Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-Making **February/March 2025**

INSERT **1 hour 45 minutes**

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INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

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[Turn over

Iyipada (IPA)

IPA is a private limited company in country N, a low-income country in Africa. Adesola Kalu set up IPA in 2019. It has a mission to provide technology access to millions of people through recommerce – the selling of previously owned or used products. IPA buys used smartphones, refurbishes them in its factory and then resells them. This provides consumers and businesses cheaper access to technologically advanced smartphones.

A fragmented but growing market

The market for refurbished smartphones in country N is growing rapidly. Most refurbished smartphones are sold during major festival periods. It is a competitive market in which no business has more than a 1% market share. In 2024 12 million refurbished smartphones were sold in country N and this is expected to rise to 14.2 million in 2025. IPA sold 104 000 refurbished smartphones in 2024, an increase of 24 000 from 2023. The average consumer of new smartphones upgrades to the latest model every 15 months. This short upgrade cycle has contributed to the growth of the refurbished market.

Marketing

The refurbished smartphone market is characterised by inconsistent pricing, stolen devices and untrusted offline retailers. IPA sells refurbished smartphones online through its website and offline through local retailers.

IPA aims to provide convenience, cost-effectiveness and quality assurance to its customers. IPA targets both start-up businesses and households. Promotion has focused on advertising on digital platforms. Prices are competitive. Generous credit terms are given when selling to business start-ups.

Adesola has set an objective to increase sales volume by 60% by the end of 2026. Research by the Marketing Director found that:

- potential customers are price sensitive
- promotional elasticity of demand is 0.7
- limited internet connectivity is a problem for businesses and households in rural communities.

The Marketing Director has proposed changes to the current marketing mix including:

- decrease prices by an average of 5%
- increase non-digital advertising expenditure with a campaign focused on advertising through billboards and buses.

Employment contracts

IPA has 55 employees of whom 40 are production employees who check and refurbish smartphones. The remaining employees include production supervisors, administrators, sales staff and technicians. Adesola is the Managing Director and there are also directors of finance, marketing, human resources and operations. Production employees are skilled and employed on full-time contracts. IPA invests in training of production employees and pay is competitive. However, at the last board meeting the Finance Director proposed that contracts for most production employees should be changed to zero hours contracts. The Human Resources (HR) Director is now considering the implications of this.

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Expanding operations

Each smartphone is refurbished and quality-tested, with a 25-point quality check, by IPA's skilled employees. IPA sells the refurbished smartphones with a 6-month guarantee.

As sales increase, IPA has to recruit and train new production employees. With low unemployment in country N, this is not easy. IPA's factory is close to full capacity. Consequently, Adesola plans to upgrade machinery and extend the factory to meet expected future demand. Using network analysis, the Operations Director estimates the factory expansion and machinery upgrade will take a minimum of 24 weeks. Activities include:

- fit roof to new factory extension
- removal of old machinery (Activity D)
- ordering and delivery of machinery from Europe (Activity E)
- upgrading the electricity supply (Activity F)
- installation of new machinery (Activity G)
- testing of machinery.

A partial network diagram is shown in Fig. 1.1 (all activities linked to nodes 5 & 6 are shown).

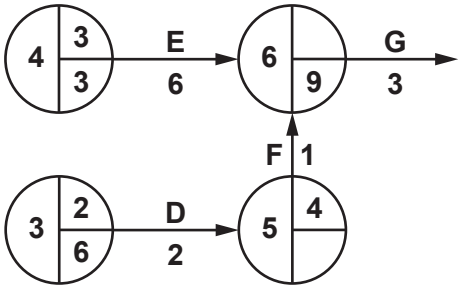


Fig. 1.1: A partial network diagram for factory expansion (time in weeks)

Financial position

IPA is profitable but margins are low on each refurbished smartphone. IPA pays sellers of smartphones immediately when the smartphone is received at its factory. The Finance Director is worried about IPA's liquidity and gearing, particularly as Adesola has committed IPA to rapid expansion plans. Selected financial data and ratios are shown in Table 1.1.

Table 1.1: Financial Data and Ratios

	2024	2023
Revenue ($m)	11.96	8.8
Operating profit ($m)	0.46	0.35
Gearing	60%	55%
Current ratio	0.93 : 1	0.96 : 1
Acid test ratio	0.30 : 1	0.35 : 1
Trade receivables turnover (days)	34	20

Fiscal and monetary policy changes

In 2024, economic growth in country N slowed and unemployment began to rise. In response the government is implementing a policy to upgrade infrastructure in country N. This includes providing tax incentives for internet service providers to improve mobile phone connectivity in rural areas. *70*

Further policy measures include a cut in the standard rate of income tax by two percentage points from April 2025. The central bank has also cut interest rates. *75*

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