R067 Enterprise & Marketing Concepts **REVISION for Mock Exam**

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MOCK EXAM DATE: 18 *January 2027*

1.1 Characteristics of successful entrepreneurs

Definitions of characteristics:

- **Creativity**: ***using your imagination to create something original***
  Can help entrepreneurs to get ahead of the competition with new goods and services
- **Innovation**: ***coming up with new ideas and ways of doing things and putting these into practice***
  Ideas and processes can help an entrepreneur to save time and money
- **Risk-taking**: ***taking a chance when the outcome is not guaranteed***
  Needs to be carefully thought through. A calculated risk can lead to long-term reward
- **Communication**: ***exchanging information with others by writing, speaking, etc.***
  Good communication can make you seem professional and trustworthy
- **Negotiation**: ***working with others to come to an agreement***
  Needed to agree business deals and bank loans
- **Confidence**: ***having a belief in yourself and others***
  Easy to convince people that a business or idea will be a success
- **Determination**: ***continuing to do something even though it is hard or there may be setbacks along the way***
  Needed to overcome challenges

1.2 Potential reward for risk-taking

Financial	Entrepreneurs will aim to ensure all costs incurred will be paid (breaking even). After this point they will make a profit, which can be reinvested into the business, to secure its future
Independence	Many entrepreneurs want to be their own boss. They can decide their own work schedule and make their own decisions
Self-satisfaction	Creating a successful business or getting sales can lead to self-satisfaction
Making a difference/ change	Some entrepreneurs create businesses to make a change (environmental, social). They could identify a gap in the market and make a product that can help others

1.3 Potential drawbacks for risk-taking

Financial	Not all businesses are financially viable. They could run out of money, not make a profit or run up debt
Health/ well-being	Setting up a business means long hours and hard work – this can cause stress and result in health issues, such as sleep problems
Work-life balance	Long working hours can mean that there is little time for relaxing or other activities other than work
Personal relationships	If too much time is spent working, relationships with family and friends may suffer as a result

2.1 The purpose of market research

To reduce risk	Helps entrepreneurs to make informed decisions as starting a new business is risky. It also reduces the likelihood of a wrong decision

To aid decision making	Helps to make good, informed decisions that are more likely to lead to successful results
To understand the market	Allows entrepreneurs to identify gaps in the market and to allow them to adapt their product to meet customers' needs and wants
To gain customers' views and understand their needs and wants	To help understand target market and customer profile. Helps to develop products that suit the needs of the market and know how and where to promote
To inform product development	Helps to understand what the target market thinks of the product and how it can be developed to make more desirable before spending money
To understand how a good/ service complements others on the market	To know what others are doing and how the product can be made more appealing and develop a USP (unique selling point)

2.2 Primary market research methods

	Advantages	Disadvantages
Questionnaires/ Surveys/ Interviews *Questions designed to find out information from customers*	• Pre-planned • Easy to analyse • Cost-effective • Can be done online, face-to-face or by email	• Not always honest answers • Can take a long time to complete • May take entrepreneurs away from other aspects of the business
Observations *Watching and recording customers*	• Costs little and easy to do • Can see what people do rather than just say	• Time consuming to analyse data • People change behaviour when being observed
Focus Groups *Small group discussion*	• Allows people to give detailed answers • Can pre-select participants	• Usually small group size, so limited data sample
Consumer Trials *Customer given a sample to try*	• Feedback directly focused on real product • Can be reliable and honest	• Costly to give away products • Small sample size • Competitors may copy product idea
Test Marketing *Products launched in one region for a short space of time to test the market*	• Reduces risk • Feedback relevant and targeted • Can target specific areas	• Results only based on small sample • Competitors could copy product idea

- **Open Questions** collect ***qualitative*** data (data that consists of people's opinions and points of view)
- **Closed Questions** collect ***quantitative*** data (data that is measured in numbers and percentages)

2.3 Secondary market research sources

Secondary market research *collects data from sources that already exist*

Method	Advantages	Disadvantages
Internal data	• Free to access • Looking at past data can help predict	• Older data can be unreliable • No new knowledge
Books and newspapers	• Access is free and easy • Published frequently	• Some newspapers can be biased • Can be out of date
Trade magazines	• Information specific to industry	• Subscriptions can be expensive
Competitors' data	• Industry specific data • Helps understand competition	• Not all information is released or relevant
Government publications and statistics	• High quality/ accurate research • Normally free to access online	• May be out of date • Information may be biased
Market research reports e.g. Mintel	• Accurate and specialist information	• Produced for a specific purpose • Often expensive to view

2.5 Types of market segmentation

Market segmentation *is the process of dividing up a market for a specific product into different groups (segments)*

Age	Customer wants and needs vary according to age, e.g. children's clothing in smaller sizes and may have cartoon characters on
Gender	Some products are aimed at specific genders, e.g. Lynx deodorant
Occupation	People working in certain jobs main need specific products or clothing, e.g. firefighter
Income	Income varies and more premium or luxury products are aimed at people with higher incomes
Location	Customer wants and needs vary by place, e.g. restaurants may serve local produce such as haggis in Scotland
Lifestyle	Hobbies and interests influence purchases, such as vegan products due to environmental awareness

2.6 The benefits of market segmentation to a customer

1. Ensure customers' needs are met and matched

- Customers' needs and wants vary
- By understanding these needs and wants, a business can alter its product to meet them
- Entrepreneurs can create different products for different segments to better meet customers' needs

2. Increase sales and profits

- Customers are more likely to purchase a product that meets their needs, leading to more sales for the business
- Businesses can save money by reducing costs and raising prices

3. Target the right product at the right customer

- Marketing and promotion are expensive
- Promotion can be more effective if targeted at a specific group who are likely to buy the product, leading to increased sales and profit

4. Increase customer retention and loyalty

- Retaining customers is important to remain competitive
- Customers remain loyal if a business meets their needs and wants

5. Increase market share

- A business wants to sell more than its competitors
- By targeting a specific market segment, a business can increase its sales and have a bigger market share compared to its competitors

3.1 Cost of producing the product

Fixed costs do not change no matter how many units a business sell:

- **Advertising –** the costs of print and digital products to promote the business
- **Insurance –** to protect the business premises, machinery and vehicles

- **Salaries –** monthly payments to employees that do not vary dependent on hours worked
- **Loan interest –** money paid to a lender for borrowing money
- **Rent –** payment for use of a factory, shop, office or other premises
- **Utilities –** payment for services used to operate the business, e.g. gas and electricity

Fixed costs per unit can be calculated by ***dividing total fixed costs by the number of units produced***

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Variable costs do change with output (so will change dependent on units produced):

- **Raw materials/ components –** resources needed to make the products
- **Packaging –** costs for wrapping for the finished product and for transporting for delivery
- **Wages –** payments made to employees that vary with hours worked

Variable costs per unit can be calculated by ***dividing total variable costs by the number of units produced***

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Total costs are calculated by adding together all costs (both fixed and variable)

Total costs per unit = total fixed costs per unit + total variable costs per unit

Total costs for overall level of output = total fixed costs + total variable costs

Calculating total costs for a time period:

Total cost per month = total annual costs divided by 12

Total cost per year = total costs per month x 12

3.2 Revenue generated by sales of the product

Revenue *is the amount of money that a business receives from selling its products*

Total revenue = selling price x number sold

To calculate selling price, divide the revenue by number sold

To calculate number sold, divide revenue by selling price

3.3 Profit/loss

Profit is the money that is made after costs are deducted from revenue

Profit/ loss = total revenue – costs

If costs are higher than revenue, then the business will make a loss

Total revenue – profit = total costs

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

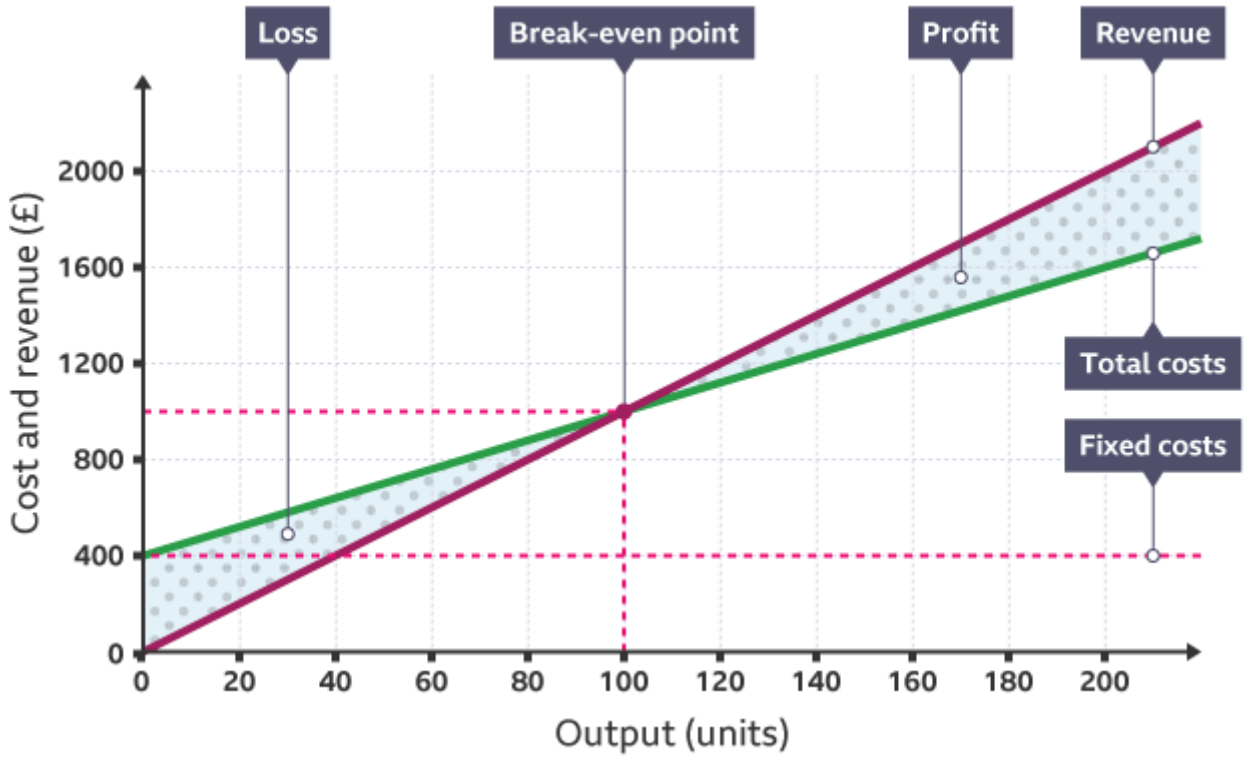
Break-even is the level of sales at which a business is making neither a profit or a loss.

Break-even = total revenue = total costs

The *formula* for **calculating break-even:**

$$\text{Break-even quantity in units} = \frac{\text{fixed costs}}{\text{Selling price per unit} - \text{variable cost per unit}}$$

Break-even graph explainer:



Using break-even information:

- Helps to make decisions on how many units they need to sell to make a profit
- Supports an application for a loan or investment
- Identifies any costs that the business needs to reduce
- Decides what price to charge for a product

3.5 Importance of cash

Cash *is the physical money (notes and coins) that a business holds in its till or bank account that is available to pay debts or expenses*

Businesses must make sure that they have enough cash to meet the needs of its **cash flow**, that changes constantly

Cash flowing into the business:

- Cash
- Bank loan
- Personal savings

Cash flowing out of the business:

- Rent
- Wages
- Loan / overdraft interest
- Purchasing equipment

Why do businesses need cash?

Without sufficient cash, a business is unable to:

- Pay its bills
- Repay debts and loans
- Buy materials to make products

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Important note: Cash IS NOT profit!

(profit is revenue minus costs)

Businesses can still be profitable but not have enough cash readily available to pay its bills because some customers do not pay for products and services immediately. This leads to cashflow issues.

4.1 The marketing mix elements for a good/service/

4.2 How the elements of the marketing mix work together

The **marketing mix** is made up of four elements **(4Ps):**

Product	Price
• The product must meet the needs of the customer • Who is the product targeted at? • What features do the customers want? • Does it have a clear USP (unique selling point)?	• Price must reflect what customers are willing to pay • Must also cover costs of production and enable businesses to make a profit
Place	**Promotion**
• Where the product is sold: 1. A physical shop or online 2. A way to suit the rest of marketing mix – a luxury item would be sold in fewer places as more exclusive	• Communicating the product's features and benefits to the customer • Making customers aware of products • Using the most appropriate promotional methods

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

Non-Digital

	Advantages	Disadvantages
Leaflets	• Physical and easy to read • Cheap to produce	• Time-consuming • 'junk' mail • Environmental issue
Newspapers	• Physical and easy to read • Target a specific market • Low cost	• Read by older audience • Adverts may not be seen as pages are 'busy'
Magazines	• Widely available • In colour and produced monthly	• Readers may skip adverts • Expensive
Radio	• Timed to target specific audience • Catchy jingles grab attention	• Advert short so may be missed • Costs high
Posters/ Billboards	• Cheap to produce • Effective if in busy area	• Expensive in prime locations • Customers may miss
Cinema	• Cheaper than TV adverts • Can reach large audiences	• Expensive to produce • Cinema goers may miss the adverts

Digital

	Advantages	Disadvantages
Social media	• Cheaper method • Interact with customers	• Time-consuming to keep up to date • Negative comments can be damaging to business

SMS texts	• Low cost • Targets people interested in business • Businesses can track customers	• Limited messages • Some people ignore/ delete • Hard to keep track of changing customer contact details
Websites	• Easy to access • Economical to make	• Technical issues • May need specialist skills
Banners/ Pop-ups	• Can be static/ moving • Can target customers effectively	• Can be irritating • Contain small amount of information
Podcasts	• Easy/ cheap to produce • Can be used alongside other promotional methods	• Effective in series, which is time-consuming • Customers may not have time to listen
Vlogs/ blogs	• Can give detailed information • Can target specific customers	• Time-consuming • Can be expensive to produce a professional one

PROMOTION 4.4 Sales promotion techniques used to attract and retain customers and the appropriateness of each

	Advantages	Disadvantages
Discounts	• Customers love a bargain and sales/ brand loyalty may increase	• Revenue reduces
Competitions	• Generate publicity and interest	• Costly to business • Need to promote the competition
BOGOF (buy one get one free)	• Bargain and good way to increase sales	• Reduces revenue as giving away free products
Point of sale advertising	• Easy to organise and targets customers	• Usually only works for low-cost items/ food
Loyalty schemes	• Data collected helps to track customer habits • Customers want rewards	• Can be costly to set up and run
Sponsorship	• Raises public awareness • Can be positive if associated with sports etc	• Costly to run • Negative publicity can affect the brand
Free gifts/ product trials	• Customers like freebies! • Can gather feedback from customers at same time	• Costly to produce/ reduces revenue • Sales not guaranteed

PROMOTION 4.5 Public relations

Public relations (PR) *is about promoting the company's reputation and building a positive relationship with the customer without direct advertising*

	Advantages	Disadvantages
Product Placement: *Branded products are placed on well-known TV shows/ films*	• People see the product and don't realise it's an advert • Positive links between film and product	• Too expensive for small businesses • Product might not get much attention
Celebrity Endorsement: *Use a celebrity's fame to promote a product*	• Celebrity builds trust and recognition	• Expensive! • If celebrity gets bad press, this can affect product
Press/ media release: *Important news story about company's products sent to media*	• Free publicity • Can easily target specific customers	• Story could be missed or misinterpreted

PLACE 4.6 How to sell the good/service to the customer

Physical Channels:

- **Shops –** products can be sold in retail outlets, shops, salons etc.
- **Face-to-face –** products can be sold directly with the customer, so straight from factory or distribution point to customer

Advantages:

- Relationships develop between retailer and customer that can increase brand loyalty
- Customers can touch or try out a product

Disadvantages:

- Costs to set up and run a store are high (rent, bills, employee wages etc.)
- Most shops are only open specific hours and customers may not wish to wait

Digital Channels:

- **E-commerce –** products can be sold online via company or third part website
- **Social media –** products can be promoted on social media with links to website
- **Marketplace sites -** e.g. Facebook, so private sellers
- **Online auction sites –** customers can bid on items, e.g. eBay
- **Downloads –** digital products or services can be purchased and downloaded

Advantages:

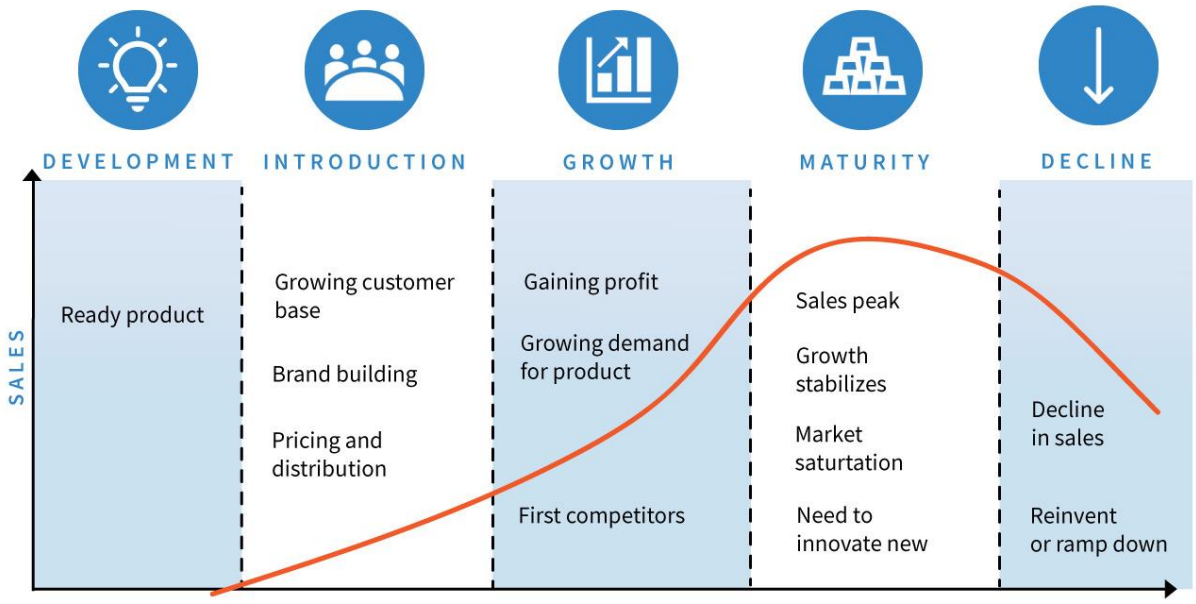
- Fewer costs than physical stores
- Can pass on lower prices to customers
- Flexible – 24 hours a day trading
- Wider geographical area served than a shop

Disadvantages:

- Customers must wait for delivery and cannot try or see quality of product
- Responses to customer queries may take time

PRODUCT 4.7 The product lifecycle

The product lifecycle shows the different stages that a product goes through from development to withdrawal from the market


DEVELOPMENT
INTRODUCTION
GROWTH
MATURITY
DECLINE
SALES
Ready product
Growing customer base
Brand building
Pricing and distribution
Gaining profit
Growing demand for product
First competitors
Sales peak
Growth stabilizes
Market saturtation
Need to innovate new
Decline in sales
Reinvent or ramp down