

# Unit R067 Enterprise and Marketing – Knowledge Organiser

- Unit R067: Enterprise and Marketing Concepts

This is assessed by an exam.

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.

Topics include:

- TA1 ○ Characteristics, risk and reward for enterprise
- TA2 ○ Market research to target a specific customer
- TA3 ○ What makes a product financially viable
- TA4 ○ Creating a marketing mix to support a product
- TA5 ○ Factors to consider when starting up and

Click on the title on each page to go direct to the relevant BusinessEd website TA



[Click here to visit the  
pts for each Topic  
Area \(TA\)](#)





## Unit R067: Enterprise and marketing concepts

### Topic Area 1: Characteristics, risk and reward for enterprise

#### Teaching content

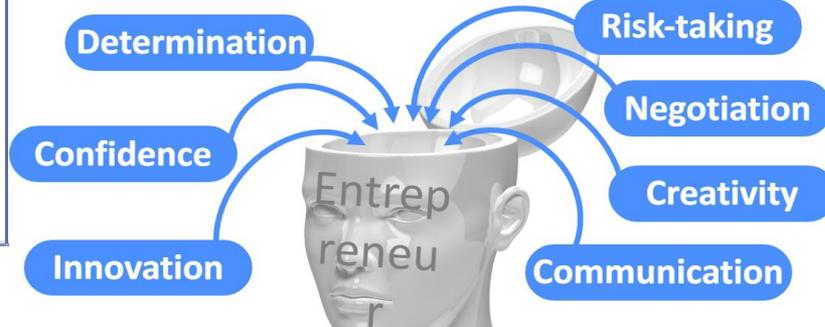
#### 1.1 Characteristics of successful entrepreneurs

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

#### Breadth and depth

Why each characteristic may help the entrepreneur to be successful ?

- Entrepreneurs tend to have very similar mind-sets, such as:



#### 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





## Unit R067: Enterprise and marketing concepts

### Topic Area 2: Market research to target a specific customer

Teaching content	Breadth and depth
<b>2.1 The purpose of market research</b>	
<ul style="list-style-type: none"> <li>□ To reduce risk</li> <li>□ To aid decision making</li> <li>□ To understand the market</li> <li>□ To gain customers' views and understand their needs/wants</li> <li>□ To inform product development</li> <li>□ To understand how a good/service complements others on the market</li> </ul>	<p>To include:</p> <ul style="list-style-type: none"> <li>• Why and when entrepreneurs need to carry out market research</li> </ul>
<b>2.2 Primary market research methods</b>	
<ul style="list-style-type: none"> <li>□ Observations</li> <li>□ Questionnaires/surveys/interviews</li> <li>□ Focus groups</li> <li>□ Consumer trials</li> <li>□ Test marketing/pilots</li> </ul>	<p>To include:</p> <ul style="list-style-type: none"> <li>• Advantages and disadvantages of primary versus secondary market research</li> <li>• Advantages and disadvantages of each primary market research method and secondary market research source</li> <li>• The primary/secondary market research may be physical or digital. Observations may be of people or location</li> </ul>
<b>2.3 Secondary market research sources</b>	
<ul style="list-style-type: none"> <li>□ Internal data</li> <li>□ Books/newspapers/trade magazines</li> <li>□ Competitors' data</li> <li>□ Government publications and statistics</li> <li>□ Mintel or similar</li> </ul>	<p>Guidance:</p> <ul style="list-style-type: none"> <li>• 'The internet' can be used to conduct market research but would not be classed as a stand-alone research method or source in itself</li> </ul>

*"The organised gathering, recording and analysis of data in order to better understand the behaviour of customers"*



Primary market research can be carried out in a number of ways:

Surveys	Test Marketing and Pilots
Questionnaires	Focus Groups
Consumer Trials	Observations

There are a number of different sources that can be used:



“Quantitative Data” can be defined as:

“Information that can be expressed numerically, either as a **QUANTITY**, or a **measure**”



“Qualitative Data” can be defined as:

“Non-numerical information that describes **QUALITIES**, characteristics or opinions”



## 2.4 Types of data

<ul style="list-style-type: none"> <li><input type="checkbox"/> Quantitative</li> <li><input type="checkbox"/> Qualitative</li> </ul>	<p>To include:</p> <ul style="list-style-type: none"> <li>• Benefits and limitations of each type of data</li> <li>• Data can be collated internally or externally</li> </ul>
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## 2.5 Types of market segmentation

<ul style="list-style-type: none"> <li><input type="checkbox"/> Age</li> <li><input type="checkbox"/> Gender</li> <li><input type="checkbox"/> Occupation</li> <li><input type="checkbox"/> Income</li> <li><input type="checkbox"/> Location</li> <li><input type="checkbox"/> Lifestyle</li> </ul>	<p>To include:</p> <ul style="list-style-type: none"> <li>• The meaning of segmentation and simple problems/challenges that may be encountered if the market is not segmented</li> </ul> <p>Does not include:</p> <ul style="list-style-type: none"> <li>• Specific classifications of market segmentation, for example ACORN, Mosaic</li> </ul>
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## 2.6 The benefits of market segmentation to a business

<ul style="list-style-type: none"> <li><input type="checkbox"/> Ensures specific customer needs are matched and met</li> <li><input type="checkbox"/> Potential for increased profits/profitability</li> <li><input type="checkbox"/> Enables targeted marketing</li> <li><input type="checkbox"/> Increased customer retention</li> <li><input type="checkbox"/> Potential for an increase in market share</li> </ul>	<p>To include:</p> <ul style="list-style-type: none"> <li>• The benefits of taking a targeted approach to marketing</li> </ul>
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“Market Segmentation” is based upon the idea that similar people act in similar ways

■ It can be defined as:



“The process of dividing a market into smaller groups that contain consumers with similar needs, wants, or characteristics”

## Methods of Segmenting a Market

■ There are a number of ways that a market can be segmented:



## The Target Market

- Once a market has been segmented, a business will identify which segment(s) they can best meet the needs of
  - They will then focus upon the needs of the consumers in the chosen segment(s)
- This group of consumers is often known as the “target market”
  - This target market will be considered by a business whenever they are:
    - Designing and launching new products
    - Carrying out market research
    - Planning an advertising campaign



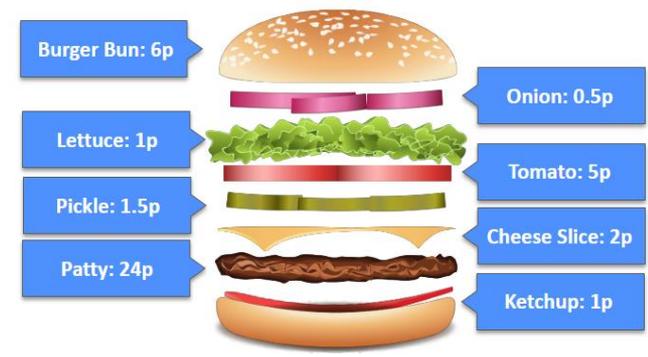
## The Benefits of Segmenting the Market

■ Identifying a target market gives a business a number of benefits:





Unit R067: Enterprise and marketing concepts	
Topic Area 3: What makes a product financially viable	
Teaching content	Breadth and depth
<b>3.1 Cost of producing the product</b>	
<ul style="list-style-type: none"> <li>□ Fixed costs (costs which do not vary with output)                             <ul style="list-style-type: none"> <li>▪ Advertising</li> <li>▪ Insurance</li> <li>▪ Loan interest</li> <li>▪ Rent</li> <li>▪ Salaries</li> <li>▪ Utilities</li> </ul> </li> <li>□ Variable costs (costs which vary with output)                             <ul style="list-style-type: none"> <li>▪ Raw materials/components</li> <li>▪ Packaging</li> <li>▪ Wages</li> </ul> </li> <li>□ Total cost                             <ul style="list-style-type: none"> <li>▪ Fixed costs + variable costs</li> </ul> </li> </ul>	<p>To include:</p> <ul style="list-style-type: none"> <li>• Know the definitions of key terms such as fixed costs, variable costs and total cost</li> <li>• Calculations such as:                             <ul style="list-style-type: none"> <li>○ Total cost</li> <li>○ Total cost per unit</li> <li>○ Variable cost</li> <li>○ Variable cost per unit</li> <li>○ Fixed cost</li> <li>○ Fixed cost per unit</li> </ul> </li> <li>• Calculations involving different time periods, such as per month or per year</li> </ul> <p>Guidance:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• Know that loan repayments are not a fixed cost – only the interest charged</li> </ul>
<b>3.2 Revenue generated by sales of the product</b>	
<ul style="list-style-type: none"> <li>□ Calculate total revenue (Selling price per unit x Number of sales)</li> </ul>	<p>To include:</p>



- Fixed costs are usually given as a total figure
  - This is calculated by adding up all the fixed costs incurred during a time period:

$$\text{TOTAL FIXED COSTS} = \text{SUM OF ALL THE FIXED COSTS}$$

- It can also be useful to know the fixed cost per unit
  - This is the total fixed costs shared between the number of units produced
    - Since the fixed cost will not change, the fixed cost per unit will fall if more is produced
  - It is calculated as:

$$\text{FIXED COST PER UNIT} = \frac{\text{TOTAL FIXED COST}}{\text{NUMBER OF UNITS PRODUCED}}$$

$$\text{TOTAL COSTS (TC)} = \text{FIXED COSTS (FC)} + \text{VARIABLE COSTS (VC)}$$

$$\text{TOTAL REVENUE} = \text{SELLING PRICE PER UNIT} \times \text{NUMBER OF UNITS SOLD}$$

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$$\text{NUMBER OF UNITS SOLD} = \frac{\text{TOTAL REVENUE}}{\text{SELLING PRICE PER UNIT}}$$





Profit can be defined as:



"The difference between the amount received from selling the product or service and the cost of producing or providing it."

### 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:

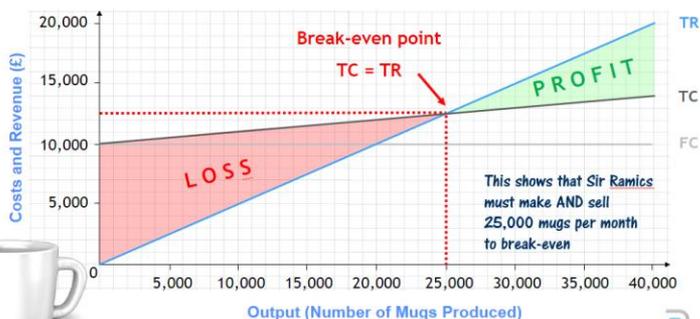
- How to rearrange a formula to find a component, for instance calculate the value of the total costs if the total revenue and profit are known
- Know the difference between revenue and profit
- The concept of loss when total costs (per unit) exceed revenue (per unit)

$$\text{PROFIT} = \text{TOTAL REVENUE} - \text{TOTAL COSTS}$$

$$\text{PROFIT PER UNIT} = \text{REVENUE PER UNIT (SELLING PRICE)} - \text{TOTAL COSTS PER UNIT}$$

## A Worked Example of a Break-even Chart

- Sir Ramics uses the previous figures to plot their break-even chart:



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

- 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

To include:

- Break-even calculations
- Rearranging the break-even quantity formula to find a missing number, for instance the selling price per unit

Guidance:

- 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

Break-even can be defined as:



"The point at which profit is zero, so the revenue received from selling products/services is the same as the total costs incurred in producing/providing them."

$$\text{BREAK-EVEN POINT} = \frac{\text{FIXED COSTS}}{\text{(SELLING PRICE PER UNIT - VARIABLE COST PER UNIT)}}$$



## Re-arranging The Break-Even Formula

## What Affects the Break-Even Point?

- A business may want to know what the minimum price it should charge if it knows it can only produce a given number of units
  - To do this the break-even formula can be rearranged as follows:



$$\text{SELLING PRICE PER UNIT} = \left( \frac{\text{FIXED COSTS}}{\text{BREAK-EVEN POINT}} \right) + \text{VARIABLE COST PER UNIT}$$



$$\text{VARIABLE COST PER UNIT} = \text{SELLING PRICE PER UNIT} - \left( \frac{\text{FIXED COSTS}}{\text{BREAK-EVEN POINT}} \right)$$



$$\text{FIXED COSTS} = \text{BREAK-EVEN POINT} \times (\text{SELLING PRICE PER UNIT} - \text{VARIABLE COST PER UNIT})$$

- Any change in costs or revenues will affect the break-even point
  - An increase in the break-even point is bad for a business
    - Since they will have to sell more before they start making a profit

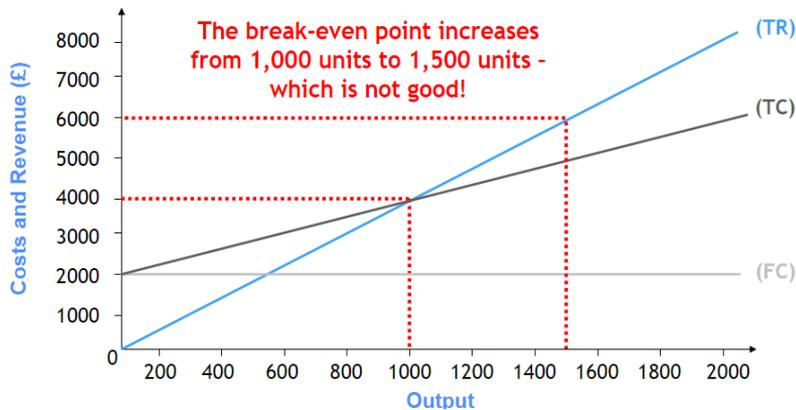
CHANGE	EFFECT ON TOTAL COSTS	EFFECT ON TOTAL REVENUE	EFFECT ON BREAK-EVEN POINT
INCREASE IN COSTS	INCREASE ↑	NO CHANGE	INCREASE ↑
DECREASE IN COSTS	DECREASE ↓	NO CHANGE	DECREASE ↓
INCREASE IN REVENUE	NO CHANGE	INCREASE ↑	DECREASE ↓
DECREASE IN REVENUE	NO CHANGE	DECREASE ↓	INCREASE ↑

Red = Negative impact on the business

Green = Positive impact on the business

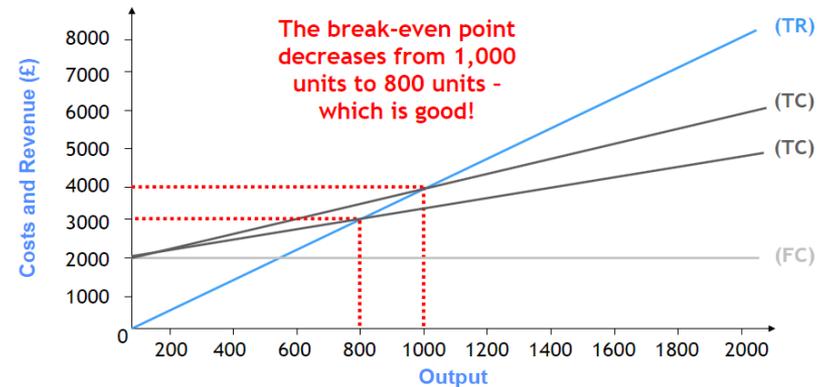
## Illustrating an Increase In Fixed Costs

- The impact of an increase in fixed costs from £2,000 to £3,000 is shown below:



## Illustrating a Decrease In Variable Costs

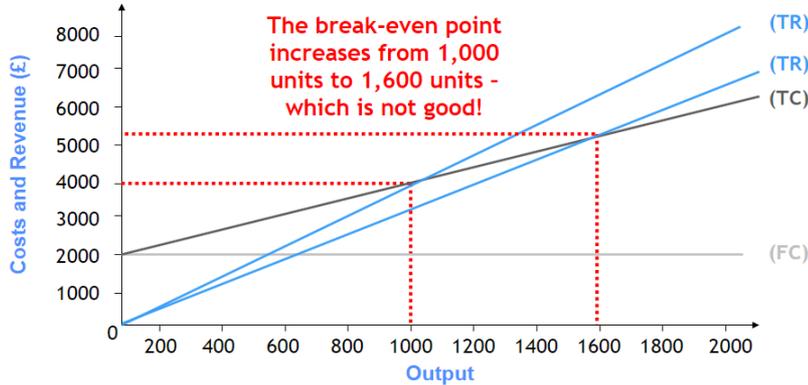
- The impact of a decrease in variable costs from £2 to £1.50 is shown below:





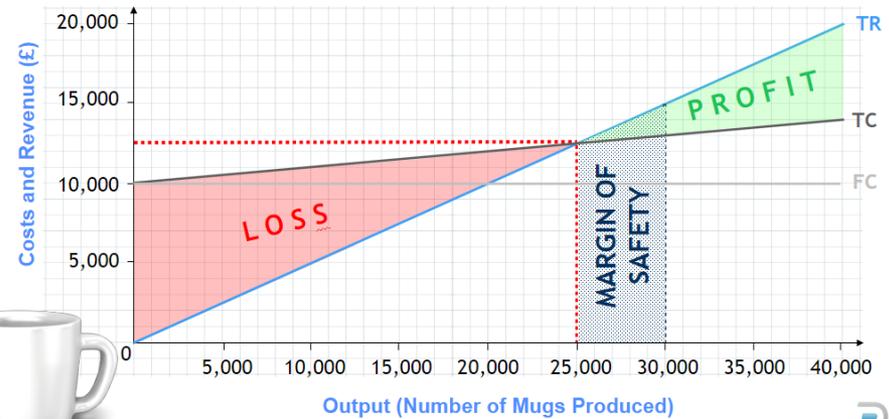
## Illustrating a Decrease In Total Revenue

- The impact of a decrease in the price charged from £4 to £3.25 is shown below:



## The Margin of Safety Shown Visually

- Sir Ramics margin of safety can be shown on their break-even chart:



## The Margin of Safety

- The margin of safety is defined as:



*“The difference between the number of units actually sold, and the number of units that need to be sold to break-even”*



- It measures how far sales can fall before a business stops making a profit

- It is a useful way of using break-even and can be calculated using the following formula:



$$\text{MARGIN OF SAFETY} = \text{ACTUAL OUTPUT} - \text{BREAK-EVEN LEVEL OF OUTPUT}$$



## How Entrepreneurs Use Break-even

- Break-even can help an entrepreneur to consider:
  - The level of fixed costs that will be incurred
  - The variable costs of each unit produced
  - The price that will be charged for each unit sold
  - How many units need to be sold before a profit begins to be made
  
- Knowing this will help the entrepreneur to:
  - Identify products that would not be financially viable
    - Before they are launched
  - Set realistic sales targets
  - Plan production levels
    - To ensure that there are enough products available to exceed the break-even point



## Cash Vs Profit

- Cash and profit are two different things
  - E.g. a start-up business might have £10,000 in cash, but has not yet made a profit

### CASH

Cash is physical currency (coins and notes), including money in the bank that can be accessed immediately



### PROFIT

Profit is the difference between the amount received and spent in order to produce a product or provide a service



- So it is possible for a business to:
  - Have a lot of cash, but not be making a profit
  - Be making lots of profit, but not have much cash

## The Consequences of Running Out of Cash

- A business that lacks cash is referred to as “insolvent”
  - Insolvency refers to:



*“A situation where a business is not able to pay the debts that it owes”*

- A business that runs out of cash and can't pay it's debts will either
  - Be sold
    - Buyers may be interested since an insolvent business is not necessarily an unprofitable one!
  - Close down



### 3.5 Importance of cash

- The difference between cash and profit
- Consequences of a lack of cash

#### Guidance:

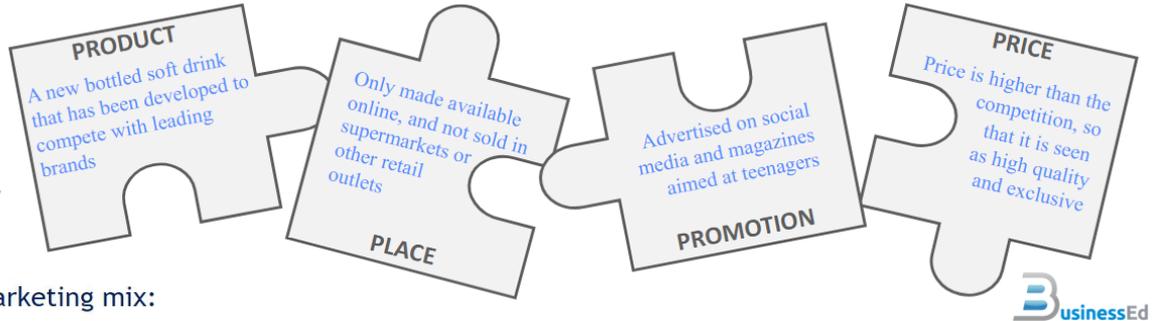
- Students will not be required to complete or interpret a cash flow forecast
- Students will not be required to recommend solutions to cash flow issues



Topic Area 4: Creating a marketing mix to support a product	
Teaching content	Breadth and depth
<b>4.1 The marketing mix elements for a good/service</b>	
<ul style="list-style-type: none"> <li><input type="checkbox"/> Product</li> <li><input type="checkbox"/> Price</li> <li><input type="checkbox"/> Place</li> <li><input type="checkbox"/> Promotion</li> </ul>	<p>To include:</p> <ul style="list-style-type: none"> <li>• Changes to the marketing mix for a specific good, service or business</li> </ul>
<b>4.2 How the elements of the marketing mix work together</b>	
<ul style="list-style-type: none"> <li><input type="checkbox"/> Each element affects the appropriateness of decisions regarding other elements</li> <li><input type="checkbox"/> Consideration of the whole marketing mix and how the elements work together to create a specific brand image, such as premium or economy</li> <li><input type="checkbox"/> Satisfying the target market segment's needs</li> </ul>	

### The Marketing Mix

- Often called "The 4P's", this is made up of 4 "ingredients"
- Like baking a good cake, the 4 ingredients need to be mixed correctly:



The Nintendo Switch was launched with the following marketing mix:

The Nintendo Switch is a games console with innovative controllers to allow players to take their gaming with them outside the home.

The Nintendo Switch is sold through the usual retail outlets. Initial supplies were restricted, creating shortages; a technique Nintendo often uses.

Launched in March 2017, at £279.99, making it relatively expensive. Consoles are often sold at below-cost price, but Nintendo decided against this.

After announcing the Switch in October 2016 to build anticipation, advertising has focused on portability and whole family fun.

#### The Target Market

What do the target market need from the product? This should inform any marketing mix decisions

#### The Image

What image needs to be created for the product? This can be created by the marketing mix, and appeal to the target audience

#### The Other P's

Do the decisions made for each element of the marketing mix match? If not then the target market may become confused



**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"> <li>□ Non-digital                     <ul style="list-style-type: none"> <li>▪ Leaflets</li> <li>▪ Newspapers</li> <li>▪ Magazines</li> <li>▪ Radio</li> <li>▪ Posters/billboards</li> <li>▪ Cinema</li> </ul> </li> <li>□ Digital                     <ul style="list-style-type: none"> <li>▪ Social Media – video, feedback, social networks</li> <li>▪ Websites</li> <li>▪ Online banners/pop-ups</li> <li>▪ SMS texts</li> <li>▪ Podcasts</li> <li>▪ Vlogs/blog</li> </ul> </li> </ul>	<p>To include:</p> <ul style="list-style-type: none"> <li>• The relative advantages and disadvantages of each medium</li> </ul> <p>Guidance:</p> <ul style="list-style-type: none"> <li>• 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</li> </ul>
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**Advertising**

- Advertising can be defined as:



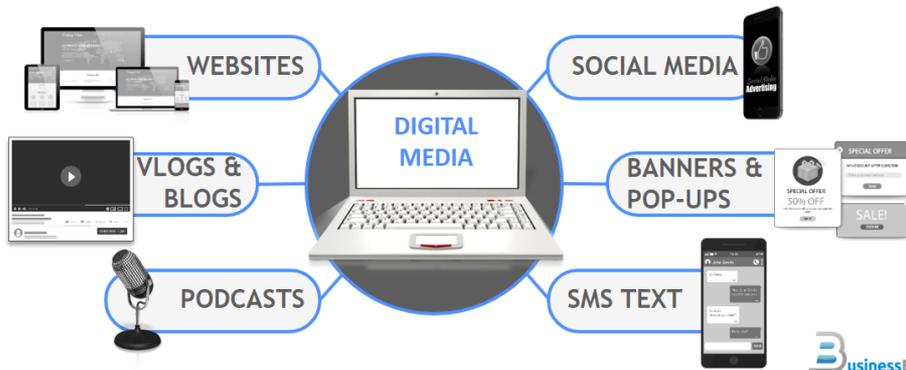
*“The use of media to communicate with existing and potential customers about a product or service.”*



- It is important that advertising is planned carefully to ensure that:
  - The correct message gets across
  - The intended audience sees the message - at the right time
  - The most appropriate medium is used

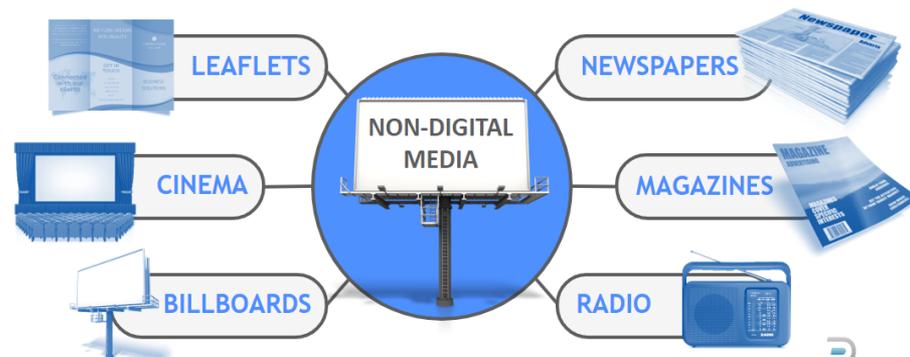
**Digital Media**

- Advertising can be extremely expensive, so it is important to choose the most appropriate media
  - There are a number of media that will be affordable for a small business:



**Non-digital Media**

- Advertising can be extremely expensive, so it is important to choose the most appropriate media
  - There are a number of media that will be affordable for a small business:





## Sales Promotion

- Sales promotion can be defined as:



*“The use of incentives to persuade a consumer to make a purchase”*

- The objective of a sales promotion is to convert a potential sale into an actual sale

SALES  
PROMOTION

B...

### 4.4 Sales promotion techniques used to attract and r

- Discounts
- Competitions
- Buy one get one free (BOGOF)
- Point of sale advertising
- Free gifts/product trials
- Loyalty schemes

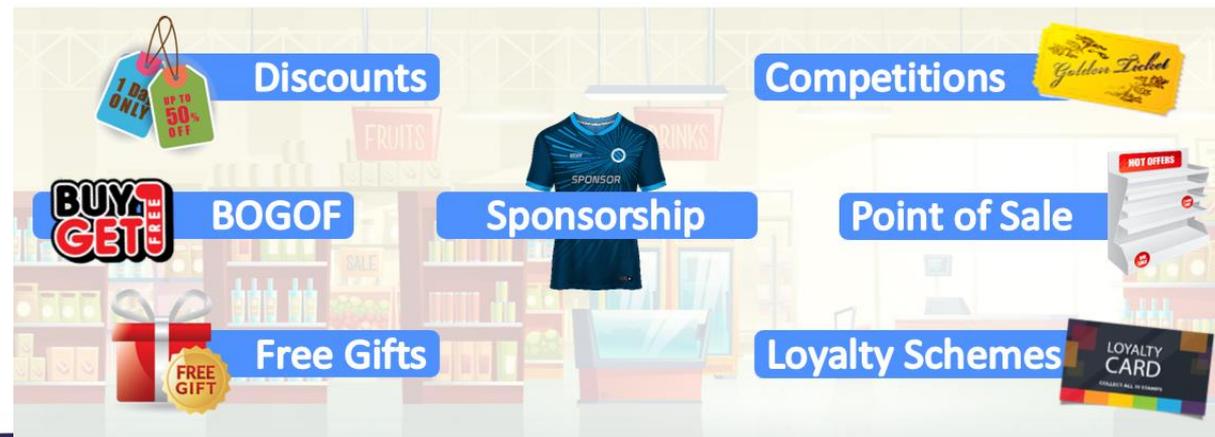
retain customers and the appropriateness of each

To include:

- The relative benefits and limitations of each technique

## Sales Promotion Techniques

- There are a number of incentives that can be used to promote sales:





<b>4.5 Public relations</b>	
<ul style="list-style-type: none"> <li><input type="checkbox"/> Product placement</li> <li><input type="checkbox"/> Celebrity endorsement</li> <li><input type="checkbox"/> Press/media releases</li> </ul>	<p><b>To include:</b></p> <ul style="list-style-type: none"> <li>• The relative benefits and limitations of each method</li> </ul> <p><b>Guidance:</b></p> <ul style="list-style-type: none"> <li>• Public relations activities must be realistic for a small business context</li> </ul>
<b>4.6 How to sell the good/service to the consumer</b>	
<ul style="list-style-type: none"> <li><input type="checkbox"/> Physical – shops, face to face</li> <li><input type="checkbox"/> Digital – e-commerce, websites, social media marketplace sites, online auction sites, downloads</li> </ul>	<p><b>To include:</b></p> <ul style="list-style-type: none"> <li>• An awareness of the growth in digital channels</li> <li>• The advantages and disadvantages of physical and digital channels</li> </ul> <p><b>Does not include:</b></p> <ul style="list-style-type: none"> <li>• Channels of distribution</li> <li>• The role of different parties within a typical distribution channel, e.g. wholesalers</li> </ul>

## What is Public Relations

- Public relations (PR) can be defined as:



*“The management and sharing of information that affects what people think about a business”*

- Three common ways of obtaining publicity are:



Product Placement



Celebrity Endorsement



Press/Media Releases

**The Pros of Product Placement**

- It can improve awareness of a brand or product
- Can reach the target market, by using shows/films they will watch
- Products are shown in their natural environment

**The Cons of Product Placement**

- There are strict rules around that are regulated by Ofcom
- It can't be used for all products, or all shows/movies
- Expensive, so of limited use for small businesses

**The Pros of Celebrity Endorsement**

- It can make your product or brand stand out
- It can build credibility with the target market
- It may open up new markets, if the right celebrity is used

**The Cons of Celebrity Endorsement**

- Any scandals involving the celebrity could reflect on the product/brand
- The celebrity may overshadow the product/brand
- If paid-for, it may be expensive, so unsuitable for small business

**The Pros of Press/Media Releases**

- It is a cheap (or free!) so suitable for small businesses
- Can help to make a wider audience aware of a product
- Products are shown in their natural environment

**The Cons of Press/Media Releases**

- Little control over how the message is used - if it is used at all
- Can get “lost”, as competing with other businesses to gain attention
- Different from an advert, so needs a “story”, to attract interest

## What Does Selling Involve?

- In order to sell a good or service it needs to be available when a consumer wants to buy it
  - So making it easy for a consumer to buy a good or service will give it the best chance of success
- Making sure that goods and services are available when consumers want them involves:
  - Selling them in a convenient place for consumers
  - Having sufficient quantities to meet consumer demand
    - After all businesses can't sell what they haven't got





<b>4.5 Public relations</b>	
<input type="checkbox"/> Product placement <input type="checkbox"/> Celebrity endorsement <input type="checkbox"/> Press/media releases	<p>To include:</p> <ul style="list-style-type: none"> <li>The relative benefits and limitations of each method</li> </ul> <p>Guidance:</p> <ul style="list-style-type: none"> <li>Public relations activities must be realistic for a small business context</li> </ul>
<b>4.6 How to sell the good/service to the consumer</b>	
<input type="checkbox"/> Physical – shops, face to face <input type="checkbox"/> Digital – e-commerce, websites, social media marketplace sites, online auction sites, downloads	<p>To include:</p> <ul style="list-style-type: none"> <li>An awareness of the growth in digital channels</li> <li>The advantages and disadvantages of physical and digital channels</li> </ul> <p>Does not include:</p> <ul style="list-style-type: none"> <li>Channels of distribution</li> <li>The role of different parties within a typical distribution channel, e.g. wholesalers</li> </ul>
<b>4.7 The product lifecycle</b>	
<input type="checkbox"/> Development <input type="checkbox"/> Introduction <input type="checkbox"/> Growth <input type="checkbox"/> Maturity <input type="checkbox"/> Decline	<p>To include:</p> <ul style="list-style-type: none"> <li>Which stage of the product lifecycle is most likely for a specific product based on sales data</li> </ul>

## What is Public Relations

- Public relations (PR) can be defined as:



*“The management and sharing of information that affects what people think about a business”*

- Three common ways of obtaining publicity are:



Product Placement



Celebrity Endorsement



Press/Media Releases

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<b>4.8 Extension strategies for products in the product lifecycle and the appropriateness of each</b>	
<input type="checkbox"/> Advertising <input type="checkbox"/> Price changes <input type="checkbox"/> Adding value (improving the specification of an existing product) <input type="checkbox"/> Exploration of new markets (geographic or target market) <input type="checkbox"/> New packaging	<p>To include:</p> <ul style="list-style-type: none"> <li>The relative advantages and disadvantages of different extension strategies for a specific product</li> </ul> <p>Guidance:</p> <ul style="list-style-type: none"> <li>'Products' include both goods and services</li> <li>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</li> </ul>

<b>4.9 Factors to consider when pricing a product to attract and retain customers</b>	
<input type="checkbox"/> Income levels of target customers <input type="checkbox"/> Price of competitor products <input type="checkbox"/> Cost of production <input type="checkbox"/> Stage of the product lifecycle	<p>To include:</p> <ul style="list-style-type: none"> <li>Which factors are most important when considering a specific start-up situation</li> </ul>

<b>4.10 Types of pricing strategies and the appropriateness of each</b>	
<input type="checkbox"/> Competitive pricing <input type="checkbox"/> Psychological pricing <input type="checkbox"/> Price skimming <input type="checkbox"/> Price penetration	<p>To include:</p> <ul style="list-style-type: none"> <li>The relative advantages and disadvantages of each pricing strategy</li> </ul> <p>Does not include:</p> <ul style="list-style-type: none"> <li>Reference to a specific price – only a pricing strategy</li> </ul>





## Unit R067: Enterprise and marketing concepts

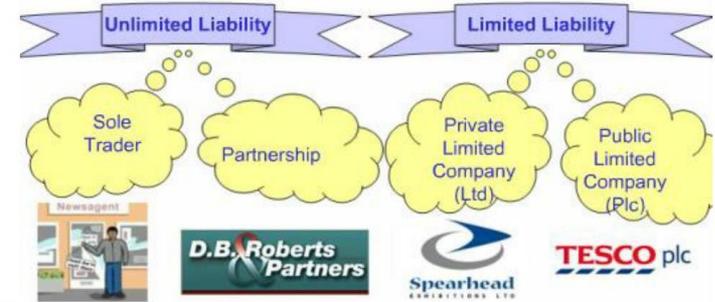
### Topic Area 5: Factors to consider when starting up and running an enterprise

Teaching content	Breadth and depth
<b>5.1 Appropriate forms of ownership for business start-ups</b>	
<ul style="list-style-type: none"> <li>□ Sole trader</li> <li>□ Partnership, including limited liability partnerships</li> <li>□ Private Limited Company (Ltd)</li> <li>□ Franchise</li> <li>□ Features of each form of ownership                             <ul style="list-style-type: none"> <li>▪ Ownership</li> <li>▪ Liability                                     <ul style="list-style-type: none"> <li>○ limited</li> <li>○ unlimited</li> </ul> </li> <li>▪ Responsibility for decision making</li> <li>▪ Distribution of profit to the owners</li> </ul> </li> </ul>	<p>To include:</p> <ul style="list-style-type: none"> <li>• Relative advantages and disadvantages of each form of ownership</li> <li>• 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</li> <li>• The responsibility for decision making may belong not only to the owners, but others such as franchisors etc</li> </ul> <p>Guidance:</p> <ul style="list-style-type: none"> <li>• 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</li> </ul> <p>Does not include:</p> <ul style="list-style-type: none"> <li>• Public limited companies</li> <li>• Detailed knowledge of the steps involved in creating a new business, e.g. contents and names of the documents to send to Companies House</li> </ul>

- Liability refers to:

“Being legally responsible for any debts or financial commitments of a business”

- There are two types of liability:

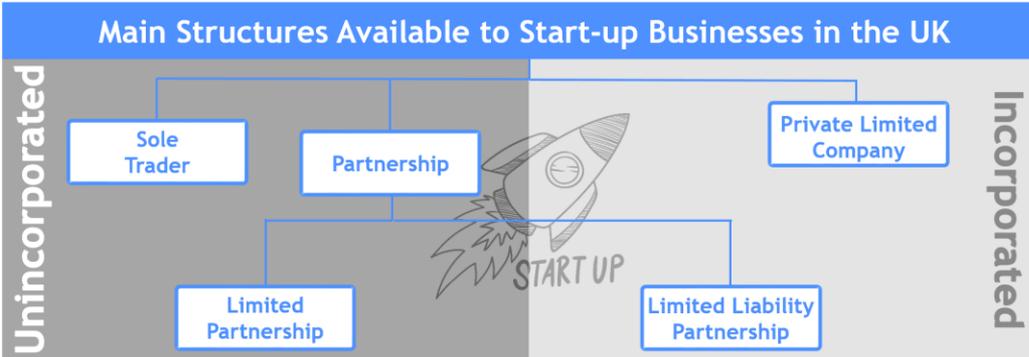


## Franchise

- Another option when starting a business is to buy a franchise
  - Where a business sells the right to trade under their name to another business
    - Examples are often found in service industries, such as retail or food...



- ☞ Have signed an agreement with a franchisor
- ☞ Will provide the money needed to start the business
- ☞ Will make regular payments to the franchisor
- ☞ In return the franchisor will:
  - ☞ Allow the use of their business name for an agreed time period
  - ☞ Provides materials, training and advice





5.2 Source(s) of capital for business start-ups and expansion	
<ul style="list-style-type: none"> <li><input type="checkbox"/> Own savings</li> <li><input type="checkbox"/> Friends and family</li> <li><input type="checkbox"/> Loans</li> <li><input type="checkbox"/> Crowdfunding</li> <li><input type="checkbox"/> Grants</li> <li><input type="checkbox"/> Business angels</li> </ul>	<p>To include:</p> <ul style="list-style-type: none"> <li>• Relative advantages and disadvantages of each source of capital</li> <li>• Sources of capital could be used for start-up and business expansion</li> <li>• Friends and family may offer financial support as a gift or a loan</li> </ul>

## Where Can Capital Come From?

- Small businesses can obtain start-up capital from a number of sources:



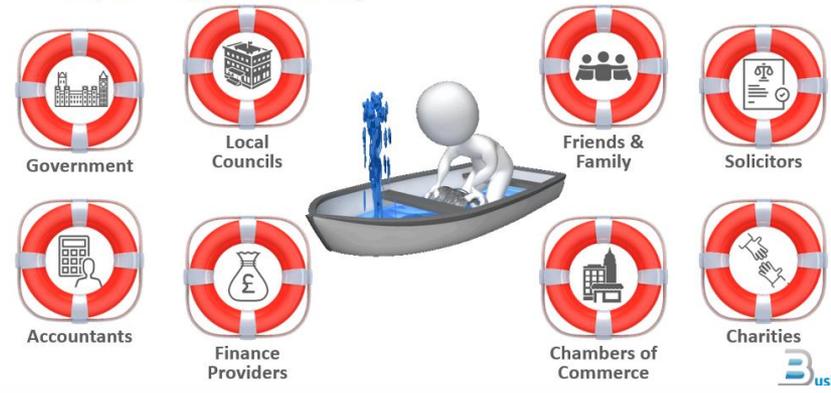
## The Need for Finance

- Both new and existing businesses need money
  - New businesses will have to obtain resources before they can start trading
  - Existing businesses may need to buy additional resources when expanding
- So finance is needed in order to pay for things such as:



## Sources of Help and Support

- Entrepreneurs have a number of sources that they can turn to for help and support, including:



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5.3 Support for enterprise	
<ul style="list-style-type: none"> <li><input type="checkbox"/> Finance providers, e.g. bank, business angel</li> <li><input type="checkbox"/> Local council enterprise department</li> <li><input type="checkbox"/> Accountants</li> <li><input type="checkbox"/> Solicitors</li> <li><input type="checkbox"/> Friends/family</li> <li><input type="checkbox"/> Chamber of Commerce</li> <li><input type="checkbox"/> Government</li> <li><input type="checkbox"/> Charities</li> </ul>	<p>To include:</p> <ul style="list-style-type: none"> <li>• Appropriate sources of support for an entrepreneur</li> <li>• Relative advantages and limitations of sources of support</li> </ul>