

HODDER
EDUCATION

MY REVISION NOTES
Cambridge National Level 1/Level 2
ENTERPRISE AND MARKETING

Cambridge National

Level 1/Level 2

ENTERPRISE AND MARKETING

SECOND EDITION

For the J837 specification

- + Enterprise and marketing concepts
- + Design a business proposal
- + Market and pitch a business proposal



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Unit R064: Enterprise and marketing concepts

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EXAM
READY

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My revision planner

Countdown to my exams

6–8 weeks to go

- + Start by looking at the specification — make sure you know exactly what material you need to revise and the style of the examination. Use the revision planner on pages xx and xx to familiarise yourself with the topics.
- + Organise your notes, making sure you have covered everything on the specification. The revision planner will help you to group your notes into topics.
- + Work out a realistic revision plan that will allow you time for relaxation. Set aside days and times for all the subjects that you need to study, and stick to your timetable.
- + Set yourself sensible targets. Break your revision down into focused sessions of around 40 minutes, divided by breaks. These Revision Notes organise the basic facts into short, memorable sections to make revising easier.

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4–6 weeks to go

- + Read through the relevant sections of this book and refer to the 'remember' tips, key terms, summaries and exam skills. Tick off the topics as you feel confident about them. Highlight those topics you find difficult and look at them again in detail.
- + Test your understanding of each topic by working through the 'Now test yourself' questions in the book. Look up the answers at the back of the book.
- + Make a note of any problem areas as you revise, and ask your teacher to go over these in class.
- + Look at past papers. They are one of the best ways to revise and practise your exam skills. Write or prepare planned answers to the exam practice questions provided in this book.
- + Try using different revision methods as you work through the sections. For example, you can make notes using mind maps, spider diagrams or flash cards.
- + Track your progress using the revision planner and give yourself a reward when you have achieved your target.

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One week to go

- + Try to fit in at least one more timed practice of an entire past paper and seek feedback from your teacher, comparing your work closely with the mark scheme.
- + Check the revision planner to make sure you haven't missed out any topics. Brush up on any areas of difficulty by talking them over with a friend or getting help from your teacher.
- + Attend any revision classes put on by your teacher. Remember, your teacher is an expert at preparing people for examinations.

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The day before the examination

- + Flick through these Revision Notes for useful reminders – for example, the 'remember' tips, key terms, summaries and exam skills.
- + Check the time and place of your examination.
- + Make sure you have everything you need – extra pens and pencils, tissues, a watch, bottled water, sweets.
- + Allow some time to relax and have an early night to ensure you are fresh and alert for the examination.

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My exams

Unit R067 paper

Date:

Time:

Location:

Exam breakdown

How long will I have to complete the written exam?

The duration of the external assessment is 1 hour 15 minutes.

What types of questions will appear in the exam paper?

The external assessment has two main parts to it, Part A and Part B.

- + **Part A** will have 10 multiple choice questions (MCQs) for you to answer. It is important that you read each question and all its potential answers before making your choice. Never leave a question unanswered, as you will not get a mark.
- + **Part B** will have a variety of different short/medium answer questions, as well as extended questions totalling 60 marks. The extended response evaluation questions will only assess content from Topic 4 and will be worth 8 marks.

The whole paper has a total of 70 marks.

Preparing for the exam

The external assessment will test your ability to:

- + demonstrate your business knowledge and understanding
- + apply your knowledge and understanding to the different questions using appropriate business terminology, concepts and theories that you have learnt in your lessons
- + select, interpret and use different types of information within a question in order to formulate your answer
- + evaluate; make judgements or recommendations from a scenario to show your ability to form a solution to a problem.

Before the external assessment make sure that you:

- + revise all the topics
- + use past or specimen assessment materials for revision
- + check you have the required equipment for the examination: black pens, highlighter pen, pencils, rubber, ruler and a calculator. All this equipment is permitted.

Approaching the exam

When in the external assessment make sure that you:

- + Look at the number of marks available for each question. This will help you to work out how long you should spend on the answer.
- + For higher mark questions (4–8 marks), check about halfway through your answer that you are still answering the question and haven't gone off the point that the question is asking. It is easily done so stop and double check.
- + Take care to read every question. As Part A is multiple choice, read the question as well as the potential choices. If you want to change the answer that you have selected, make this clear on the exam paper – otherwise the examiner might not know what your answer is! Do not give two answers as you will be awarded no marks.
- + Read the command verb in the question and make sure that you answer it in the correct way. See the list of command words in the next section.

- ✚ If the question requires you to give your response within a business context (for example, a specific business) make sure your answer is specific to that business, using the information you have been given. For example: *Jamie Jones' sandwich business should maximise its sales by £100 because ...*
- ✚ Just mentioning a business could mean that your answer is vague so make sure the whole of your response is in the business context.
- ✚ In questions that require a calculation, always show your working out.
- ✚ Try to use as much business terminology as possible to demonstrate your knowledge of enterprise and marketing concepts. For example, rather than saying 'money', which is a general term, you could refer to sales revenue or profit.
- ✚ Always re-read your response to ensure you have answered all parts of the question.

Command words

The exam paper will use a range of different command words in the questions. It is important that you are familiar with these words and what you need to demonstrate in your answer.

Study the command words in this table.

Table 1 Command words and how to respond to them

Command word	What do I need to do?
Analyse	Your answer needs to: <ul style="list-style-type: none"> ✚ identify the characteristics of a topic ✚ discuss the pros and cons of the subject or argument ✚ come to a conclusion.
Annotate	Add in some information – for example, something on a table, diagram or graph.
Calculate	Used for mathematical questions. You should show: <ul style="list-style-type: none"> ✚ any formulae used ✚ your workings ✚ your answer.
Choose	Select an answer from some options that are provided.
Circle	Select and circle an answer from some options that are provided.
Compare and contrast	Describe the similarities and differences between several different themes or situations.
Complete	Add some information to, for example, a table, graph or diagram until it is completed in full.
Create	Produce a visual solution to a problem. For example, you could use a: <ul style="list-style-type: none"> ✚ mind map ✚ flowchart ✚ visualisation.
Describe	Give an account of a topic, which could include the: <ul style="list-style-type: none"> ✚ relevant characteristics ✚ qualities ✚ events of the subject. <p>Often it is best to give two or three points in your answer depending on the number of marks available for the question.</p>
Discuss	Give a summary of a topic that shows understanding and offers a range of ideas and arguments or advantages and disadvantages.
Draw	Produce a diagram or picture.
Evaluate	Make a qualitative judgement based on different factors and using knowledge and evidence from a business context. Use these judgements to make a conclusion/decision.
Explain	Give some reasons on a particular topic to develop your answer and show your knowledge of the topic.

Command word	What do I need to do?
Fill in	Add some information to, for example, a table, graph or diagram until it is completed in full.
Identify	This will be a short answer normally consisting of a list of names. You will have to recognise the correct answer or prove why something is certain.
Justify	Present your reasons, offering your own opinion on a given topic and reaching a conclusion.
Label	Add some information to, for example, a table, graph or diagram until it is completed in full.
Outline	Write a short response, summary or description.
State	Give some features or factors related to the topic.

Revision activity

Thinking about the command words, answer the following questions:

- 1 Describe** the clothes you are wearing today.
- 2 Identify** the brands of the clothes you are wearing.
- 3 Explain** how you could improve one item of clothing that you are wearing.
- 4 Discuss** why it is important to wear smart clothes when attending a job interview.
- 5 Analyse** the latest fashion trends.
- 6 State** the importance of taking physical exercise.
- 7 Evaluate** why Apple has remained a leading business in the technological world.

Topic area 1: Characteristics, risk and reward for enterprise

1.1 Characteristics of a successful entrepreneur

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Entrepreneurs have a wide range of:

- + characteristics
- + skills.

This enables them to set up their own enterprise activities.

Entrepreneur – a risk taker who sets up a business (or businesses) to make large profits.

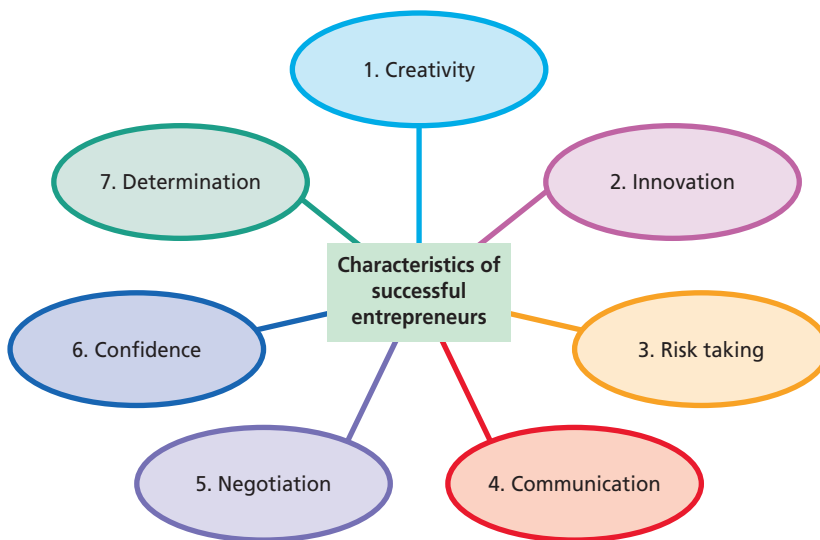


Figure 1.1 Characteristics of successful entrepreneurs

Now test yourself

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Prepare a set of domino cards showing the characteristics of a successful entrepreneur and examples of each characteristic. Once prepared, work in pairs to play dominoes, matching the examples with the characteristics.

1.1.1 Creativity

An entrepreneur has the skills to:

- + generate new ideas
- + give alternatives to existing ideas
- + explore these new creative thoughts to produce a product or service.

The ideas are often simple, but if there is a demand for the product or service, it will sell.

1.1.2 Innovation

Entrepreneurs use **innovation** to develop new products or services that:

- + have unique features and/or
- + have been produced in a slightly different way.

This could involve using:

- + new machinery
- + a different production method.

Innovation – introducing new ideas or solutions to existing methods in the market.

1.1.3 Risk taking

New businesses have no guarantee of success, which means there is an element of risk.

Entrepreneurs plan and research their new enterprise activity by investing time and money into their ideas. The ideas could initially be rejected. However, entrepreneurs usually have self-belief and stay positive about their plans.

1.1.4 Communication

An entrepreneur needs to get their product or service 'out there', so their communication skills are vital. They will need to:

- + talk face-to-face
- + make audio and video calls with, for example, investors
- + use email or social media platforms.

Good communication skills demonstrate confidence and competence, which help to establish important trust with others – for example, potential customers.

1.1.5 Negotiation

Entrepreneurs will need to agree or **negotiate** the best prices for things they need, such as materials for the business.

They also need to negotiate the best prices for their customers, who are purchasing a product or service.

Negotiating the right price is important, as it allows entrepreneurs to offer their customers what they want/need.

Negotiation – allows an entrepreneur to get the best deal for their enterprise.

1.1.6 Confidence

Entrepreneurs need to believe in their products and services. This belief gives them confidence to persuade:

- + customers – to purchase items
- + investors – to give money to the business.

The more an entrepreneur presents their ideas to others, the more their confidence will grow.

1.1.7 Determination

Being determined and decisive will enable an entrepreneur to know exactly what has to be done and to make decisions without hesitation. Any delays could mean they miss an opportunity, which could change the direction of their enterprise.

Check your understanding

- 1 How many characteristics are there that help an entrepreneur to be successful?
- 2 Why is it important for an entrepreneur to display confidence?
- 3 What methods of communication might an entrepreneur use to communicate with investors?

Exam tip

You must be able to explain why each characteristic of successful entrepreneurs helps them to be successful.

1.2 Potential rewards for risk taking

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Entrepreneurs are usually highly motivated to succeed. There are four main rewards that drive them:

- + Financial
- + Independence
- + Self-satisfaction
- + Making a difference/change.

Table 1.1 The four main rewards that drive entrepreneurs

Financial rewards	<p>Entrepreneurs want to make a profit.</p> <p>They often do this by successfully selling products and services to consumers over a long period of time.</p> <p>Some set up a successful business and sell off the idea.</p> <p>Some invest money in other businesses hoping to profit from their success.</p>
Independence	<p>Profit is not always the main motivator.</p> <p>Entrepreneurs may want to be in control of their own career and not work for others.</p> <p>Some:</p> <ul style="list-style-type: none"> + like to make their own decisions + gain greater satisfaction by being in charge of themselves + feel they will be more successful if they work on something they have invested in. <p>They may be lucky enough to turn their hobby or interest into their enterprise.</p>
Self-satisfaction	<p>Gaining satisfaction from your work is important.</p> <p>Entrepreneurs are often happier and they might be more motivated to keep going if things become difficult over a period of time.</p> <p>They may:</p> <ul style="list-style-type: none"> + learn a new skill + turn their hobby into their business. <p>It is important they ensure their hobby can become a business success.</p> <p>They must plan carefully to ensure any money invested will not be wasted if the business enterprise fails.</p>
Making a difference/change	<p>Some entrepreneurs connect their enterprise to a specific interest in their life. They choose to make a difference/change, rather than making a profit.</p> <p>Those wanting to make a difference re-invest any profits back into the business.</p> <p>They are keen to help others – for example, by:</p> <ul style="list-style-type: none"> + providing goods/services for their local area + preventing food waste + employing people who may find it difficult to find work + being ethical.

Now test yourself

TESTED

Copy Table 1.1, which describes the rewards that drive an entrepreneur. Cut up the table to separate the different sections and mix up the sections. Then match each reward with the correct explanations.

Exam tip

Make sure you learn all the key terms. You must also have a range of practical examples to support the different concepts you may use in your answers.

Typical mistake

Thinking that entrepreneurs:

- + run huge organisations
- + always make enormous financial profits.

An individual who sets up a community shop to provide goods and services to a small village is also an entrepreneur.

1.3 Potential drawbacks of risk taking

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There is always a risk when someone sets up a new enterprise because it could fail. The risks can be categorised in four areas:

- + Financial
- + Health/wellbeing
- + Work-life balance
- + Personal relationships.

1.3.1 Financial

Entrepreneurs might invest all their own wealth into a business that fails. But losing their personal wealth is a risk many entrepreneurs are willing to take.

1.3.2 Health/wellbeing

Setting up a new enterprise can:

- + take up a lot of time
- + create financial worries/pressures.

During the early part of the process, an entrepreneur must set aside time to:

- + acknowledge their successes
- + reflect on what needs to improve/change
- + take breaks to renew their own energy
- + consider future developments of the business.

Making time for health and wellbeing is very important to the long-term success of an enterprise activity.

1.3.3 Work-life balance

Work-life balance is focused on understanding the importance of:

- + taking time away from work
- + building leisure/relaxation time into your life
- + setting boundaries – for example, not working more than 40 hours a week
- + delegating tasks to others
- + learning to say 'no'.

Entrepreneurs are often very busy but they must be careful not to work too much (see Figure 1.2). Getting the balance right is very important.

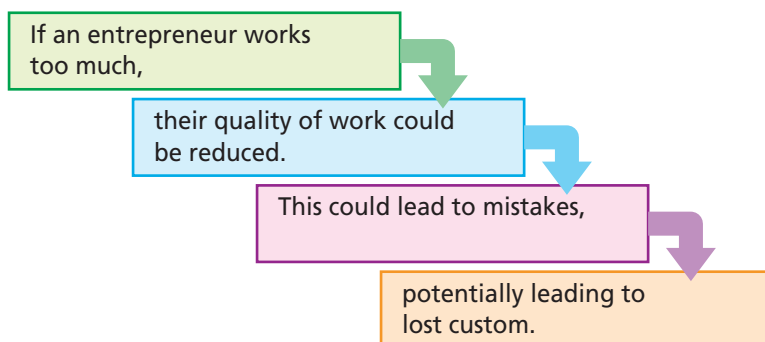


Figure 1.2 The importance of a good work-life balance

MY REVISION NOTES

Cambridge National Level 1/Level 2

ENTERPRISE AND MARKETING

Target exam success with *My Revision Notes*. Our updated approach to revision will help you learn, practise and apply your skills and understanding. Coverage of key content is combined with practical study tips and effective revision strategies to create a guide you can rely on to build both knowledge and confidence.

My Revision Notes: Cambridge National Level 1/Level 2 in Enterprise and Marketing will help you:

Plan and manage your revision with our **topic-by-topic planner** and **exam breakdown** introduction

Understand **key words** you will need for the exam with user-friendly definitions and a **glossary**

Improve subject-specific skills with an **exam checklist** at the end of each chapter

Check your understanding as you work through the course

Avoid **typical mistakes** and enhance your exam answers with **exam tips**

Practise and apply your skills and knowledge with **exam-style questions** and frequent **now test yourself** questions, and answer guidance at the end of the book and online

2.3.2 Sources of secondary research

Different sources of secondary research are outlined in Table 2.2.

Table 2.2 Sources of secondary research

Description	Advantages	Disadvantages
Numerical or other data/information held by a business – e.g. sales figures or customer information	<ul style="list-style-type: none"> Can help businesses to predict future trends Can be compared with information about competitors or industry benchmarks 	<ul style="list-style-type: none"> Does not consider the wider world Comparison data could be inaccurate or out of date
Articles or news written by individuals who are experts in their area; can be found online or in paper-based sources	<ul style="list-style-type: none"> Cheap to acquire Likely to be accurate and readily available 	<ul style="list-style-type: none"> Information could be out of date, depending on publication date May not be completely relevant to the business
In the UK, a limited company has to publish its financial data annually; they submit this information to Companies House and it is then publicly available	<ul style="list-style-type: none"> Financial data from a limited company can be accessed by any business Easy to obtain 	<ul style="list-style-type: none"> Comparisons are only meaningful if they compare 'like with like' – e.g. a limited company should not be compared with a sole trader
The government publishes many different documents that businesses will find useful – e.g. census data is collected every 10 years in the UK. This information is usually available online	<ul style="list-style-type: none"> Freely available online Accurate at the time of publication 	<ul style="list-style-type: none"> Businesses may be charged for this information Could go out of date quickly, so check the publication date Data will be generic rather than specific to a business
Specialist companies such as Mintel conduct a wide range of market research. Businesses can purchase this information for their own use	<ul style="list-style-type: none"> Every kind of market research is readily available online Information is comprehensive and can help businesses to make decisions 	<ul style="list-style-type: none"> Businesses need to consider if the results will be worth the cost Information could be out of date and not relevant to the particular business

3.3 Profit/loss

Business organisations often want to know how much **profit** a particular product or service is making. This can be calculated using the formula:

$$\text{selling price per unit} - \text{total costs per unit} = \text{profit or loss per unit}$$

Remember:

$$\text{total costs per unit} = \text{fixed costs per unit} + \text{variable costs per unit}$$

In general, for a given level of output, profit is calculated using the formula:

$$\text{sales revenue} - \text{total costs} = \text{profit or loss}$$

Worked example

BFC Components produce parts for manufacturing machines across the UK. The owner has provided the following information:

Each component has a selling price of £250 and costs £100 in total to produce. Over the last 12 months, BFC Components have produced and sold 500 components.

- Calculate the profit or loss made per component.

$$\text{profit or loss per unit} = \text{selling price per unit} - \text{total costs per unit}$$

$$= £250 - £100$$

$$= £150 \text{ (profit)}$$

- Calculate the total profit or loss made by BFC Components over the last 12 months.

$$\text{profit or loss} = \text{sales revenue} - \text{total costs}$$

$$= (£250 \times 500 \text{ components}) - (£100 \times 500 \text{ components})$$

$$= £125\,000 - £50\,000$$

$$= £75\,000 \text{ (profit)}$$

Now test yourself

Prepare some questions and answers, similar to those in the previous worked example.

Go through the question with a partner, as if you are teaching them how to work out the answer. Allow them to ask you questions to make sure you both understand the steps to follow to complete the calculations.

Check your understanding

- Explain how to calculate total profit or loss made by a business.
- Describe how a business might use the profit it makes during a year.

Exam tip

When answering a calculation question, always state the formula clearly and show all your working. Before submitting your paper, recheck your calculations to ensure you have not made any mistakes.

Read your answer to check it makes sense. For example, if the question says 'calculate fixed costs', your answer needs to be a number of pounds (£), not a number of units.

Topic area 3: What makes a product financially viable

Boost

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ISBN 978-1-3983-5122-6

