




Unit R064: Enterprise and marketing concepts






Learning Outcome 1: Understand how to target a market			
1.1 The need for <i>customer segmentation</i> , i.e. customers vary because of the:			
• Benefits they require			
• Amount of money they are able/willing to pay			
• <i>Quantity</i> of goods they require			
• <i>Quality</i> of goods they require			
• Time and location they wish to purchase the goods			
1.2 Types of <i>market segmentation</i> , i.e.			
• <i>Age</i>			
• <i>Gender</i>			
• <i>Occupation</i>			
• <i>Income</i>			
• <i>Geographic</i>			
• <i>Lifestyle</i>			
1.3 The benefits of market segmentation			
• Ensures customer needs are matched and met			
• Potential for increased <i>profits/profitability</i>			
• Increased <i>customer retention</i>			
• Allows for <i>targeted marketing</i>			
• Potential for an increase in <i>market share</i>			
1.4 The purpose of <i>market research</i> , i.e.			
• To reduce risk			
• To understand the <i>market</i>			
• To promote the <i>organisation</i>			
• To aid decision making			
• To gain customers' views and understand their <i>needs</i>			
• To inform <i>product development</i>			
1.5 <i>Primary (field) market research</i> methods (physical or digital) and their benefits, i.e.			
• <i>Observations</i>			
• <i>Questionnaires</i>			
• <i>Surveys</i>			
• <i>Focus groups</i>			
• <i>Consumer trials</i>			
1.6 <i>Secondary (desk) market research</i> sources and their benefits, i.e.			
• <i>Internal data</i>			
• <i>Books/newspapers/trade magazines</i>			
• <i>Competitors' data</i>			
• <i>Government publications and statistics</i>			
• <i>Purchased research material (e.g. Mintel)</i>			
1.7 The types of <i>customer feedback</i> techniques available to business start-ups, i.e.			
• Social media/online communities with reviews and comments			
• Online surveys			
• Customer comment cards			
• Comments made to staff members			
• Telephone/email surveys			
• Email contact forms			



Learning Outcome 2: Understand what makes a product or service financially viable			
2.1 Cost of producing the <i>product or service</i> , i.e.			
<ul style="list-style-type: none"> <i>Fixed costs</i> i.e. costs that do not vary with <i>output</i>, i.e. - rent - loan repayment - insurance - advertising - salaries - utilities 			
<ul style="list-style-type: none"> <i>Variable costs</i> i.e. costs that do vary with output i.e. - raw materials - components - stock - packaging 			
<ul style="list-style-type: none"> <i>Total costs</i> i.e. <i>fixed costs + variable costs</i> 			
2.2 Revenue generated by sales of the product or service, i.e.			
<ul style="list-style-type: none"> How to calculate <i>total revenue (Selling price x Number of sales)</i> 			
2.3 Use of <i>break-even</i> as an aid to decision making, i.e.			
<ul style="list-style-type: none"> Definition of break-even - i.e. <i>the level of output where Total revenue = Total costs</i> 			
<ul style="list-style-type: none"> Break-even formula $\frac{\text{Fixed costs}}{\text{(Selling price per unit - Variable cost per unit)}}$ 			
<ul style="list-style-type: none"> <i>Break-even graphs</i> - interpretation of a <i>break-even graph</i> in order to identify the <i>break-even point</i> 			
<ul style="list-style-type: none"> How break-even information is used 			
2.4 Profit level, i.e.			
<ul style="list-style-type: none"> How <i>profit per unit</i> is calculated - i.e. <i>Revenue (selling price) per unit - Total costs per unit</i> 			
<ul style="list-style-type: none"> How profit is calculated for a <i>given level of output</i> - i.e. <i>Sales revenue - Total costs</i> 			
Make sure that you can rearrange a formula to find a component, e.g. find the value of the total costs if the sales revenue and profit is known			
You must understand the difference between revenue and profit.			
Learning Outcome 3: Understand product development			
3.1 The <i>product lifecycle</i> , i.e.			
<ul style="list-style-type: none"> <i>Development</i> 			
<ul style="list-style-type: none"> <i>Introduction</i> 			
<ul style="list-style-type: none"> <i>Growth</i> 			
<ul style="list-style-type: none"> <i>Maturity</i> 			
<ul style="list-style-type: none"> <i>Decline</i> 			
3.2 <i>Extension strategies</i> for products in the product lifecycle and the appropriateness of each, i.e.			
<ul style="list-style-type: none"> <i>Advertising</i> 			
<ul style="list-style-type: none"> Price changes 			
<ul style="list-style-type: none"> <i>Adding value</i> (e.g. improving the specification of an existing product) 			
<ul style="list-style-type: none"> Exploration of new markets (e.g. new geographic market, new target markets) 			
<ul style="list-style-type: none"> New packaging 			
3.3 How to create <i>product differentiation</i> , i.e.			
<ul style="list-style-type: none"> Establishing a strong <i>brand image</i> for goods or service s 			
<ul style="list-style-type: none"> <i>Design mix model</i> - i.e. the variables that contribute to successful product design - function, cost and appearance 			
<ul style="list-style-type: none"> Identifying a clear <i>unique selling point (USP)</i> 			
<ul style="list-style-type: none"> Offering improved: - Location - Features - Functions - Design - Appearance - Selling price 			
3.4 The impact of <i>external factors</i> on product development, i.e.			
<ul style="list-style-type: none"> <i>Technological developments</i> (e.g. developments in technology that affect production capabilities and consumer preferences) 			
<ul style="list-style-type: none"> <i>Economic issues</i> (i.e. <i>recession, boom</i> and their effects) 			

			
<ul style="list-style-type: none"> • <i>Legal issues</i> (i.e. <i>copyright and patent</i>, product safety standard) 			
Learning Outcome 4: Understand how to attract and retain customers			
THE 8 MARK QUESTION WILL BE BASED ON THIS SECTION – make sure that you know the advantages and disadvantages in each case. In a given situation you must be able to choose a course of action then explain why you made that recommendation			
4.1 Factors to consider when pricing a product to <i>attract and retain customers</i> , i.e.			
<ul style="list-style-type: none"> • <i>Income levels of target customers</i> • <i>Price of competitor products</i> • <i>Cost of production</i> 			
4.2 Types of <i>pricing strategies</i> and the appropriateness of each, i.e.			
<ul style="list-style-type: none"> • <i>Competitive pricing</i> • <i>Psychological pricing</i> • <i>Price skimming</i> • <i>Price penetration</i> 			
4.3 Types of advertising methods used to <i>attract and retain customers</i> and the appropriateness of each, i.e.			
<ul style="list-style-type: none"> • Leaflets • Social Media • Websites • Newspapers • Magazines • Radio 			
4.4 <i>Sales promotion techniques</i> used to attract and retain customers and the appropriateness of each, i.e.			
<ul style="list-style-type: none"> • Discounts • Competitions • Buy one get one free (BOGOF) • Free gifts/product trials • Loyalty schemes • <i>Point of sale</i> advertising 			
4.5 How <i>customer service</i> is used to attract and retain customers, i.e.			
<ul style="list-style-type: none"> • Product knowledge • <i>Customer engagement</i> (e.g. presentation, communication skills) • <i>After sales service</i> 			
Learning Outcome 5: Understand factors for consideration when starting up a business			
5.1 Appropriate forms of ownership for business start-ups, i.e.			
<ul style="list-style-type: none"> • <i>Sole trader</i> • <i>Partnership</i>, including <i>limited liability partnership</i> • <i>Franchise</i> 			
<ul style="list-style-type: none"> • Features of each form of ownership, i.e. - <ul style="list-style-type: none"> ○ Owners ○ Basic legal requirements to start the business (e.g. business registration, <i>HMRC</i>) ○ Liability, i.e. <ul style="list-style-type: none"> ▪ <i>limited</i> ▪ <i>unlimited</i> ○ Responsibility for decision making ○ <i>Distribution of profit</i> to the owners 			

			
5.2 Source(s) of <i>capital</i> for business start-ups, i.e.			
• own savings			
• friends and family			
• <i>loans</i>			
• <i>crowdfunding</i>			
• <i>small business grants</i>			
• <i>business angels</i>			
5.3 The importance of a <i>business plan</i> , i.e.			
• Why a business plan is needed, i.e. <ul style="list-style-type: none"> ○ to clarify a business idea to others (e.g. to secure funding) ○ to measure progress towards goals (e.g. timescales, <i>sales forecasts</i>) ○ to help manage <i>cash flow</i> ○ help identify potential problems (e.g. <i>financial shortages</i>) 			
• What the <i>business plan</i> should detail, i.e. – <ul style="list-style-type: none"> ○ <i>business objectives</i> ○ <i>business strategies</i> ○ <i>sales plan</i> ○ <i>marketing plan</i> ○ <i>financial forecasts</i> 			
• The benefits of demonstrating a healthy <i>cash flow</i> when preparing a <i>business plan</i>			
• Who may wish to see a business plan and why			
Learning Outcome 6: Understand different <i>functional activities</i> needed to support a business startup			
6.1 The purpose of each of the main <i>functional activities</i> that may be needed in a new business, i.e.			
• <i>Human Resources</i> , i.e. - responsible for all aspects of managing individuals who work within a business			
• <i>Marketing</i> , i.e. - responsible for identifying the <i>needs and wants</i> of business customers and developing products/services to meet those needs			
• <i>Operations</i> , i.e. - organising the process that turns <i>inputs into outputs/finished goods</i> that can be sold to customers			
• <i>Finance</i> , i.e. - managing the <i>financial resources</i> in a small business and <i>reporting on financial performance</i>			
6.2 The main activities of each <i>functional area</i> , i.e.			
• <i>Human Resources</i> , i.e. – <ul style="list-style-type: none"> ○ <i>Recruitment and selection</i> of employees ○ <i>Training and development</i> of employees ○ <i>Performance management</i> of employees ○ <i>Responsibility for health and safety</i> in the workplace ○ Ensuring <i>compliance with employment legislation</i> 			
• <i>Marketing</i> , i.e. – <ul style="list-style-type: none"> ○ <i>Market research</i> <ul style="list-style-type: none"> ▪ i.e. to research the market and find out customer opinions ○ Developing a <i>marketing mix</i>: Product, Price, Place, Promotion (4Ps) 			
• <i>Operations</i> , i.e. – <ul style="list-style-type: none"> ○ <i>Production planning</i> ○ Producing the product or service ○ <i>Quality control</i> ○ <i>Stock control</i> ○ <i>Logistics</i> 			
• <i>Finance</i> , i.e. – <ul style="list-style-type: none"> ○ Organisation and allocation of <i>financial resources</i> ○ <i>Financial performance reporting</i> ○ <i>Monitoring of cash flow</i> 			