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ENTERPRISE **0454/12**

Paper 1 **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.

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

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Pepijn's Bakery Shop Enterprise

The background

After completing a catering course, Pepijn set up an enterprise, a bakery shop. He makes all the bread and cakes sold there. Anke is employed as the shop manager. In the first year, the enterprise attracted a small number of customers. However, in the second year annual sales increased and the enterprise started to make a profit.

The problem

Recently, Pepijn has noticed that sales had begun to decrease. The enterprise was only breaking even. Pepijn knows that if he does not solve this problem, the enterprise will soon be operating at a loss.

Pepijn, however, could not understand why there were falling sales as there had been no changes to the selling price. Also, customer complaints had not risen.

Anke thought the reason that sales were falling was because the local bus company had stopped the bus service. She knew that many of their customers travelled to the shop using these buses.

The research

Pepijn knew that if regular customers were finding it difficult to get to the shop, he needed to attract new customers. Before making any decisions, he decided to do some market research. Pepijn placed questionnaires in the shop. He also asked Anke to distribute some questionnaires to households in areas that had no bus service.

The questionnaire results showed that customers liked the shop's products. Responses from people who did not visit the shop confirmed Anke's opinion. People wanted to buy the shop's products, but they were unable to get there.

Many customers also stated that the shop had been recommended to them by other customers. Anke believed that this was a potential risk. She said, 'If the shop relies on word of mouth advertising, we may not be able to attract enough new customers to make a profit.'

The idea

With the questionnaires completed, Pepijn thought that there could be two possible solutions to the problem of falling sales:

1. start a new marketing campaign

2. take orders over the telephone for delivery to the customers (a delivery service).

Pepijn researched the costs of a delivery service himself and asked Anke to research marketing communications that could be used for the new marketing campaign.

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The costs

Anke researched the cost of marketing communications that she thought would be suitable for the bakery shop. Fig. 1 shows these costs.

Marketing communication	Cost US$
Printing of 1000 leaflets	200
Printing of 5 large posters	50
Delivery of leaflets	5

Fig. 1

Anke also found that many competitors had websites where customers could place online orders. Pepijn liked the idea of having a website for the enterprise. Pepijn recognised that by having a website, both Anke and he would save time by not taking as many telephone orders. However, to set up a website, he would need to buy a computer and hire a website designer. Fig. 2 shows the estimated costs of setting up the website.

Item	Cost US$
Computer purchase	300
Website design	100

Fig. 2

Pepijn had researched the costs of obtaining a small van and paying for a delivery driver. He found that this would be too expensive for his enterprise. He knew that he could reduce these costs by making the deliveries himself using his own car. By doing this, he thought the only cost for delivery would be the fuel for the car, a variable cost.

The decision

Pepijn was concerned by the research. He did not have enough money to pay for the new marketing campaign and for setting up a website. One way of raising money would be to charge customers for delivery. Pepijn thought that if the variable cost of each delivery was US$1 and he charged customers US$3, he would soon be able to cover the cost of setting up the new website. However, he knew that he would need to find a source of finance to pay for the new marketing campaign.

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