

4.2 Unit R067: Enterprise and marketing concepts

Aims

Setting up and running a business enterprise is an exciting challenge which lots of people embark on every day. In this unit you will learn about the key factors to consider and activities that need to happen to operate a successful small start-up business. This unit will provide you with the knowledge and understanding of key enterprise and marketing topics. You will then demonstrate and apply this knowledge and understanding within the activities assessed for units R068 and R069.

In this unit you will learn how market research gives the entrepreneur an insight into the wants and needs of its customers, so that products and services can be developed to satisfy them. It also complements other competing products and services on the market to ensure a financially viable business.

As well as understanding your target market's needs, you will learn how the marketing mix elements must be carefully blended to enhance business performance. You will examine each element individually and explore the decisions that an entrepreneur needs to make. You will learn about the types of ownership for an enterprise and sources of capital available. Running a successful enterprise can be tough, but there is a lot of support available, which you will learn about so that you can understand how to obtain timely and appropriate guidance.

Unit R067: Enterprise and marketing concepts

Topic Area 1: Characteristics, risk and reward for enterprise

Teaching content

Breadth and depth

1.1 Characteristics of successful entrepreneurs

- Creativity
- Innovation
- Risk-taking
- Communication
- Negotiation
- Confidence
- Determination

To include:

- Why each characteristic may help the entrepreneur to be successful

Does not include:

- How to develop/acquire the characteristics

1.2 Potential rewards for risk taking

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

1.3 Potential drawbacks for risk taking

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

Does not include:

- Solutions to overcome/limit the risks and drawbacks

Unit R067: Enterprise and marketing concepts

Topic Area 2: Market research to target a specific customer

Teaching content	Breadth and depth
2.1 The purpose of market research	
<ul style="list-style-type: none"><input type="checkbox"/> To reduce risk<input type="checkbox"/> To aid decision making<input type="checkbox"/> To understand the market<input type="checkbox"/> To gain customers' views and understand their needs/wants<input type="checkbox"/> To inform product development<input type="checkbox"/> To understand how a good/service complements others on the market	<p>To include:</p> <ul style="list-style-type: none">• Why and when entrepreneurs need to carry out market research
2.2 Primary market research methods	
<ul style="list-style-type: none"><input type="checkbox"/> Observations<input type="checkbox"/> Questionnaires/surveys/interviews<input type="checkbox"/> Focus groups<input type="checkbox"/> Consumer trials<input type="checkbox"/> Test marketing/pilots	<p>To include:</p> <ul style="list-style-type: none">• Advantages and disadvantages of primary versus secondary market research• Advantages and disadvantages of each primary market research method and secondary market research source• The primary/secondary market research may be physical or digital. Observations may be of people or location <p>Guidance:</p> <ul style="list-style-type: none">• 'The internet' can be used to conduct market research but would not be classed as a stand-alone research method or source in itself
2.3 Secondary market research sources	
<ul style="list-style-type: none"><input type="checkbox"/> Internal data<input type="checkbox"/> Books/newspapers/trade magazines<input type="checkbox"/> Competitors' data<input type="checkbox"/> Government publications and statistics<input type="checkbox"/> Mintel or similar	
2.4 Types of data	
<ul style="list-style-type: none"><input type="checkbox"/> Quantitative<input type="checkbox"/> Qualitative	<p>To include:</p> <ul style="list-style-type: none">• Benefits and limitations of each type of data• Data can be collated internally or externally
2.5 Types of market segmentation	
<ul style="list-style-type: none"><input type="checkbox"/> Age<input type="checkbox"/> Gender<input type="checkbox"/> Occupation<input type="checkbox"/> Income<input type="checkbox"/> Location<input type="checkbox"/> Lifestyle	<p>To include:</p> <ul style="list-style-type: none">• The meaning of segmentation and simple problems/challenges that may be encountered if the market is not segmented <p>Does not include:</p> <ul style="list-style-type: none">• Specific classifications of market segmentation, for example ACORN, Mosaic
2.6 The benefits of market segmentation to a business	
<ul style="list-style-type: none"><input type="checkbox"/> Ensures specific customer needs are matched and met<input type="checkbox"/> Potential for increased profits/profitability<input type="checkbox"/> Enables targeted marketing<input type="checkbox"/> Increased customer retention<input type="checkbox"/> Potential for an increase in market share	<p>To include:</p> <ul style="list-style-type: none">• The benefits of taking a targeted approach to marketing

Unit R067: Enterprise and marketing concepts

Topic Area 3: What makes a product financially viable

Teaching content

Breadth and depth

3.1 Cost of producing the product

- Fixed costs (costs which do not vary with output)
 - Advertising
 - Insurance
 - Loan interest
 - Rent
 - Salaries
 - Utilities
- Variable costs (costs which vary with output)
 - Raw materials/components
 - Packaging
 - Wages
- Total cost
 - Fixed costs + variable costs

To include:

- Know the definitions of key terms such as fixed costs, variable costs and total cost
- Calculations such as:
 - Total cost
 - Total cost per unit
 - Variable cost
 - Variable cost per unit
 - Fixed cost
 - Fixed cost per unit
- Calculations involving different time periods, such as per month or per year

Guidance:

- Items such as 'salaries' and 'utilities' can sometimes be classified as fixed or variable costs, depending on the scenario. For the purposes of this qualification they are classified as fixed costs. Conversely, 'wages' are classified as variable costs
- Know that loan repayments are not a fixed cost – only the interest charged

3.2 Revenue generated by sales of the product

- Calculate total revenue (Selling price per unit x Number of sales)

To include:

- Calculations involving different time periods, such as per month or per year. Rearranging a formula to find a component, for instance calculate the number of items sold if the selling price and revenue are known

3.3 Profit/loss

- Calculate profit/loss per unit = Revenue (selling price) per unit - Total costs per unit
- Calculate profit for a given level of output = Total revenue - Total costs

To include:

- How to rearrange a formula to find a component, for instance calculate the value of the total costs if the total revenue and profit are known
- Know the difference between revenue and profit
- The concept of loss when total costs (per unit) exceed revenue (per unit)

Unit R067: Enterprise and marketing concepts

3.4 How to use the formula for break-even as an aid to decision making

<ul style="list-style-type: none">□ Definition of break-even = the level of output where total revenue = total costs□ Formula for break-even quantity $\frac{\text{fixed costs}}{\text{selling price per unit} - \text{variable cost per unit}}$□ Interpretation of a break-even graph to identify the break-even point□ How break-even information is used by an entrepreneur	<p>To include:</p> <ul style="list-style-type: none">• Break-even calculations• Rearranging the break-even quantity formula to find a missing number, for instance the selling price per unit <p>Guidance:</p> <ul style="list-style-type: none">• Students will not be expected to recall the break-even quantity formula• Students will not be expected to draw a break-even graph but may be asked to interpret a break-even graph or complete a partially completed graph• Contribution will not be assessed
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3.5 Importance of cash

<ul style="list-style-type: none">□ The difference between cash and profit□ Consequences of a lack of cash	<p>Guidance:</p> <ul style="list-style-type: none">• Students will not be required to complete or interpret a cash flow forecast• Students will not be required to recommend solutions to cash flow issues
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Topic Area 4: Creating a marketing mix to support a product

Teaching content

Breadth and depth

4.1 The marketing mix elements for a good/service

<ul style="list-style-type: none">□ Product□ Price□ Place□ Promotion	<p>To include:</p> <ul style="list-style-type: none">• Changes to the marketing mix for a specific good, service or business <p>Does not include:</p> <ul style="list-style-type: none">• The full 'seven P' marketing mix. People, Physical evidence and Processes will not be assessed
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4.2 How the elements of the marketing mix work together

<ul style="list-style-type: none">□ Each element affects the appropriateness of decisions regarding other elements□ Consideration of the whole marketing mix and how the elements work together to create a specific brand image, such as premium or economy□ Satisfying the target market segment's needs	
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Unit R067: Enterprise and marketing concepts

4.3 Types of advertising medium used to attract and retain customers and the appropriateness of each

<ul style="list-style-type: none">□ Non-digital<ul style="list-style-type: none">▪ Leaflets▪ Newspapers▪ Magazines▪ Radio▪ Posters/billboards▪ Cinema□ Digital<ul style="list-style-type: none">▪ Social Media – video, feedback, social networks▪ Websites▪ Online banners/pop-ups▪ SMS texts▪ Podcasts▪ Vlogs/blog	<p>To include:</p> <ul style="list-style-type: none">• The relative advantages and disadvantages of each medium <p>Guidance:</p> <ul style="list-style-type: none">• Social media advertising can be business-generated or third-party-generated and students must be aware of the differences. The potential advantages and challenges posed according to how the post is generated may be assessed <p>Does not include:</p> <ul style="list-style-type: none">• Knowledge of the technical aspects of digital mediums
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4.4 Sales promotion techniques used to attract and retain customers and the appropriateness of each

<ul style="list-style-type: none">□ Discounts□ Competitions□ Buy one get one free (BOGOF)□ Point of sale advertising□ Free gifts/product trials□ Loyalty schemes□ Sponsorship	<p>To include:</p> <ul style="list-style-type: none">• The relative benefits and limitations of each technique
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4.5 Public relations

<ul style="list-style-type: none">□ Product placement□ Celebrity endorsement□ Press/media releases	<p>To include:</p> <ul style="list-style-type: none">• The relative benefits and limitations of each method <p>Guidance:</p> <ul style="list-style-type: none">• Public relations activities must be realistic for a small business context
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4.6 How to sell the good/service to the consumer

<ul style="list-style-type: none">□ Physical – shops, face to face□ Digital – e-commerce, websites, social media marketplace sites, online auction sites, downloads	<p>To include:</p> <ul style="list-style-type: none">• An awareness of the growth in digital channels• The advantages and disadvantages of physical and digital channels <p>Does not include:</p> <ul style="list-style-type: none">• Channels of distribution• The role of different parties within a typical distribution channel, e.g. wholesalers
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4.7 The product lifecycle

<ul style="list-style-type: none">□ Development□ Introduction□ Growth□ Maturity□ Decline	<p>To include:</p> <ul style="list-style-type: none">• Which stage of the product lifecycle is most likely for a specific product based on sales data
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Unit R067: Enterprise and marketing concepts

4.8 Extension strategies for products in the product lifecycle and the appropriateness of each

- Advertising
- Price changes
- Adding value (improving the specification of an existing product)
- Exploration of new markets (geographic or target market)
- New packaging

To include:

- The relative advantages and disadvantages of different extension strategies for a specific product

Guidance:

- 'Products' include both goods and services
- Students will not be expected to draw a product lifecycle diagram, but may be expected to interpret a product lifecycle diagram to identify the stages of one

4.9 Factors to consider when pricing a product to attract and retain customers

- Income levels of target customers
- Price of competitor products
- Cost of production
- Stage of the product lifecycle

To include:

- Which factors are most important when considering a specific start-up situation

4.10 Types of pricing strategies and the appropriateness of each

- Competitive pricing
- Psychological pricing
- Price skimming
- Price penetration

To include:

- The relative advantages and disadvantages of each pricing strategy

Does not include:

- Reference to a specific price – only a pricing strategy

Unit R067: Enterprise and marketing concepts

Topic Area 5: Factors to consider when starting up and running an enterprise

Teaching content

Breadth and depth

5.1 Appropriate forms of ownership for business start-ups

- Sole trader
- Partnership, including limited liability partnerships
- Private Limited Company (Ltd)
- Franchise
- Features of each form of ownership
 - Ownership
 - Liability
 - limited
 - unlimited
 - Responsibility for decision making
 - Distribution of profit to the owners

To include:

- Relative advantages and disadvantages of each form of ownership
- A definition of limited and unlimited liability and the implications of each for a new business. To include the advantages and disadvantages of limited and unlimited liability for the business and owners
- The responsibility for decision making may belong not only to the owners, but others such as franchisors etc

Guidance:

- Franchise – while franchise may not be considered a true form of ownership in the same way as the other forms of ownership listed, it is important that students understand the concept of a franchise, as it is a realistic operational model for business start-ups

Does not include:

- Public limited companies
- Detailed knowledge of the steps involved in creating a new business, e.g. contents and names of the documents to send to Companies House

5.2 Source(s) of capital for business start-ups and expansion

- Own savings
- Friends and family
- Loans
- Crowdfunding
- Grants
- Business angels

To include:

- Relative advantages and disadvantages of each source of capital
- Sources of capital could be used for start-up and business expansion
- Friends and family may offer financial support as a gift or a loan

Does not include:

- Short-term sources of finance such as overdrafts and trade credit
- Hire purchase and leasing

Unit R067: Enterprise and marketing concepts

5.3 Support for enterprise

- Finance providers, e.g. bank, business angel
- Local council enterprise department
- Accountants
- Solicitors
- Friends/family
- Chamber of Commerce
- Government
- Charities

To include:

- Appropriate sources of support for an entrepreneur
- Relative advantages and limitations of sources of support

Does not include:

- Names of specific charities that may support enterprise
- Details of specific support that each one may offer, e.g. names of grants offered by Government

Assessment guidance

This unit is assessed by an exam. The exam is 1 hour and 15 minutes. It has two Sections – Section A and Section B.

- Section A has 10 marks
- Section B has 60 marks
- The exam has 70 marks in total

This will be conducted under examination conditions.

For more details refer to the [Administration](#) area.

The Enterprise and Marketing '[Guide to our Sample Assessment Material](#)' gives more information about the layout and expectations of the exam.

A range of question types will be used in the exam, but it will always require students to use the skills of analysis and evaluation.

Section A	<ul style="list-style-type: none">• This will have 10 multiple choice questions.
Section B	<ul style="list-style-type: none">• This will have context-based questions. Students will be presented with a short scenario and will apply their knowledge of enterprise and marketing concepts to produce relevant responses.• Students must make appropriate recommendations for the short scenario provided throughout Section B. These recommendations may relate to any of the topic areas in unit R067.• It will include short/medium answer questions, extended response analysis and evaluation questions.• The extended response evaluation question will assess content from Topic 4.

Synoptic assessment

This unit allows students to gain underpinning knowledge and understanding relevant to the qualification and sector. The NEA units draw on and strengthen this learning with students applying their learning in a practical, skills-based way. The synoptic grids at the end of the NEA units show these synoptic links.

More information about synoptic assessment within this qualification can be found in [section 5.2 synoptic assessment](#).