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ENTERPRISE **0454/11**

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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.

This document has **4** pages. Any blank pages are indicated.

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Fern's Flowers

The background

Fern has always enjoyed gardening. After leaving school, she decided to use some of the skills that she had learnt in her enterprise lessons. She set up an enterprise called Fern's Flowers, selling bouquets of flowers to friends and family for special occasions.

Fern buys her flowers from a local farmer and pays with cash. She sells the bouquets of flowers to friends and family, relying on word-of-mouth marketing. Orders are placed by telephoning or texting Fern directly. She delivers each order herself.

The idea

Fern's enterprise is currently making a small profit. However, she realises that she needs to attract a wider variety of customers. With limited capital, Fern is unsure whether marketing to more customers will be worthwhile. Borrowing money to market her enterprise could be a financial risk. To reduce this risk, she decides to complete some research.

The research

Fern used the internet to research competitors. Although local stores sold bouquets of flowers, no store offered delivery. However, national companies deliver flowers locally within two days for a fee. Fern thought that by providing a quicker and cheaper service, she may be better able to compete with these national companies.

Next, Fern researched potential customers. To reduce time and cost, she completed a face-to-face survey in the local shopping centre. She realised this may not have been the most effective method.

The survey results showed that there was a demand for deliveries of bouquets of flowers in the local area. However, 60% of respondents said that they wanted to directly visit a flower shop or stall. Fern sells the bouquets of flowers from her home because renting a shop or stall would increase her costs. She is concerned that she would not sell enough bouquets of flowers to cover the extra cost of rent. Fern decides to complete some more research to find out if she could afford to pay for a shop or stall.

The finance

Fern started by looking at existing data from her past years' sales. She used this information to calculate the average price and variable costs of a bouquet of flowers. Table 1 shows this information.

Table 1

Item	Each bouquet of flowers ($)
Average selling price	10.00
Cost of raw materials (flowers)	5.00
Cost of packaging	0.50

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Fern decided that renting a shop would be too expensive. She therefore researched potential places to locate a flower stall. Each location would attract different types of customer and have various benefits and costs. She decided that the rail station would be the most suitable location for the stall. This would cost $54 each month to rent.

Fern assumed that there would be no other fixed costs.

Having completed some research, Fern considered two options:

Option 1: increase her marketing and continue working from home
Option 2: rent a stall at the rail station.

She needed expert help and support and therefore attended a local business network meeting.

The meeting

Fern had never attended a formal meeting before. She was surprised when she was given a copy of the agenda and the minutes from the last meeting.

At the meeting Fern was able to ask some of the other entrepreneurs for their advice. One of the entrepreneurs explained to her that he had been in a similar situation and he advised her to produce a cash flow forecast and a business plan. Another entrepreneur asked if she had thought about a franchise agreement with one of the national companies. One entrepreneur also suggested that she ask the farmer who supplied her flowers if he would be willing to offer trade credit for regular orders.

Fern had gained useful advice at the meeting. She now knew that completing the business plan was her next action. However, she also had a third option to consider – buying a franchise.

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