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BUSINESS STUDIES **0450/23**

Paper 2 Case Study **October/November 2022**

INSERT **1 hour 30 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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Daisy Dairy (DD)

DD is a private limited company owned by Duncan and his family. It is located 30 miles away from Main City in country X. DD started as a dairy farm, supplying cows milk to local shops. It diversified 10 years ago into processing the milk into cream, butter, cheese and ice-cream.

Duncan wants to increase the added value of DD's products. He thinks the high-quality imported ingredients, such as various fruits for the production of ice-cream at the dairy, are important for the success of DD.

DD has 120 full-time employees. DD's employees produce the same product every day and do not move between jobs in the dairy production area. DD's employees are unhappy about their wages compared to those paid by other dairies and many employees say their job is boring. Recently, several employees have left DD to work for a competitor. Duncan knows he needs to increase motivation at the dairy. He currently uses a noticeboard or email to inform employees of their tasks for each day.

The dairy only supplies local shops. Duncan is considering a change in the way DD distributes its products to increase sales. He has to decide which channel of distribution to use. Duncan is considering the following three options:

- setting up a shop at the dairy selling directly to customers,
- selling to a number of large supermarkets in country X,
- selling to a wholesaler that supplies small shops in Main City.

Appendix 1

Tweet from Government Minister in country X

GovernmentMinister@governmentcountryX

Interest rates have gone down – good news for businesses and consumers. The reduced interest rates might affect economic growth. Unemployment rates have been high but they are starting to fall.

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Appendix 2

Email from the Marketing Manager to Duncan

To: Duncan

From: Marketing Manager

Date: 10 October 2022

Re: Marketing DD's products

I suggest we create a brand name for our products. It would help build a good relationship with our customers and they may become brand loyal. Several of our competitors use a brand name.

We have developed a specialist cheese and new fruit flavours of ice-cream. These could be marketed under the brand name. It would get our dairy recognised across a wider market.

We must have an efficient channel of distribution as we cannot store products for long periods of time or their quality will reduce. We could invest in more expensive refrigerators. However, we may need an additional bank loan to finance this.

Appendix 3

Selected data from the financial statements of DD and its main competitor, 2021

	DD ($000)	Competitor ($000)
Inventories	2	20
Trade receivables	78	58
Cash	0	2
Trade payables	39	80
Bank overdraft	1	0
Long-term bank loan	5	50
Current ratio	?	?
Acid test ratio	?	?
Revenue for 2021	1000	2000

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