OCR
Oxford Cambridge and RSA

Friday 24 May 2019 – Afternoon

Level 1/2 Cambridge National in Enterprise and Marketing

R064/01 Enterprise and marketing concepts

Time allowed: 1 hour 30 minutes

You may use:
• A calculator

Please write clearly in black ink. **Do not write in the barcodes.**

Centre number [ ][ ][ ][ ][ ] Candidate number [ ][ ][ ][ ]

First name(s) _____

Last name _____

INSTRUCTIONS
• Use black ink.
• Answer **all** the questions.
• Write your answer to each question in the space provided.
• Additional paper may be used if necessary but you must clearly show your candidate number, centre number and question number(s).

INFORMATION
• The total mark for this paper is **80**.
• The marks for each question are shown in brackets **[ ]**.
• This document consists of **16** pages.

Turn over

Section A

Answer **all** the questions.

Put a tick (✓) in the box next to the **one** correct answer for each question.

1 Which of the following pricing strategies involves setting prices close to those of rivals?

(a) Competitive pricing ☐

(b) Price penetration ☐

(c) Price skimming ☐

(d) Psychological pricing ☐

[1]

2 Cerys operates a small catering business. During the month of January, she earned £2745 sales revenue. Her total costs for the month of January were £2820.

Which of the following best describes the situation which Cerys is in?

(a) Break-even ☐

(b) Cash flow ☐

(c) Loss ☐

(d) Profit ☐

[1]

3 Which of the following is a legal issue which could affect product development?

(a) Changes in customer needs ☐

(b) Changes in taxation ☐

(c) Copyright challenge ☐

(d) Digital developments ☐

[1]

4 Which of the following is an example of a variable cost for a gym?

(a) Advertising in the local newspaper ☐

(b) Insurance for the gym premises ☐

(c) Rent for the gym buildings ☐

(d) The fitness instructor's wage ☐

[1]

5 When starting up a business what is paid to HMRC?

(a) Cash ☐

(b) Saving ☐

(c) Profit ☐

(d) Taxation ☐

[1]

6 Desk market research is another name for:

(a) Primary market research ☐

(b) Qualitative market research ☐

(c) Quantitative market research ☐

(d) Secondary market research ☐

[1]

7 Which of the following would **not** be included in a business plan?

(a) A marketing plan ☐

(b) Business objectives ☐

(c) Employment legislation ☐

(d) Financial forecasts ☐

[1]

8   A product lifecycle diagram is shown below.
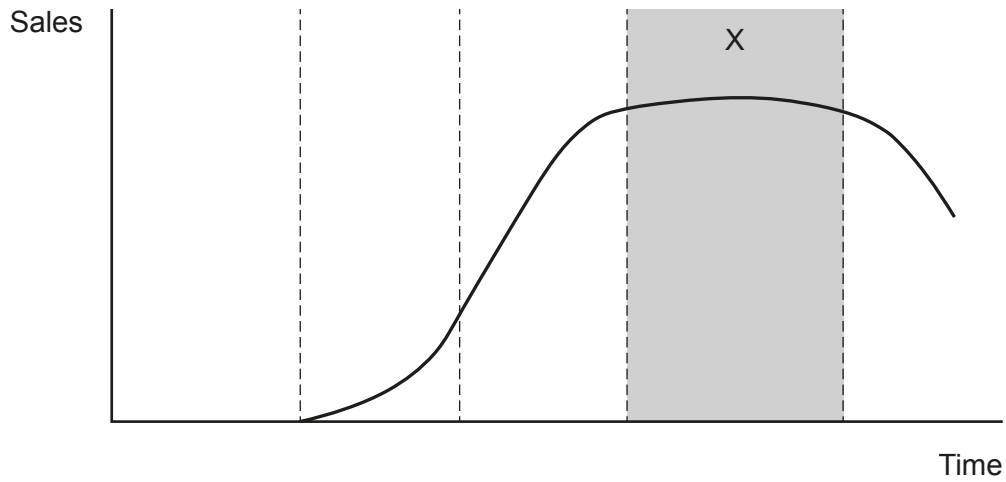
Which of the following stage of the product lifecycle is shaded and labelled 'X' on the diagram?

(a) Development

(b) Growth

(c) Introduction

(d) Maturity

[1]

9   Which of the following business owners benefits from limited liability?

(a) A partner

(b) A shareholder

(c) A sole trader

(d) The Government

[1]

10 Which of the following is a potential benefit arising from market segmentation?

(a) Allows for targeted marketing ☐

(b) Decreases customer retention ☐

(c) Lower prices can be set ☐

(d) Reduces the cost of advertising ☐

[1]

11 Which of the following is a disadvantage of accepting a gift from your Aunt Beryl to finance a new business?

(a) There may be disagreements if Aunt Beryl is not consulted on decisions ☐

(b) There is no application form for Aunt Beryl to complete ☐

(c) There will be no interest to repay to Aunt Beryl ☐

(d) Your Aunt Beryl may offer good business advice ☐

[1]

12 Which functional area is responsible for training and developing employees?

(a) Finance ☐

(b) Human Resources ☐

(c) Marketing ☐

(d) Operations ☐

[1]

13 Kristoff runs a toy shop. He sells small toy cars at a price of £5.10 each and sells an average of 32 cars per week.

What is the sales revenue generated during the month of February (assume there are four weeks during the month of February)?

(a) £150 ☐

(b) £163.20 ☐

(c) £600 ☐

(d) £652.80 ☐

[1]

14 Which of the following is one of the 4Ps in a typical marketing mix for a new product?

(a) Penetration ☐

(b) Policy ☐

(c) Procedure ☐

(d) Product ☐

[1]

15 A supermarket runs a scheme where customers can earn 1 point for every £1 they spend. Once the customer earns 100 points they are offered £1.00 off their shopping.

Which of the following is the name given to this type of sales promotion?

(a) Buy one get one free (BOGOF) ☐

(b) Competition ☐

(c) Loyalty scheme ☐

(d) Point of sale advertising ☐

[1]

16 Dividing a group of customers according to where they live is an example of which type of market segmentation?

(a) Age ☐

(b) Geographic ☐

(c) Lifestyle ☐

(d) Occupation ☐

[1]

Section B

Answer **all** questions in this Section.

Many of your friends and family have pet dogs and cats. Each summer you enjoy looking after the pets, for example, taking dogs for walks and feeding them. As you care for the animals so well, one of your friends has suggested that you should start a 'pet-care' business for pet owners within a three-mile radius of your home. You plan to look after their pet while they are on holiday.

17 You decide first to carry out some market research.

(a) Identify **two** purposes of market research.

1 ....

2 ....

[2]

(b) Identify **two** primary market research methods which you could use.

1 ....

2 ....

[2]

Turn over

(c) Analyse **two** benefits for your business of carrying out primary market research rather than secondary market research.

Benefit 1 ....

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Benefit 2 ....

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[6]

18 After carrying out the market research, you start to think about what price to charge for the services offered by your pet-care business.

Explain why you need to consider the income levels of target customers when setting your prices.

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.... **[2]**

19 In addition to price, you understand that good customer service is important to attract and retain customers.

State and explain **two** ways customer service could be used to attract and retain customers for your business.

Way 1 ....

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Explanation ....

....

Way 2 ....

....

Explanation ....

....

[4]

20 You plan to run your business as a sole trader.

(a) Other than operating as a sole trader, identify **two** types of business ownership which you could have considered for your business.

1 ....

2 ....

[2]

(b) Analyse **two** benefits to you of running your business as a sole trader.

Benefit 1 ....

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Benefit 2 ....

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[6]

21 You see a post on social media which promotes a business loan available for people aged 16 to 30 years, who want to set up a small business. You decide to apply for these funds to help set up your business.

   (a) Name **two** organisations which typically offer loans to small businesses.

   1 ....

   2 ....
   [2]

   (b) State and explain **two** benefits of obtaining capital via a business loan.

   Benefit 1 ....

   ....

   Explanation ....

   ....

   Benefit 2 ....

   ....

   Explanation ....

   ....
   [4]

22 The economy is predicted to enter a 'recession' in the next six months.

   State and explain **two** impacts of a recession in the economy on demand for your new pet-care services.

   Impact 1 ....

   ....

   Explanation ....

   ....

   Impact 2 ....

   ....

   Explanation ....

   ....
   [4]

23 You plan to offer two different levels of service. Customers can choose from the 'standard' service which involves you visiting their pet two times per day to feed it, or the 'luxury' service which involves you visiting their pet three times per day to feed and exercise it, as required. The price and costs of each service are shown in the table below.

	Standard	Luxury
Fixed costs (for 1 week)	£2000	£2600
Variable cost per customer	£25	£35
Price per customer	£50	£75

You need to produce a business plan as part of the application process for the business loan. The business plan must include break-even calculations, using the formula below.

$$\frac{\text{Fixed Costs}}{\text{Selling price per unit} - \text{Variable cost per unit}}$$

(a) Using the formula, calculate the difference in the break-even point for the 'standard' pet-care service compared with the 'luxury' service.

Show your workings.

Answer ....

[5]

(b) State **one** way that you may use this break-even information.

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[1]

(c) You forecast that 200 customers will purchase the 'standard' pet-care service during an average week.

Calculate the forecast profit or loss for the 'standard' pet-care service during an average week.

Show your workings and state whether you will make a profit or loss.

Answer ....

[4]

24 To save money, you plan to carry out all of the new business functional activities yourself.

(a) From the list below, link each functional activity to its correct functional area with a line.

Finance	Decide on the price to charge for the service
Marketing	Quality control
Operations	Cash flow

[3]

(b) Analyse **one** limitation for your business of carrying out all of the functional activities yourself.

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.... **[3]**

25 The organisation offering the business loan asks you a question about how you plan to keep your business successful in the future.

State and explain **three** extension strategies which you could use for your pet-care business in the future.

Strategy 1 ....

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Explanation ....

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Strategy 2 ....

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Explanation ....

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Strategy 3 ....

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Explanation ....

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[6]

26 To support the launch of your pet-care service, you are considering **either** advertising via leaflets through the doors of local homes **or** setting up a website.

Recommend which of these two advertising methods you think should be used. Justify your answer. **[8]**

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Turn over

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END OF QUESTION PAPER