

Advanced GCE
Applied Business

F248/CASE STUDY

Unit F248: Strategic Decision-Making

Pre-Released Material

Time: 2 hours

Candidates answer on the question paper.

Additional materials:

INSTRUCTIONS TO CANDIDATES

- 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 this case study will be given to you with the question paper.

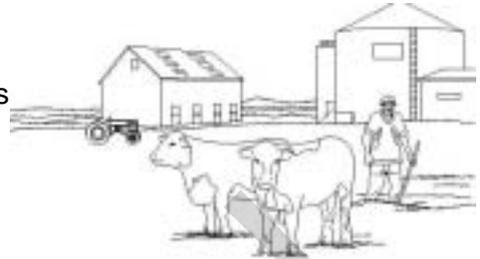
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This document consists of **6** printed pages and **2** blank pages.

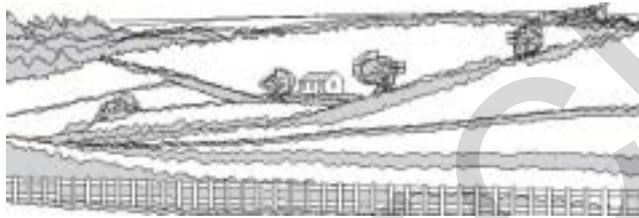
Sunneydale Farm

Background

Charlie Hoskins is possibly not your stereotypical farmer. He sees himself as much more of an entrepreneurial businessman whose inspiration, he likes to think, comes from Richard Branson and his Virgin empire. Charlie is often the subject of mirth at his local farmer's market for his outspoken descriptions of his ideas to transform his struggling farm into a profit making empire. His property, Sunneydale Farm, in the north west of England has been owned by his family for generations. However, in recent years, as with many UK agricultural businesses, the farm has begun to struggle to compete with cheaper foreign producers.



Sunneydale Farm currently employs 40 staff in total, working in both crop production and also in the rearing of animals. On the whole the machinery and the buildings of the farm are all in good working order, meaning that efficient management of crops, milking of cattle and rearing of sheep is possible. Charlie recognises that the business is able to survive and provide income for his family in its current state but he cannot help wondering if that is enough!



Charlie, and his father Henry, would often mull over the events of recent years which had hampered the performance of the farm, such as the launch of the euro. This meant more accessible cheap produce from abroad. There was also the loss of their beef cattle herd due to the 'foot and mouth' crisis.

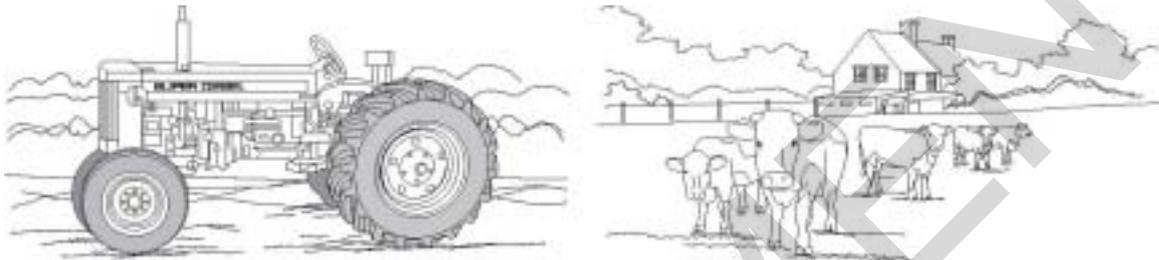
Whilst this left the farm utilising only approximately 60% of its field and outbuildings capacity, Charlie and Henry often thought themselves lucky not to have lost their whole livelihood, as had some of their friends.

Charlie feels that the business has now reached something of a turning point. He is alarmed by the prospect of yet more low priced competition due to European Union (EU) enlargement, as well as rising transportation costs in the UK. Charlie decides to investigate ways in which he might develop the business in terms of profitability, as well as protecting it from economic and competitive threats.

Charlie and Henry have developed some ideas for the future of the farm and have narrowed the options down to three possibilities. All three appear to have different advantages and disadvantages. They decided to enlist the help of Tony Swift, a local Small Business Advisor, to help them develop their business plans.

Option 1 – The Sunneydale Farm Park

This option was perceived by many of Charlie's farming friends as 'whacky'. It was an idea inspired by one of his daughter's school trips. Charlie proposes to use the under-utilised land and buildings on the farm to open a working farm experience aimed at attracting families to enjoy the sights, sounds and smells of a working farm. Although something of a deviation from the current core business of mainstream farming, this is an opportunity to launch another profitable section of the business. It would also help to educate local youngsters in the traditional aspects of farming. Charlie's initial research had identified very little competition for this type of attraction in the area. He has also discovered an increase in the number of young families in the local population, which he feels would be his target market.



Option 2 – The Sunneydale Caravan and Camping Park

Another option Charlie and Henry have come up with is the possibility of opening a caravan and camping park on the spare land capacity that they have. They feel that the initial outlay might be moderate as they can easily landscape the fields. Therefore, only washing and toilet facilities in addition to a shop will be needed. Charlie feels that this could well be a viable option, taking advantage of the proximity of the farm to some good beaches and attractions, as well as a large national park and heritage site. These could all attract potential customers.



Option 3 – Re-launch Beef Farming



The final option to Henry appears in some ways to be the safest. Charlie, however, does not agree. Charlie believes that although they still have the skills, facilities and staff to commit to this venture, along with the old customer base, the competitive pressure and negative public perceptions of British beef are distinct threats. However, while some of the buildings and facilities would need updating, the costs and workforce plan would need less resourcing than the first two options.

Decisions, Decisions!

Although Charlie, and to a certain extent Henry, are upbeat about the prospects of taking the farm business in new directions, Tony, their Small Business Advisor, remains slightly more objective. Whilst supporting the notion that they need to choose one or more of the options they have devised, he also tries to persuade Charlie that a greater amount of research and business planning is needed before launching any of the options.

At a scheduled meeting, Tony puts forward the following bullet points as advice for Charlie and Henry as they consider the strategic decisions ahead of them.

- Carefully plan every stage of each option so as to ensure maximum efficiency and optimum results.
- Carry out thorough financial evaluations of each of the options.
- A perfectly executed project will be useless with anything less than a perfectly executed marketing plan.
- Plan for the best times and for the worst!
- A business, such as this one, needs clear direction and purpose. Precise objectives need to be devised in the pursuit of a common mission statement!

“A mission statement!” exclaimed Charlie, “what’s one of those?”.

Tony thought to himself that his guidance might be vital if this business venture was going to be a success!

Additional Information:**Euro: Business winners and losers**

The government's decision to delay a possible referendum on euro entry has split the business community.

It has been met with dismay by some manufacturers, who claim the vagaries of the exchange rate harms trade with the euro zone.

While many retailers – spared the expense of converting to euros – have no doubt breathed a sigh of relief.

But beyond that, it is difficult to pick out unequivocal winners and losers.

Depending on whom you speak to, delaying euro entry will lead to the loss of thousands of jobs – or it will save the UK economy from recession.

After displaying initial enthusiasm for the single currency, the main business organisations have largely fallen silent on the issue.



Extract from BBC News, 7 January 2004

Fig. 1

Enlarging Europe

Ten new states joined the European Union (EU) on 1 May 2004 making it a club of 25 – a long way from its beginnings as a six-nation group more than 50 years ago.

The EU is now the world's largest trading bloc, in terms of population, with 74 million new citizens taking the total to 455 million.

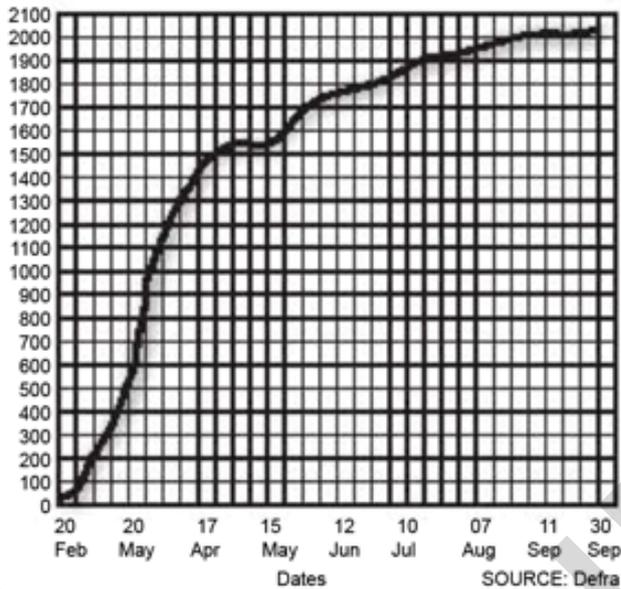
Its centre of gravity has shifted eastward, as its surface area has increased by a quarter, giving it a long border with the former USSR.

The new member states are poorer than the old ones, with a combined GDP of less than 5 % of the EU15, but their economies are growing fast.

Fig. 2

Foot-and-mouth: The key stats

1. 19 February 2001: Outbreak begins at Little Warley in Essex.
2. 23 February 2001: After more cases erupt in Essex the disease makes its first major leap and arrives at the other end of the country in Heddon-on-the-Wall in Tyne and Wear.
3. 1 March 2001: In under two weeks the epidemic reaches Cumbria and Scotland.
4. 3 March 2001: Cornwall is also hit, as foot-and-mouth covers the length and breadth of Britain.

Total cases in UK**Total cases**

The disease and the culling that went with it had a devastating effect on millions of animals. The chart opposite shows how fast the disease took hold.

According to the Department for Environment, Food and Rural Affairs the final number of confirmed cases reached over 2000.

Extract from BBC News, 3 July 2005

Fig. 3

Some paid attractions in the north west		Number of visitors				
Attraction	District	2000	2001	2002	2003	2004
Windermere Lake Cruises	South Lakeland	1 172	1 241	1 266	1 337	1 289
		219	918	027	879	866
Chester Zoo	Chester	1 118	1 060	1 134	1 160	1 082
		000	433	949	234	127
Tatton Park	Macclesfield	441	815	810	750	750
		896	501	200	000	000
Mersey Ferries	Liverpool	641	710	690	722	626
		814	000	000	357	737
Blackpool Tower	Blackpool	650	661	641	685	587
		000	366	000	397	950
Rheged	Eden	165	351	407	421	467
		161	249	868	193	101
Knowsley Safari Park	Knowsley	345	314	447	452	463
		000	000	200	971	813
Camelot Theme Park	Chorley	400	380	365	395	—
		000	000	000	000	—
Blue Planet Aquarium	Ellesmere Port	450	520	—	368	—
		000	000	—	606	—
Blackpool Zoo Park	Blackpool	270	275	285	295	—
		000e	000e	000e	000e	—

Fig. 4

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