

4(a) **Define 'social enterprise'.**

Award 2 marks for a full definition. Award 1 mark for a partial definition.

An organisation that has social objectives as well as an aim to make a profit to reinvest back into the business [2]

OR

A business with social objectives that reinvests most of its profits back into the business/into benefiting society at large [2]

OR

A business that seeks to raise income, which it invests in a specific social or environmental issue [2]

OR

A business set up to help society/a community rather than make a profit [2]

Partial definition e.g. a business that aims to help/benefit society [1]

4(b) **Identify two ways legal controls over marketing might affect a business.**

Award 1 mark per way (max 2).

Points might include:

- No misleading promotion/advertising
- No price fixing/charging very high prices where there is little or no competition
- No selling faulty/dangerous goods/certain ingredients
- Ensure products are fit for purpose
- Price reductions must be genuine
- Increased costs to meet the legal controls/pay fines
- Spend longer time ensuring they meet the legal controls
- May need to alter packaging
- Restrictions on advertising certain products to some age groups/places.

Other appropriate responses should also be credited.

4(c)

Outline one advantage and one disadvantage to CFG of using skimming as its pricing method.

Award 1 mark for each relevant advantage/disadvantage (max 2).

Award 1 mark for each relevant reference to this business (max 2).

Points might include:

Advantages:

- Helps establish a high-quality image/customers may think it is a good quality [k] which may also help as want to be ethical [app]
- Can quickly recover research/development costs [k] which is important as developed a new product [app]
- Higher revenue per item [k] for its chocolate [app]
- May have a lower break-even output [k]

Disadvantages:

- High price might discourage (potential) customers [k] for this social enterprise [app]
- High prices/profitability could encourage competitors to enter market [k] so may not be able to support local farmers [app]

Other appropriate responses should be credited.

4(d)

Explain one advantage and one disadvantage to CFG of using retailers as its distribution channel for the new product.

Award 1 mark for identification of each relevant advantage/disadvantage (max 2).

Award 1 mark for each relevant reference to this business (max 2).

Award 1 mark for each relevant explanation (max 2).

Points might include:

Advantages:

- Producers can sell in large quantities to retailers [k] increasing revenue [an] from its new product [app]
- Reduced costs (**compared to selling direct to consumers**) [k] increasing profit margin [an] in this social enterprise [app]
- Retailer shares the cost of holding inventory [k] lowering expenses [an]
- Retailers will promote the product [k] reducing the cost of promotion/increasing sales [an]
- Access wider range of customers [k]

Disadvantages:

- No direct contact with consumer [k] about its chocolate bar [app] so may not adapt to changing needs [an]
- Final price (paid by consumer) is often high [k] so may be uncompetitive [an]
- Retailer takes some of profit away from the producer [k]
- Producer loses some control of marketing mix [k]
- Retailers usually sell competitors' products as well [k]

Other appropriate responses should also be credited.

4(e)

Do you think being ethical will always lead to lower profit for a business? Justify your answer.

Award up to 2 marks for identification of relevant points.
Award up to 2 marks for relevant development of points.
Award up to 2 marks for justified decision as to whether being ethical will always lead to lower profit for a business.

Points might include:

- Limited/fewer sources of materials [k] leading to less output [an]
- Higher cost of materials [k] leading to higher variable costs/cost of goods [an] which lowers gross profit margin [an]
- Workers may have to be paid more/fair pay [k] increasing labour costs [an]
- May take time to source ethical supplies [k] which could delay production [an]
- Good image/reputation [k] so can charge high(er) prices/ lead to customer loyalty [an]
- High(er) demand / increase sales / enter new market / more customers [k] which could increase revenue [an]
- Help recruit/motivate/retain workers [k] leading to lower absenteeism/increased productivity [an]
- Investors more likely to invest [k]
- Can help create better supplier relations (by paying a fair price) [k]
- Less opposition from pressure groups [k]

4(e)

Justification might include:

Being ethical could mean having to pay more to suppliers [k] increasing variable costs [an]. However, this could improve the business's reputation [k] allowing them to increase prices [an]. Being ethical will not always mean lower profit because a better reputation is likely to attract more customers [eval], and the extra revenue gained could cover the costs increasing profit overall [eval].