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BUSINESS STUDIES **0450/21**

Paper 2 Case Study **May/June 2023**

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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Vegetable Palace (VP)

VP was started 10 years ago in country Z. It is a public limited company. VP has a chain of 500 fast-food restaurants that operate across country Z. The VP brand is famous for its vegetarian food, this means none of its meals contain meat.

VP has a head office in Main City where all the directors and senior managers work. There are many barriers to communication. Each VP restaurant has a Manager, an Assistant Manager and 50 employees who cook and serve the meals. Restaurant Managers are often very busy and they are considering delegating some of their tasks to the Assistant Managers.

The ingredients for the restaurants are ordered in bulk by head office and then distributed from its warehouse to each of the restaurants. However, some senior managers think that Restaurant Managers should purchase their own ingredients from local suppliers. This would mean the ingredients would be fresher and would allow variations in the meals served.

VP wants to expand into another country. It will choose between the two countries shown in Appendix 2. VP will also need to decide how to enter a new market in another country. It has the option of forming a joint venture with another business or franchising the VP brand. The choice of finance will need to be considered for the expansion and the amount of finance will depend on the option chosen.

Appendix 1

Advertisement for VP's restaurants



Choose VP for the finest vegetarian meals. Our service is the fastest possible!

You will receive your meal in less than 5 minutes – guaranteed!

Delicious and varied meals for even the biggest of appetites and all at competitive prices.

New meals are being introduced all the time.

There is a VP restaurant near you – we look forward to serving you soon.

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Appendix 2

Summary of the two possible countries that VP could choose to locate its new restaurants.

	Country A	Country B
Raw materials	Average variable cost $6 per meal	Average variable cost $2 per meal
Labour	Low unemployment $10 per hour for each employee	High unemployment $5 per hour for each employee
Market	Many competitors Average price per meal = $20	Few competitors Average price per meal = $10

Appendix 3

Email from VP's Managing Director to VP's Marketing Director

To: VP's Marketing Director

From: VP's Managing Director

Date: 31 March 2023

Re: Economic changes in country Z

Did you see the news this morning that interest rates will be raised from 3% to 5% later today? This will have several effects on our business in country Z.

The news also said that the exchange rate in country Z has depreciated. We will have to consider how this will affect our business, especially as we import 30% of our ingredients into country Z.

There are also new legal controls being introduced that mean we have to list all the ingredients used in each of our meals on the menu. We do reprint menus every time we change the meals, but it is something to consider.

Speak later today.

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