

# CAMBRIDGE NATIONALS

*Exemplar Candidate Work*



# ***ENTERPRISE AND MARKETING***

J819

## **R065 Summer 2019 series**

Version 1

# Contents

Introduction	3
LO1 – Be able to identify the customer profile for a business challenge	4
LO1 Part 1 and Part 2 (Exemplar 1)	5
LO1 Part 1 (Exemplar 2)	8
LO1 Part 2 (Exemplar 3)	12
LO2 Part 1 and Part 2 (Exemplar 4)	13
LO2 – Be able to complete market research to aid decisions relating to a business challenge	23
LO2 Part 1 and Part 2 (Exemplar 5)	24
LO3 – Be able to develop a design proposal for a business challenge	44
LO3 Part 1 and Part 2 (Exemplar 6)	45
LO3 Part 1 and Part 2 (Exemplar 7)	50
LO4 – Be able to review whether a business proposal is viable	63
LO4 Part 1 and Part 2 (Exemplar 8)	64
LO4 Part 1 and Part 2 (Exemplar 9)	72

# Introduction

These exemplar answers have been chosen from the summer 2019 examination series.

OCR is open to a wide variety of approaches and all answers are considered on their merits. These exemplars, therefore, should not be seen as the only way to answer questions but they do illustrate how the mark scheme has been applied.

Please always refer to the specification <https://www.ocr.org.uk/Images/338513-specification.pdf> for full details of the assessment for this qualification. These exemplar answers should also be read in conjunction with the sample assessment materials and the June 2019 Examiners' report or Report to Centres available from Interchange <https://interchange.ocr.org.uk/>.

The question paper, mark scheme and any resource booklet(s) will be available on the OCR website from summer 2020. Until then, they are available on OCR Interchange (school exams officers will have a login for this and are able to set up teachers with specific logins – see the following link for further information <http://www.ocr.org.uk/administration/support-and-tools/interchange/managing-user-accounts/>).

It is important to note that approaches to question setting and marking will remain consistent. At the same time OCR reviews all its qualifications annually and may make small adjustments to improve the performance of its assessments. We will let you know of any substantive changes.



# LO1 Part 1 and Part 2

## Exemplar 1

## LO1 Part 1 MB2 4 marks, LO1 Part 2 MB3 5 marks

### R065 – Task 1.1 Market Segmentation

In order for a business to produce a product they need to know what type of customer will buy their products. Once they decide on the product that they are going to produce, they then have to decide on the market segmentation. Market segmentation is the process of dividing different markets into clear and understandable segments.

#### Types of Market segmentation

1. **Psychographic segmentation** uses factors such as: lifestyle, interests, hobbies, and opinions to divide markets. Psychographic segmentation also takes psychological aspects of the consumers buying behaviour into consideration. Psychological aspects may be factors such as the consumer's lifestyle and social understanding.
2. **Geographic segmentation** divides people based on geography, customers will all have different needs based on where they live. For example, in colder countries, the company may be advertising beanies whereas in warmer countries, the same company might be marketing a baseball cap. Therefore, many companies use geographic segmentation as a basis for market segmentation. This type of segmentation is one of the easiest and is used when expanding the business internationally.
1. **Gender segmentation** is the process of dividing potential markets based on gender (male or female). Gender segmentation is done when a company manufactures a product that only targets either male or female, as the products are very gender specific. It helps companies to break down the market into smaller groups and becomes easier for them to target the potential customers through advertisement for example.
2. **Age segmentation** is very similar to gender segmentation in terms of how it works. The only major difference is that age segmentation is the process of dividing markets based on age rather than gender. For example, a product produced for a 40+ target market would be advertised completely different compared to a product targeted at teenagers.
3. **Income segmentation** is the process in which the population is divided based on their monthly or yearly income. There are often three main income groups; high income, middle income and low income. Income segmentation is most convenient for high priced items or specific, unique products so the business can specifically target people with a high income, for example a luxury brand such as Chanel.
4. **Lifestyle segmentation** is based on the populations personal lifestyles. For example, if a company produces gym clothing, the customers who are gym members would be naturally more drawn to the products rather than people who don't attend the gym. Businesses can target certain target markets using different techniques based on their lifestyle.

### Benefits of market segmentation

- **Customer needs all differ** – not all customers are looking for the same type of product therefore you can target what your customer requires and wants.
- **Price discrimination** - Customers all have a variety of income therefore they vary in how sensitive they are to price (low – high). By segmenting markets, it means that businesses can increase profitability.
- **Allows the business to identify any gaps in the market** – e.g. groups of consumers that are not currently being targeted, by targeting these un-popular consumers the business may be successful and increase their sales.
- **Different market strategies** - focus only on the chosen target market, this helps avoid wasting time and money on trying to sell to the whole market as some consumers will not have any intentions to purchase the product.

### Limitations of market segmentation

- **Advertisement costs** – prices may be quite high as different promotions may be needed for different segments.
- **It can be very expensive** – much cheaper to just develop one product for one segment rather than multiple products for multiple segments.
- **Limited market coverage** – communications will only be for the chosen target market.
- **Segments may be too small** – if the chosen segment is too small (small group of targeted customers) therefore the business will not make many sales.
- **Consumers may be misinterpreted** – the right product may be targeted to the wrong consumers. Your market research may suggest that your consumers are looking for a shower gel and you produce soap. The concept and idea is the same (cleanliness) but the concepts are completely different and both are different products.

**R065 – Task 1.2 Customer profiles**

Lauren, age 15  
Year 11 student



Keagan, age 16  
Year 11 student

**Gender** – I have chosen for my target market to be unisex therefore my product will be open to purchase from both genders. Both males and females will feel comfortable wearing the product, this therefore increases sales as it is available for everyone.

**Age** – The age I have targeted my product to is teenagers aged between 14 and 16. This is because they like to keep up with new 'trends'.

**Lifestyle**

- Both Keagan and Lauren are sociable year 11 students who participate in activities both outside of school and inside.
- Go out with friends on the weekend
- They visit a two countries abroad every year
- Lauren usually shops at New Look, H&M and Pretty Little Thing (online).
- Keagan often shops at JD, USC, Zara and Top Man.
- Both occasionally go to boot camp classes in the gym

**Education**

- Sitting their GCSE's in summer 2019
- After secondary school they both would like to move to college

**Income** – Most teenagers do not earn an income or if they do it will be very little (e.g. from a part time job). Many teenagers receive pocket money which will also not be a lot. Therefore, the pricing of my cap needs to be kept reasonable so the item can be purchased by customers with a low income or no income at all.

**Geographic** – Keagan and Lauren are from London; however, they go abroad at least once a year.

**Examiner commentary**

Part 1 – Comprehensive explanations of market segmentation. Benefits of market segmentation show reasoned understanding and not thorough. Some of the limitations show a slight misinterpretation regarding the purpose of market segmentation. Best fit mark top of MB2.

Part 2 – Describes in detail features of a specific customer profile. The links to the business challenge should have been developed in more detail for full marks.

# LO1 Part 1

## Exemplar 2

## LO1 Part 1 MB3 6 marks

**Part a: Explain market segmentation and its benefits for a business, using real examples.**

*Possible Marks: 6*

Marketing segmentation is the process of dividing particular products in businesses into categories to target them at the right customers, based on their shared characteristics. The different methods of segmenting markets are by age, gender, income, geographic, lifestyle and occupation. Products can be segmented by geographic- grouping customers based on the country, population, climate and dominating religion, by demographics- grouping customers based on their distinctive characteristics psychographic-grouping customers according to their lifestyles and behavioural is the grouping of customers based on their attitudes towards particular services and qualities. The advantages of market segmentation are that it ensures that the needs of customers are matched and met, there is potential for increased profitability, customer retention and targeted marketing, leading to prosperity financially due to the increase in customers. These might happen because by segmenting markets well, more people would want to buy from their business since their needs would be met, leading to them advertising by word , making the business to gain more profits.

Some examples of ways in which market segmentation could be done are by:

- **Age and gender: Cereals such as Fruit 'n Fibre and Coco Pops could be segmented by age and gender, which are demographic segmentation and since Fruit 'n Fibre contains wheat flakes, dried fruit and hazelnuts which are nutritious, it would mainly be women who are trying to keep their bodies healthy that would have this for breakfast. Women in particular would have Fruit 'n Fibre for breakfast as they face more insecurities than men do. Statistics from Medical Daily's survey shows that 54% of women between the ages of 18 and 40 are unhappy with their bodies and 80% of them admitted that the mirror makes them to feel even worse. Fruit 'n Fibre's tagline is 'Tastes so good, you'll forget the fiber' and this reflects on the idea that it has a high level of fibre but still tastes delicious, therefore making it easy for adults who want a higher intake of fibre to buy it knowing that it is going to be effective but tasty as well. Coco Pops is a cereal which would be suitable for children as they have a range of cereal products which have shaped pieces rather than the regular ones. Coco Pops products such as the Coco Pops Croc Prints have an interesting design of crocodile footprints which would be aesthetically pleasing to young children. As Well as this, the parents or carers of the children would buy it for them because Coco Pops products are a great source of vitamin B,which helps with the conversion of food into fuel so would allow them to stay energized throughout the day. It also includes iron and its benefits include maintaining healthy hair and skin and having increased energy. Vitamin D, which is a key nutrient for the maintenance of normal muscle function, teeth and bones is also included in this beneficial cereal, as well as many other key nutrients. Coco Pops Croc Prints is a unisex product but would probably appeal more to young**

boys because of the main theme of the cereal being crocodiles, which are considered to typically be more of a male's interest.



stand out of the crowd. However, tracksuits would be segmented for people who don't have an occupation which involves them having to dress formally, such as sportsmen/women and PE teachers. Tracksuits would be suitable for someone in this profession as it would be comfortable and warm; the fact that they are comfortable would make it easier for sportspeople and PE teachers to be able to work more easily especially when taking part in athletic activities since it would give them more freedom. As well as this, the warmth of a tracksuit would help in making it easier to take part in outdoor activities especially if they were athletes who take part in a lot of outdoor competitions. Even though a sportsperson may be cold so would want a tracksuit jacket, they may also become hotter whilst participating in a physical activity, meaning that they could also cool off by



- **Occupation:** Pieces of clothing such as suits and tracksuits could be segmented by occupation, which is demographic segmentation. Suits could be segmented for people who work in offices as they would like to dress formally in order to make a good impression on their boss or other colleagues (or potential boss or colleagues if they were going for a job interview), making them to

removing it. By segmenting through occupation, it would help in the gain of customers as people with a variety of occupations would buy from there, rather than customers with a particular expectation of just suits as an example as they would know that there is more of a variety of clothing of which some would suit them.

- **Location:** KFC and H&M could be segmented by location, which is geographical segmentation and this could be done as the food served by the franchisees of KFC would vary in flavour and name as well as H&M's clothing line being made suitable for the culture of particular nation. There are over 18,000 KFC outlets in 115

countries across the world and franchisees such as the Ghanaian KFC would have some differences in their food to the British branches. 12 KFC stores have been opened in Ghana since 2011 and these stores have a lot of differences to the British branches such as the fact that the Ghanaian stores contain more spices, which could mainly be because of the store being based in Africa, making it to be to their taste. The names of some of the food there are also different to the ones in Britain to suite their vernacular and the people of the nation. For example, in Ghana, the snack box with rice, coleslaw and a drink is known as a Chop Box. H&M operate in 62 countries with over 4,500 stores and their clothing line is made suitable for many other cultures in nations such as The UAE which has 28 H&M

franchisees. Since the UAE is an Islamic dominated nation, the H&M stores would have to have suitable clothing for the majority of the people in nation by having more products which are less revealing than the ones in the British stores. By



using segmentation which benefits the majority of the population, H&M and KFC would have the potential for increased profitability and market

share.

**Income:** Morrisons could segment their products for people who are living with a low income and a relatively average income, which is demographic segmentation and by doing this they could be keeping the customer's income level in mind, meaning that they can afford to buy something. According to statistics, there are 4 million children in the UK who are living in poverty; by Morrisons segmenting their products using Morrisons savers products, they would gain more customers since their products would be more affordable. The Morrisons savers branded products are affordable for people who are earning an income which is below average, therefore catering for all people. For example, 3x 200ml Morrisons Saver Apple Juices is 40p, whereas 3x 200ml Jucee Apple Juices is for £1.49, which is £1.09 in difference so anyone living with a low income could afford it. People who are gaining an average amount of income, might also buy Morrisons savers products so they can save up but to get higher quality ones, they may want to buy the products which are more expensive so may have chosen to purchase the Jucee Apple Juice rather than the Morrisons saver one. By having both the saver and other branded products, Morrisons would give customers more of a choice, according to whether they would want to buy a cheaper product or a higher quality one.



- **Lifestyle:** Fruits and vegetables could be segmented in stores by their lifestyles which is psychographic segmentation and could be used to target customers who like to buy organic food and customers who wouldn't mind

buying non-organic food. Organic food is food which has been produced without chemicals such as pesticides to be more 'natural' but when they are used the quantities are controlled carefully. Some people might buy organic food because it is often viewed to be healthier, more ethical and tastier than non-organic food. However, customers in the UK are less likely to buy organic food because of the high cost and the fact that most organic foods are abnormally shaped when produced makes some people to feel disgusted which is why many stores don't accept 'abnormal organic fruits'. By segmenting fruits and vegetables for organic

money as rather than their fruits and vegetables being fixed on non-organic food, there would be varying products for different people. Non-organic food purchasers on the other hand, would prefer to buy non-organic food because of organic food's abnormal appearance; even though organic food is better for your health and tastier, their abnormal shapes make them to seem like they 'aren't normal food'. Therefore, by also segmenting for non-organic food consumers, they would also be able to buy what they prefer, making Tesco to gain more customers which fit into different categories.



## Examiner commentary

LO1 Part 1 – The candidate provides a comprehensive explanation of market segmentation techniques. The benefits are integrated into the explanations.

# LO1 Part 2

## Exemplar 3

## LO1 Part 2 MB2 4 marks

### My customer profile

My target customer age will be young people in their 20s. This is demographic segmentation because I am splitting up the customers by their age. This is because the people with the similar age will have similar tastes. Deciding to target people in their 20s will affect the design of my hat for example I will make a modern hat

My target customer will be female. This is demographic segmentation because I am splitting up the market by the gender of the customers. This is because females like similar styles to each other. Deciding to target people who are female will affect the design of my hat for example I will make my hat pink

✓  
LO  
/MB

My target customer will have a high income level. This is demographic segmentation because I am splitting up the market by how much income they have. Deciding to target people on a high income will affect the design of my hat for example I will make it nicer and a better design

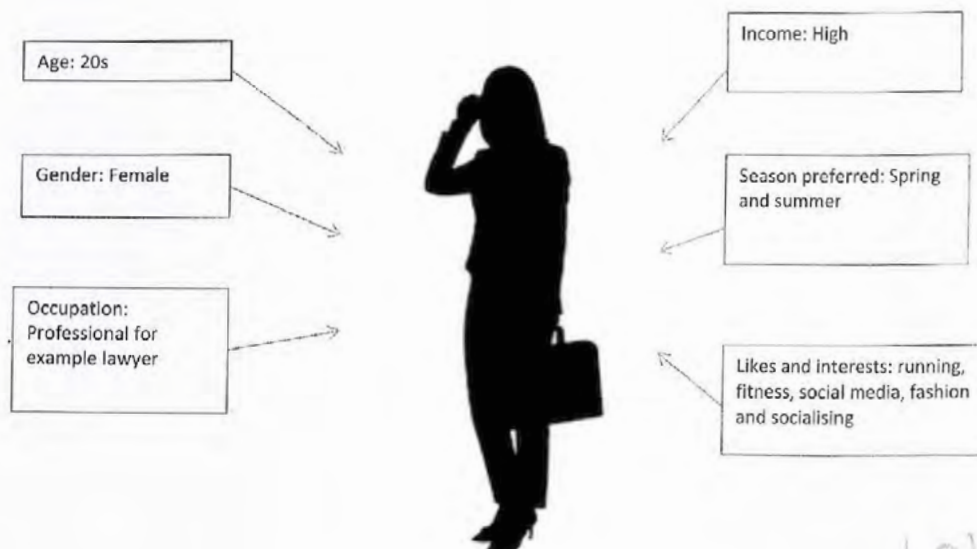
My target customer will like the seasons spring and summer. This is psychographic segmentation because I am splitting up the customers on what they like. Deciding to target people who like summer will affect the design of my hat,

My target customer will have a professional job for example a lawyer. This is demographic segmentation because I am splitting up people by what job they do. Deciding to target professional people will affect the design of my hat for example they will want a hat that is high quality

My target customer will have likes and interests such as running, fitness, social media, fashion and socialising. This is psychographic segmentation because I am splitting up the people by what they like and this is good because people who like similar things might want the same types of hats. Deciding to target people who like running, fitness, social media, fashion and socializing will affect the design of my hat for example I will make sure the hat doesn't fall off while you're doing sport

✓  
LO  
MB

### My typical customer



LO1  
MB

## Examiner commentary

The candidate describes some features of a specific customer profile and applies this knowledge to the requirement of the business challenge. More details are needed for MB3.

# LO2 Part 1 and Part 2

## Exemplar 4

## LO2 Part 1 MB3 5 marks, LO2 Part 2 MB2 8 marks

### Market Research

#### Secondary research:

Secondary research is finding information from sources that were not created by yourself. An example of this could be going on the internet and finding a survey that has already been created and completed by someone else. An example that I could use for my casual hat could be searching for hats on the market and finding out the prices, colours and materials for the particular design that I will make. This would give me an idea of which is the most popular, how much to charge for it and what materials to use. Searching the internet is a useful method of secondary research because it is free, fast and easy to use. Reports or government statistics can be found which could provide data based on the levels of spending on the product by people in the country. If the sales are high then I will know that there is potentially a lot of money to be earned in the market of my particular product. I could also research the sales figures of competitor companies. If their sales are low then I can use it as a guide for what not to incorporate into my business. Fashion trends would be a reliable data source for my research because it can inform me on which colours and fabrics are currently popular in the country. A major disadvantage of secondary research is that I would not always be able to know if the data that I have found is new or out-dated. As well as this, I would have to be careful and make sure that what I find would be suitable and useful for my product that I want to release onto the market. Secondary research is important to businesses because it is quick and easy as well as potentially coming from wide sources. As well as this, large samples of data can be collected using secondary research. These are benefits because it saves the company time and effort from doing the same amount of research themselves.

#### Primary Research:

Primary research is collecting information/data yourself; this could include creating a questionnaire and asking people for their answers. Creating a questionnaire could potentially be very useful if I ask the correct and specific questions that could help me in the making of my product. These would usually be 10 questions long so that it isn't so long that it bores the person answering, but isn't too short that not enough information will be received. Alternatively I could create a focus group to find people's interests; this is setting up a meeting with a small group of people and receiving feedback from them based on your product or design. An advantage of this is that I can get lots of useful feedback straight away but sometimes people won't always voice their negative opinions on the design because of being face-to-face with the person from the business. Another form of primary research is observations. For example, this could involve standing inside a shop and observing which styles of hats are being bought and how frequently. Primary research is important to businesses because it gives the business the specific information that they are looking for. This research would be extremely reliable and specific for my product, this is important because the aim of market research is to receive as much information as you can that will help the process of selling your product. For example, when doing research to help me to

sell my hat, I could create a questionnaire with questions such as: "What bands do you like?" and "How often do you wear a hat?"

### My Research:

The first method of research that I will carry out will be a questionnaire that I will create. This primary research means that I am able to create unique questions which will help me to achieve success when creating my hat. I will aim to receive information that will help my thought process for making a hat. For example, if I were to ask what their favourite style of hat is and most answers came back as a cap, then I could take advantage of this data and create a cap. This is because I would know where most interest is with regards to hat styles so this could help me to manufacture a product that would receive more sales. A disadvantage for this is that the questionnaires may not be answered or returned to me, but an advantage is that the questions will be specifically for my product meaning that the answers will directly inform me on what to change/add on my product design. Personally I think that a questionnaire is the most reliable and informative form of research, this is why I have decided to use it.

My second method of primary research will be focus groups; I will get groups of people (friends/family/others) together and ask for feedback on my product. The advantage of this is that I can get instant feedback that I can act on it quickly. One disadvantage may be that the people would be scared on giving feedback that is too critical, therefore my results may be bias. I will aim to bring groups of people who are young and into music together so that I can receive comments from those who I would class as my potential customers. This is important to me and my business because I would hopefully receive the specific feedback that I need from the ideal people.

My third method of research will be published literature; this means that I will look online for information that will help me with the design of the product. The advantage of this secondary research is that going on the internet is free and quick to use, as well as extremely easy to use. A disadvantage is that the data may be from unreliable sources or potentially out-dated. Old data would be a problem because I would not want to create a hat with a style that was only popular many years ago. When doing this research I would try my best to find information that is new and would potentially inform me on current trends or popularities. This method of research would be ideal for me because I have got easy access to the internet almost all the time and I will have the time to find the most reliable and up-to-date sites with the needed data.

## The Importance of Market Research

The market research that I have carried out is a questionnaire. I asked 20 people my 10 questions based on the design of a hat. My results indicate to me that my target market are interested in a cheap hat that would be casually worn for fashion. The answers I received will positively affect my design process because when I asked if they thought hats were fashionable; I received 'yes' as the majority answer. I will have to remember that I was told people would only pay up to ten pounds for a good quality hat. ✓

It is important to carry out market research because without communicating and interacting with your target market, you'll never know how good the product would potentially do until you release it. By this point it would be too late and all money and time spent on designing the hat may be wasted. If market research isn't carried out then there is a strong possibility that nobody would be interested in buying the product. An example of a business not doing their research is Sinclair Vehicles because they released the C5 car. This was supposed to be a ground-breaking product, popularising electric cars. However, the car was not well received by the public so Clive Sinclair lost a lot of money. ✓

Primary research is much more reliable than secondary but it requires more energy/time/money to carry out. Secondary research is an easier method but certainly less reliable and more inaccurate. Some would say that primary research is worth it so that they can be more certain about making sales. ✓

LO2 77

## Sampling Methods

The most reliable research would be when everyone within the target market are asked your questions. This would not be possible because you would have to receive answers from all over the world. Sampling methods are useful for businesses because they allow them to get the most reliable results possible by getting results from smaller numbers of people that can represent the answers for the whole target audience. Also, businesses don't have the time or money to receive feedback from the whole target market so gaining it from smaller groups to represent them is much more efficient.

### Random Sampling:

Random sampling is where everyone in the segment has the possible opportunity or equal chance of being asked. It is a total random selection from the segment and it helps the company to receive general results from the target market. An example of random sampling for my business could be asking 50 people that appear to be interested in sport and music. I would ask these people what I would need to find out and use their answers as a guide to help me in the process of designing and manufacturing my hat. The positives of this method are that it is the easiest to carry out as well as being cheap and easy. The negatives include inaccurate results because all of the answers probably won't fit the trend of your target market perfectly; therefore your end result would not be fully representative for your target market's response.

### Cluster Sampling:

Cluster sampling is where the segment is divided into small groups (clusters) and then results are taken at random from a few or just one of the groups. So this method is like random sampling, but after being split into groups. This method is cheap, easy and quick to carry out. If the results do not seem reliable, then the business can pick another cluster and receive results from that one instead. This allows for some flexibility and adjustment to the results to ensure they are as appropriate as possible. A negative is that the results usually provide less precision because of the generalisation of asking random groups. If you pick a bad group then it can also lead you to designing a bad product. This is where picking a different group would be useful. You'd need to make sure that your cluster fits your target market as well otherwise the results will be irrelevant to help you design a hat for your ideal potential customers no matter which group you choose. My business could use this method because of the convenience of asking a small group. It is a fairly efficient method, however I would not want to risk picking a poor group to represent the whole target audience because my first hat must be successful if I wish to stay on the market and have a thriving business one day.

### Quota sampling:

This is the most scientific method of them all. The sample fits the make-up of the population and has the same proportions of individuals as the population so this a non-probability technique. This method would still only apply to the target market of the business so the results would be relevant for the company. An advantage is that it can be fairly quick if set

up locally so there is the benefit of time-saving as well as accurate results. Because of this, a quota sample could be carried out on a low budget. A negative is that it can be difficult to set up because all of the proportions must be accurate for the sampling to be reliable. For example my business could question 100 people aged 16-25 who are interested in music and turn the results into percentages to represent the interests of the population. Although needing calculations, this method isn't actually too complex and a start up business like mine could very easily use it. Essentially, it is just random sampling with another step added on which means that I could do random sampling which is simple and work out the percentage if I need to.

### Convenience Sampling:

This method could be regarded as the easiest of the four because it is based on how simple and accessible the results are. For example this could include asking people who pass you on the street. It includes selecting a group based on the proximity to the researcher or how easy they are to get to. The positive of the method is the extreme simplicity and little amount of time to carry it out. An impactful negative of the method is that the results may be inaccurate due to the way of receiving them. This method could be ideal for my business because I can't afford to carry out expensive or extremely scientific research. However, as market research is essential to get right, I will not use this method because I cannot afford to get the following stages of developing my design and brand wrong based on picking the easy way of collecting the data.

### My Sampling:

The sampling method I will choose to carry out will be random sampling. This will mean that I will hand out my questionnaires to people at complete random which makes the process much easier to do than some of the other methods. This also saves me time and money which I would not have as a start up business with limited resources. All my time would have to be spent on designing and ensuring my branding and promotion objectives are effective. The amount of money I will have is minimal so reducing the costs through the market research will allow more to be spent on other aspects of preparing the product. Saying this, without correct market research, any following money and time spent would be wasted as I wouldn't be developing the product to meet my target customers' needs. Therefore, I will respect the importance of it and try to get the best results possible even without the money that market leading businesses would have such as Nike. I will keep in mind that my results may be inaccurate but I think the method is worth doing considering the convenience of it.

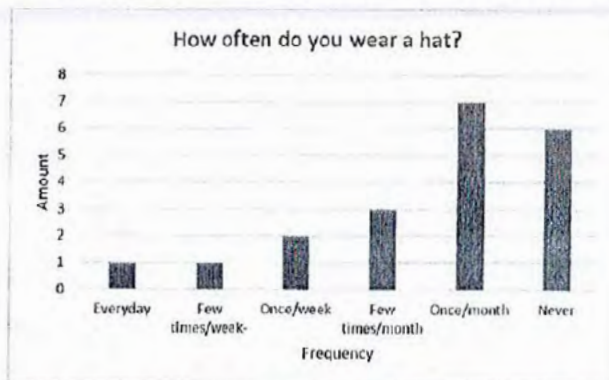
I could stand in the middle of town and ask anyone who appears to be in my target market. These people will be 16-25 years old and appear to be interested in music and sport. I will ask a total of approximately 20 people so that I have enough answers to be reliable but not too much that it ends up being too time consuming. If I don't ask enough people, then it would not be a true representation of what my target market are interested in so that is why I will ask at least 20 people. I will know they are interested in music or sport by the way they dress, but if not I can just ask them as long as they appear to with the suitable age gap.



## Analysis of My Questionnaire

### Question 1= How often do you wear a hat?

I asked this question to find out how much hats are actually worn by the target market because I need to know if my product will be worth selling. I expected the answer to be 'a few times a month' because hats aren't usually a daily accessory but are still worn fairly often. The actual answer was 'once a month' so the frequency of hats being worn was less than I initially thought. I think that this was a different answer because caps are usually the most popular type of hats and it is winter so they'll be worn less. A more

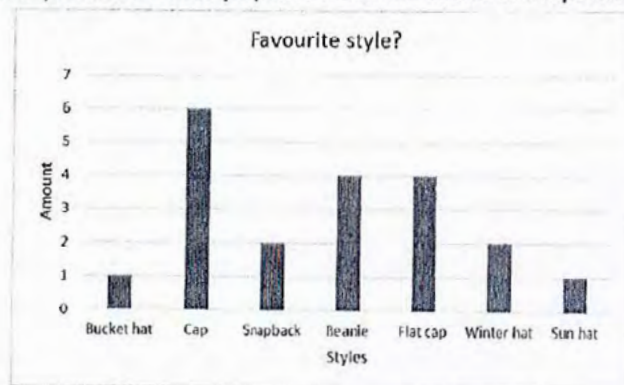


reliable way of obtaining results would be to ask people in Summer as this is when caps are usually worn so that would be a true representation of the frequency of hats being worn by my target market. These results were not what I was hoping for because they suggest that hats aren't being worn very much. I will still go through my designing process but will keep in mind that the majority of customers would rarely wear a hat. Also, as my target market would buy a hat for sport or music events, it is practically irrelevant how often they wear one as I know that my customers would only be thinking about wearing my hat for specific occasions rather than everyday casual wear.

LO2++

### Question 2= Can you rank the styles of hats from best to worst?

I asked this question to find out which style is the most popular because there is no point in designing a hat that no one will be interested in. I expected to receive 'caps' to be the most popular style because that is the style that I personally see being worn the most. My expectation for the answer was right; caps were the favourite. I think this was because they can be worn all year round if needed to which will provide my hats with



more opportunity to be bought and worn compared to a beanie which would only be associated with Winter. These results will have a positive impact on designing my hat because I wanted to make a cap and the results show that they are popular. Therefore, as long as I create a good quality design and brand effectively, my business can have confidence that there'll be lots of potential customers.

LO2+

### Question 3= How much would you be willing to pay for a hat?

I asked this question so that I would receive a guideline on how to price my product because if people were only willing to pay £10 and I priced it at £30 then I won't get many sales. I expected the answer to be '£10-£19.99' because I feel that it is a reasonable price for a good quality hat. The actual answer was '£0-£9.99'

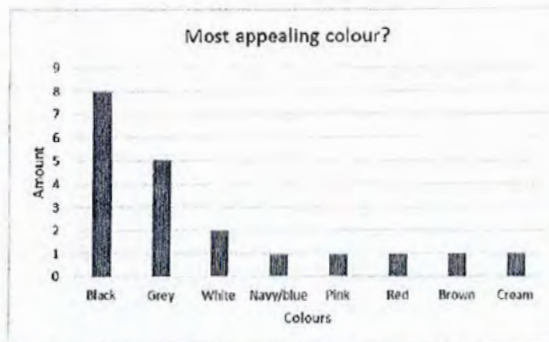


so perhaps people aren't bothered about a really good quality hat. The results from my graph indicate to me that if I were to create a hat I should price it fairly cheaply. However, if my hat has a unique selling point that differentiated it from others on the market, I believe it would be worthy of a higher price as long as it was close to £9.99.

LO2+

**Question 4= Which colour appeals to you the most?**

I wanted to ask this question because the answers will inform me on what colour is the favourite with the public. I expected the answer to be a dark colour such as black because it goes with everything. The majority answer was black because it can be worn with any outfit and it is not too 'out there'. These results will not have a negative impact on my design because I



expected it to be a dark colour anyway and I'm happy to include it in my design. Although, I think this may have been the answer because that is the colour of most hats currently anyway. Therefore, if my business introduced an attractive hat design that was a different colour, it would have a good chance of being successful as it would be different to all of the other hats that are seen as attractive on the market at the moment.

LO2++

**Question 5= Which shops/online stores would you buy a hat from?**

I asked this question to find out which shops people are interested in. Based on the answers I can figure out which types of hats are popular and what they're priced at. I expected the answer to be a shop like Nike because this is one of the most popular brands on the market. On the other hand I also thought it could be ASOS because they sell a large range of brands at good prices and are regarded to be a fashionable shop. The favourites were ASOS, Adidas and Primark. The first two results prove that my predictions were right. As well as this, the choice of Primark supports the point that people aren't bothered about high quality products at



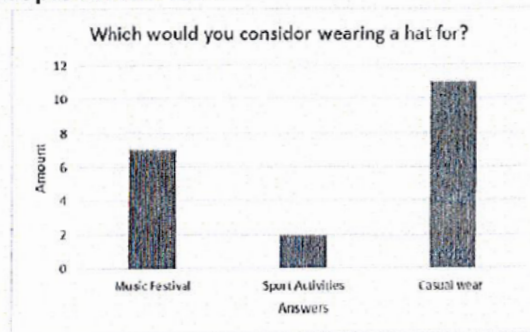
✓

the moment. My graph tells me that people will most likely be interested in fashionable hats but not necessarily expensive. I believe this shows the lack of variety and creativity in the market because I think the reason that no one is interested in slightly more expensive and fashionable hats is because there aren't any that are worth purchasing.

LO2+

**Question 6=** Which of these would you consider wearing a hat for? (Music festival, sport activities or casualwear).

I asked this question because I was hoping the people I asked would be interested in music or sport. I expected the answer to be casualwear but I thought a lot of people would still answer for the other two options. I thought this because even if you are sporty or into music, wearing a cap for fashion is still probably the first choice answer. The actual answer was 'Casualwear' so my predictions were right. My results show that although it

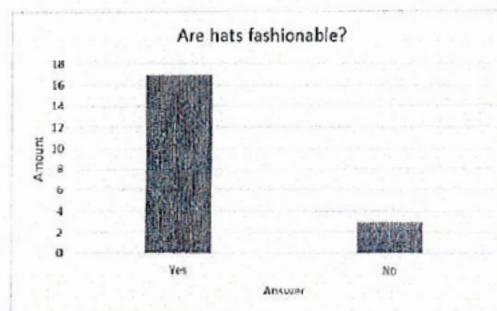


wasn't the most popular answer, a lot of people that I asked are interested in music. Despite the majority of the answers being "casual wear", I think my business can find a gap in the market for customers interested in music and sports events/activities.

LO2+

**Question 7=** Do you think hats are fashionable?

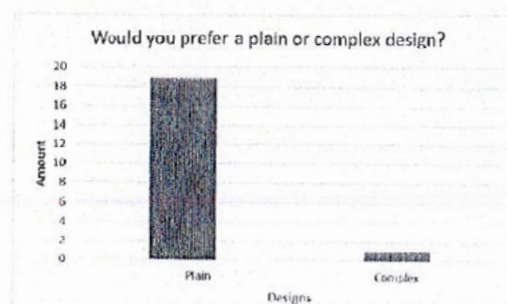
I asked this question because the answer would have a huge impact on whether or not I should carry on designing a hat. If the answer came out as 'No' then there would be no point in creating a hat. This is because the main reason for customers buying clothing products is based on fashion and style reasons. On the contrary, if I aim my hats at music/sport enthusiasts, fashion would not be their primary purpose for buying my hat so this answer would not dictate my decision making. I expected the answer to be 'Yes' because hats are worn a lot worldwide for lots of different reasons. The actual answer was 'Yes' by a vast majority, only three people chose 'No'. Thankfully, the results mean that I can confidently proceed in designing my hat. This is because, at a music festival/sporting event, apart from a practical purpose, customers would want to look fashionable in the hat because young people often do.



LO2+

**Question 8=** Would you prefer a plain or complex design on the hat?

I asked this question to find out if a detailed design is preferred to a plain hat. I expected the answer to be 'Plain' because the majority of people prefer subtlety in my opinion. The answer was 'Plain', if I choose to do a plain design then it would save me time and money.



This is ideal because, although I have a lot of time, I don't have a lot of money to spare. Also, the spare time that I'll have can be spent on something else in my design process. These results show a vast majority in favour of a 'Plain' design, only one person out of twenty chose 'Complex'. Of course, this could be an opportunity to create an impressive design on my cap to make a difference to the market and stand out but I will use a different method of differentiating my product.

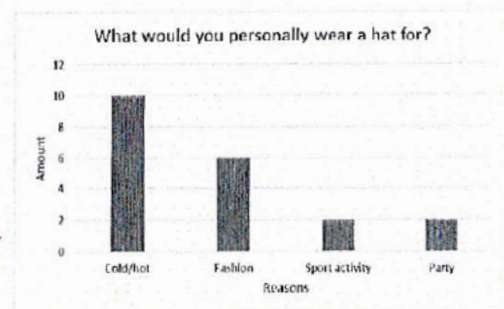
#### Question 9= How many hats do you own?

I asked this question because it would show me how interested people are in hats. If they own a lot then it shows that there'll probably be a lot of sales if I were to release a hat onto the market. I expected the answer to be '1-5' because surely not many people would feel the need to have more than five hats. The actual answer was '1-5' just like I expected, although it isn't the highest answer, it won't affect my design process because it's much better than the answer being 'none'. Either way, if a potential customer has lots of hats then they may want to buy even more because they are clearly attracted to them. Equally, if someone doesn't have many hats but has at least one, then they will probably need to buy another anyway- especially if my design stands out from the rest.

#### Question 10= What would you personally wear a hat for?

I asked this question to find out which purposes my target market would actually choose to wear a hat for. This could include the earlier options (music festival, sport activity, casualwear) or anything else that they decide. I expected the answer to be casualwear because hats are massively involved in fashion at the moment as well as being the most universal option.

The actual answer ended up being based more on the temperature. The majority of people either said 'if it's hot' or 'if it's cold' which I'm guessing would be about a cap/sun hat or a winter hat/beanie. I think this may have been the answer due to the weather conditions being more extreme recently. Also, perhaps not many people are interested in completing their outfit with a hat and are more concerned with wearing them when the weather varies. This is actually the perfect answer for my business because the reasons my target market would buy my hat are for practical and outdoor activity where the weather can be unpredictable.



## Examiner commentary

LO2 Part 1 – The candidate describes and demonstrates a good understanding of the importance of market research. The descriptions include a range of research methods that have been included under the headings 'Primary' and 'Secondary' (MB2). The descriptions of the advantages and disadvantages of each selected method just meet MB3. The sampling methods are comprehensively explained. The selected method is explained to show a thorough understanding (MB3). Overall a low mark in MB3 was awarded as best fit.

LO2 Part 2 – In Part 1 the candidate states that they are going to complete a questionnaire, focus group and internet research. They have been awarded marks in Part 1 for the advantages and disadvantages of these methods. We are looking for evidence that they have created these market research tools. The secondary research evidence shows pictures of hats, but no evidence of a market research tool created (e.g.: data collection sheet). There is evidence that a questionnaire was created as the questions have been included in the analysis. There is no evidence of a focus group. The candidate thoroughly analyses the results from their questionnaire (MB3) but as only one research tool has been created the response is limited to MB2.

# LO2 – Be able to complete market research to aid decisions relating to a business challenge

LO2: Be able to complete market research to aid decisions relating to a business challenge 30% (18 marks)		
MB1: 1 - 2 marks	MB2: 3 - 4 marks	MB3: 5 - 6 marks
<p><b>Outlines with limited understanding</b> the importance of market research. The description includes a <b>limited range</b> of research methods.</p> <p><b>Briefly states</b> the advantages and/or disadvantages of each selected market research tool.</p> <p>A <b>basic description</b> of the sampling methods is provided, evidencing a <b>limited</b> understanding.</p> <p style="text-align: right;">[1 2]</p>	<p><b>Describes and demonstrates a good</b> understanding of the importance of market research. The description includes a <b>range</b> of research methods.</p> <p><b>Relevant descriptions</b> of the advantages and disadvantages of each selected market research tool are provided.</p> <p>The sampling methods are <b>explained</b>, evidencing a <b>sound</b> understanding.</p> <p style="text-align: right;">[3 4]</p>	<p><b>Describes and demonstrates a thorough</b> understanding of the importance of market research. The description includes a <b>wide range</b> of research methods.</p> <p><b>Detailed explanations</b> of the advantages and disadvantages of each selected market research tool are provided.</p> <p>The sampling methods are <b>comprehensively explained</b>, evidencing a <b>thorough</b> understanding.</p> <p style="text-align: right;">[5 6]</p>
MB1: 1 - 4 marks	MB2: 5 - 8 marks	MB3: 9 - 12 marks
<p>Creates market research tools with <b>limited effectiveness</b>, resulting in completed research outcomes with <b>basic relevance</b> to the objectives.</p> <p><b>Partly reviews</b> the results to inform decision making.</p> <p>Collates the results using <b>basic</b> methods to <b>briefly</b> present some outcomes.</p> <p style="text-align: right;">[1 2 3 4]</p>	<p>Creates <b>mostly appropriate</b> market research tools, resulting in completed research outcomes with <b>clear relevance</b> to the objectives.</p> <p><b>Effectively reviews</b> the results to inform decision-making.</p> <p>Collates the results using <b>mostly effective</b> methods to present a <b>sound</b> summary of the outcomes.</p> <p style="text-align: right;">[5 6 7 8]</p>	<p>Creates <b>comprehensive, accurate and fully appropriate</b> market research tools resulting in completed research outcomes that are <b>effective</b> and <b>wholly relevant</b> to the objectives.</p> <p><b>Thoroughly analyses</b> results to inform decision making.</p> <p>Collates the results using <b>effective methods</b> in order to <b>comprehensively</b> present the outcomes.</p> <p style="text-align: right;">[9 10 11 12]</p>

# LO2 Part 1 and Part 2

## Exemplar 5

## LO2 Part 1 MB3 5 marks, LO2 Part 2 MB2 7 marks

### R065 – Task 2.1 Market research

Market research is the ways in which a business uses various different tools in order to collect information regarding whether or not their product will be purchased by consumers and their target market. Using market research is vital in order to help your company grow and expand your sales.

#### Importance of market research:

**To reduce risk** – Market research helps reduce risk in a business because it helps identify any problems in your business or in the product itself. Using market research reduces many risks in the future. Having recent up to date information on the target market helps businesses make sensible decisions that will lead to success within the business and therefore growth within the business and the product.

**To understand the market** – Market research helps understand your target markets opinions and personal preferences on many different factors of your product or business. For example, by using market research you can figure out your target markets opinions on the products price, colour, material, packaging, advertisement and also their opinions on the product in general. This therefore means you can figure out the weaknesses within your product and try and change them to the best of your ability.

**To gain customers views and understanding their needs** – Market research is a great way to gain consumer opinions, if they have any negative feedback for your product your business is given tips on how to improve. The product will then be improved and made better according to the consumer's feedback. This will result in the business succeeding as the product is more personalised to the consumers.

**To aid decision making** – Market research helps aid decision making as their decisions are based off of their research. For example if their research shows that customers would not purchase their product due to the price being too high then the company can make a decision to decrease the price range of their product in order to expand their sales whilst still making a profit.

**To promote the organisation** – Market research helps promote the organisation because it allows your company/ brand to be better known. For example if many people are asked to complete a questionnaire based on the specific product or business then the individual may be more aware of the product than before.

**To inform product development** – It is vital to understand your target markets needs in order to produce a product that will sell well and make a large profit. In order to know your targets needs the business needs to conduct market research.

Companies which take a guess of what the target wants are most likely limiting their opportunities of being successful. Whereas companies which have used market research to produce their product will be more successful as the product will meet the needs of the target market.

### Primary (field) market research

Primary market research is data that is collected directly from the source (from the potential consumer). The data can either be collected by the business itself or they may hire someone to gather the data for them. There are many ways the business can get the data by:

- Observations
- Questionnaires
- Surveys
- Focus groups
- Consumer trials

Advantages of primary market research:

- **Data is recent** - when using secondary data it can be very outdated therefore using primary data means the data you collect is current
- **Your data is kept confidential** – the individual collecting the data for the business cannot share it with other companies or competitors

Disadvantages of primary market research:

- **Expensive** – the business has to design all the tools used (e.g. questionnaires or the focus group questions)
- **Time consuming** – you have to collect the data accurately which can be very time consuming whereas when using secondary data it takes less duration.
- **Inaccurate results** – consumers may not give their honest feedback or may just give answers for the sake of it.
- **Resources are required** – excluding time and cost resources, large amounts of human resources are also required.

### Secondary (desk) market research

Market research is research that has already been collected and carried out.

Examples of secondary market research:

- Internal data
- Books/newspapers/magazines

- Competitors data
- Government statistics

Advantages of secondary market research:

- **Time and cost effective** – most data is available at no cost or is not a very little amount compared to collecting primary data.
- **Collected on a larger scale** – the data may be collected from a much larger group of people therefore is more useful as you have a clearer idea

Disadvantages of secondary market research:

- **May not be specific** – you may not be able to find out the exact an answer to a question you are looking for as you are not asking the questions or the collected data may be very vague and not in detail.
- **Data not being accurate** – as you Are not collecting the data first hand, you are completely unaware of the conditions that applied when the secondary data was being collected. For example the individual may have not put in full effort or may have been biased.
- **The data may be outdated** – the secondary data you use may be using may be a couple years old therefore customers views and ideas may have changed due to 'trends' changing.

## **RO65 – Task 2.2 My market research tools**

1. **Questionnaires (primary research method)** – set of questions on a selected topic that are then answered. The purpose of questionnaires is to gather data and information that is related to the selected topic.

### **Advantages of questionnaires:**

- Cheaper option than interviews – cost to provide the questionnaires
- It is quick and easy to produce – just have to produce the questions and then the participant answers them (completing the questions takes less than 5 minutes for a participant)
- Can easily target the businesses particular consumers

### **Disadvantages of questionnaires:**

- Not everyone will complete the questionnaire or they may not answer some important questions
- Expensive to create and actually run the questionnaires
- Some consumers may not understand the questions; therefore, they may not answer the question or ask it incorrectly. Due to this the answers and data will not be useful
- Some consumers may not answer the questions truthfully – may just select any option on the questionnaire

2. **Interviews (primary research method)** – a conversation which you can use to gather information. This conversation often consists of two people, the interviewer and the interviewee. The interviewer will have a set list of questions and the interviewee then answers them. If the interviewee does not give enough detail in one of their answers, then the interviewer is likely to ask follow up questions to get more useful information and more detail.

### **Advantages of interviews:**

- Questions can be thoroughly explained if the participant misunderstands- therefore all data will be useful
- Participants may be more honest as they are put on the spot during the interview therefore are less likely to lie
- If participant gives a closed answer (e.g.- yes/no) the interviewer can ask further questions and demand a further explanation

### **Disadvantages of interviews:**

- Can be expensive – need to get interviewers to run the interview
- Some people may not feel comfortable participating when approached on the streets
- Results may not be reliable and accurate due to the participants feeling uncomfortable – participants may not answer in detail as they don't have time to think

3. **Observations (primary research method)** – researcher uses all their senses to gather information and closely observe either a group of people or an individual. For example, the researcher may record their appearances, behaviour or the way they respond do something.

#### **Advantages of observations:**

- In depth – because the researcher is there, they are seeing the behaviour first hand and can therefore record the exact behaviour that takes place
- Access to real life scenarios – the researcher is there when the data is being collected therefore experiences the real life situation
- More detail – if the individual is un aware of the researcher being there they may reveal more information than they should
- Naturalistic – the individuals are in a more comfortable environment

#### **Disadvantages of observations:**

- Time consuming - the researcher has to observe and then record the data they gathered
- Reliability may be questioned – due to the researcher being there the individuals may act in a different way as they know they are being observed
- Not useful – some data that is collected may not be useful to the research aims

4. **Focus groups (primary research method)** – select a group of people (who are most likely your target market) who participate in a structured conversation. The conversation usually has a particular topic which is discussed, and the participants are asked questions based on the chosen topic.

#### **Advantages of focus groups:**

- Clear view of the target markets thoughts – due to focus groups being face to face, it is a good opportunity to view individuals' thoughts about certain products, marketing, advertising or the company in general.
- Data can be gathered easily – focus groups often have up to ten participants, this means that companies can gather research from a range of their market in one discussion

- Discussions can lead to further detail – if the participant doesn't explain a point clearly or gives a closed answer the researcher can then ask the participant to explain further therefore gathering more detailed data

#### **Disadvantages of focus groups:**

- Some participants may not be confident – in a group some participants have a very strong opinions and are comfortable with voicing their views where as some may feel un-comfortable with sharing their opinions
- Discussion may turn off topic – researcher may lose control of the topic being discussed therefore wasting time
- Sensitive topics may be difficult to discuss – some participants may not want to discuss sensitive topics in front of a group of strangers

5. **Consumer trials (primary research method)** – when consumers are able to test the product for free before the company does a full launch of the product.

#### **Advantages of consumer trials:**

- Sense of urgency - If the consumer enjoys the free consumer trial they will feel urged to buy the full product when their trial runs out
- Receive critical feedback on your product – gives the opportunity to see what consumers think of your product
- Product sells itself – customers will begin to get used to the free product and therefore will come back for more and may become a regular customer

#### **Disadvantages of consumer trials:**

- Product may not even be used – the consumer may only try the free trial once or not at all. This is therefore wasting money as the trial is not being used effectively
- Consumers may attempt to get multiple free trials – some consumers may not want to purchase the product at full price therefore may sign up for free trials each time theirs end with new information
- Competitors – by having consumer trials competitors gain insights of your product therefore your ideas may be duplicated

6. **Magazines (secondary research method)** – You can use magazines for ideas or inspiration from competitors. They usually have many different, new styles or designs in them and up to date 'trends'.

#### **Advantages of magazines:**

- The information is easily accessible – only have to purchase the magazine to view what is inside
- Magazine has a longer life than a newspaper – newspapers often get out dated very quickly
- Compete with competitors – can reduce your prices slightly less than competitor prices in order to increase your sales

#### **Disadvantages of magazines:**

- Ideas won't be unique – other companies may have very similar ideas or designs to you if you used competitors for inspiration
7. **Competitors' data (secondary research method)** – Using competitors' data allows you to see their strategies and examine their strengths and weaknesses related to your product. It also allows you to review their designs and prices which helps you to place your products at a appropriate price range.

#### **Advantages of competitor's data:**

- Allows you to identify gaps in the market – if there is no product already designed for a certain target market the company has found a gap in the market and can produce a product to fill the gap
- Helps price your products – assists you to price your products at a good price both competitively and strategically

#### **Disadvantages of competitors' data:**

- The company may try to focus too much on the competitor's business and product that they may lose focus of their own product
  - Due to having too much inspiration and ideas from other competitors it may lead the company to produce a product very similar that is not unique.
8. **Government publications and statistics (secondary market research)** – Government data can help a business by showing statistics for a particular product for example in your geographical target. For example, if the business is selling rain coats they can look at government statistics to see how many were sold in the past year in a specific area.

#### **Advantages of government publications and statistics:**

- Access to facts – the data is completely accurate therefore can help you make sensible business decisions

- Secondary data – it will be cheaper because someone else has already gathered the data
- Large samples – generalizability is very high due to the samples being large

**Disadvantages of government publications and statistics:**

- May not be valid – the researcher cannot check if the data is valid due to it being secondary
- Can be miss interpreted – the government statistics may not be for the exact data you are looking for

## **RO65 – Task 2.3 Sampling methods**

Sampling is the gathering of data from a sample of respondents, the results of which should be representative of the population (e.g. target market) as a whole.

When conducting market research, there are **four** main sampling methods that can be used:

1. **Cluster sampling** – when the researcher divides the population into clusters. For example, secondary school students within Eastern Hemel Hempstead. A random sample is then taken within that cluster.

### **Advantages of cluster sampling**

- Creates large data samples – researcher can increase the sample sizes easily
- Collect data from various different areas
- Cheaper – due to the data being collected from one cluster it is cheaper rather than the data being collected throughout the country

### **Disadvantages of cluster sampling**

- Biased data – if the chosen sample has a biased opinion on the product then the whole population is seen to think the same way as the sample
- Sampling errors
- Requires a certain amount of people for accuracy – if not enough people are taking part the data will not be varied therefore the data will not be viable

2. **Random sampling** – the public all have an equal chance of being selected to participate regardless of their age, income, gender, location and ethnicity. Random sampling works by the population being numbered and then selecting them at random (like a lottery or a raffle).

### **Advantages of random sampling**

- Not bias – there is an equal chance of being selected. No previous data or information about the individual or product is involved in the data gathering process
- A variety of opinions from different people – get a overall opinion from the population

### **Disadvantages of random sampling**

- Researchers need experience – they need to be experienced in data collection so they can compare the accurate and non-accurate data that has been gathered
- Large sample size is required – for random sampling to work effectively you need a large sample

- Quality of the data depends on the quality of the researcher – if the researcher is not experienced enough they will not collect enough data, they also need to follow-up on questions if the answer is not detailed enough
3. **Quota sampling** – the population is divided by several different factors such as age, income, gender and location which are then led to a sample being chosen from each section. The aim of quota sampling is to get data that is representative of the overall population and the most popular overall opinion.

#### **Advantages of quota sampling**

- Data can be gathered quickly
- Representation of the overall population – varied views and opinions therefore you can see how the overall population view your product

#### **Disadvantages of quota sampling**

- Risk of data being bias – it is not random which can result in a sample that is unrepresentative for the full population
- May not get data from your target market – due to the data being gathered by random parts of the population, your samples may not be from your target market

4. **Convenience sampling** – when there are people around and are willing to participate at the time. For example, if you are in a classroom with friends and they are free to take part and willing to participate.

#### **Advantages of convenience sampling**

- Quick and easy – people being willing to participate at the time
- Is not time consuming as you do not have to find specific participants that meet certain criteria

#### **Disadvantages of convenience sampling**

- Participants who are willing to take part may not be the desired participator/ target market
- Validity – the participant may not tell the complete truth
- No generalized data – no conclusion will be drawn from the data that is collected

The sampling method that I have chosen is convenience sampling. The reason why I have chosen this convenience is because it is the quickest and easiest way to gather my market research from teenagers. Due to my target market being teenagers, I would prefer to collect data from teenagers, therefore asking school participants year 8 and above allows me to gather this data. Asking participants from my school allows me to know that I am gathering the opinion of teenagers overall and I will not have to worry about finding teenagers to complete my questionnaire for example.

### **RO65: Task 2.4 My market research tools**

**The two primary market research techniques which I chose were questionnaires and focus groups.**

I chose to use questionnaires as they gather information about individuals and their preferences. The questionnaire consisted of ten questions (see **Appendix 6.1**), this allowed me to gather an in depth understanding of views of the 30 participants. The questionnaire mostly included closed questions, the purpose of this was so that the participants could complete the questions quickly yet efficiently. Using questionnaires as part of my market research was successful as it helped me design my product based on the participant's preferences and opinions.

The second technique I chose was focus groups. The focus group I conducted consisted of three participants aged between fourteen and sixteen, two males and one female. The focus group questions (see **Appendix 6.2**) were semi-structured, this allowed the participants to have a discussion without the conversation going off topic and stopped the participants giving yes, no answers. Using focus groups was an effective research technique as it allowed me to gather detailed data from the participants and get a more advanced insight of their preferences on hats.

**The two secondary market research techniques which I chose were competitors' data and internet research.**

I chose to use competitors' data because it allows you to see if your product is unique and whether it stands out from the rest of the market. Competitors' data also allows you to review their pricing strategies and may help you improve your own design.

Secondly, I chose internet research, this allows me to research about hats and what type is best sold for example. This research can help me design my hat because it can give me an idea of what will sell best.

Questionnaire – please circle your answer

1. What is your gender? Male Female Other

2. What is your age range? Under 13 13-19 20-39 40+

3. Rank each colour (1 being your least favourite and 10 being your most favourite)

Black		Red		Green		Blue		Pink	
White		Grey		Blue		Orange		Purple	

4. Do you prefer online shopping or in store? Online In store

5. What amount of money would you spend on an unbranded cap?

£5-10 £11-20 £21-30 £30+

6. Which of the following factors do you consider most important when purchasing a hat (1 being least important and 4 being most important)

Price		Quality		Colour		Material	
-------	--	---------	--	--------	--	----------	--

7. What type of hats do you often wear?

Beanie Basketball Cap Bobble hat Cowboy hat Bucket hat Other.....

8. What type of fabric do you prefer for a cap?

Leather Faux Fur Cotton Other .....

9. Which fashion style best describes you?

Vintage Celebrity Street Casual Other.....

10. Do you prefer caps that have designs on or plain caps?

Plain Designs on

Thank you for completing my questionnaire.

**Questions for focus group –****Question 1 –** What type of hats do you own?

- What colour are they?
- How often do you wear them?

**Question 2 –** What colours most appeal to you?

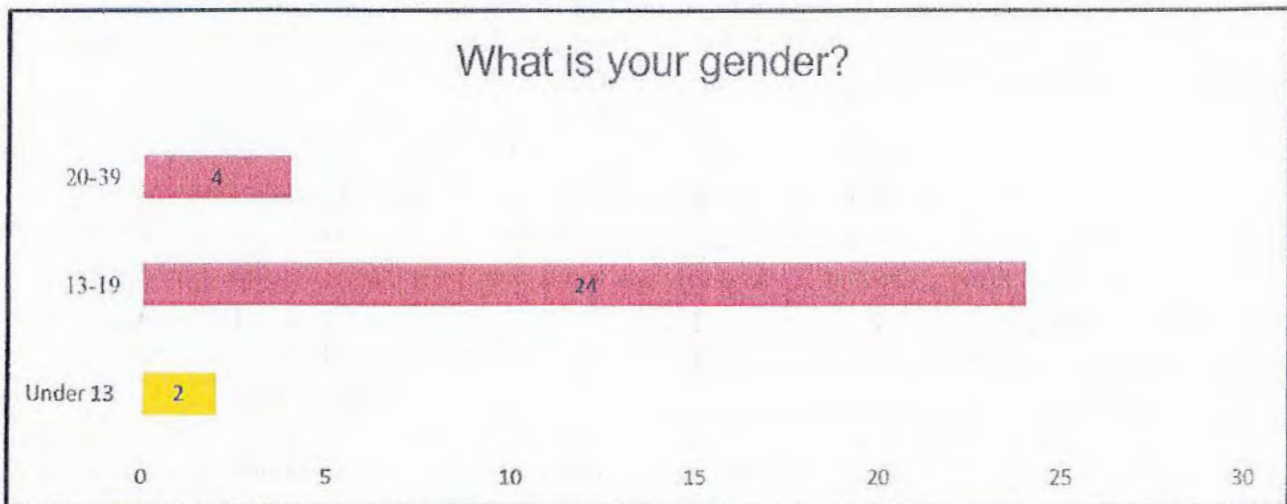
- Why?

**Question 3 –** What price range would you spend on an unbranded cap?

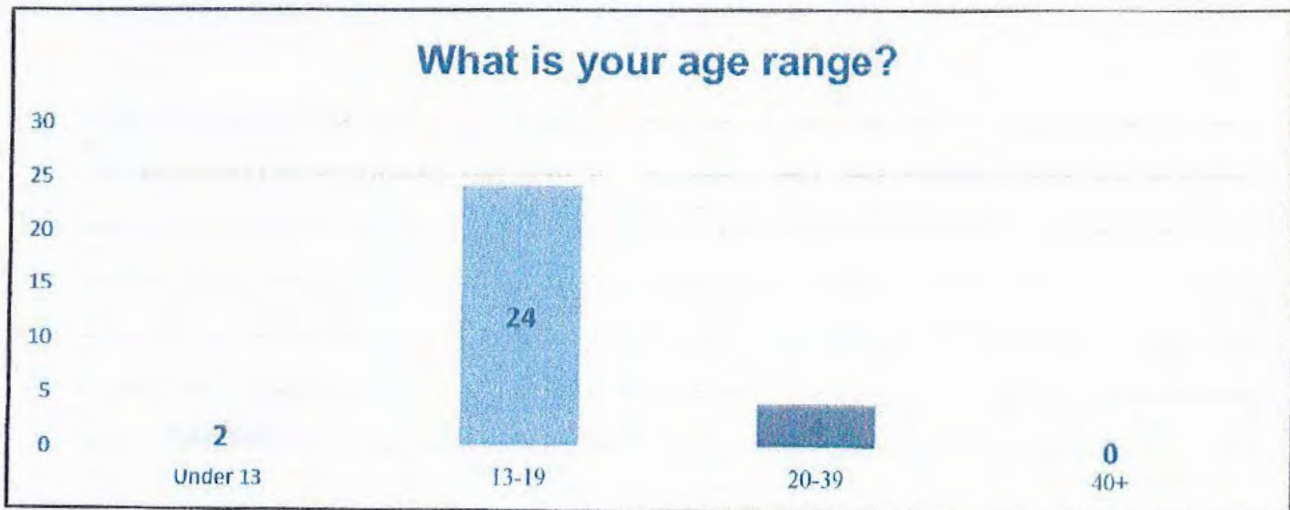
### **RO65 – Task 2.5 Market Research results & Evaluation**

My questionnaire has been designed in order to help me design my hat. The results from the questionnaire will help me chose important factors such as colour, material and the style itself.

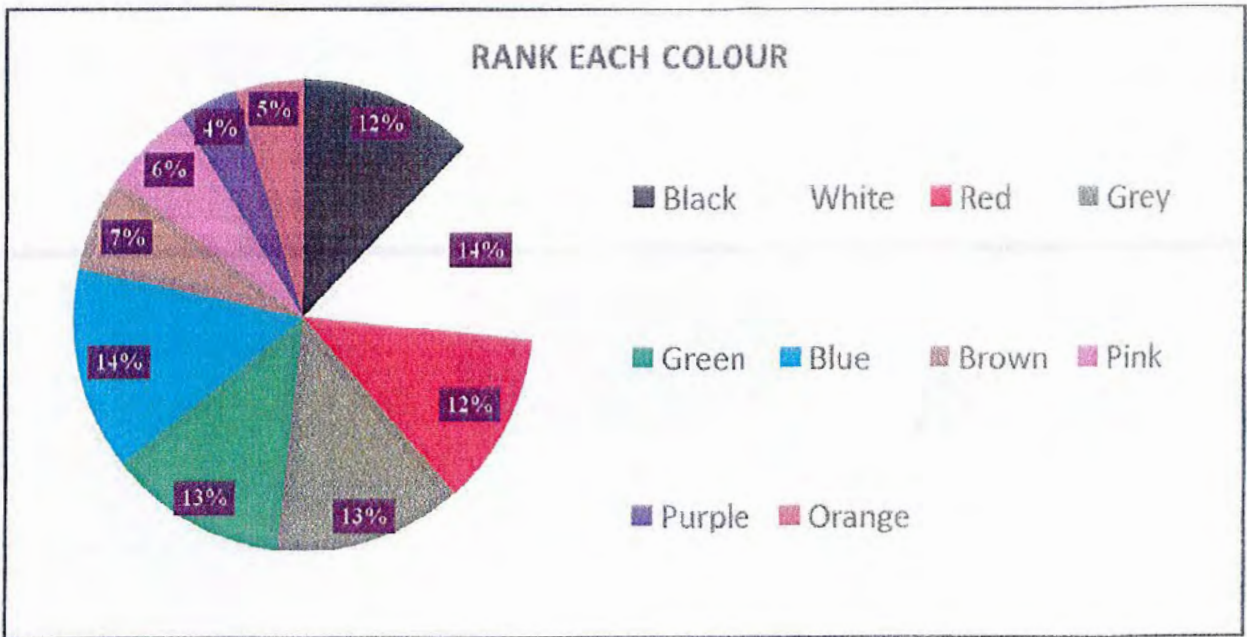
The questionnaire results gave me a true insight of my target market and what they look for in a hat. I have chosen to prescnt my questionnaire results in charts and graphs (For full questionnaire see **Appendix 6.1**).



**Q.1** This question shows that I asked an even amount of boys and girls.



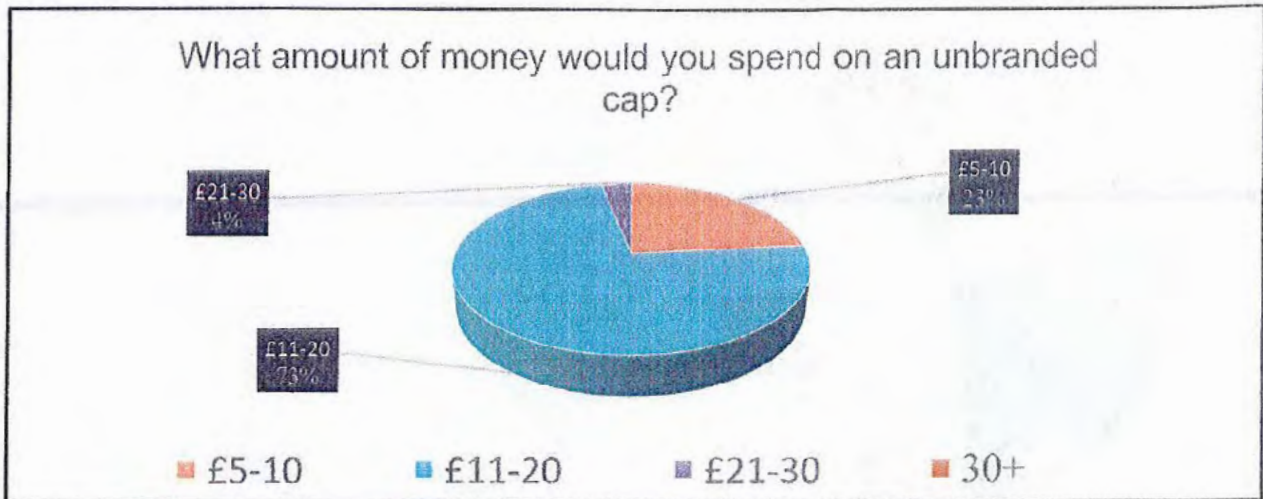
**Q.2** This graph shows that the majority of participants were aged 13-19. This is perfect as my target market is teenagers therefore I now know that the data I gather from the questionnaire will be from the overall teenage population.



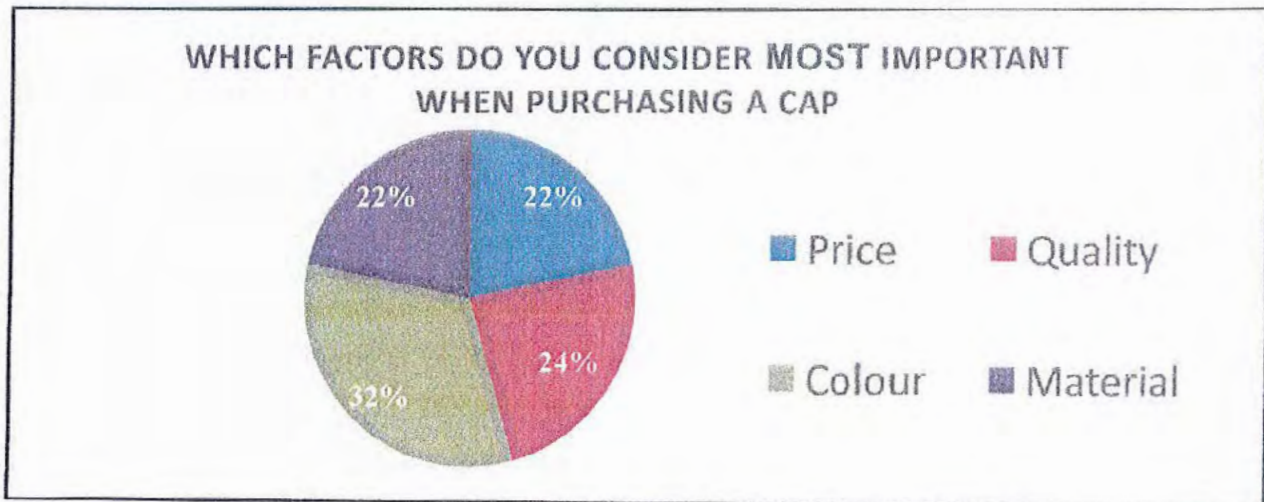
**Q.3** This pie chart represents the average ranking of each colour. This question was asked because I wanted to find out what colours were most popular therefore I can consider the results when designing my hat.



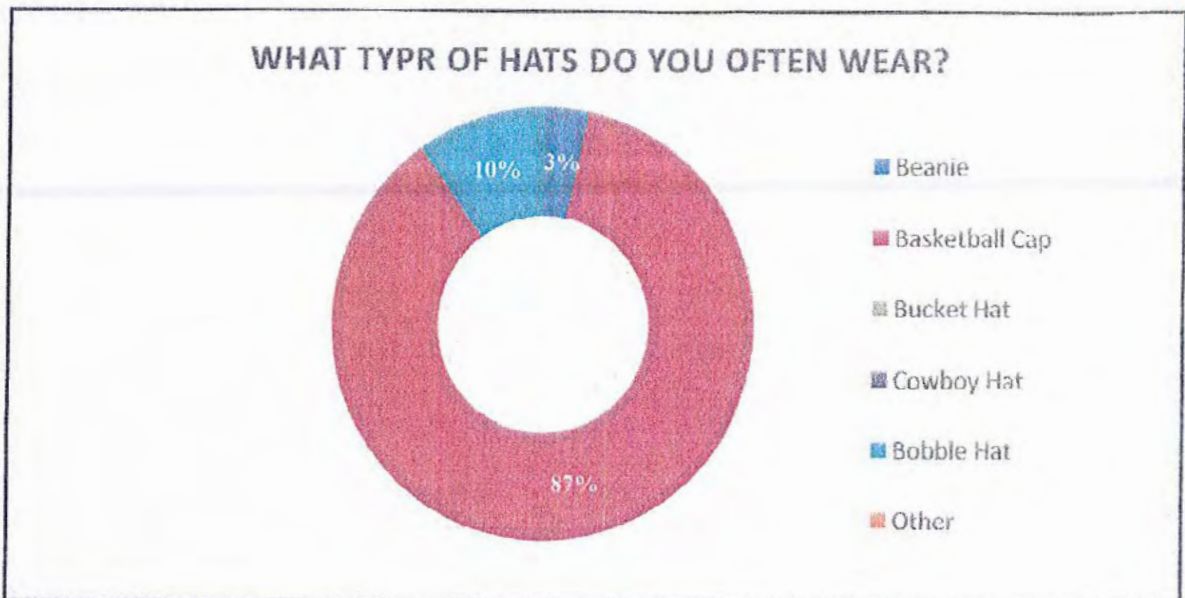
**Q.4** This graph shows that most participants prefer to purchase items online rather than in store



**Q.5** I wanted to find out how much people are willing to pay for an unbranded cap because when pricing my hat, I did not want it to be overpriced or under-priced. My results show that I should price it between £11-20 as most participants said they would be willing to pay this amount.



**Q.6** – I asked this question because I wanted to find out which factor I should do exactly according to my market research. For example, 32% of the participants said they consider the colour of the hat most important when purchasing a hat, therefore I will now make sure that the colour of my hat is the colour that was most popular in question three.



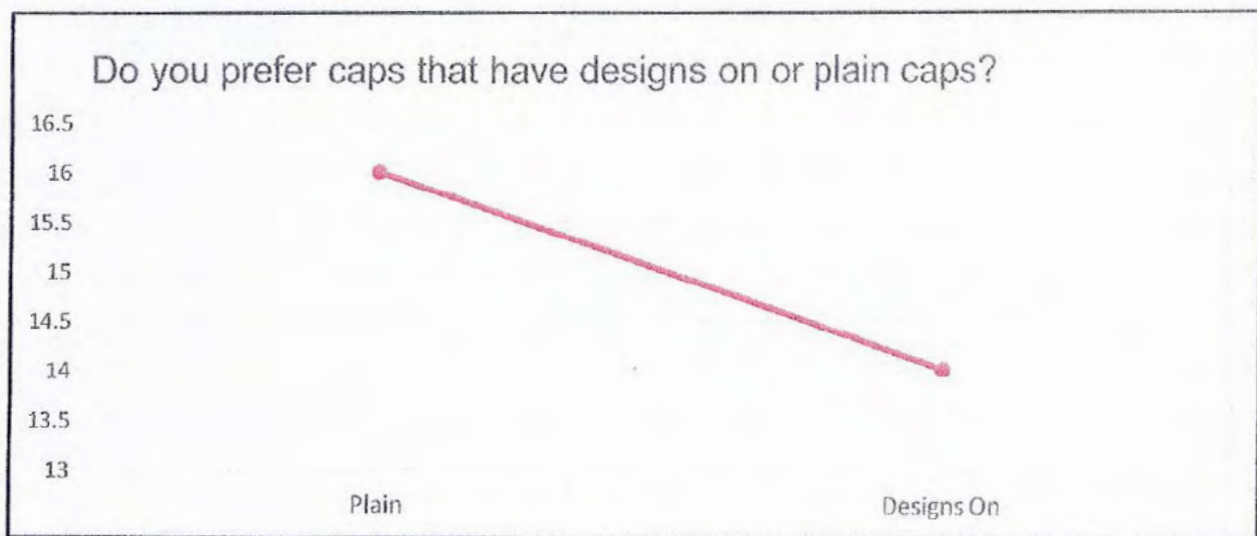
**Q.7** – 87% of the participants often wear a Basketball Cap, this question helped me chose what type of hat I am going to design.



**Q.8** – This question was designed in order for me to find out which material was most preferred for a cap. As the graph shows, cotton was the most popular material.



**Q.10** – This question allowed me to figure out what style my target market wears in order to design my hat according to their preferable style. ‘Casual’ style was the most popular.



**Q.11** – The results from this question were almost 50/50, 16 said they preferred plain caps and 14 said they prefer caps with designs on.

### Summary of primary research – Questionnaire

The results from my questionnaire show that my customer profile was mostly accurate in terms of what my target market prefer and their style. I gained insights of my target markets most preferred colours (blue and white) and their favourite fabric (cotton).

**Summary of secondary research** – I used several different websites and magazines in order to help me design my hat. The websites and magazines have been very helpful in terms of inspiring me and they also helped me with my pricing strategy.

### Summary of my focus group

I asked the three participants three structured questions, with some follow up questions (see **Appendix 6.2** for focus group questions)

**Person A** – Age 15, Female, in year 11 and attends [REDACTED] School.

**Person B** – Age 14, Male, in year 10 and attends [REDACTED] School.

**Person C** – Age 16, Male, in year 11 and attends [REDACTED] School.

#### **Question 1** – What type of hats do you own?

All participants agreed that they mostly own basketball caps however **Person A** also owns two beanies. To follow up from this I asked the participants if the caps they owned were branded or unbranded. **Person B** and **Person C** both owned mostly Nike caps however **Person A** owned unbranded caps.

#### **Question 2** – What colours most appeal to you?

After a small discussion, all participants agreed that they prefer colours that will go with any outfit. **Person B** and **Person C** both agreed that they prefer darker colours such as black and grey where as **Person A** said she preferred more neutral colours. As a follow up question I asked the participants if they would avoid purchasing a hat due to the colour of it being too vibrant, they all said no as long as the design of it is nice.

#### **Question 3** – What price range would you spend on a unbranded cap?

This question had a range of opinions from the participants. **Person B** said he would spend £5 - £12 where as both **Person A** and **Person C** £5 - £30. All participants did agree that if the cap is good quality and they like it they would be willing to pay more.

I am going to design a baseball hat as 87% of respondents preferred this option and the focus group also showed that baseball caps were the most popular for my target market. The most popular colours were white and blue based on my results from the questionnaire therefore I am going to include these colours.

## Examiner commentary

LO2 Part 1 – Using bullet points throughout is not recommended as a way to reach MB3 as it does not encourage candidates to write detailed explanations to show a thorough understanding. However, this candidate does just reach MB3 overall. The candidate demonstrates a thorough understanding of all the theory needed by the number of methods of market research they have described and the number of sampling methods.

LO2 Part 2 – The candidate has created a questionnaire and focus group questions for their market research tools. They stated in Part 1 that they were going to complete competitor research. There was no analysis of their findings only a statement that it was done. The candidate effectively reviews the results for MB2 but a thorough analysis is needed to reach MB3.

# LO3 – Be able to develop a design proposal for a business challenge

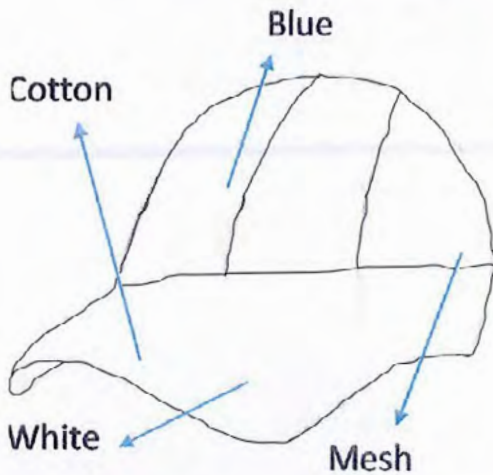
LO3: Be able to develop a design proposal for a business challenge 20% (12 marks)		
MB1: 1 - 2 marks	MB2: 3 - 4 marks	MB3: 5 - 6 marks
<p>Generates product design ideas and <b>briefly identifies</b> the strengths and weaknesses of each, with <b>basic links</b> to the customer profile identified.</p> <p>Drafts a <b>basic</b> design for a proposal with <b>limited reference</b> to market research outcomes.</p> <p style="text-align: right;">[1 2]</p>	<p>Generates product design ideas and <b>explains</b> the strengths and weaknesses of each, with <b>some links</b> to the customer profile identified.</p> <p>Drafts an <b>appropriate</b> design for a proposal <b>partly relating</b> it to market research outcomes.</p> <p style="text-align: right;">[3 4]</p>	<p>Generates product design ideas and <b>fully justifies</b> the strengths and weaknesses of each, <b>clearly linking</b> these to the customer profile identified.</p> <p>Drafts a <b>wholly appropriate</b> design for a proposal <b>fully relating</b> it to market research outcomes.</p> <p style="text-align: right;">[5 6]</p>
MB1: 1 - 2 marks	MB2: 3 - 4 marks	MB3: 5 - 6 marks
<p>A <b>basic</b> self-assessment is produced and feedback from others is <b>briefly</b> summarised.</p> <p>Modifications to the design are carried out, which are <b>partly outlined</b>.</p> <p><b>Limited reasons</b> for choosing the final design are provided.</p> <p style="text-align: right;">[1 2]</p>	<p>A <b>sound</b> self-assessment is produced and feedback from others is <b>mostly</b> summarised.</p> <p><b>Appropriate</b> modifications to the design are carried out, which are <b>identified and described</b>.</p> <p>The reasons for choosing the final design are <b>clearly explained</b>.</p> <p style="text-align: right;">[3 4]</p>	<p>A <b>thorough</b> self-assessment is produced and feedback from others is <b>effectively</b> summarised.</p> <p><b>Appropriate</b> modifications to the design are carried out, which are <b>clearly detailed and fully explained</b>.</p> <p>The reasons for choosing the final design are <b>fully justified</b>.</p> <p style="text-align: right;">[5 6]</p>

# LO3 Part 1 and Part 2

## Exemplar 6

## LO3 Part 1 MB2 3 marks, LO3 Part 2 MB1 2 marks

### R065 – Task 3.1 Product design ideas

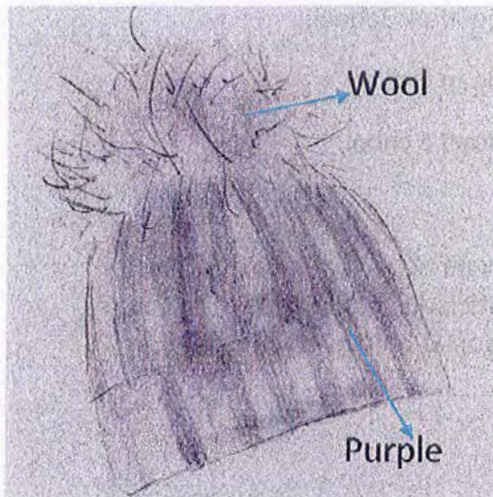


#### Strengths –

- Not too bright - customer profile is teenagers therefore they do not like very bright colours
- Baseball caps are very popular – customer profile often wears them
- Mesh on the back of the cap – my customer profile likes new designs

#### Weaknesses –

- May not look appealing to them – customer profiles both like unique designs
- The cap is grey and blue – the customer profile might not be drawn to the hat

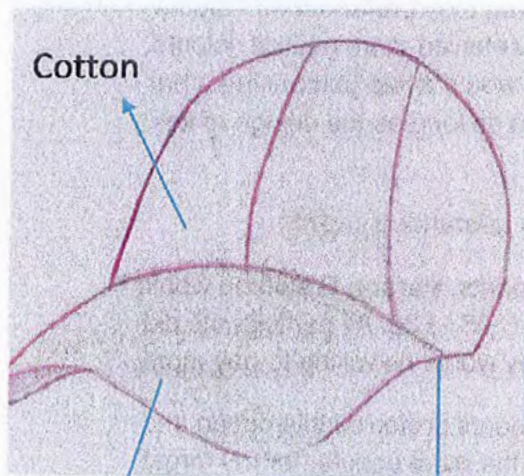


#### Strengths –

- Good for cold weather – as my customer profiles live in London it is perfect as it can get quite cold
- Fashionable for Lauren, age 16 – fits in with her quirky style

#### Weaknesses –

- As my customer profile is unisex – the colour and style of the hat may not appeal to males
- This can not be purchased in summer- therefore a loss of sales

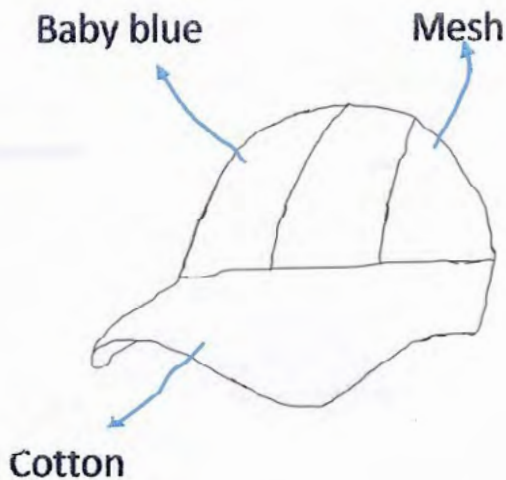


#### Strengths –

- Not too bright – although it has a bright colour in it, it contrasts well with the white therefore it balances it out
- My female customer profile likes bright colours
- Can be purchased in winter and summer

#### Weaknesses –

- As my customer profile is unisex – the colour of the hat may not appeal to males

**RO65 – Task 3.2 Chosen design – how it links to customer profile**

- 87% of respondents said they preferred baseball caps – more likely to purchase it as it is the style they like the most
  - blue was one of the highest ranked colours – therefore the cap will appeal to my target market
  - During my focus group, they all also said they prefer baseball caps
  - More people said they prefer caps that are plain therefore they will be drawn to this design as it has no designs on it

**RO65 – Task 4.1 Self Assessment****Strengths –**

- The design is not too bright therefore my customer profile will be more likely to wear it.
- The colours can go with any look
- The mesh design is something new and different – not many caps have it

**Improvements –**

- The design does not look appealing – not eye catching to consumers
- The colours are very light – bolder colours stand out more

**RO65 – Task 4.2 Peer Feedback**

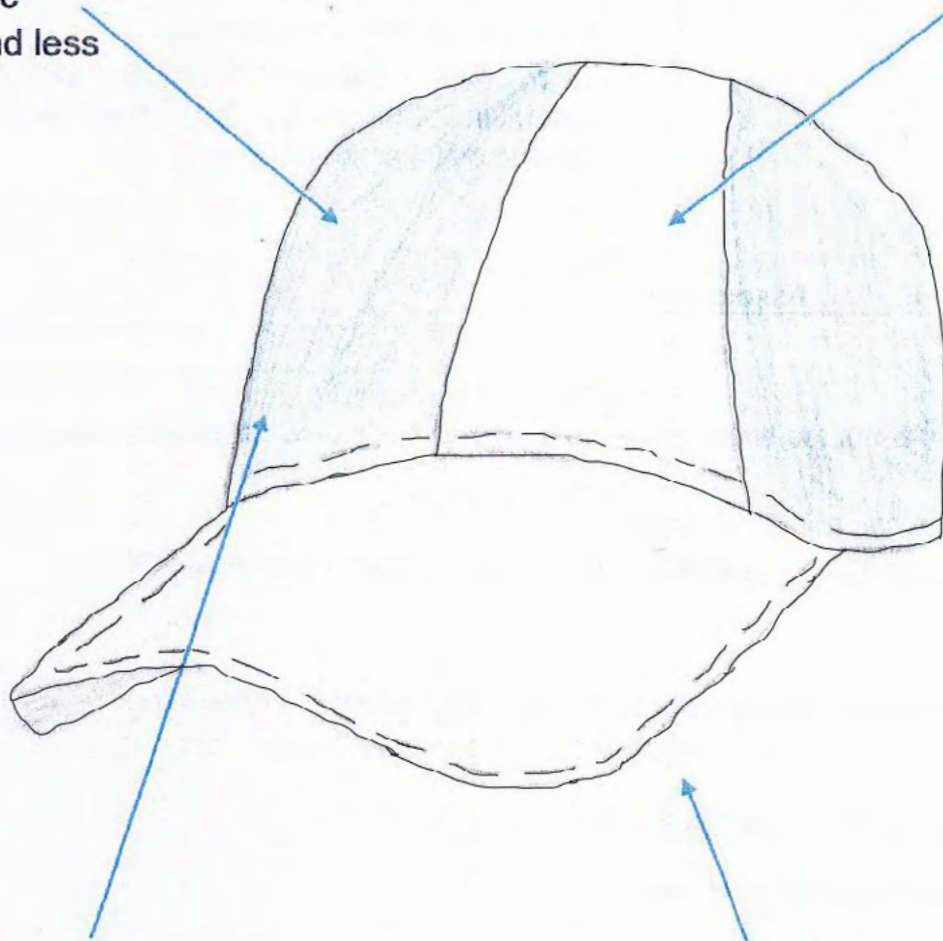
The feedback I received from peers was –

- The colours are too boring – make the blue stand out more (brighter blue)
- The mesh design is not practical – hair will get stuck in the mesh and therefore they wouldn't want to wear it
- Like the baseball cap design
- Too plain – wanted to see some designs or stitching to make it more appealing

**R065 – Task 4.3 Modified design**

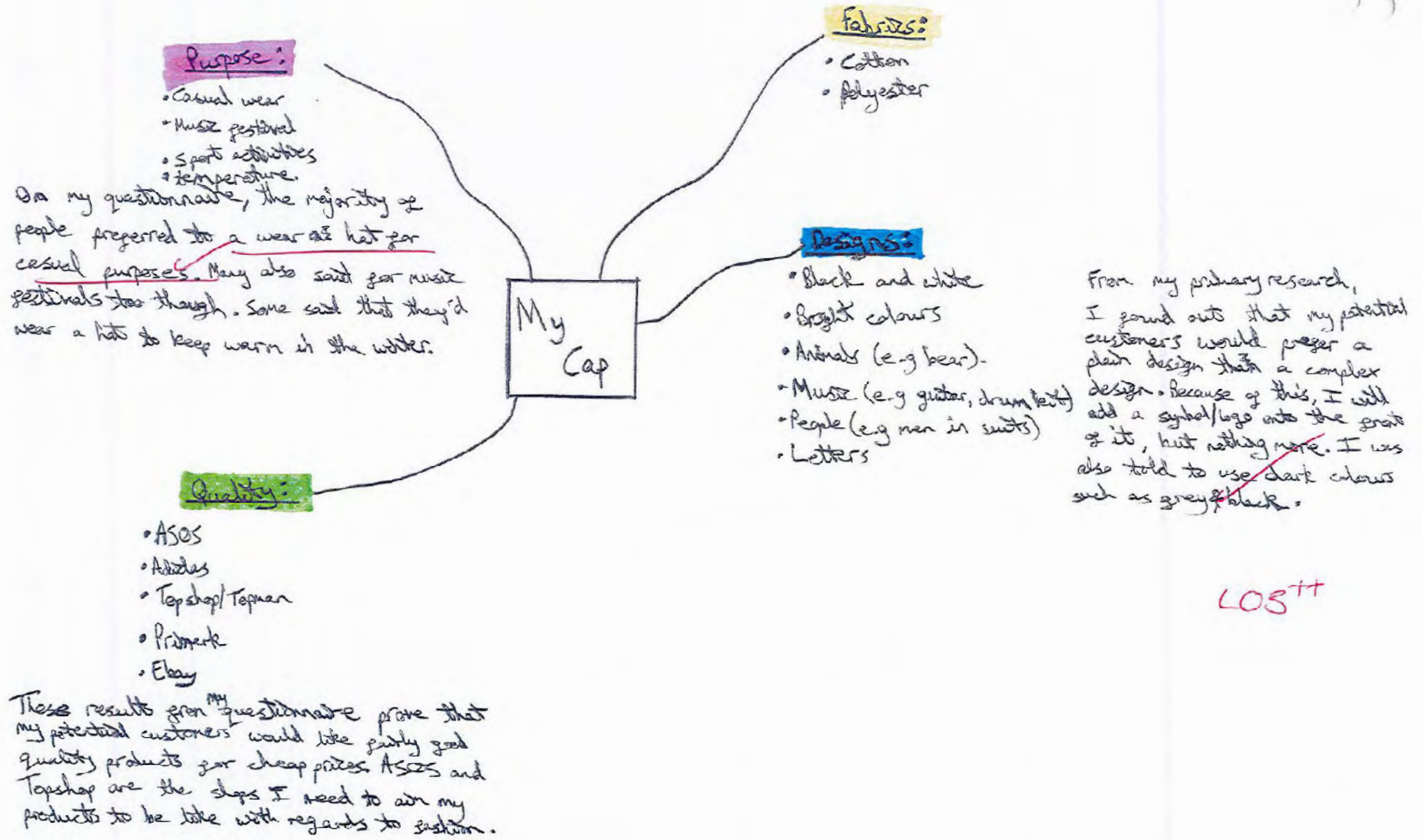
Deeper blue colour  
– peers suggested a  
deeper blue would  
be more eye  
catching and less  
dull

Cotton



No mesh – not practical  
therefore less people  
would have worn it

Stitching – I did not want to add a  
design to it as my customer profile  
is too mature for that therefore I  
added stitching to the front to make  
the hat appear more unique



## Examiner commentary

LO3 Part 1 – The candidate generates three product design ideas and explains the strengths and weaknesses. Although the explanations are brief it is more than 'briefly identifies' (MB1). There are some links to the customer profile. The chosen design is drafted and partly related to the market research outcomes. Overall meets the criteria for MB2.

LO3 Part 2 – Basic self-assessment and feedback from others is summarised. The candidate outlines the modifications. There are limited reasons for choosing the final design – included with the modifications.

This candidate could have been given their work back by the teacher for improvements. The teacher could suggest improvements based on the wording of the mark scheme. For example: 'You need to describe your modifications' 'You need to clearly explain your reasons for choosing your final design'.

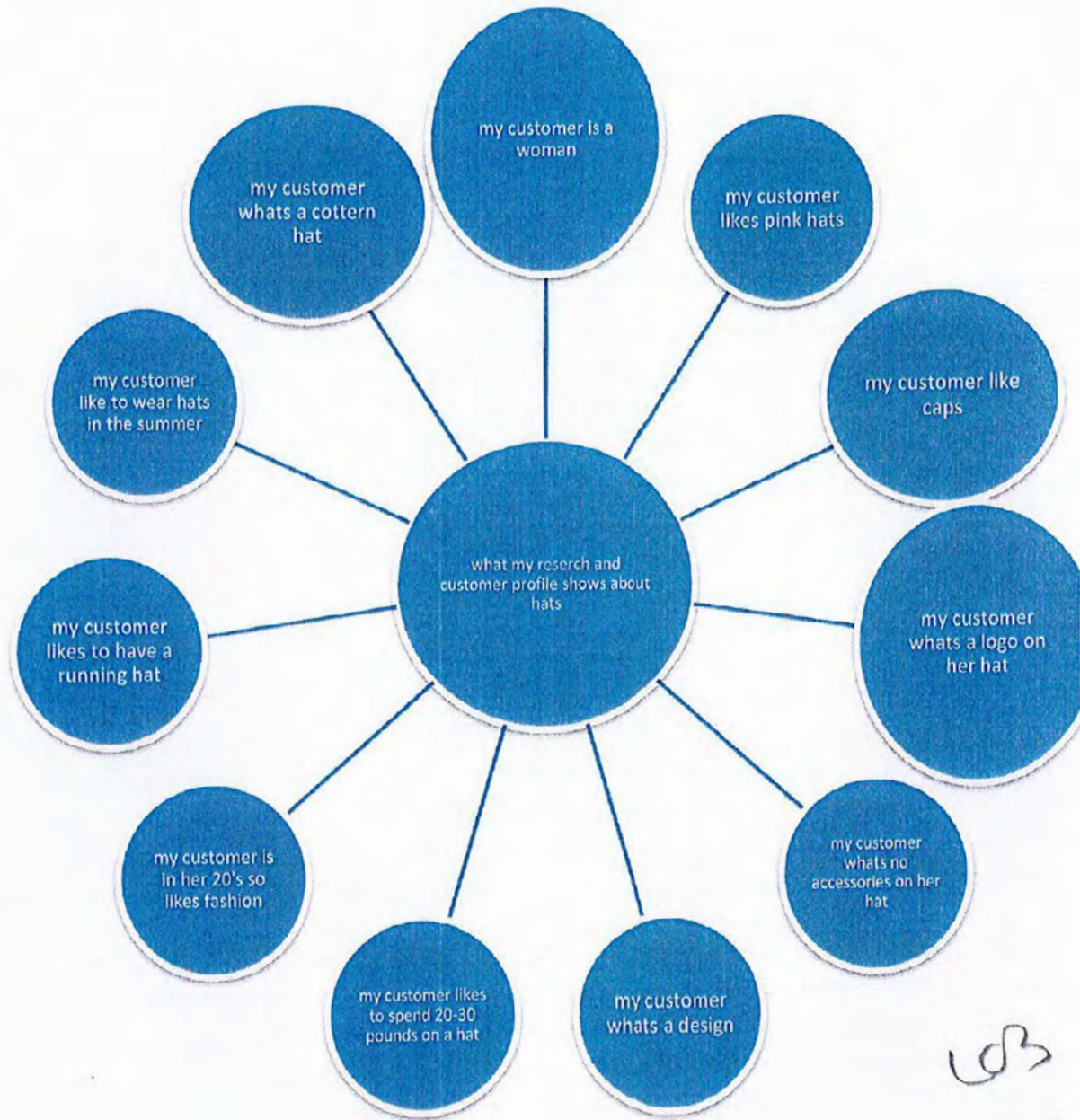
# LO3 Part 1 and Part 2

## Exemplar 7

## LO3 Part 1 MB3 5 marks, LO3 Part 2 MB2 4 marks

### Design a business proposal

It's important to produce draft product designs because I can see what design the hat is and if it can work I can also identify the strengths and weaknesses of ideas I can gain feedback on ideas from people and customers I can help select the best idea to move forward to produce



LO3  
MB2

Mood Board

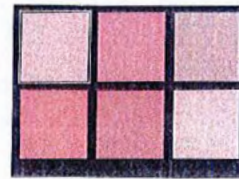
Patterns

Sporty women age 20 may want a sporty pattern maybe a Running pattern also may want a fashion pattern.



Colours

My customer which is a 20 year old runner who wants girly colours 6 people wants this



Accessories

My customer might want girly accessories such as a ribbon and badges however 9 people don't want accessories



Style

My customer like running so they will want a baseball cap 12 people want a sport hat



Logo

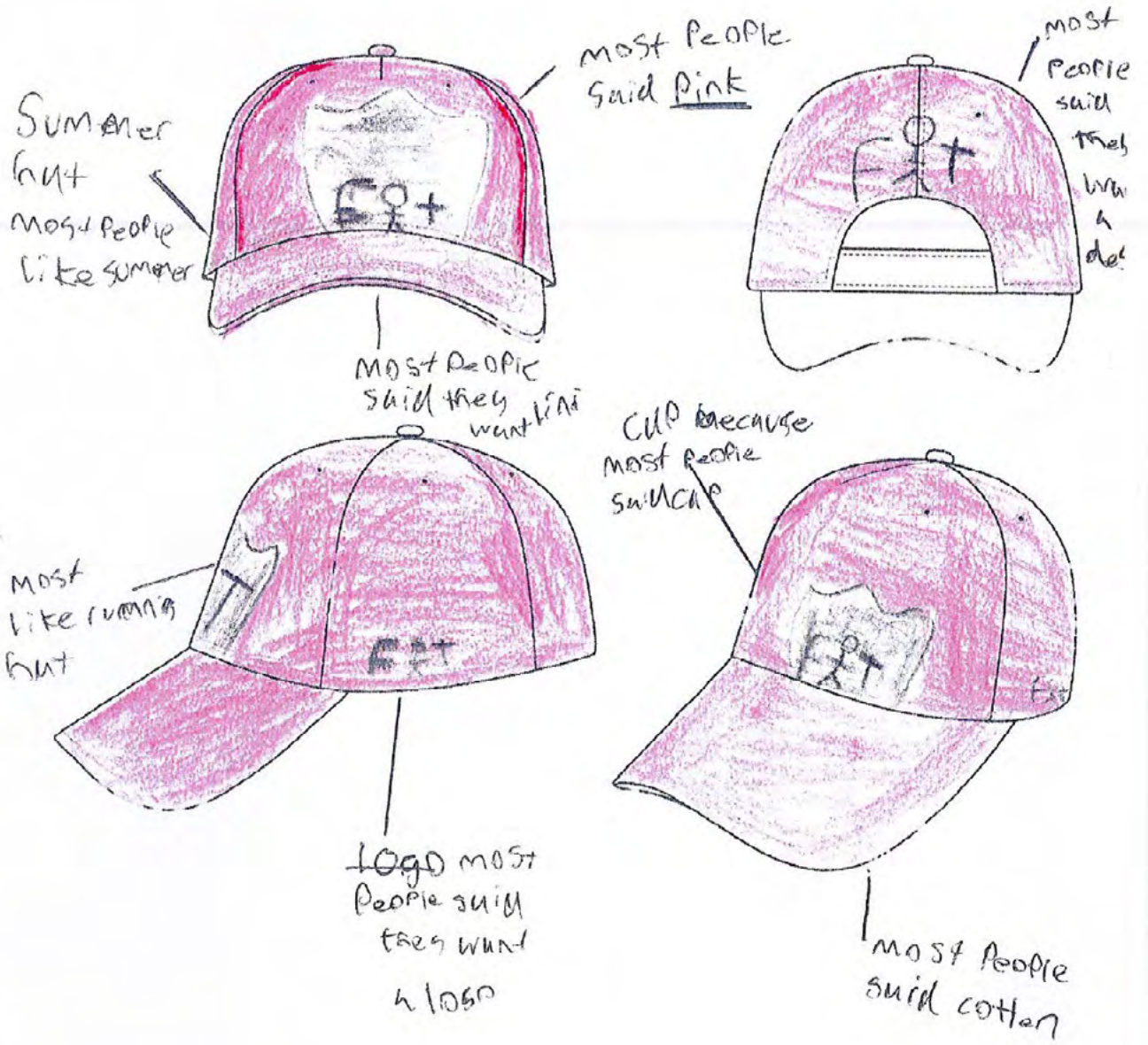
My customer might want a sporty logo she is young and likes to do sport like running and fitness my customer will want a logo so I will add one



Material

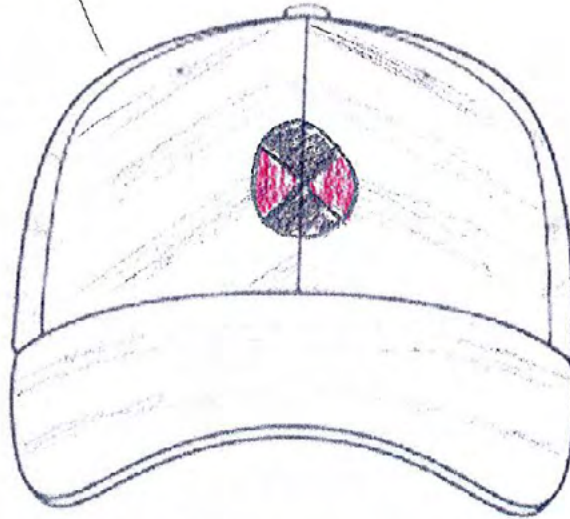
My customer said the most popular is cotton 15 people said this however 11 people said they don't want lining

LOB  
MBC



cup because  
16 people like  
summer

Grey and white  
because 4  
people like  
these  
colours



running hat  
because 12  
people like  
running

like design  
16 people  
want this



logo 10  
people want  
this

cup style 12 people want this

## My Scamper Model

**S**ubstitute - I could change the material of my cap from cotton to polyester.

**C**ombine - I could combine my product with waterproof coats so my hat would be waterproof.

**A**dapt - I could create a pocket to add to my hat.

**M**odify - I could use a 'breathable' material so your head doesn't get hot or have tabs on the sides for your sunglasses to rest on.

**P**ut to another use - I could have it as a mini bag for deodorant sprays or make-up. \*

**E**liminate - I could remove the logos from my hats but it would mean they are less interesting.

**R**everse - Instead of protecting from the sun, the hat could protect from rain with a mini umbrella

\* Or I could change it to act as a headband to absorb sweat.



403

Evaluation of my design one

One of my strengths of my design is my colour I chose pink. This is strength because it will appeal to my customer because they are 20 year old women that like pink the colour is also a strength because it matches my market research which showed that most people like pink. Another strength of my design is the logo. The logo I chose was fit which means get fit but there is a stick man running. This is strength because it will appeal to my target market because it will get women to get out running which is the hobby of my customer. This logo is also strength because it matches my market research which showed most people want a logo.

One strength is the style of my hat. I chose to make a Cap this is a strength because it suits my customer because they preferred a running hat. The style also is strength because it matches my customer research which showed most people like caps. Another strength is the design of my hat. I chose to make a plain design. This is a strength because it suits my customer because they want just pink hat. The design also is a strength because it matches my customer research which showed they want a plain pink hat.

However one weakness of my design is the colour. I think that this is a weakness because it is too pink it needed more colours I think this would not appeal to my target customer because they picked other colours and it would make my hat stand out more. Another weakness of my design is the pattern. I think that this is a weakness because it was all one colour I think this would not appeal to my target customer because they like fashion so they would like a hat to stand out more. A final weakness of my design is that it is not unique enough. I think that this is a weakness because it is too basic I think this would not appeal to my target customer because they are young and like fashion.

LOS

MB?

Evaluation of my design 2

One of my strengths of my design is my colour I chose grey. This is strength because it will appeal to my customer because they are 20 year old women so they will like a mature colour like grey the colour is also a strength because it matches my market research which showed that most people like grey. Another strength of my design is the logo. The logo I chose was a simple circle which is easy to recognise for my customer. This is strength because it will appeal to my target market because it will become a well-known logo so they will like it because it will be fashionable. This logo is also strength because it matches my market research which showed most people want a logo.

One strength is the style of my hat. I chose to make a Cap this is a strength because it suits my customer because they like running. The style also is strength because it matches my customer research which showed most people like caps. Another strength is the design of my hat. I chose to make a nice stripe design. This is a strength because it suits my customer because they will like a hat that has a nice design that is simple and mature because they are young and professional. The design also is strength because it matches my customer research which showed they want a plain grey hat.

One weakness of my design is the colour. I think that this is a weakness because it was just grey it needed more colours I think this would not appeal to my target customer because they picked other colours especially pink. Another weakness of my design is the logo. I think that this is a weakness

because it is too simple and does not relate to running which is why the people would want to buy the hat. Another weakness of my design is the pattern. I think that this is a weakness because it was all one colour I think this would not appeal to my target customer because they picked other colours. Another weakness of my design is that it is not unique enough. I think that this is a weakness because it is too basic I think this would not appeal to my target customer because they are young and fashionable and want to stand out. A final weakness of my design is the features. I think that this is a weakness because it had no features I think this would not appeal to my target customer because they wanted a feature

#### Chosen Design Incomplete

Overall I have chosen design 1 this is because it matches my customer and research better. One thing prefer about design 1 is the colour design 1 is pink but design2 is black and white. Pink is better because most people wanted it in my questionnaire. It also suits my target customer of women

Another way design 1 is better because of the logo it's a man running in the word fit it's to make people to get out and start running it's a lot better than design 2 that just has a random logo may not get people out a lot of people wanted a logo from my questionnaire.

Another way design 1 is better because of the lining it has a nice pink lining but design 2 has just white lining it's very basic and doesn't reach my questionnaire results no good logo. Design 1 has more features. I also think pink is good because it will appeal to women

LO3

MB3

### Focus group feedback

#### Comments on colour

They like the colour pink and it would be suitable for my customer because they are girls. They didn't like the black logo because it looked too dull and didn't match the pink.

#### Comments on design

They liked the logo design and said it was very clever with the man being an i. They liked the size and place I put the logo but said there are too many logos on the hat. They thought the design was too plain and I would be better with a pattern like a striped hat.

#### Comments on style

They like the cap style and think it is the best for the summer running that my customer likes they like it for young women and said I should keep this style.

#### Comments on accessories

They like the logo but said I have too many. They don't think I need to have any more accessories because there are enough now on the hat already.

#### Comments on materials

They said that cotton was the best material and I don't need to change it because the other options are not suitable for running in

#### Strengths

They like the logo and colour and the style of the hat and the material is also good for running. They said the hat suits my customer and her hobby well

#### Weaknesses

They said the hat was too plain and needs a pattern and that the black logo wasn't a good match for the pink. They said I have too many logos on and I need to make the design stand out more.



**Feedback on design Questionnaire**

The target audience for my hat is women who like to run who are 20-30

Please circle every answer

1. Does my hat meet my customer needs?  
 Yes     no

2. Does my appearance suit my customer? *yes*

How could I improve the appearance of my hat

- A)  Different colours (state which).....    B)  Make it more unique.....  
 C)  add a pattern    D)  don't change

3. Does my logo meet my customer needs  
 Yes     no

4. How might my logo be better?

- a)  More colours on it    *Too much black - does not stand out*  
 b)  different style    c)  other..... *Stand out*

5. Is my material good for my customer needs?  
 Yes     no

6. What other material could make my hat better  
 A)  Felt    B)  Linen    C)  wool    D)  Don't change

7. Should I add accessories to my design to suit my customer needs

Yes     No

8. Which accessories should I add to my hat?

- A)  Buttons    B)  Bobble    C)  Flower    D)  other state.....    E)  don't add any

What 2 things do you like most about my design?

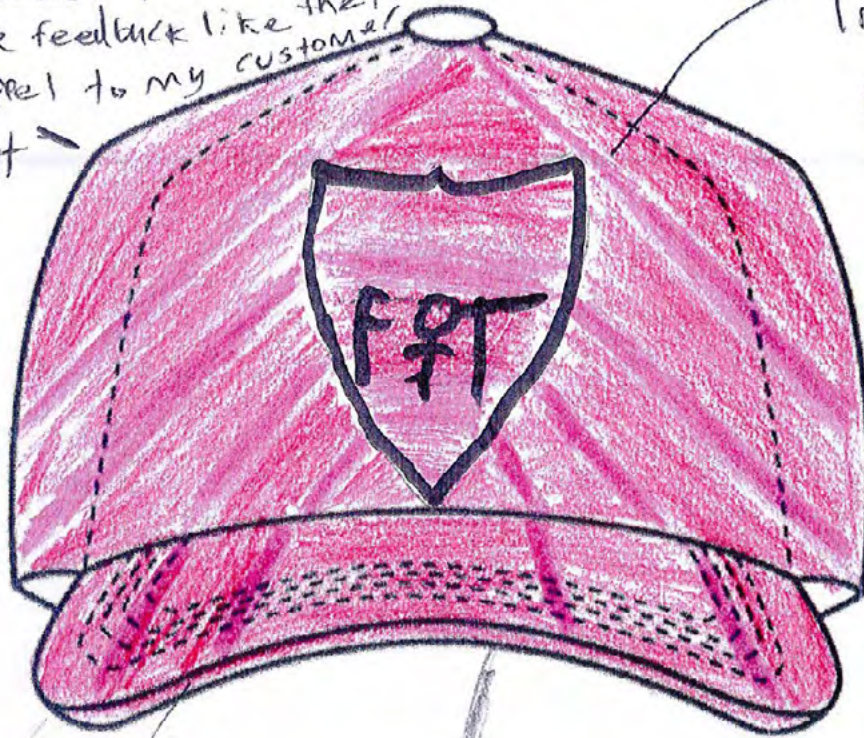
- Colour good for women
- Style suitable for runners.

What 2 things would you change about my design to suit my target market?

- Needs a pattern so its unique
- Logo needs to stand out more

I kept the colour pink because the feedback like the pink and appeal to my customer market

I changed my logo as the feedback preferred it



I kept the lining in cotton for better quality comfort

I have kept the cotton material because the feedback said to keep it. I changed it so I could add a pattern because the feedback said it would be better.

**Overall feedback on design and self evaluation**

I got peer feedback by doing a focus group I asked them what they liked and didn't like about my final design I used the results for a questionnaire I ask a focus group what they liked about my hat They said they liked the colour its pink my target audience are women who like pink and they also liked the style its suitable for my customers which are runners they also liked the material they also said no other material will make it better I agree with this strongly because my customers are young and like to run who like pink it's a nice colour and my customers like it

I have kept the colour the same because most of my customers want they are runners who like pink they have chosen. The focus group didn't like my hat because they wanted a pattern so I have added a pattern to my final design

I agree with this because a pattern will be much better and more interesting i have decided to change my hat and add a Patten the Patten is a light the other is dark pink

**Self-evaluation of my chosen design**

I think that the colour of my design is a strength this is my opinion because it is pink which suits my customer and this got good focus group feedback. I have kept it the same I will not change the colour. I would also say the design of my design is a strength This is my opinion because it's a running cap I will not change the design because it suits my customer and my feedback said to keep it the same. I also say that the style of my design is a strength. This is my opinion because it looks nice and make my customers like it I will not change the style. I think the pattern of my hat is a weakness because it is too plain and the focus group said my customer would not like this, I changed it to have a pattern so this makes it stand out. I also say that the logo of my design is a strength this is my opinion because it looks nice it would appeal to my customers and got good feedback I will not change the logo. Finally I'd say that material of my design is a strength This is my opinion because it look nice and customers will like it because it is cool for running I also got good focus group feedback on material I will not change the material.

LOJ  
MK

**Justification of changes made to my design**

I have changed my final hat by adding a new pattern. This is because my feedback said they wanted a pattern. It is also because it is better for my target customer because they will like a good unique design. I have also changed my final hat by changing the logo. This is because my feedback said they wanted a logo to stand out more. It is also because it is better for my target customer because they can see it easier but the logo style is the same. I decided not to change the style. I didn't change this because the cap is good and handy for runners I decided not to change. I also kept the colour and material the same because they are popular in the feedback I got

## Examiner commentary

LO3 Part 1 – The candidate has used a summary of their research findings and a mood board to help them generate product design ideas. SCAMPER has also been used. The strengths and weaknesses are justified and there are links to the customer profile (MB3). The final design is appropriate and related to the market research findings, but this could have been more detailed (MB2). Overall a mark at the bottom of MB3 was awarded as best fit.

LO3 Part 2 – A sound self-assessment is produced. The candidate chose to produce a questionnaire and conduct a focus group to gain feedback. This feedback is effectively summarised (MB3). Appropriate modifications are carried out, but the explanations could have been more detailed to reach MB3. The reasons for choosing the final design are provided (MB1). Overall a mark at the top of MB2 is best fit.

# LO4 – Be able to review whether a business proposal is viable

LO4: Be able to review whether a business proposal is viable 30% (18 marks)		
MB1: 1 - 3 marks	MB2: 4 - 6 marks	MB3: 7 - 9 marks
<p>Identifies the fixed and <b>some</b> variable costs relating to their chosen product design and <b>applies the information identified</b> to complete variable cost calculations for their product design, <b>with limited accuracy</b>.</p> <p>Selects a pricing strategy for their product design with <b>little relevance</b> to their identified customer profile and proposes a selling price per unit that evidences <b>limited consideration</b>.</p> <p>Predicts a number of units for sale in the first month that evidences <b>basic reasoning</b> and calculates the predicted total costs for the first month and predicted total profit for the first month, <b>with limited accuracy</b>.</p> <p style="text-align: right;">[ 1 2 3 ]</p>	<p>Identifies the fixed and <b>most relevant</b> variable costs relating to their chosen product design and <b>applies the information identified</b> to complete <b>accurate</b> variable cost calculations for their product design.</p> <p>Selects a pricing strategy that is <b>mostly appropriate</b> for their product design and identified customer profile and proposes a <b>partly reasoned</b> selling price per unit.</p> <p>Predicts a <b>partly reasoned</b> number of units for sale in the first month and <b>mostly accurately calculates</b> predicted total costs for the first month and predicted total profit for the first month.</p> <p style="text-align: right;">[ 4 5 6 ]</p>	<p>Identifies the fixed and <b>all relevant</b> variable costs relating to their chosen product design and applies these to <b>accurately calculate</b> the total variable costs per unit for their product design.</p> <p>Selects a pricing strategy that is <b>wholly appropriate</b> for their product design and identified customer profile and proposes a <b>thoroughly reasoned and appropriate</b> selling price per unit.</p> <p>Predicts a <b>considered, realistic</b> number of units for sale in the first month and <b>accurately calculates</b> predicted total costs for the first month and predicted total profit for the first month.</p> <p style="text-align: right;">[ 7 8 9 ]</p>

MB1: 1 - 3 marks	MB2: 4 - 6 marks	MB3: 6 - 9 marks
<p>Demonstrates a <b>basic</b> understanding of break-even. Applies the break-even formula in order to calculate the break-even point for their business proposal with <b>limited accuracy</b>.</p> <p>Provides a <b>basic outline</b> of the impact of a change in price on the break-even point for their business proposal, evidencing a <b>limited understanding</b> of that impact.</p> <p>Demonstrates a <b>limited understanding</b> of the risk factors involved with producing a new product.</p> <p>The financial viability of their business proposal is assessed with <b>limited accuracy and detail</b>.</p> <p style="text-align: right;">[ 1 2 3 ]</p>	<p>Demonstrates a <b>sound</b> understanding of break-even. <b>Accurately</b> applies the break-even formula in order to calculate the break-even point for their business proposal.</p> <p><b>Describes</b> the results of the break-even analysis in the context of their business proposal. <b>Describes</b> the impact of a change in price on the break-even point for their business proposal, evidencing a <b>sound understanding</b> of that impact.</p> <p>Demonstrates a <b>reasoned understanding</b> of the risk factors involved with producing a new product.</p> <p><b>Partly evaluates</b> the financial viability of their business proposal.</p> <p style="text-align: right;">[ 4 5 6 ]</p>	<p>Demonstrates a <b>thorough understanding</b> of break-even. <b>Accurately</b> applies the break-even formula in order to calculate the break-even point for their business proposal.</p> <p><b>Effectively analyses</b> the impact of a change in price on the break-even point for their business proposal, evidencing a <b>thorough understanding</b> of that impact.</p> <p>Demonstrates an <b>extensive and advanced understanding</b> of the risk factors involved with producing a new product.</p> <p><b>Fully evaluates</b> the financial viability of their business proposal.</p> <p style="text-align: right;">[ 7 8 9 ]</p>

# LO4 Part 1 and Part 2

## Exemplar 8

## LO4 Part 1 MB3 8 marks, LO4 Part 2 MB3 9 marks

### Costs

#### First Month:

Fixed costs: £6,800

Material: cotton

Cotton price per unit: £2.50

Stitched logo/design price per unit:  
£0.80

Units: 800

$$2.50 + 0.80 = 3.30$$

$$800 \times 3.30 = £2640$$

Variable costs = £2,640

Variable costs + fixed costs = total costs

$$2,640 + 6800 = 9440$$

Total costs = £9,440

I initially decided to sell 300 units because 6 people out of 20 said caps were their favourite style of hat. I multiplied 6/20 by 1000 to get an approximate number of units to aim to sell. I used a thousand because that would probably be the maximum number of hats that I'd aim to sell. This is because, as a start-up business, I won't have a large enough presence in the market to receive any more sales than this. This can be changed by becoming a reliable business with good branding. With those factors, my sales should increase massively as well as being at a consistent rate throughout each month. After evaluating this decision of 300 units to sell, I decided to raise the quantity of units sold to 800 so I can make a reasonable profit. Although this is almost an increase of 3 times the original number, my business would make a huge loss if I stuck with it. In the first month, my business would make a £3293 loss which could place it in serious financial trouble before even having the chance to be successful with my hats. It could result in being forced to take a bank loan which lead to bankruptcy if I could not repay the money with the interest. This could give my business a bad image and therefore decrease the chances of it being successful in the future with a new range of products. I believe my business still has great chance of being successful with the increased number of 800 units to sell for the first few months because of the branding methods and target market. My branding methods will aim to set my hats apart from competitors on the market. Also, my target market contains a vast number of people yet it is quite specific. This means that my target audience will provide the best possibility for my sales to begin at a high level.

### Prices

The pricing strategies that I will use are price penetration and psychological pricing. Price penetration is where you initially charge a lower price than competitors and gradually increase it as sales increase. This will be extremely effective because my business will be a start up business, therefore not many people will know who I am or what my products are like. This means that the only attracting factor my target market will be the low price in comparison to other companies selling hats. Because I believe my hats will be different to any competitor hats, charging a higher price would be possible because I will be offering something unique that no other business can offer to the target audience. However, as a small business that needs a safe and promising entrance to the market in order to not go bankrupt, I will be happy to wait and use the price penetration strategy until my business has loyal customers. This is because that will mean I will be receiving consistent sales so I can then increase the selling price with the hope of retaining all of my customers. Once my selling price has reached a similar amount to my competitors, I will be willing to increase it even more and attempt to achieve an exciting brand personality with an image of having a slightly higher price due to the premium quality and high level of attraction for my hats. I would never want my selling price for the hats to become extortionate because my target market research suggests that my target market wouldn't be interested in hats that are too expensive. Psychological pricing is when you make the product appear cheaper than it

actually is with the price it is set at. For example, charging £9.99 for a pair of gloves instead of £10. Psychological pricing will be effective because, from my market research, I discovered that my potential customers would not be interested in products that are too expensive. Therefore, selling products that appear cheaper than they are could attract my target audience and persuade them to buy my hats. Hopefully, if they do decide to invest in a hat, they will appreciate the quality and enjoy the product overall. This means that they will be more likely to buy another product from my business or recommend it to others. This would be vital to my business because an objective is to create a presence in the market quickly. This growth of awareness through word of mouth could set my business and products apart from other businesses.

#### **Selling price per unit: £14.99**

I have decided to set this as the selling price because it is psychologically priced as I said it would be. Also, my target market said that they would not be willing to spend too much money on a hat so this price stays within their financial limits. This is extremely important because if I didn't make decisions based on my market research then there is a high chance of my business being unsuccessful because I wouldn't be doing what my target audience wants. The chances are that if I cannot provide to my target market then another business will. This is why each stage of calculating the ideal costs and prices for my hats are vitally important with regards to the success of my business in the early stages of its entrance to the hat market. As well as this, it is a slightly lower price than other hats on the market. This is an advantage because as well as being a normal cap, my product has another use too. This sets it apart from the other similarly priced products on the market. It also follows my plan of using the price penetration strategy. I believe this selling price will give my business a great chance of creating lots of awareness rapidly because of this unique element that my hat offers: another use. No other business selling hats has done what I plan to do so this selling price should provide a very promising start for my start-up business.

## **Predicted Sales and Profit**

I aim to make and sell 800 units a month. However, in the first month it is unlikely this would be achieved because not many people would know of my product yet. This is because my business is a new start-up business that cannot produce the level of advertisement and awareness of an already-established company such as Apple. When it is new to the market, I will expect sales to begin at a slow rate but, with advertisement, good customer service and well received products, my sales should increase to 800 units per month fairly quickly. I hope to sell at least 700 in the first month. I would accept it if I made a small loss in the first month because it is common for many businesses and they are still able to become successful. It is very normal for this to occur and hopefully with the desired level of profit for the following months, any costs will be covered and become insignificant when in context to my overall profit for the first year.

#### **For first month:**

$$700 \times 14.99 = 10,493$$

$$\text{Predicted revenue} = \text{£}10,493 \quad \checkmark$$

$$700 \times 3.30 = 2310$$

$$\text{Variable costs} = \text{£}2,310$$

$$2310 + 6800 = 9110$$

$$\text{Total costs} = \text{£}9,110$$

$$10493 - 9110 = 1383$$

$$\text{Predicted profit} = \text{£}1,383 \quad \checkmark$$

**Every month onwards:**

$$800 \times 14.99 = 11,992$$

$$\text{Predicted revenue} = \text{£}11,992$$

$$11,992 - 9440 = 2552$$

$$\text{Predicted profit} = \text{£}2,552 \quad \checkmark \checkmark$$

LO4<sup>++</sup>

For context, in the first year of my business being on the market selling my hats, I should make a profit of £29,455. This is the ideal outcome which depends on the business meeting the expected levels of profit for each month. However, as long as the beginning doesn't fail, believe my business could make much more than this in the first year. My reasoning for this is that hopefully it will have created a large market presence in the first few months. This would lead to an increase in the level of consistent sales. As well as this, my target market are interested in music festivals and sporting events. This means that in the summer my business could receive a rapid increase in sales due to the festivals that my target audience would be likely to go to. The business may also receive a high level of sales as sporting seasons are active such as football that runs almost all year apart from in the summer. This is ideal and convenient as my business should always receive extremely high levels of interest all year round due to the lifestyles of my target market. This is because the people interested in music festivals are likely to want to buy a hat for when they go because they don't want the sun to be in their eyes when they are trying to watch their favourite bands/acts. They would also want to be protected from the sun so they don't become ill, for example from heat stroke. The same reasons apply for the sports fans and all of which my hats would provide and be of use for.

LO4<sup>+</sup>

LO4<sup>+</sup>

## Break-even

Break-even calculations are extremely important for businesses that are new or for businesses that are launching a new product. This is because they provide a clear understanding of how many units are needed to be sold in order to cover all costs and then make a profit. It clearly identifies the level of the costs, revenue and profit. As a start-up business, my business may need to use a bank loan or find potential investors. These will most likely want to see a break-even chart for my business in order for them to be confident that I will make enough money to pay them back (the bank) or that my business will be a success and make a sufficient level of profit (investors). A useful example of the break-even calculations is: if the amount of sales my business ideally needs to make in order to break even is more than it can realistically achieve in the year, then I know that either my hats may not be priced very well or I'd need to work to reduce the costs of them.

Break-even formula = Fixed cost / (Selling price - Variable cost)

$$= 6800 / (14.99 - 3.30)$$

$$= 581.69$$

$$= 582 \text{ units}$$

This means that my business would need to sell 582 hats in order to cover all the costs for making them. Any sales beyond 582 units will result in profit. If I was unable to sell the required number of hats then my business would make a loss. This means that the costs are greater than the revenue; therefore my business will lose money.

## Changes to the Selling Price

A few months later, I may decide to change the selling price of my products. Based on my pricing strategies (price penetration and psychological), I think I'd increase the selling price. My reasons for this are that when I initially decided to use price penetration, I knew that my hat is different to others on the market but perhaps I wanted to be safe and charge the cheapest price I was willing to charge because my business and products would be new to the market. If my hats are doing well on the market, I can confidently raise the price slightly because it is clear that there is high customer demand for them. This follows my price penetration strategy anyway. This confidence could, in itself, provide a brand image for my business which could increase the interest from my target market as well. After a few months with the raised selling price, I will probably decide to increase it once more based on the unconventional design that will differentiate it from other hats that may be slightly cheaper. Also, I will hopefully retain all of my customers from when the selling price was cheaper at the beginning. This means that they will be loyal customers and will be willing to buy a product of mine again because they are satisfied with their past purchases from my business. Keeping these loyal customers will mean that, despite the increase of the selling price, my business will continue to receive a consistent number of sales. However, the difference will be that for each sale my business makes, the revenue will be higher. The higher price will mean my business will have a lower break-even point. This means that I won't have to sell as many hats in order to cover all of my costs. I will still use psychological pricing because it would help to make my product appear cheaper than it actually is.

I could raise the selling price of my hat from £14.99 to £17.99.

$$6800 / (17.99 - 2640) = 463 \text{ units}$$

As you can see from my break-even formula, I wouldn't need to sell as many hats as I would if my selling price was lower because I would receive more money from fewer units sold.

I think that I would introduce this price change for my hat because at this point it would have already been on the market for a few months. This means that the publicity of my product would be high due to the advertisement of it and the increase in awareness due to word of mouth by my loyal customers. This advertisement would increase my total costs, so increasing the selling price would help to cover this too. The extra costs would make my breakeven point increase which means I'd need to make more money to break-even than before. In some cases, increasing the selling price would mean less interest and sales but because my product is unique and the only one of its kind on the market; I feel that the success of it would remain constant or potentially even increase.

## Risk Factors

When launching the sales of my hats, my business will face many factors that could potentially affect the success of it. If I overspent on raw materials there would be a great risk of having more material than needed for the amount of hats I'm selling. This would increase my variable costs and therefore raise my break-even point; this means that I'd have to sell more hats in order to cover all of my costs. This is why carefully predicting the amount of sales I get is extremely important for my hats. Because I have done this, I can be positive that I will be getting a suitable amount of raw materials.

Other things that I could overspend on are my bills and this is why calculating my total costs and comparing them to my initial budget is essential. Bills such as rent for my factory could go up, this would increase my fixed costs every month and raise my break-even point.

If my business did not get as many sales that I was hoping for, my break-even point may not be reached. This means that I haven't made enough money to cover all of my costs; therefore I would have made a loss of money. Because of this, I would have less money to spare for the next month of business. In this case, my business would be at risk and I will have to hope that I receive a large increase of sales in order to compensate the loss of the first month.

If I lost my investment then I wouldn't be able to afford the amount of materials I'd need as well as other necessary factors such as advertisement. Potentially, this could mean that I would not be able to launch my hats at all; therefore all my planning would be for nothing. The problem with this unlimited liability is that I would have no one else to help me with money; I would have to pay any debt out of my own pocket. This is because I am a sole trader business, whereas a partnership with a sleeping partner would have limited liability.

If a competitor of mine copies my design, my product won't be unique anymore. This means that my hats would receive less interest because there are other hats on the market that are just like them. This is especially an issue for my business because one of the main and most

attractive selling points for my hats is the quirky extra feature. A way of preventing being copied would be applying a patent to my design or by adding copyright to your product. So if someone was to try and copy my idea for my hat design, I can just claim against them and they'd potentially owe me lots of money- particularly when my business gets bigger.

Finally, if I inaccurately predicted the customer demand for my product, I could find myself with too many units or not enough. Also, I may have spent much more than what's necessary and therefore make a loss of money due to low customer demand and high costs.

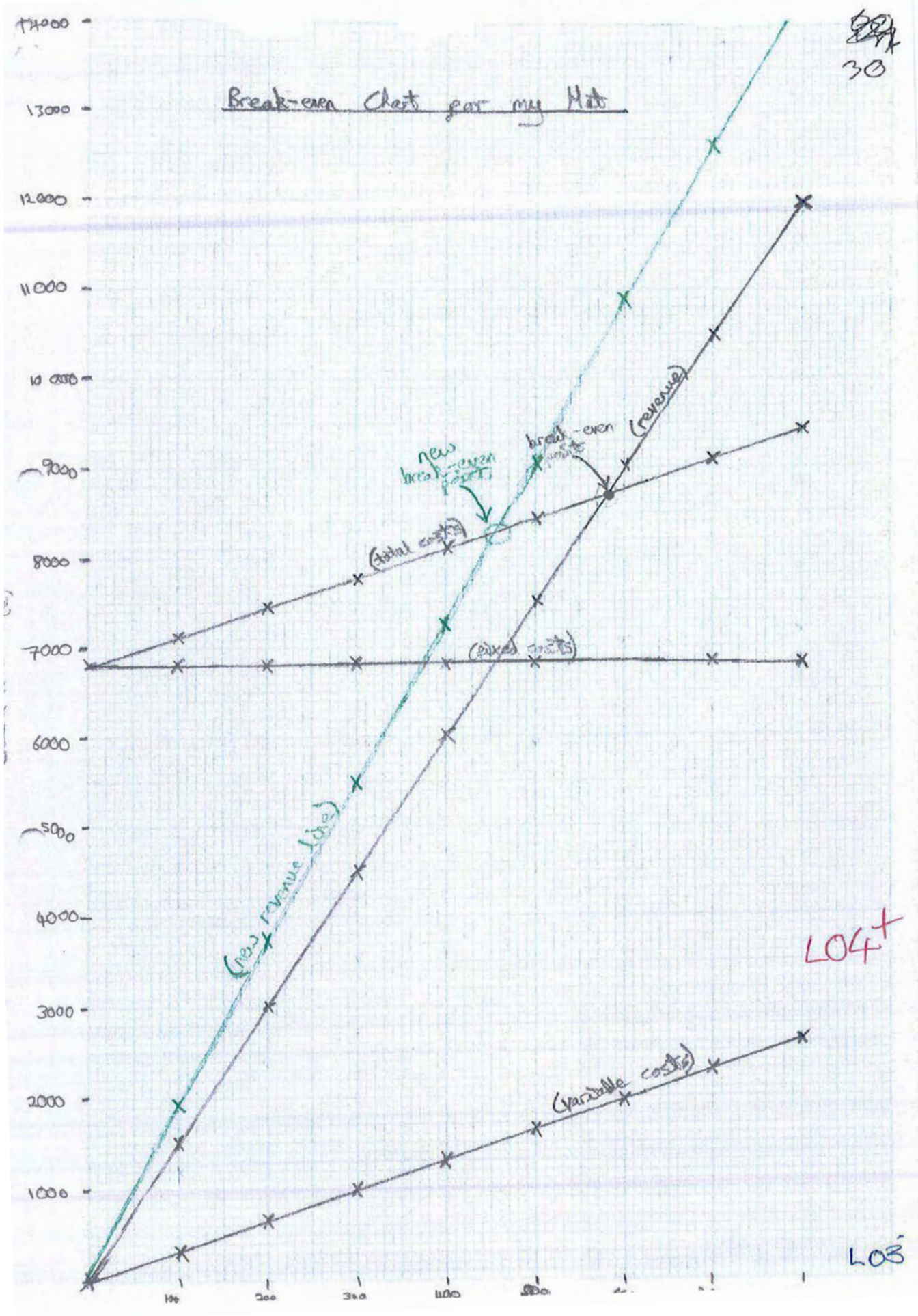
## Evaluation

After carefully reading through my answers to the previous tasks, I believe that my business has a large chance of success. This is because I spent a lot of time going over and changing the pricing and costs for my hat so that they would be suitable. Based on this, I decided how many units I would aim to sell in the first month and, if I'm not affected by the multiple risk factors, I should reach my expected sales. This will result in all of my costs being covered and therefore my business would meet no financial issues at the beginning stage of launching my hats.

Throughout my work, I have thought about my target market and what needs they demand of my business. My target market are 16-24 year olds who are into music and sport. One of these preferences is a hat that is medium-priced. By this, they meant they didn't want it to be too cheap because they want it to be of good quality but they didn't want to spend too much money on it because they may not have the money to spend. This is because they'll either be university student with little income or at a relatively new job with the same problem. The hat can be worn throughout the year but mainly in summer. This is because I expect it to be worn throughout festival season but it's waterproof in case it rains. Although festivals are mostly in summer, there is sporting events such as football games throughout the whole year so my business' sales should remain constant.

I carefully decided on which pricing strategies would be the most effective and useful. Then, with these in mind, I chose a different selling price for my hat after a few months on the market and I think I made the correct decision. This is because I know that my product is unique and would be patented; therefore no one can release the same product as mine. This will increase the attraction for my hats because customers cannot get the same design from any other business on the market.

Previously, I calculated my predicted sales and profit and even in the first month when I expected fewer sales, I would still make a profit according to my calculations. Then, after the first month, my profit will increase by approximately £1,500. A problem that I've identified with this is that my profit is not as high as I would have liked. Every year, I would make approximately £61,585 (with the new selling price) which would be enough to live off but not enough to support the business as effectively as possible. However, as my branding should help to differentiate my business and the products it has to offer, I am confident that the level of sales will increase massively.



## Examiner commentary

LO4 Part 1 – The candidate identifies the fixed and all relevant variable costs and accurately calculates the total variable costs per unit. This is an identification task but completing this accurately gives the candidate MB3 for the first point in Part 1. A wholly appropriate pricing strategy has been selected with a thoroughly reasoned selling price given (MB3). The candidate misinterprets the scenario when predicting the number of sales – suggesting that Progress Ahead is a new business. For this reason, MB2 was given for this point. They then accurately calculate predicted total costs and total profit. A good mark in MB3 is awarded overall.

LO4 Part 2 – A thorough understanding of breakeven is demonstrated. There was no need to draw the breakeven chart as well as completing the formula. The candidate effectively analyses the impact of a change in price. The risk factors described are those correctly linked to producing a new product (see specification) and not health and safety risks. The candidate fully evaluates the financial viability of their business proposal.

# LO4 Part 1 and Part 2

## Exemplar 9

## LO4 Part 1 MB2 6 marks, LO4 Part 2 MB2 5 marks

### Review whether a business proposal is viable

A business cost is money a business has to pay so they can run. The more costs they have the lower the profit will be. A business should control their cost so they make as much profit as possible.

A fixed cost is a cost that will stay the same even when you change the amount of hats being made. Examples of fixed costs are – rent, loan repayments, insurance, advertising and salaries.

My fixed costs are £6,800 every month.

A variable cost will change when I make more hats. So if I make more hats my variable costs will go up. Variable costs include- raw materials, components, stock, and packaging.

My variable costs are:

Variable costs	Amount
Cotton hat	£2.50
Logo	30p
Cotton lining	80p
Total variable cost per hat -	£3.60

Total costs are all your costs added up together so you add variable and fixed costs.

The formula for fixed costs is **variable costs + fixed costs = total costs.**

If I produced 100 hats my total costs would be  $£360 + 6800 = £7,160$

If I produced 1000 hats my total costs would be  $£3,600. + 6800 = £10,400$

It is really important that the right price is chosen for a hat. This must attract customers but must also cover your costs. The pricing strategies I could have used are competitive pricing this would be used by a business that has lots of competition. They usually set their price around the same as the completion.

Psychological pricing this is where you aim to make customers think you are selling the hat cheaper than it is. This is good if your customer like bargains. So you might charge £9.99 not £10.

Price skimming is where you charge a really high price when you first put your product forward so all the people who like the newest things like the new iPhone will buy it at a high price. You would then lower the price later. This is best when you have a very unique product.

Price penetration is where you would charge a lower price and then higher it later. This is so you can get people to come away from the brand they usually buy and come to you instead. This is only good if people will regularly buy your product again and again, not for a hat that is bought once.

LO1

MB2

LO

ME

LO1

ME

All together the pricing strategy that I chose for my hat is competitive pricing. I think this is a good method because I have a lot of competitors for example Nike Adidas and Puma. I think that because I have lots of competition with my best choice is competitive pricing because if I ask for more than the competition my customers will go to a different competition because they are offering a lower price but if I ask for less money than my competitors I might attract customers but I would not a big profit. I think this is appropriate for my customers because they are professionals therefore I think they will be influenced by price and choose a hat similar priced to others because they are used to find bargains because they will internet shop to find bargains because they are young and like online. I think this suits my research because I found lots of other hats on the market for example Adidas Nike and NY Yankees. Overall the average price my customers wanted in my survey was £20-£30 The price average price charge by my competition was £24. Therefore the price I have decided to charge will be £25. This is a good price because it is higher than my variable costs which are £3.60 This should help me to make a profit because it is high enough to cover my costs but similar to my competition so my customers should be happy and buy my hats

L04

MB

I think I will sell 430 hats in my first month. I think this because I am going to sell them all over the uk I also think I will reach this level because I have a big target market my target market is women and there is a lot of women another reason think I will reach this level because I researched my market with an questionnaire so I can make it how they like it. I started with a small number so this should be realistic and it should go up when I am known so it could be 4300 a month by the end of the year.

Lc

MB

Sales revenue is the money from selling my hats the formula for sales revenue is

**number of sales x price = sales revenue**

My sales revenue will be  $430 \times £25 = £10750$

Profit is money you have left after you paid all cost this is the money I get to keep from making my hats.

Lc

The formula for profit is

**sales revenue x total cost = profit**

MB

My predicted profit will be  $£10750 - 6800 + (3.60 \times 430) = £2402$  profit in one month

Breakeven analysis is a way to see how many hats I need to sell. If I sell more than my breakeven I will make a profit for example if the breakeven is 10 and I sell 9 hats you will make a loss breakeven is important because it gives you an idea how many hats I need to sell so I don't make a loss. Another reason why it's important is that it helps decide whether i should launch my hat because if my breakeven number is too high there is no point launching my hat because I won't make profit. Another reason it will show me if I need to make any changes like I might need to make my price bigger so that I get to my breakeven number and make profit. The formula for breakeven is

Lc

MB

**Fixed cost ÷ (selling price-variable cost)**

My breakeven is  $£6800 \div (25-3.60) = 317$

The breakeven point I have calculated is 317 hats my estimated sales is 430 so this shows my predicted sales is more than my breakeven and this means I should breakeven. This is great for my company idea because it shows I will predict to get a profit for my company in the first month this will have a great impact on my company idea because it shows that I am covering my cost this shows that my idea should be viable without making any changes to the price of my hat. I could improve my breakeven point by lowering the costs. For example I may not add lining this would lower my variable cost by 80p every hat. Another way I could improve my breakeven point is that I could increase my price however my customers could go off my product. ✓

L04

One problem is that breakeven is only a prediction I might have to make some changes for example I might have to increase my cost because I'll have to pay more for my variable cost this would make the number go up.

MB-

One bad thing that might affect my breakeven is that I might get a new competitor who introduces similar hats to mine. This would make me have to put my price down by £1. This would be my new breakeven number

$$6800 \div (24 - 3.60) = 333 \text{ hats}$$

✓

The lower price has made my breakeven higher the will mean I will have to sell more hats to cover my cost. This is not good for my hat business because I am not as likely to make money from my hats because I might not breakeven. This change will have a negative impact on my business this might be because I can't make a profit. If I did lower my price I will have to lower my cost so I can make a profit I could buy cheaper material I could also remove my logo and I could remove the lining but this might put off my customers from my hat.

A good thing that could happen to my business is my competitor could go bankrupt and I would be able to put up my price if this happened and I could do this by putting it £1 higher. This make my new breakeven

✓

$$6800 \div (26 - 3.60) = 303 \text{ hats}$$

The rise in price has made my breakeven point go lower down this means I have to sell less hats this is good for my business because I am more likely to make a profit. This will be good for my hat business because I will be more than likely going to make a profit because it is easier for me to get to my breakeven number.

One risk of making my hat might be it may not be popular in my opinion I like my hat but others may not like it. This may result in poor sales and I won't make a profit and I won't breakeven. Also it might be hard to tempt customers from competition so I might have to lower price meaning breakeven will increase and not be achieved. My market research may not be accurate so the hat might not be popular. This is because I only asked a small sample of people therefore might not show everyone's opinions.

L04

MB-

Overall my hat is financial viable because I will break-even point the first thing I looked at were my fixed cost which is 6800 and I think these are not too high and I should be able to make enough

money from selling my hats to pay for these. Then I look at my variable cost which is 3.60 it hink these are not too high because they are way lower than my price so I can pay for them when I sell each hat and I could remove the logo to make my variable cost go down so this is not a worry for my. I also think my hat is viable because i predict I will make a profit of £2402 in my first month which shows I can make money from my hat. My sales are also higher than my breakeven by 113 so I should be able to make my breakeven number so I will not make any loss.

LO4  
MB3

## Examiner commentary

LO4 Part 1 – The candidate identifies the fixed and all relevant variable costs and accurately calculates the total variable costs per unit. This is an identification task but completing this accurately gives the candidate MB3 for the first point in Part 1. Appropriate pricing strategy selected. The selling price is partly reasoned. The predicted number of units sold is partly reasoned. The total cost and profit calculations are accurate. This candidate is borderline MB2/3. The mark awarded was the top of MB2 as throughout, the reasoning was MB2.

LO4 Part 2 – The candidate shows sound understanding of break even with accurate calculations. The impact of a change in price is explained. There is limited understanding of the risks involved (MB1) with producing a new product. The candidate partly evaluates the financial viability. Overall MB2 was awarded as best fit.

## OCR Resources: *the small print*

OCR's resources are provided to support the delivery of OCR qualifications, but in no way constitute an endorsed teaching method that is required by OCR. Whilst every effort is made to ensure the accuracy of the content, OCR cannot be held responsible for any errors or omissions within these resources. We update our resources on a regular basis, so please check the OCR website to ensure you have the most up to date version.

This resource may be freely copied and distributed, as long as the OCR logo and this small print remain intact and OCR is acknowledged as the originator of this work.

Our documents are updated over time. Whilst every effort is made to check all documents, there may be contradictions between published support and the specification, therefore please use the information on the latest specification at all times. Where changes are made to specifications these will be indicated within the document, there will be a new version number indicated, and a summary of the changes. If you do notice a discrepancy between the specification and a resource please contact us at: [resources.feedback@ocr.org.uk](mailto:resources.feedback@ocr.org.uk).

OCR acknowledges the use of the following content: N/A

Whether you already offer OCR qualifications, are new to OCR, or are considering switching from your current provider/awarding organisation, you can request more information by completing the Expression of Interest form which can be found here: [www.ocr.org.uk/expression-of-interest](http://www.ocr.org.uk/expression-of-interest)

Please get in touch if you want to discuss the accessibility of resources we offer to support delivery of our qualifications: [resources.feedback@ocr.org.uk](mailto:resources.feedback@ocr.org.uk)

## Looking for a resource?

There is now a quick and easy search tool to help find **free** resources for your qualification:

[www.ocr.org.uk/i-want-to/find-resources/](http://www.ocr.org.uk/i-want-to/find-resources/)

## Need to get in touch?

If you ever have any questions about OCR qualifications or services (including administration, logistics and teaching) please feel free to get in touch with our **Customer Support Centre**.

### Vocational qualifications

Telephone 02476 851509

Facsimile 02476 851633

Email [vocational.qualified@ocr.org.uk](mailto:vocational.qualified@ocr.org.uk)

[www.ocr.org.uk](http://www.ocr.org.uk)

OCR is part of Cambridge Assessment, a department of the University of Cambridge. *For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored.*

© **OCR 2019** Oxford Cambridge and RSA Examinations is a Company Limited by Guarantee. Registered in England. Registered office The Triangle Building, Shaftesbury Road, Cambridge, CB2 8EA. Registered company number 3484466. OCR is an exempt charity.



Cambridge  
Assessment

