



To be opened on receipt

AS GCE APPLIED BUSINESS

F242/01/CS Understanding the Business Environment

PRE-RELEASE CASE STUDY

JUNE 2014



INSTRUCTIONS TO TEACHERS

- This Case Study **must** be opened and given to candidates on receipt.

INFORMATION FOR CANDIDATES

- You **must** make yourself familiar with the Case Study before you sit the examination.
- You **must not** take notes into the examination.
- A clean copy of the Case Study will be given to you with the Question Paper.
- This document consists of **8** pages. Any blank pages are indicated.

Sweet Papaya

Background

St Martin's University in Hertfordshire is a small and friendly establishment offering 65 undergraduate and post-graduate courses. The location of the university is such that, even though it is situated in the countryside with a good number of working farms in the local area, it is still difficult for students to buy fresh fruit and vegetables locally. The only greengrocery shop within easy reach of the university is small and it does not offer a wide range of choice. Its prices also tend to be high. The nearest supermarket is five miles away and so, for most students at the university, food shopping is a long and arduous journey involving a lengthy bus ride to and from the supermarket. 5

On a visit to Leeds University in October 2013, a couple of Business Management students from St Martin's University, Roger Fries and Julie Wood, were very impressed with the food co-operative within the Students' Union building. The food co-operative sells fresh fruit and vegetables to students at affordable prices. Having spent their first year struggling with fresh food shopping, Roger and Julie decided to seek help and advice from the volunteers who run the food co-operative at Leeds University. They were also encouraged by the results of a Student Food Research survey (see **Appendix 1**). 10 15

Sweet Papaya

Armed with useful information and sound ideas (see **Appendix 2**), Roger and Julie decided to form a co-operative, *Sweet Papaya*, with a small group of fellow students at St Martin's University. The members of the co-operative pooled their financial resources to purchase fresh fruit and vegetables at reasonable prices from local farms. *Sweet Papaya's* mission statement is, "Run by students for students. Good food and fair prices for all". 20

Meetings of the original members initially took place every weekend in Roger's kitchen where it was decided what to buy and which suppliers to use. The membership of the co-operative soon grew in size through word of mouth. Within six months, it had reached a stage where Roger's kitchen was too small to accommodate everyone who turned up at the weekly meetings.

Operations

The co-operative persuaded the University to let it set up a stall in the Students' Union building from which to operate. The newly formed management committee of *Sweet Papaya* decided to sell to members only. Each member has to pay an annual £10 membership fee. The management committee realised that this source of income was crucial for the continued success of *Sweet Papaya*. The money raised from membership fees is mainly spent on printing publicity leaflets and stationery. Indeed, with the aim of breaking even on the products sold, it is the only additional source of income which can be used to run the business. This means that continuing to recruit new members is a priority. 25 30

Sweet Papaya mainly sells boxes of locally sourced organic fruit and vegetables. Members can place their orders until 2pm on Wednesday each week. They must pay in advance for their purchases. Roger, Julie and a group of ten volunteers process the orders which are then passed on to the suppliers. Produce is delivered to the stall every Thursday. The main task for the volunteers on a Thursday is to pack the fruit and vegetables into boxes ready for members to collect on Friday afternoon. A box of vegetables is sold for £5 or multiples thereof. In addition to vegetables, these boxes also contain a selection of salad products. A box of fruit is sold for £3 or multiples thereof. These contain seasonal fruit sourced from local farms and orchards. All produce is 'fair trade' in accordance with the ethical trading policy of *Sweet Papaya*. 35 40

Increasingly, members are encouraged to express their views, including their preferences of fruit and vegetables, either at the monthly meetings now held in the Students' Union building or by telling the volunteers on the stall. This practice means that members are now more likely to get what they want in their boxes of fruit and vegetables, albeit according to the demand and 45

preferences of the majority of the members, taking into account what is in season and also whether the produce can be sourced locally.

Human resources

Sweet Papaya is open five days a week from 11am to 5pm. The volunteers consist of a mixture of first, second and third year students. This should ensure that there will be a continuation of experienced volunteers to run the organisation successfully in future years. Job rotation amongst these volunteers is designed deliberately to equip each of them with different skills while enriching their experiences. 50

However, this human resource arrangement is not without its problems. The volunteers are not professionals with track records of retail experience. They are students with many other commitments which, from time to time, prevent them from fulfilling their duties at the co-operative. Due to the fact that they are unpaid, attendance and punctuality can become a major issue. Roger and Julie have assumed the roles of managers in order to ensure the smooth running of the co-operative. Roger is in charge of dealing with the suppliers, and Julie manages the finances. However, as they are both in their second year at university, they are aware of the need to train their successors. 55
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Technology

Without dedicated technology, the day-to-day running of *Sweet Papaya* is, more often than not, made more complicated than it should be. Records of orders and payments are currently transferred manually into a book from the notes made by the volunteers on scrap pieces of paper. As the volunteers organise themselves around two three-hourly shifts a day, five days a week, important messages often do not get passed on and financial records are kept in a haphazard manner. There have been numerous occasions when members' orders have not been placed or have become mixed up. These problems are exacerbated during peak hours such as Wednesday lunchtime and especially on Fridays when members arrive to collect their orders. 65

An electronic till is desperately needed as all payments are in cash and receipts are needed. Receipts are currently written by hand in a pre-printed receipt booklet. Long queues are common, especially during Wednesday lunchtime as members are eager to place their last-minute orders. 70

The future

At a recent monthly meeting, it was suggested that *Sweet Papaya* should extend its product range to include dairy produce which can be sourced locally. This suggestion has financial as well as a number of other implications (see **Appendix 3**). If it were to go ahead, the most important issue would be premises. There is currently an empty storeroom in the Students' Union building which *Sweet Papaya* could rent for £200 a month, of which £100 would be a fixed cost charged to the costs of boxes of dairy produce, £50 to boxes of vegetables and £50 to boxes of fruit. Despite being a storeroom and, therefore, relatively basic in terms of facilities, it could be transformed into a functional shop and office with some equipment, fitted shelves and furniture. This would require capital investment which could prove difficult as *Sweet Papaya* has limited sources of finance. Careful budgeting would, therefore, be essential. 75
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Appendix 1

Student Food Research

Price and quality are the most important factors to students when purchasing and preparing food. More and more students are looking at community food enterprise as a way of getting access to great, locally produced food at a price usually reserved for the 'bargain bin'.

57% of students would be interested in being involved in a food buying group.

Appendix 2

Why set up a food co-operative?

The main reason people set up food co-operatives is to make it easier and cheaper to buy good food.

In many areas it is actually quite hard to buy healthy and sustainable foods, such as fresh fruit and vegetables, local and organic produce, bulk wholefoods or exotic ingredients.

This may be because:

- there are no shops where you live, whether that is a rural village or an urban estate
- nearby shops have a limited choice of food that may be expensive or of poor quality
- to get to a decent shop you have to get a bus, taxi, or drive, which makes shopping more expensive
- you want to buy unusual foods that supermarkets or other shops do not stock
- you would prefer to buy food direct from farmers or ethical suppliers, rather than support large supermarkets
- a good shop has just closed and you want to replace it.

Food co-operatives can also have lots of other benefits for the community, such as providing healthy food at an affordable price, opportunities for volunteers, and a sociable place to shop and to meet local people.

Appendix 3

Permits and licences

All food co-operatives need to register with the Environmental Health Department of their local council. If the venue is not already registered, then there is a need to register. This just involves filling in a simple form with details of what you intend to sell and where you are selling it. For dry goods, fruit and vegetables, the Environmental Health Officer will be able to help with basic advice on food hygiene. If you plan to sell products such as meat, milk or cheese, you will need food safety training, hygienic waste disposal, and access to equipment such as a refrigerator.

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