Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/33**

Paper 3 Business Decision-Making **October/November 2023**

INSERT **1 hour 45 minutes**

3696368941-I

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.

DC (LK) 315930/2
© UCLES 2023

Happy Pets (HP)

HP is a public limited company. It is a retailer of pet products such as food and accessories. HP operates 30 large stores situated on the outskirts of towns and cities in Australasia. Most stores are located in retail parks that have parking facilities for customers. Each HP store also has a pet hospital and pet care facility. Evana, HP's CEO, tells the other directors how important HP's mission statement is when making decisions – 'the first choice one-stop shop for pet products'.

HP sells a wide range of pet care products for dogs, cats, and other small animals. Most products are popular brands, but HP is starting to build a portfolio of its own-brand products. HP also offers a click and collect service, where customers order products on HP's website and pick them up from collection points.

The external environment

There has been an increase in pet ownership in Australasia over the last two years, which is mostly the result of more people working from home. This has led to an increase in demand for pet products which has encouraged the entry of multinational competitors into the market. Economic conditions have been favourable, with strong GDP growth and low rates of unemployment. However, the rate of inflation is increasing and central banks have stated that interest rates will rise in the near future.

Organisational structure and human resource management (HRM)

HP has a decentralised structure with many decisions (such as those on inventory, displays and recruitment) delegated to store managers. The performance of stores is monitored by four regional directors who are each responsible for one geographical area. They make regular visits to discuss the performance of each store against budgets and other targets.

HP expects its sales assistants to be 'passionate about pets' and 'willing to learn'. These statements are included on HP's person specifications. HP provides an extensive programme of employee training which is carried out both on-the-job and off-the-job at local colleges. Once trained, HP's sales assistants are very knowledgeable about pet care. There are good career opportunities, as HP usually promotes internally. However, increasing competition for experienced well-trained sales assistants has led to an increase in labour turnover.

HP encourages employees to show enterprise. Recently, a suggestion was made that stores should have a 'coffee corner' with coffee and snack vending machines so that customers can sit and wait for pet hospital appointments or pet care to be completed. The coffee corner was test marketed at one store and was very popular with customers. The plan is to introduce a coffee corner to all stores in the near future.

Customer relationships

As an element of its coordinated marketing strategy, HP has a customer loyalty scheme. This is based on its 'Happy Pets Club'. Pet owners who join the club receive a loyalty card, monthly online newsletter and personalised special offers. Club members receive points with every purchase. They can be converted into vouchers to spend at any HP store.

Developing own-brand products

Evana and the other directors have started to develop HP's portfolio of own-brand products. HP has taken over Organic Pet Foods, a medium-sized business that manufactures organic pet food products. The factory uses labour-intensive batch production methods. These methods have contributed to high inventory levels. The products have been rebranded as 'HP Organic'.

© UCLES 2023

Evana thinks that this vertical integration will give HP the ability to control the quality of its own-brand products, which supports its coordinated marketing strategy.

Plans for automated production

Evana and the Operations Director have decided to modernise the factory and replace all the batch production equipment with automated machinery costing $15 million. The trade union representative in the factory is threatening to resist any changes that lead to job losses.

Evana forecasts that modernisation will increase the production capacity by 20% in 2024. HP's marketing department has undertaken market research into the demand for organic petfood. HP's capacity and output data are shown in Table 1.1.

Table 1.1 HP's capacity and output data

	Actual 2023	Forecast 2024
Maximum capacity (units)	15 million	
Output (units)	14 million	16 million

The market research has allowed HP to estimate the income elasticity of demand for organic pet food as +2.

Table 1.2 shows financial data for HP.

Table 1.2 Financial data for HP, 2023

	$
Revenue	95 m
Profit for the year	12 m
Non-current liabilities	100 m
Shareholders' equity (issued shares + reserves)	110 m
Total dividend paid	7 m
Dividend per share	2.50
Share price	8.00

Evana must decide how to finance the investment in factory modernisation. She would like to extend HP's bank borrowing but some of the other directors favour a new share issue.

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.

© UCLES 2023