

## **CAMBRIDGE NATIONALS**

*Examiners' report*

# ***ENTERPRISE AND MARKETING***



**J819**

## **R064 January 2019 series**

Version 2

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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. 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 can be downloaded from OCR.

## R064 series overview

This was the first January examination series for this written unit which assesses the enterprise and marketing concepts candidates require to complete the other two units in the qualification. It is pleasing to report a three-fold increase in entry, compared to last summer.

To perform well on this unit, candidates need to have a wide range of knowledge and understanding about the relevant theoretical concepts and be able to apply them quite generally to the given context of a start-up business.

The quality of candidate's scripts was generally good, although there was a greater range of candidate's answers, compared to last summer, with more scripts achieving less than 30 marks. Many of these scripts contained numerous questions which were missed out which suggests that some candidates did not have knowledge of the full range of the specification. At the other end of the spectrum, there were plenty of very good scripts scoring more than 65 marks, where candidates had an impressive level of knowledge and understanding of most of the topics examined.

<i>Most successful topics</i>	<i>Least successful topics</i>
<ul style="list-style-type: none"> <li>• Market research</li> <li>• Customer feedback</li> <li>• Sole traders</li> <li>• Pricing methods</li> </ul>	<ul style="list-style-type: none"> <li>• Segmentation</li> <li>• Reasons for differentiation</li> <li>• Legal issues</li> <li>• Small business grants</li> <li>• Finance activities</li> </ul>

This report has been written based on the feedback from the entire team of examiners and should be read in conjunction with the published mark scheme.

## Section A overview

The multiple-choice questions proved a very effective discriminator on this paper. The overall performance was less good than last summer, with some candidates achieving less than 8 marks. However, there were plenty of candidates who showed excellent knowledge of topics and scored more than 12 marks, with a significant number managing to score full marks on this section.

Questions 3, 4, 5, 8 & 16 were answered least well, with less than 70% of candidates getting each of these correct.

It should also be noted that there were a small number of candidates who missed out one or more answers in this section. Centres are reminded to inform candidates that there is no negative marking and so any answer is better than none.

## Section B overview

Most candidates appeared to find the context of setting up a photography services business accessible. There were some interesting assumptions made at times about what this may entail, especially with regards to 'wedding photography', but these were nearly always accepted by the examining team. We do not expect candidates to have any prior knowledge of the type of business setting chosen. It is, therefore, important that candidates carefully read any context they are given about the business, both at the start of the section and in each question. This context becomes particularly important when candidates get to the final question.

The length of answers was generally appropriate, although too much was sometimes written for the questions with four marks or less. There was no real evidence of candidates running out of time and in the minority of cases where this appeared to occur, it was due to answers being too long on the low-tariff questions.

There was certainly more evidence of questions being missed out this session, compared to last summer. Given the breadth of content in the specification that may be understandable as a one-off. However, in some cases, a significant number of questions were missed out.

Performance on the final question wasn't good and that is discussed in more detail later on.

### Question 17(a)

Photography has always been one of your hobbies. You recently used some money that you inherited to buy a new digital camera and set up a photography services business. You have decided to specialise in wedding photography and have produced a website to promote your photography services.

**17 (a)** Identify **three** ways that customers' needs may vary.

- 1 .....
- 2 .....
- 3 .....

[3]

The two parts of Question 17 examine the need for, and the methods of, segmentation. However, many candidates confused these two concepts, or treated them as the same. Candidates who knew the difference, in this first part of the question, tended to produce either generic examples (e.g. quantity and quality) or some excellent context specific answers (e.g. wanting photographs edited, whether they are supplied with frames). Both of these were equally rewarded. Answers, which just listed segmentation methods, could not be credited.

## Question 17(b)

- (b) Identify and explain the most appropriate method for segmenting the market for your photography services.

Method .....

Explanation .....

[2]

Around half of the candidates correctly identified a method of segmentation and went on to provide a brief explanation of this method. The remaining candidates did not appear to understand what segmentation is, giving answers such as 'social media' or 'market research', implying that they thought it is how you marketed your product.



**AfL**

Correct terminology is vital in Sections 1.1 and 1.2 of the specification. For example, 'location' is relevant to how customer needs may vary, whereas 'geographic' (not 'location') is a method of segmentation.

## Question 18

- 18 You plan to differentiate your photography services.

Analyse **two** benefits of differentiating your photography services from competitors. [6]

Benefit 1 .....

Benefit 2 .....

This question was a classic case of candidates not carefully reading what they were asked to do. Many answers contained one or two 'benefits' which were, in fact, ways in which the business could carry out differentiation. Another reason for lower ability performance was answers where the second benefit was indistinguishable from the first.

There were, however, some excellent answers, which tended to focus on the creation of a USP and the ability to charge a higher price, as shown in Exemplar 1. Compare this with Exemplar 2, which did not score any marks, as it gave two ways in which to differentiate.



**AfL**

Centres should encourage candidates to really try and write about two very different impacts on the business, in questions such as this one (as well as Questions 19c, 21, 24 & 26b). This makes it much easier for examiners to award the full range of marks.

## Exemplar 1

Benefit 1 By differentiating your ~~pr~~ service for example by having a clear unique selling point, means your business stands out from the competition and will attract more customers as your service offers something that your competitors do not. This will lead to a larger profit as well as more 'buzz' around your service because it is something people have not seen before.

Benefit 2 Differentiating your product means it stands out from other products and services in the market, this means people are more willing to buy your product even if the price is high. \* You could increase the price of the product resulting in more profit per unit and customers may still buy it as it is different from others services in the market and they cannot find it anywhere else.

## Exemplar 2

Benefit 1 ..... Have different packages. These packages may differ in how long you would require the photographer or have certain themed back drops. This would differentiate the service by offering a wide range of options for the customer.

Benefit 2 ..... Offer a free gift with your service. There could be options such as if you spend over a certain amount you get a free wedding gift. This will differentiate the service by offering the customer something that no other company would offer them.

## Question 19(a)

19 Reports in the media are suggesting that the economy is about to enter an economic boom.

- (a) Explain a potential impact on your new photography services if the economy does enter an economic boom.

.....

.....

.....

..... [2]

Around half of candidates did not achieve any marks on this question, as they did not know what an 'economic' boom is. In many of these cases, their answer was actually relevant to a downturn in the business cycle.

Some correct answers only picked up one mark as, although they gave an impact (e.g. higher prices or more demand), they did not explain why this might occur (e.g. higher employment or increased incomes).

### Question 19(c)

(c) State and explain **two** legal issues which may affect your new business.

Issue 1 .....

.....

Explanation .....

.....

Issue 2 .....

.....

Explanation .....

.....

**[4]**

This question was not answered well by half of the candidates. Many did not know what a legal issue is (with answers ranging from taxation to technology). Others were able to give a legal issue, such as 'copyright', but were then unable to explain how this would affect the business.

Exemplar 2 is a rare specimen of a four-mark answer. Notice how the explanations, in each case, show a clear consequence for the business, namely the cost of using copyright images and the extra training required due to health & safety laws.

## Exemplar 3

Issue 1 Copy right and Patenting.

Explanation Images that the business could have previously used they now can't or have to pay for which may cause a loss of Profit.

Issue 2 change in safety laws.

Explanation A change in safety laws and regulations will cause your business to lose money as they will have to do extra training and/or buy new equipment. [4]

## Question 20

- 20 You decide to use secondary (desk) market research to investigate trends in the wedding photography industry.

Identify **one** secondary market research source which you could use and explain **one** benefit of using this method.

Secondary market research source

.....

Benefit

.....

.....

[3]

Around a quarter of candidates did not know what a secondary market research source is, often confusing it with a primary research method. The majority of candidates scored 2 or 3 marks.

## Question 21

- 21 Even though you know that there are some potential disadvantages, you will start your business as a sole trader.

Analyse **two** disadvantages of starting your business as a sole trader.

[6]

Disadvantage 1 .....

Disadvantage 2 .....

This was better answered than the other six-mark question, with most candidates achieving at least 3 marks and over 30% scoring 5 or 6 marks. Unlimited liability and the issues of running a business on your own were the most popular answers, as shown in Exemplar 4. This shows good structure to get the 3 marks for each disadvantage. First, name the disadvantage ('unlimited liability'), second, explain what this means ('you personally have to repay the debts') and finally, what is the impact on you or the business ('loss of possessions and even your house').

Exemplar 5 shows how many answers missed the third mark in each case, as there is no impact on you or the business. For example, higher costs or prices in the first disadvantage and lower quality or more stress in the second.

## Exemplar 4

Disadvantage 1 Unlimited liability  
A sole trader has unlimited liability meaning you personally have to repay the debts of the business. If it fails, therefore bankruptcy and loss of possessions and even your house is a possibility. This makes it a risky choice as you may not be able to repay the businesses debt and will lose possessions and appliances.

Disadvantage 2 long hours.  
Although you can employ people ~~somebody~~ sole traders have to work long hours as there is no one to share the workload with, this means it can

be exhausting and is a unattractive feature of being a sole trader. You will have to work hard for long hours almost every day which can be stressful and straining on your mental and physical health.

### Exemplar 5

Disadvantage 1 If you start a business as a sole trader the costs will be all up to you, as opposite for partnership, which means that if you don't have enough money you are going to need to borrow from a bank that will give an interest and if you don't want to pay an interest or firm a contract you will need another way which will give you only a small amount

Disadvantage 2 As a sole trader all the work will be up to you, marketing, operations, human resources etc. This will mean that you will lose a lot of time, however but as a partnership the work is halved and there is less chance to forget something important as copyrights

## Question 22

**22** During a typical month you forecast that you will photograph at six weddings. You have also forecast that your typical monthly costs will be:

- fixed costs of £3 000
- total variable costs of £600.

**(a)** Calculate the total cost for a typical month.

Show your workings

Answer .....

**[2]**

Only half of the candidates achieved both marks on this question. The common mistake was to multiply the variable costs by six, even though the 'total variable costs' had been provided in the question. As long as clear working was shown, this answer could still gain one mark via the own figure rule.

## Question 22(b)

- (b) August is expected to be your busiest month and you forecast that you will photograph at 10 weddings during the month. Calculate your total costs for August.

Show your workings

Answer .....

[4]

About one third of candidates did not achieve any marks on this question, either because they did not attempt it or did not know how to approach it. However, there were a good number of correct answers, with some excellent workings shown.



**AfL**

The advantage of showing workings is that an incorrect answer can still achieve close to full marks. In this case, a common mistake was to calculate the variable cost incorrectly. However, if the rest of the workings were correct (and clearly seen) 3 marks could still be given.

## Question 22(c)

- (c) Identify **three** examples of variable costs which you will need to pay.

1 .....

2 .....

3 .....

[3]

There was clearly much confusion about what is a variable cost. Many answers included items which would be fixed costs, such as new cameras, SD cards, salaries or utilities. The key thing to remember is that a variable cost varies with the output being produced. As stated in the mark scheme, generic or contextual answers were both accepted.



**OCR support**

Examples of both fixed and variable costs (with additional exemplification) is available on page 12 of Version 2 of the specification at <https://www.ocr.org.uk/Images/338513-specification.pdf>.

## Question 24

- 24** To pay for some advertising, you need to raise additional finance. You are aware of a small business grant available from your local council for young entrepreneurs.

State and explain **one** advantage and **one** disadvantage of raising finance via a small business grant.

Advantage .....

.....

Explanation .....

.....

Disadvantage .....

.....

Explanation .....

.....

[4]

This was, by some distance, the least well answered question in Section B. Most candidates did not know what a business grant is, assuming it is a loan or an investment by the council which then receives some level of ownership. Another common mistake was to imply that the word 'small' refers to the size of the grant, rather than the business eligible for the grant.

Small business grants are clearly listed as one of the possible sources of capital for a start-up business on page 18 of the specification. Candidates need to know the key features of these sources.

A small number of candidates did produce some excellent answers, with 'no need to pay it back' the most common advantage and 'may require a lengthy application process' the most common disadvantage.

## Question 26(a)

- 26** You decide to employ a Human Resources specialist, called Sadie, for one day per week, to help you with the activities of that functional area.

(a) Identify **two** Human Resources activities which Sadie may help you with.

1 .....

2 .....

[2]

As with last summer's examination, many candidates continue to misunderstand the role of the Human Resources function. Equally, many candidates gave answers, which were general activities which Sadie could help the business with, rather than specific human resources activities.



**Misconception** Many activities, which are part of the marketing function (e.g. dealing with customers, doing market research), are often included in candidate's answers about human resources. The latter functional area only concerns itself with the people within the business (e.g. the managers/employees) and not any person in general (e.g. customers).

### Question 26(b)

(b) You plan to be responsible for the Finance functional activities.

State and explain **two** Finance activities which you may need to carry out.

Activity 1 .....

.....

Explanation .....

.....

Activity 2 .....

.....

Explanation .....

.....

**[4]**

More than half of the candidates were able to achieve 2 or more marks for this question. However, many of these, although able to give a financial activity (e.g. monitor cash flow or pay wages), could not provide an explanation which did not just repeat the activity.

Weaker answers included activities which were clearly not financial, such as 'logistics' or 'doing market research'. Some answers were also too vague. For example, an answer of 'wages' could refer to deciding on the level of wages (a human resource activity) or physically paying the wages (a finance activity).

## Question 27

- 27** Your market research suggests that the winter months are the quietest for weddings in your local area. To try to attract more customers during this quiet period, you plan to use a sales promotion technique. You are considering **either** a discount of 15% off your standard prices **or** 'buy one get one free' (BOGOF) for any photographs purchased in the winter months.

Recommend which of these two sales promotion techniques should be used. Justify your answer. **[8]**

.....

.....

.....

.....

As already mentioned, performance on this question wasn't good, especially when compared to last summer. As stated in that session's Examiners' Report, this is the one question which requires use of the context provided, both in the stem of the question and from previous questions.

The most popular mark, by some margin, was 4. This was because many answers showed understanding of a 15% discount and BOGOF, but without any reference at all to the context (other than an occasional passing mention of 'photograph' or 'wedding'.)

Some answers which tried to use the context became confused with how BOGOF may work, thinking it could be used for a second marriage for that customer, or could be passed onto a friend!

Higher ability responses, of which there were many, did make some use of the context. For example, by questioning how BOGOF may fit in with the image of wedding photography or whether a new business (this is enough for context) would be able to afford two sets of costs for only one payment. A longer list of possible contextual issues which candidates could use can be found in the mark scheme.

To gain a mark of 7 or 8, a decision (for either option) must be made which is based on, and justified by, the preceding analysis. Exemplar 6 contains context and a discussion of both options. It then comes to a fully justified decision. This is probably one of the best answers seen to this question.

On the other hand, Exemplar 7 is a perfect example of the completely generic answer. There is very good understanding shown of both promotion techniques, but without any reference to the photography services business. The answer could apply to virtually any business. The final paragraph does make a reasoned judgement. However, without any previous context (L3) it does not constitute evaluation, hence the 'NE' (Not evaluation) annotation.

## Exemplar 6

If you use a discount of 15% this will attract your target market as weddings in general will be expensive, so using a discount will be a way of differentiating your service to others like your competitors. However, a discount would mean you are making less profit compared to it being at full price but if it encourages sales as it's a sales promotion technique it will be positive.

If you were to use "buy one get one free" this will also attract customers as the word free suggests they are getting something additional to what they paid for, this will help raise sales for the quiet periods of time but only for a short period of time. However, using such sales promotion techniques could be damaging to your photography service as customers may think it has become cheap damaging your

reputation with could result in competitors benefiting from it. Also sales promotions are temporary.

I would recommend the 15% discount as it does the right actions as the purpose of the type of sales promotion is to increase activity for the quieter times so the 15% will be attractive to customers which will encourage them to hire, but most importantly it will not be largely damaging to the services reputation compared to the other types of sales promotion.

### Exemplar 7

The advantages for 15% off discount ~~are~~ that I will gain more customers leading to more sales and maybe profit. Also another advantage is that the people that I sell it to may promote me to more people.

A disadvantage is that I will have to sell a bit more to gain <sup>the same amount of revenue</sup> ~~profit~~. I'm not selling the product at my normal selling price. Also people <sup>might</sup> ~~will~~ only buy my product when it's on sale.

The advantages for BOGOF is that I will gain a lot of customers leading to more sales - <sup>Revenue</sup> ~~Profit~~. Another advantage is that my product and business will go into maturity.

The disadvantages for BOGOF are that my business will have to produce more which will lead to make a loss <sup>Product</sup> for every one I sell I give one for free. later on my business will go into decline when the ~~sale~~ <sup>rate</sup> is ~~un~~ finished.

In my opinion I would choose 15% of Discount because I'm not giving away one for free for every purchase. I'm selling it for a bit cheaper but I'll be receiving more Revenue and more profit from 15% of than BOGOF.

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