% of candidates did not gain at least 1 mark).

A surprisingly large number of candidates did not indicate that the answer was a profit (as instructed) so were unable to gain the fourth mark.

Question 19 (a) and (b)

19 You decide to become a Vegan Delights franchisee. As part of your application, you must produce a business plan.

(a) Identify **three** items you may wish to include in your business plan.

- 1
- 2
- 3

[3]

(b) State and explain **two** possible reasons why the franchisor has asked you for a business plan.

Reason 1

.....

Explanation

.....

Reason 2

.....

Explanation

.....

[4]

Both parts of this question about business plans were not answered well. Half of the candidates scored no more than 1 mark on part (a), as they did not know what was contained in a business plan or had multiple responses from the same area of a business plan, e.g., financial forecasts.

The second part of the question was also not well answered. This was most often a case of candidates not reading the question and so not considering what the franchisor would want to see. For example, some candidates wrote about using the business plan to support a loan application which is not relevant in this context – it is not why the franchisor would want to see the business plan.

The most common mark on this question was 2. This was often due to the two reasons being poorly explained as to why the franchisor would want this information, or only one correct reason being given. Many lower ability responses referred to general benefits of creating a business plan, as opposed to what it is used for.

There were a small number of higher ability responses which showed good understanding of why a franchisor would want to see a business plan from a potential franchisee. The most common responses were whether the franchisee is suitable to run a franchise, and whether the franchisee shows themselves to be financially viable.

Assessment for learning



It is important when preparing candidates that the knowledge and understanding element of the specification is taught with a contextual underpinning. There are many examples throughout the specification where reference is made to ensuring that responses are appropriate to the context of the business or the issues being faced by the business. In the case of business plans, the exemplification for LO5.3 states, "To include who may wish to see a business plan and for what purpose." The purpose of a bank, for example, of looking at a business plan will be different in many ways to the purpose of a franchisor.

Question 20

20 Analyse **two** advantages for you of operating your business as a franchisee.

1

.....

.....

2

.....

.....

[6]

This question about the advantages of operating as a franchise produced a full range of responses. At one extreme, about a fifth of responses showed strong analysis, with the most common advantages being about the help and support received from the franchisor, the benefits of a strong brand name, or the marketing being done for you.

At the other extreme, about a third of candidates gained no marks, as they often suggested limited liability as an advantage (although franchisees may be sole traders or partnerships) or answered the question from the point of view of the franchisor, e.g., 'it allows for easy expansion of the business'.

Some responses did not always reach their potential as candidates did not create a consistent line of logic in their reasoning, often switching from point to point. The guidance section in the mark scheme clearly sets out what examiners are looking for to be able to award all 3 marks for each advantage. Exemplar 2 is a good example of a clearly structured answer.

Exemplar 2

- Already known
- trained

10

20 Analyse two advantages for you of operating your business as a franchisee.

1 One advantage of operating as a franchise is that the company is already well known. For example Vegan Delights will already have loyal customers and people that know about it. ~~It~~ Because it is ~~it~~ already known, it is easy to gain customers as they already know of the brand. This will mean the business will get lots of ~~lots~~ sales and it will be quicker.

2 Another advantage is that the ~~franchisor~~ ~~can give~~ franchisee ~~of~~ can be given advice and be trained. This means they can know how to ~~better~~ meet the customer's needs and wants better. The franchisee will know what they are doing and how to gain customers and this will result in more profit for the business.

[6]

This exemplar shows a clearly structured answer which both answers the question and makes it easy for the examiner to identify the three stages which each gain a mark.

For each advantage, it is first stated (well-known / advice given) then exemplified (will already have loyal customers / they know how to meet customers' needs) and finally a tangible impact on the business is given (sales will be quicker / more profit).

Question 21

- 21 You are invited to a meeting at Vegan Delights' head office to find out about the work of the different functional areas.

From the options below, link **one** activity for each of the three functional areas. You should only draw **three** lines.

Functional Area	Activity
	Finding out customer opinions
Operations	Calculating the annual profit
Human Resources	Controlling stock levels
Marketing	Ensuring health and safety in the workplace
	Monitoring cash flow

[3]

A majority of candidates scored full marks on this question, but a significant number got one or more of the responses incorrect. Once again, this shows the generally poor level of understanding of what each business function is responsible for. The most common mistake was with regards to what the Operations functional area is responsible for.

A small number of candidates did not follow the instruction for this question and drew more than three lines.

Question 22 (a) and (b)

22 The prices set by the Vegan Delights' franchisor are based on a strategy of competitive pricing.

(a) State and explain **one** advantage and **one** disadvantage of using competitive pricing.

Advantage

.....

Explanation

.....

Disadvantage

.....

Explanation

.....

[4]

(b) Identify **two** other pricing strategies which a business could use.

1

2

[2]

Although most candidates could name two pricing strategies, there was very limited understanding of competitive pricing. Most thought that competitive pricing meant to set a price below competitors, rather than at the same price as competitors.

When candidates did understand the term, it was most often with regards to a disadvantage by referencing the impact this may have on your profit margin. This explains why very few candidates scored more than 2 marks on this question.

Assessment for learning



When questions are set to name pricing strategies they are usually answered well. On the other hand, understanding of the four pricing strategies listed on the specification tends to be poor. Centres need to ensure that candidates understand the strategies rather than just being able to name them.

Question 23

23 Customer service is an important way to attract and retain customers.

Analyse **one** way you could use customer service to attract and retain customers.

.....

.....

.....

.....

.....

.....

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.....

.....

..... **[3]**

This was one of the least well answered questions on the paper with less than half of candidates scoring at least 2 marks. This was either due to candidates misreading the question, and writing about why customer service is important, or not knowing a correct method of customer service. The specification lists three methods. Most correct responses referred to either product knowledge or after-sales service. Attempts to refer to the third option, customer engagement, often strayed into general responses about 'being polite to customers' which is not the same as customer service.

Lower ability responses often confused customer service with customer feedback or incorrectly suggested loyalty schemes and discounts as being a part of customer service.

Question 24

24 Vegan Delights charges a large franchise fee to each new franchisee. You decide to raise the capital for this by using crowdfunding.

Analyse **two disadvantages** of using crowdfunding to raise this capital.

1

.....

.....

.....

2

.....

.....

.....

.....

.....

.....

..... **[6]**

This was the least well answered of the two 6-mark questions, with few candidates scoring more than 3 marks. Many struggled to identify the disadvantages of crowdfunding or identified advantages instead. There was a lot of evidence of significant confusion about how crowdfunding works, with many suggesting that it led to changes in the owner's liability or that the money would eventually have to be repaid (like a loan) once the business was successful.

Many candidates, not knowing what crowdfunding referred to, used this question as an opportunity to explain why people might not want to support a vegan restaurant as it is a short-term fad which will quickly go out of fashion, or that it would not create enough interest from potential investors.

The small number of higher ability responses tended to focus on the difficulty of reaching the funding target when using crowdfunding and its time-consuming nature.

Question 25 (a)

25 (a) State **three** stages of the product lifecycle.

- 1
- 2
- 3

[3]

This was generally well answered, although examiners did see quite a few examples of business cycle terms in incorrect responses.

Question 25 (b)

(b) State and explain **two** extension strategies which you could use in the future.

Strategy 1

.....

Explanation

.....

Strategy 2

.....

Explanation

.....

[4]

This question about extension strategies produced highly polarised responses. There were many excellent responses which clearly identified a correct extension strategy and then gave an appropriate example or explanation.

At the other extreme there were also many responses which scored no marks which usually wrote about promotional methods (e.g., BOGOF) or discounts. A smaller number of responses gained only 2 marks, as the candidate wrote about two examples of the same type of extension strategy (e.g., two ways of adding value).

Misconception



The specification is very precise about what is classed as an extension strategy by setting out five categories: advertising, price changes, adding value, exploration of new markets, and new packaging. Centres are advised to ensure that candidates are aware of what is, or is not, included in each of these categories. For example, a price change is referring to a permanent price decrease (or increase) and not a discount (which would be a method of promotion). Precise language is often important when answering questions.

Question 26

26 Vegan Delights has accepted your franchise application. You run a sales promotion to support the launch of your new vegan restaurant. You could **either** introduce a loyalty scheme **or** offer a 5% price discount.

Recommend whether it would be better for you to use a loyalty scheme **or** a 5% discount to launch your new vegan restaurant. Justify your answer.

[8]

.....

.....

.....

.....

.....

.....

This question, once again, lacked any context from most candidates which explains why 60% scored only 3 or 4 marks. Most of these responses had the correct layout in terms of advantages and disadvantages of both sales promotion methods and then a conclusion which was often very well justified. Unfortunately, the responses were completely generic which limits the mark to 4.

This lack of context in the final question has been an ongoing issue since the first examination for this qualification, but even fewer responses appeared to have any context on this occasion. It appeared that most candidates thought that simply saying 'vegan restaurant' or 'franchise' would be enough for context.

A significant number of responses gained no marks, as candidates were unable to clearly demonstrate they knew what one or both methods were referring to. Even when an attempt was made to explain the methods, the same words were used (e.g., 'a 5% discount means that prices are discounted'). This cannot be rewarded as it is tautological.

Less than 10% of responses achieved a Level 4 mark of 7 or 8. Exemplar 3 is one of these.

Exemplar 3

A loyalty scheme is where if a customer is loyal to a business and repetitively buying from it, ~~then they could be introduced to a~~ that business. By having a loyalty scheme, it can attract customers because if enough points or money are saved then free products or services, discounts, ~~gifts, or or gifts~~ are provided. Using this method would increase sales due to customers becoming excited over the idea of receiving discounts or something for free. *

A price discount is where a customer would not have to pay full price for a product or service, instead they would have to pay a lower price. Although they still have to pay the majority of the price - due to it only being a 5% discount - customers would still be encouraged to pay for products or services due to the excitement of there being a reduced price. By having a ~~loyalty scheme~~, 5% price discount, it can attract customers ~~due~~ because if they buy multiple products then there would

This exemplar continues on the next page

be a significantly lower price. But by having a 5% discount it would lower profits meaning that the franchisee would have less money. Although, discounts could be ~~posi~~ positively effect the franchise due to the chosen pricing strategy of competitive pricing it would attract competitors customers leaving you with more profit overall.

This exemplar shows both the use of context and the lack of context in an answer. The first paragraph states what a loyalty scheme is and the advantage to the business of having one. However, it is a generic answer with no reference to the context (for example, some candidates took this opportunity to reference the fact it is a nationwide franchise and how loyalty cards are common with these businesses, c.f. Starbucks). At this point the answer has reached Level 2.

The second paragraph follows the same format when discussing a price discount. The difference is that within this section the answer makes use of context about the business. It refers to how the stated policy of competitive pricing, mentioned in the stem for Q22, may work with a price discount to help increase profits. As this part of the answer is considering the impact on the business and is in context it is now at Level 3.

As this answer has now reached Level 3 any clear decision can be rewarded at Level 4. This is found in the final paragraph (on the extra sheet). A mark of 7 was awarded.

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