

# **Cambridge National**

# **Enterprise and Marketing**

R064/01: Enterprise and marketing concepts

Level 1/2 Cambridge National Certificate/Award

**Mark Scheme for June 2019** 

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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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## **Annotations**

Annotation	Meaning
<b>✓</b>	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	Levels of response awarded at this point (only to be used in Q26)
L3	Levels of response awarded at this point (only to be used in Q20)
L4	
CONT	Context (Q26 only)
NE	Not Evaluation (Q26 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.
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## **Marking Instructions**

#### INTRODUCTION

Your first task as an Examiner is to become thoroughly familiar with the material on which the examination depends. This material includes:

- the specification, especially the assessment objectives
- the performance texts which candidates have studied
- the question paper and its rubrics
- the mark scheme.

You should ensure that you have copies of these materials. You should ensure also that you are familiar with the administrative procedures related to the marking process. These are set out in the OCR booklet Instructions for Examiners. If you are examining for the first time, please read carefully Appendix 5, Introduction to Script Marking: Notes for New Examiners. Please ask for help or guidance whenever you need it. Your first point of contact is your Team Leader.

#### **USING THE MARK SCHEME**

Please study this Mark Scheme carefully. The Mark Scheme is an integral part of the process that begins with the setting of the question paper and ends with the awarding of grades. Question papers and Mark Schemes are developed in association with each other so that issues of differentiation and positive achievement can be addressed from the very start.

This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers. The Mark Scheme can only provide 'best guesses' about how the question will work out, and it is subject to revision after we have looked at a wide range of scripts.

The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all Examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Practice scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements.

Before the Standardisation Meeting, you should read and mark in pencil a number of scripts, in order to gain an impression of the range of responses and achievement that may be expected. In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited. You will encounter answers which fall outside the 'target range' of levels for the paper which you are marking. Please mark these answers according to the marking criteria.

Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

#### INFORMATION AND INSTRUCTIONS FOR EXAMINERS

- 1. The practice scripts provide you with examples of the standard of each band. The marks awarded for these scripts will have been agreed by the Team Leaders and will be discussed fully at the Examiners' Standardisation Set-up Meeting.
- 2. The specific task—related indicative content for each question will help you to understand how the band descriptors may be applied. However, this indicative content does not constitute the mark scheme: it is material that candidates might use, grouped according to each assessment objective tested by the question. It is hoped that candidates will respond to questions in a variety of ways. Rigid demands for 'what must be a good answer' would lead to a distorted assessment. The indicative content for each task provides an indication of what candidates are likely to cover. The notes are neither prescriptive nor exhaustive: candidates should be rewarded for any relevant response which appropriately addresses the Assessment Objectives.
- 3. Candidates' answers must be relevant to the question. Beware of prepared answers that do not show the candidate's thought and which have not been adapted to the thrust of the question. Beware also of answers where candidates attempt to reproduce interpretations and concepts that they have been taught but have only partially understood.

### **EVERY QUESTION AND/OR ANSWER SPACE (use the BP annotation on Q26), 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 25 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 26 must **NOT** use ticks. The level indicators, L1, L2, L3, L4 MUST be used to signify the mark.

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

Questi	on Answer	Marks	Guidance
	SECTION B		
17	Identify two purposes of market research.  Indicative Content	2	Award one mark for an identified purpose to a maximum of TWO marks
	<ul> <li>To reduce risk</li> <li>To understand the market/identify demand/identify the target market/identify the gap in the market/find out about competitors</li> <li>To promote the organisation</li> <li>To aid decision making, e.g. what price to charge, is it worth starting your business</li> <li>To gain customers' views/understand their needs</li> <li>To inform product development</li> </ul>		Make sure that the two purposes are different  Do not accept answers specifying segmentation (e.g. gender, age, income) methods or how to target specific groups
17	Identify two primary market research methods which you could use.  Indicative Content  Observations Questionnaires Interviews Surveys Focus groups Consumer trials	2	Award one mark for an identified method to a maximum of TWO marks  Make sure that the two methods are different and clearly primary  Do not reward the method/mode of delivery (e.g. door to door and social media)

Question	Answer	Marks	Guidance
17 C	Analyse two benefits for your business of carrying out primary market research rather than secondary market research.  Indicative Content  Research will be tailored to the needs of the business/first-hand data/answer its specific requirements The results are more likely to be up to date/accurate/unbiased The results are not available for competitors to view The money used to carry out the market research will be spent more efficiently  Example responses  Primary research can be designed by the business to answer its specific needs (1). This means that it is more relevant (1) and provide quality data for me to make better decisions (1).  Results are more likely to be up to date (1) compared to secondary evidence which may have been collected a long time ago (1). Any decisions I make are likely to be more reliable (1).	6	Award one mark for each identified benefit, up to a maximum of two marks AND Award one further mark for each explanation of a benefit, up to a maximum of two marks. AND Award one further mark for each analysis of a benefit (by showing the impact on you or your business), up to a maximum of two marks.  Ensure that the two benefits are different The third mark in each case may be awarded independently from the second mark for explanation Accept answers which are specific to one particular primary method (e.g. interviewer can explain questions)
	ARA		

Question	Answer	Marks	Guidance
18	Explain why you need to consider the income levels of target customers when setting your prices.	2	Award one mark for an identified point and one mark for development of the point made.
	Indicative Content		
	<ul> <li>The income levels of target customers affect:</li> <li>The price that they can afford to pay</li> <li>The potential value to them from purchasing the service</li> <li>The likelihood of them going on holiday and requiring pet-care services which they can more afford</li> <li>The length of time that they may go on holiday for may affect pricing strategies</li> </ul> Example responses		Any answer MUST make a link ( <u>maybe implied</u> ) between the consideration of income levels and setting prices for two marks to be awarded  No reward for an answer which only refers to 'getting the pricing right' without making any reference ( <u>maybe implied</u> ) to customer income levels
	Customers with more income can afford to pay (1) so I may be able to set a higher price for them (1).		
	If you charge a high price to low income customers, they cannot afford it (1) so your business will not make any sales (1).		
	People with more income are more likely to have holidays (1) so I may need to consider setting pricing strategies for longer periods (1).		
	ARA		

Question	Answer	Marks	Guidance
19	State and explain two ways customer service could be used to attract and retain customers for your business.  Indicative Content	4	Award one mark for each identified way how customer service could be used and one mark for each development of this way, up to a maximum of two ways.
	Customer service can be used in the following ways:  Product knowledge  Customer engagement (e.g. being friendly/helpful/caring/approachable/answering questions)  After sales service (e.g. loyalty schemes, refund policy)  Example response  If you have a detailed knowledge of the pet-care business, they will be		Make sure that the explanation adds something to the impact and does not just repeat it  Make sure that the two answers are clearly different  No context is required
	able to attract customers better (1) because they can explain the benefits in more detail (1).  Having an after sales contact e-mail (1) customers may feel you care more about them (1).		
20 a	Other than operating as a sole trader, identify two types of business ownership which you could have considered for your business.  Indicative Content	2	Award one mark for each business ownership type identified up to a maximum of two marks.
	<ul> <li>Partnership</li> <li>Limited liability partnership</li> <li>Private limited company</li> <li>Public limited company</li> <li>Franchise</li> <li>Cooperatives</li> </ul>		NB: Partnership and Limited liability partnership can both be rewarded as separate points  Accept 'Limited company' once  Ensure that correct terminology is used

Question	Answer	Marks	Guidance
20 b	Analyse two benefits to you of running your business as a sole trader.  Indicative Content  Do not have to share profits / keep all profits made Can make all decisions without consultation Freedom to choose working hours Relatively low set-up costs Relatively less legal formalities to set-up the business Do not have to publish financial information about the business  Example responses  A sole trader is responsible for all decisions made (1). This means that they do not have to consult or seek approval from anyone else (1). It means that I will enjoy full control of decisions (1).  You do not have to publish any financial data (1) so that you can keep it secret (1). This means that your competitors cannot use this information to compete against you (1).	6	Award one mark for each identified benefit, up to a maximum of two marks AND Award one further mark for each explanation of a benefit, up to a maximum of two marks AND Award one further mark for each analysis of a benefit (by showing the impact on you or your business), up to a maximum of two marks.  Ensure that the two benefits are different The third mark in each case may be awarded independently from the second mark for explanation
21 a	Name two organisations which typically offer loans to small businesses.  Indicative Content  Bank Government The local council/enterprise department Charitable organisations (allow suitable examples) Credit union	2	Award one mark for each suitable organisation identified, up to a maximum of two marks.  Do not allow family/friends as they are NOT an organisation or crowdfunding as it is not a loan  Accept Business angels even though these may more likely be grants or equity.
	ARA		

Question	Answer	Marks	Guidance
21 b	State and explain two benefits of obtaining capital via a small business loan.  Indicative Content	4	Award one mark for each identified benefit of using a small business loan and one mark for each development of this benefit, up to a maximum of two benefits.
	<ul> <li>Can potentially apply for a large sum of money</li> <li>Convenient/fast to apply for/accessible to apply for</li> <li>Can often choose between a range of different loan products and/or borrow the funds over a range of different terms (including pay back period)</li> <li>The interest payable is generally lower than other forms of borrowing, e.g. credit cards and overdrafts</li> <li>Can choose a loan with a fixed rate of interest</li> <li>The lender may provide help &amp; guidance for your business</li> <li>Lender does not want any ownership</li> </ul>		Ensure that the two benefits are different  Make sure that the explanation adds something to the benefit and does not just repeat it  Do NOT reward answers which are generally about the benefit of obtaining increased capital which could apply to any source (e.g. it helps me to start up faster)
	I can choose a loan with a fixed rate of interest (1) which helps me to budget and plan my available money each month (1).  They are easy to apply for (1) which helps as I do not have any		Accept as separate answers that the loan does not have to be paid back quickly and you can pay back in fixed instalments
	experience of applying for loans (1).		

Question	Answer	Marks	Guidance
22	State and explain two impacts of a recession in the economy on demand for your new pet-care services.  Indicative Content	4	Award one mark for each identified impact of a recession and one mark for each development of the impact to the business, up to a maximum of two impacts.
	<ul> <li>People have less money to go on holiday so are likely to take less and/or shorter holidays reducing demand for my pet-care business</li> <li>People have less money available and so are less likely to choose a professional pet-care service rather than simply ask a friend/relative to look after their pet whilst on holiday</li> <li>Sales may decrease/less customers – e.g. pet ownership may decrease as people have less money for a pet</li> <li>Less spent on product development – as need to spend more on advertising to help demand to grow</li> </ul> Example responses		Make sure that the explanation adds something to the impact and does not just repeat it  Make sure that the two answers are clearly different  Answers may be good or bad for your business  There MUST be a link (maybe implied) to the recession for the second mark  Accept impacts which may come from changes in other economic indicators likely to occur during a
	During a recession, people are less likely to have spare money to pay for holidays (1) so demand for my pet-care business is likely to decrease (1).  Fewer people may have pets (1) so less people will want my pet-care		recession (e.g. low interest rates, low inflation/economic growth, high unemployment etc.) but they <b>MUST</b> be on <u>demand for the product</u>
	services (1).		

Que	stion	Ans	swer	Marks	Guidance
23	а	Using the formula, calculate the d for the 'standard' pet-care service service.		5	5 marks for the correct answer with evidence of workings out
		Standard pet-care service:			
		<u>2 000</u> 50 – 25	(1)		2 marks for the correct break-even figure for <u>each</u> service level
		Break-even = 80 customers	(1)		1 mark for correctly entering the numbers into the formula for <u>each</u> service level
		Luxury pet-care service:			Award 1 mark for the difference between the two
		<u>2 600</u> 75 – 35	(1)		break-even points calculated (OFR)
		Break-even = <u>65</u> customers	(1)		If final answer is incorrect (or has monetary units) a maximum of 4 marks
		Answer = 15 customers	(1)		
			OFR	2	

Ques	tion	Answer	Marks	Guidance
Ques 23	b	Answer  State one way that you may use this break-even information.  Indicative Content  To help me choose what price to charge Helps me to demonstrate that I will be able to repay the loan Helps me to support my loan application To help me to make decisions (e.g. which service will be less risky, whether to increase costs, whether to change the price) To help me to analyse the viability of my business idea/should I start up my business	Marks 1	Award one mark for correctly identifying a way that you may use the break-even information  Do not reward answers which effectively say that it tells you how much output is needed to break-even or before you make a profit or whether I am making a profit or loss  Do not accept references to helping with cash flow forecasting
		<ul> <li>To help to make financial forecasts</li> <li>To forecast the impact of changes in variables (e.g. costs)</li> </ul> ARA		

Questi	n Answer	Marks	Guidance
23	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.	4	Award ONE mark for a correct calculation of sales revenue  Award ONE mark for a correct calculation of variable costs
	Profit = Sales revenue – Total costs Sales revenue = $200 \times £50 = £10,000$ (1) Variable costs = $200 \times £25 = £5,000$ (1) Fixed costs = £2,000 Profit = £10,000 – (£5,000 + £2,000) = £10,000 - £7,000 - £3,000 (1) OFP		Award ONE mark for a correct calculation of £3,000 (OFR)  ONE further mark to be awarded for correctly stating that a profit will be made (OFR)
	= £3,000 (1) OFR  Statement: Profit (1)  An answer which ignores Fixed costs will arrive at £5,000 profit (3 marks)  An answer which ignores Variable costs will arrive at £8,000 profit (3 marks)		Correct answer of £3,000 profit should be awarded full marks with evidence of workings out

Question	Answer	Marks	Guidance
24 a	From the list below, link each functional activity to its correct functional area with a line.  Decide on the price to charge for the service  Marketing  Quality control  Cash flow	3	Award one mark for correctly matching the functional activity with the functional area, up to a maximum of 3 marks.
24 b	Analyse one limitation for your business of carrying out all of the functional activities yourself.  Indicative Content  I will not be a specialist in all functional areas I will not have anyone else to share decision making More time consuming so unable to grow the business as quickly May result in business failure Risky for business – if I get ill/stress/workload/work-life balance  Example response  I will not be a specialist in all functional areas (1). For example, I may be skilled at marketing my business but have no knowledge of finance (1). This may result in me making poor decisions (1).	3	Award one mark for an identified limitation AND Award one further mark for an explanation of the limitation AND Award one further mark for an analysis of the limitation (by showing the impact on your business)  The third mark may be awarded independently from the second mark for explanation  This is about functional activities being carried out – NOT the problems of having enough capital or the legal structure.  The limitation needs to be about the business rather than on yourself

Question	Answer	Marks	Guidance
Question 25	State and explain three extension strategies which you could use for your pet-care business in the future.  Indicative Content  Extension strategies which could be used include:  Advertising/promotional mix (e.g. BOGOF, discounts, offers)  Price changes  Adding value (e.g. loyalty scheme)  Exploration of new markets, e.g. new geographical market and/or new target markets  New services whilst caring for the pet (e.g. partner with a vet's practice)  Example responses	6	Award one mark for each identified method of an appropriate extension strategy and one mark for each development of this strategy, up to a maximum of three strategies.  Make sure that the explanation adds something to the impact and does not just repeat it  Ensure that each of the three strategies are different  Answers should be relevant for a service provider to award the development/explanation mark (e.g. changing the packaging is not relevant)
	An extension strategy may be to advertise (1) my business in new ways, e.g. on Facebook (1).  I could target new markets (1) by providing a service up to a five-mile radius from where I live (1).  ARA		
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.  Indicative Content  Setting up a website:  Low cost to create  Easy to change/update the content  Visual – can be interactive and generate attention via graphics/animations	8	Levels of response  L1 (1-2 marks) Identifies characteristic(s) of one/both methods of advertisement  L2 (3-4 marks) Explains one/both methods of advertisement  L3 (5-6 marks) Analyses at least one method of advertisement in context

Question	Answer	Marks	Guidance
	ARA		

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