



Cambridge National

Enterprise and Marketing

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

Cambridge National Level 1/2 Award/Certificate

Mark Scheme for January 2019

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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.

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

Question	Answer	Marks	Guidance
SECTION B			
17	<p>(a) Identify three ways that customers' needs may vary.</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Benefits they require (may be specific to this industry) • Amount of money (price) they are able/willing to pay/their budget (NOT Income) • Quantity of goods/services (they require) • Quality of goods/services (they require) • Time and location <u>where they wish to purchase the goods</u> <p style="text-align: right;">ARA</p>	3	<p>Award one mark for an identified item to a maximum of three marks</p> <p>Accept specific examples of differing needs which are contextual to the wedding photography market (e.g. how many photographs they want, indoors or outdoors).</p> <p>Do NOT reward answers which ONLY contain the methods of segmentation (e.g. income, where the customer lives) or preferences/characteristics of customers</p>
	<p>(b) Identify and explain the most appropriate method for segmenting the market for your photography services.</p> <p><u>Indicative Content</u></p> <p>Methods include: Age, Gender, Occupation, Income, Geographic & Lifestyle.</p> <p><u>Example responses</u></p> <p>Age (1) – younger customers may want more digital pictures, but older customers want a more traditional photo album (1).</p> <p>Income (1) – may affect the price you will charge (1).</p> <p style="text-align: right;">ARA</p>	2	<p>Award one mark for an identified method of segmentation and one mark explaining why this is appropriate for this business</p> <p>The 'explanation' mark should add to the method and not just repeat it</p> <p>No mark for the explanation can be awarded if the method mark is not given (unless the method and explanation are both found in the explanation section)</p> <p>Do NOT reward 'location' as a method</p>

Question	Answer	Marks	Guidance
18	<p>Analyse two benefits of differentiating your photography services from competitors.</p> <p><u>Indicative Content</u></p> <p>Benefits may include:</p> <ul style="list-style-type: none"> • Enable a higher price to be charged • Encourage customers to choose the business over rivals/competitors • Helps the business to develop brand image/brand loyalty/brand name/helps customers to recognise the brand • USP to make you appear different from competition <p><u>Example response</u></p> <p>A strong brand image will help to prove how my photography services differ to those offered by competitors (1). This means that customers will instantly recognise my business from the brand alone (1). It means that I am likely to generate customer loyalty (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, although the impact on the business may be the same</p> <p>The third mark in each case may be awarded independently from the second mark for explanation</p> <p>Make sure the answer is about the benefit(s) of differentiating, rather than how it may be done.</p>

Question	Answer	Marks	Guidance
19	<p>(a) Explain a potential impact on your new photography services if the economy does enter an economic boom.</p> <p>An economic boom is typified by increased consumer spending, higher incomes & prices</p> <p><u>Example responses</u></p> <p>An economic boom means customers will be better off (1) so they may spend more money on your new photographic service (1).</p> <p>May be able to increase prices (1) so business is more likely to be successful (1).</p> <p style="text-align: right;">ARA</p>	2	<p>Award one mark for an impact and one mark for further development of the impact.</p>
	<p>(b) Apart from 'boom', identify two other stages of the business cycle.</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Growth or Recovery • Recession or Downturn • Slump or Depression or Trough or Decline 	2	<p>Award one mark for an identified item to a maximum of two marks</p> <p>Do not reward 'boom' (or similar) as that is excluded in the question</p> <p>Only reward one word from each bullet point</p>

Question	Answer	Marks	Guidance
(c)	<p>State and explain two legal issues which may affect your new business.</p> <p><u>Indicative Content</u></p> <p>Issues may include:</p> <ul style="list-style-type: none"> • Copyright • Patents • Product safety • Health and safety • Employment legislation • Permission to take photos on private property <p><u>Example response</u></p> <p>Copyright (1). I may need to pay a fee to use an image (1).</p> <p>Health & safety (1). May need to spend money to ensure workforce is protected (1).</p> <p style="text-align: right;">ARA</p>	4	<p>Award one mark for each identified issue and one mark for the explanation of the issue.</p> <p>Two <u>separate</u> legal issues to be identified and explained up to a maximum of four marks</p> <p>No context required</p>

Question	Answer	Marks	Guidance
20	<p>Identify one secondary market research source which you could use and explain one benefit of using this method.</p> <p><u>Indicative Content</u></p> <p>Secondary market research sources may include:</p> <ul style="list-style-type: none"> • Internal data • Books/newspapers/magazines • Competitors' data • Government publications and statistics • Purchased research material, e.g. Mintel • The Internet/social media <p><u>Example response</u></p> <p>Companies such as Mintel produce research material (1). These reports offer information/data on trends within a specific industry such as a wedding industry (1). This research will be produced by professionals and therefore be reliable and comprehensive (1).</p> <p>The Internet (1) is quick and easy (1) as there is lots of free information available (1).</p> <p style="text-align: right;">ARA</p>	3	<p>Award one mark for a correctly identified research method and two marks for the explanation of the benefit.</p> <p>Only reward an answer of surveys or questionnaires if it is clear that this information already existed</p>

Question	Answer	Marks	Guidance
21	<p>Analyse two disadvantages of starting your business as a sole trader.</p> <p><u>Indicative Content</u></p> <p>Disadvantages may include:</p> <ul style="list-style-type: none"> • Responsible for all decisions made • Cannot share workload • Unlimited liability • May have to work long hours • Harder to take time off/holidays • Cannot benefit from the skills/experience of another owner • Limited capital raising opportunities <p><u>Example responses</u></p> <p>A sole trader is responsible for all decisions made (1). This means that they cannot consult or benefit from the skills of anyone else (1). Therefore, running the business as a sole trader may be quite stressful for me (1).</p> <p>Unlimited liability (1). This is very risky for you (1) as you could lose your personal possessions (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>Accept answers which assume that you are the only person working in the business</p>
22	<p>(a) Calculate the total cost for a typical month.</p> <p>Total costs = Fixed costs + Variable costs (1)</p> <p>Total costs = £3,000 + £600 = <u>£3,600</u> (2)</p>	2	<p>Award one mark for evidence of using the correct formula (which may be implied)</p> <p>Award two marks for correct answer (with or without workings)</p>

Question	Answer	Marks	Guidance
(b)	<p>Calculate your total costs for August.</p> <p>Variable cost per wedding = £600 / 6 = £100 (1)</p> <p>Variable cost for the month of August = £100 x 10 weddings = £1,000 (1)</p> <p>Total costs = £1,000 + £3,000 (1) = <u>£4,000</u> (1)</p>	4	<p>Award four marks for correct answer (with or without workings)</p> <p>Award one mark for calculating the variable cost per wedding</p> <p>Award one mark for calculating the total variable cost for the month of August (OFR)</p> <p>Award one mark for including <u>correct</u> fixed costs in workings</p> <p>Award one mark for the answer (OFR)</p> <p><u>NB:</u> There is NO mark awarded for the TC formula in this question</p>
(c)	<p>Identify three examples of variable costs which you will need to pay.</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Printer ink • Photographic paper/film • Fuel to travel to weddings • Wedding photo albums / frames • Wages • <u>Hiring</u> equipment for weddings <p style="text-align: right;">ARA</p>	3	<p>Award one mark for an identified example to a maximum of three marks</p> <p>Accept generic answers such as raw materials, components, stock, packaging</p> <p>Do NOT accept utility bills or salaries</p>

Question	Answer	Marks	Guidance
23	<p>(a) Explain one reason why obtaining customer feedback is important when running a new business.</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • To help to identify areas to improve • To identify what customers want • To find out about the service from the customer's perspective • To help identify trends • To help build reputation/loyalty/brand <p><u>Example response</u> Obtaining customer feedback will help you to identify areas of the business to improve (1), so that you can attract more customers (1).</p> <p>Future customers interested in your business will look at feedback to see if it is good/bad (1) before deciding whether to use your service (1).</p> <p style="text-align: right;">ARA</p>	2	<p>Award one mark for an identified point and one mark for further development of the point made.</p>
	<p>(b) Identify three customer feedback techniques which you could use.</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Physical customer comment cards • Ratings sites/online communities/Internet • Verbal feedback made to the photographer or staff members • Surveys/questionnaires/interviews/focus groups • Email (contact/feedback forms) <p style="text-align: right;">ARA</p>	3	<p>Award one mark for an identified example to a maximum of three marks</p> <p>Make sure each technique is different</p>

Question	Answer	Marks	Guidance
24	<p>State and explain one advantage and one disadvantage of raising finance via a small business grant.</p> <p><u>Indicative Content</u></p> <p>Advantages include:</p> <ul style="list-style-type: none"> • Money is given free of interest and fees • Do not have to repay capital • May be able to use 'free' application software to apply online <p>Disadvantages include:</p> <ul style="list-style-type: none"> • May need to complete lengthy application forms/business plan • Only available if business/entrepreneur meets specific requirements (strict eligibility requirements) • Can be competitive to successfully apply for the funds/hard to get • There may be 'strings' attached/have to use the money for a specific purpose <p><u>Example responses</u></p> <p>Borrowing the funds via a small business grant will not have to be repaid (1) so obtaining the funds in this way will not negatively impact on my cash flow (1).</p> <p>There will be no interest to pay (1) so it is likely to be a cheap way to access the funds and leave me with more profit (1).</p> <p>I have to complete a long application form to prove that I meet the strict eligibility criteria (1) which will take me a lot of time to complete (1).</p> <p style="text-align: right;">ARA</p>	4	<p>Award one mark for an identified advantage and one mark for an explanation of the advantage.</p> <p>AND</p> <p>Award one mark for an identified disadvantage and one mark for an explanation of the disadvantage.</p> <p>No context required</p> <p>Make sure that the answer is specific to a grant rather than any source of finance in general (e.g. how much money is available or whether you will get it)</p> <p>Make sure that the explanation adds something to the advantage/disadvantage and does not just repeat it</p>

Question	Answer	Marks	Guidance
25	<p>(a) Explain what is meant by psychological pricing.</p> <p>Psychological pricing is where prices are set in a way to make them sound lower to encourage sales, e.g. £24.99 appears less than £25.</p> <p><u>Example response</u> Psychological pricing involves setting a price which makes the item/service appear lower (1), e.g. £99.99 sounds less expensive than £100 (1).</p> <p style="text-align: right;">ARA</p>	2	<p>Award one mark for an identified point and one mark for further development of the point made.</p> <p>Award one mark for only an example of psychological pricing</p> <p>It is possible to award the second mark without an example</p>
	<p>(b) Identify two other pricing strategies which you could use.</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Competitive pricing (competition-based) • Price skimming • Price penetration <p style="text-align: right;">ARA</p>	2	<p>Award one mark for an identified example to a maximum of two marks</p> <p>Accept any other 'standard' pricing strategy taught within any other Business-based qualification (e.g. cost-plus (mark-up), marginal costing, contribution.)</p> <p>Do not reward psychological as that is excluded in the question</p>

Question	Answer	Marks	Guidance
26	<p>(a) Identify two Human Resources activities which Sadie may help you with.</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> Recruitment of employees Selection of employees Training & development of employees Performance management of employees (including discipline etc.) Responsibility for health (and safety) in the workplace Ensuring compliance with employment legislation Deciding/advising on pay/benefits <p style="text-align: right;">ARA</p>	2	<p>Award one mark for an identified example to a maximum of two marks</p> <p>Ensure that the two activities are different.</p> <p>However, allow both activities to be drawn from the same activity (e.g. recruitment <u>and</u> selection)</p>
	<p>(b) State and explain two Finance activities which you may need to carry out.</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> Organisation and allocation of financial resources/paying bills or salaries/wages/chasing outstanding payments Financial performance reporting/preparing the final accounts/budgets Financial forecasting Monitoring of cash flow/break-even analysis <p><u>Example responses</u></p> <ul style="list-style-type: none"> Producing the accounts (1) so that you know how much profit or loss has been made (1). Monitoring cash flow (1) to see how much money is going in and out of the business (1). <p style="text-align: right;">ARA</p>	4	<p>Award one mark for an identified activity and one mark for an explanation of the activity, up to a maximum of two activities.</p> <p>Ensure that the two activities are different.</p> <p>Allow the activity to be rewarded if it is found within the explanation</p> <p>Make sure the explanation is adding something to the knowledge and is not just a repeat of it</p>

Question	Answer	Marks	Guidance
27	<p>Recommend which of these two sales promotion techniques should be used. Justify your answer.</p> <p><u>Indicative Content</u></p> <p>Discount of 15%:</p> <ul style="list-style-type: none"> • All customers benefit from the discount off the price • Easy to calculate • Price promotions are often effective and may 'draw' customers to purchase from the business • May help the business' reputation – weddings are expensive so lowering the prices proves that the business is supporting limited customer budgets <p>Buy One, Get One Free (BOGOF):</p> <ul style="list-style-type: none"> • Customers get something extra • The business may benefit from economies of scale from the extra prints, therefore limiting the cost of this sales promotion • Can help the business to move slow-moving stock, e.g. less popular frames • Customers may end up having extra prints that they do not need – wasting environmental resources. The extra print may not be 'valued' by the customer which may limit the benefit arising from this sales promotion <p><u>Example response</u></p> <p>A 15% discount is easy to implement (L1) and customers may feel that they are getting a better deal (L2). This may increase demand by helping to encourage people to have their wedding at a less popular time of the year (L3). However, there is a risk that customers may not be too interested in price when choosing my wedding photography services in the winter, as it is a 'special' event, and they are more interested in the quality of my service rather than</p>	8	<p><u>Levels of response</u></p> <p>L1 (1-2 marks) Identifies advantage/disadvantage about one/both sales promotion techniques</p> <p>L2 (3-4 marks) Explains one/both sales promotion techniques</p> <p>L3 (5-6 marks) Analyses at least one sales promotion technique <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 technique 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 techniques is considered</p> <p><u>Available context to reward at L3/L4</u></p> <ul style="list-style-type: none"> • You are a new business • You are a sole trader • Specific examples related to knowledge of the wedding/photography market • Wedding photography may have a premium image or expectation of service/price level • Correct examples of segmentation • The economy may be entering a 'boom'

Question	Answer	Marks	Guidance
	<p>price (L4).</p> <p>BOGOF will involve me giving customers a second photograph for every one sold (L1). This will result in customers obtaining more for their money than normal (L2). As a new business, this is a costly technique which may affect my profits (L3).</p> <p>I would choose the 15% discount for my business. I am a new business and am unknown to customers. The lower price will encourage customers to try my photography services and compensate for the chance of less good weather (L4).</p> <p style="text-align: right;">ARA</p>		<ul style="list-style-type: none"> • Any reference to data in Q22a/b • Funding from a small business grant • Use of psychological pricing • Sadie as the HR specialist • Winter as the quietest time of the year <p>This context must be <u>used</u> to aid analysis or evaluation rather than just stated.</p>

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