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BUSINESS STUDIES **0450/23**

Paper 2 Case Study **May/June 2022**

INSERT **1 hour 30 minutes**

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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This document has **4** pages.

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Bagels & Baguettes (BB)

BB is a private limited company which operates 3 sandwich shops. It sells ready-made and made-to-order sandwiches. BB has two types of customer - business customers and customers who visit its shops. BB earns 40% of its revenue from business customers. They place bulk orders each day and these orders are delivered by BB. Some of the customers who visit BB's shops give their orders and receive their sandwiches without leaving their cars. This is called a drive-through service. The drive-through service helps to differentiate BB from its competitors.

The lease on one shop has finished. BB's Managing Director, Shivani, has identified two locations for a replacement shop. Details of these locations are shown in Appendix 2.

BB has high labour turnover. The shop managers know that the employees have low motivation. The shop employees are paid the legal minimum wage.They do the same job every day. Shop employees either make the sandwiches or serve shop customers and drive-through customers. Shivani gives shop managers general business objectives and allows them to make all the decisions for the shop they are responsible for. Sometimes this leads to different marketing decisions when responding to changes in customer needs.

Shop managers feel overworked and often work much longer hours than stated in their employment contract. There is limited opportunity for promotion in the organisational structure, as shown in Appendix 1. The shop managers have suggested that experienced shop employees could be appointed as deputy managers.

BB's shops are located in busy cities in country X. Shivani wants to expand the business in addition to the replacement shop. She is considering two options for BB's growth.

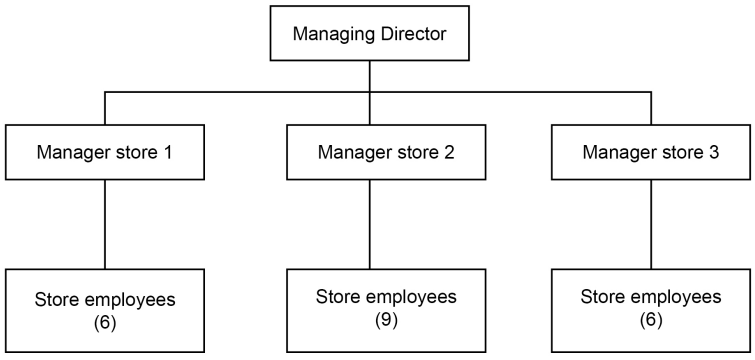
Option 1: Open a new BB shop.

Option 2: Take over a competitor's shop. The competitor's shop does not currently provide a drive-through service.

Shivani is planning to finance the growth of the business from retained profit and a long-term bank loan. Some months the company has cash-flow problems. Business customers pay at the end of each month but BB pays its suppliers in cash when food ingredients are delivered.

Appendix 1

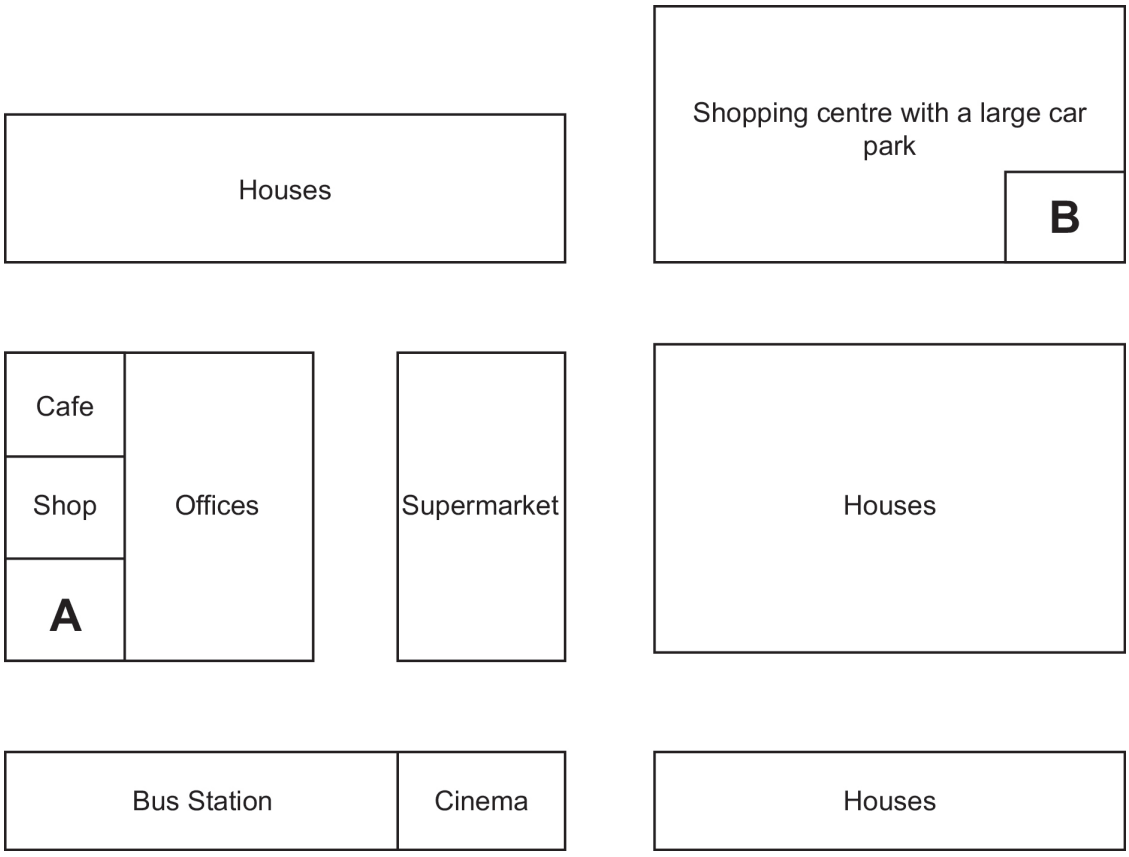
BB's organisational chart



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Appendix 2

Map showing two locations for the replacement shop



Location A
City centre
Annual rent: $40 000
Business taxes: $12 000

Location B
Shopping centre
Annual rent: $32 000
Business taxes: $10 000

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[Turn over

Appendix 3

Information for the two growth options

	Option 1 Open a new shop	Option 2 Take over a competitor's shop
Fixed cost per month	$10 000	$21 000
Forecast monthly sales of sandwiches	22 000	26 000
Average selling price per sandwich	$2	$3
Variable cost per sandwich	$1	$1.50

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