

**ADVANCED SUBSIDIARY GCE UNIT
APPLIED BUSINESS**

F242/CS

UNIT 3: Understanding the Business Environment

CASE STUDY

Afternoon

**PRE-RELEASE MATERIAL FOR JUNE 2007
EXAMINATION**

Time: 1 hour 30 minutes

MONDAY 4 JUNE 2007



* C U P / T 3 8 8 0 7 *


INFORMATION FOR CANDIDATES

- This is a clean copy of the case study which you should already have seen.
- You should refer to it when answering the examination questions which are printed in a separate booklet.
- You may **not** take your previous copy of the case study into the examination.
- You may **not** take notes into the examination.

This document consists of **7** printed pages and **1** blank page.

Starsailor Fashions Ltd

Bob Fletcher has worked in the textiles industry all his life. He had started, he recalled, with a brush in hand, sweeping up the remnants and off-cuts from a shop floor as machinists turned out garment after garment to suit all sorts of fashions and purposes in the UK and beyond.

An image has been removed due to third party copyright restrictions

An image of a surfer

5

This was a story that Bob often recounts to his friends and his grandchildren. He often states that this is the reason he will always keep his feet on the ground and this will help him to stay in touch with his workforce. Bob had been there. He had seen it all; fashions change, businesses open and shut down and governments come and go.

An image has been removed due to third party copyright restrictions

An image of a surfer

Bob is the owner of, and only shareholder in, Starsailor Fashions Ltd, a small UK-based clothing manufacturer located in a village on the Cornwall-Devon border. Bob spent many holidays in his youth in this area surfing day-in-day-out. Even as a 52 year old, Bob still has the beach bug inside him and this has been behind much of his motivation to move to the area permanently and open his business.

10

15

Starsailor Fashions Ltd produces all kinds of surfing apparel. It had, at one time, dabbled in the wet suit market but its core business has always been surf-oriented fashions of a casual nature. Sweatshirts, sweat pants, T-shirts, borders (shorts) and hats are amongst the Starsailor portfolio. The business has been successfully trading for 11 years and it has built up a large, loyal customer base through supplying independent surf shops in the south west of England.

20

An image has been removed due to third party copyright restrictions

An image of a surfer

3 images have been removed due to third party copyright restrictions

Images of some surfing apparel

During the summer of 2006, Bob noticed what he called 'a shifting of the sands' in the market in which he traded. He had been to the 16th birthday of his twin grandchildren who lived on the outskirts of London. He found that not only his grandchildren, Richard and Judith, were wearing Starsailor clothing, but so were others. Many more were sporting similar fashion clothes.

25

This was the start of a strange month for Bob. He returned to his factory following the party. He stood, as he always did, watching his 60 strong workforce arrive for their 8am start and considered what he believed would be a new opportunity. How could he expand his customer base to further geographical regions, to customers who lived hundreds of miles from the sea, and who had probably never even stood on a surf board? Bob chuckled to himself as he decided that he would call this new segment of the market, 'city surfers'.

30

Later that month, Bob received a phone call from Jim Smith, who introduced himself as the Managing Director of a national clothing chain Board Stupid plc. Board Stupid plc was offering Bob a huge contract to produce and sell his clothing range through its national chain of stores – a potentially lucrative deal for Starsailor Fashions Ltd.

35

A few days later, as Bob stood in the window of his office, overlooking the shop floor where 40 machinists produced his clothing range, he considered the enormity of the steps he was considering and their likely impact on the business as a whole. The size of the order from Board Stupid plc was going to mean some radical changes to the way he conducted his business, his production processes and, above all, his staff.

An image has been removed due to third party copyright restrictions
Details:
An image of machine used to make clothes

40

Bob decided that the only way to accept the order was to modernise his production processes, something he had considered before. New, more efficient, automated machines would enable him to meet the production levels demanded for the new order, whilst maintaining his current customer base. This was something Bob had always wanted to do. However, the downside would be a reduction in his staffing levels by 25%. This weighed heavily on Bob's conscience.

45

An image of some business men has been removed due to third party copyright restrictions

As Bob costed out the financial implications of the proposed change to the business, he realised that some additional finance would be required. He was not in a position to provide these funds. One alternative would be to seek a bank loan and, in order to obtain such finance, Bob would need to devise a detailed business plan. Bob also realised that he would need to consider the implications of expansion on the cash flow, the annual budgets and forecast final accounts of Starsailor Fashions Ltd. It might also be useful to consider

50

the increase in output which would be required in order to, at least, break even on the order from Board Stupid plc. The remainder of Bob's analysis centred around what he called 'the bottom line' financial requirements, but he did recognise that further analysis of the market, its conditions and the social implications of the decision would be necessary.

55

Additional Information:

Cornwall's surfing beaches

Surf's up and everybody's.

An extract has been removed due to third party copyright restrictions

An extract about Cornwall's surfing beaches, from
bbc devon online

An image has been removed due to third party copyright restrictions

Details:
An image of a beach parasol

.....to suit all abilities.

Fig. 1

Unemployment Rates: May 2005

A graph has been removed due to third party copyright restrictions

Details:
A graph showing employment rates in different parts of the UK in 2005 from the office of national statistics

Fig. 2



Fig. 3

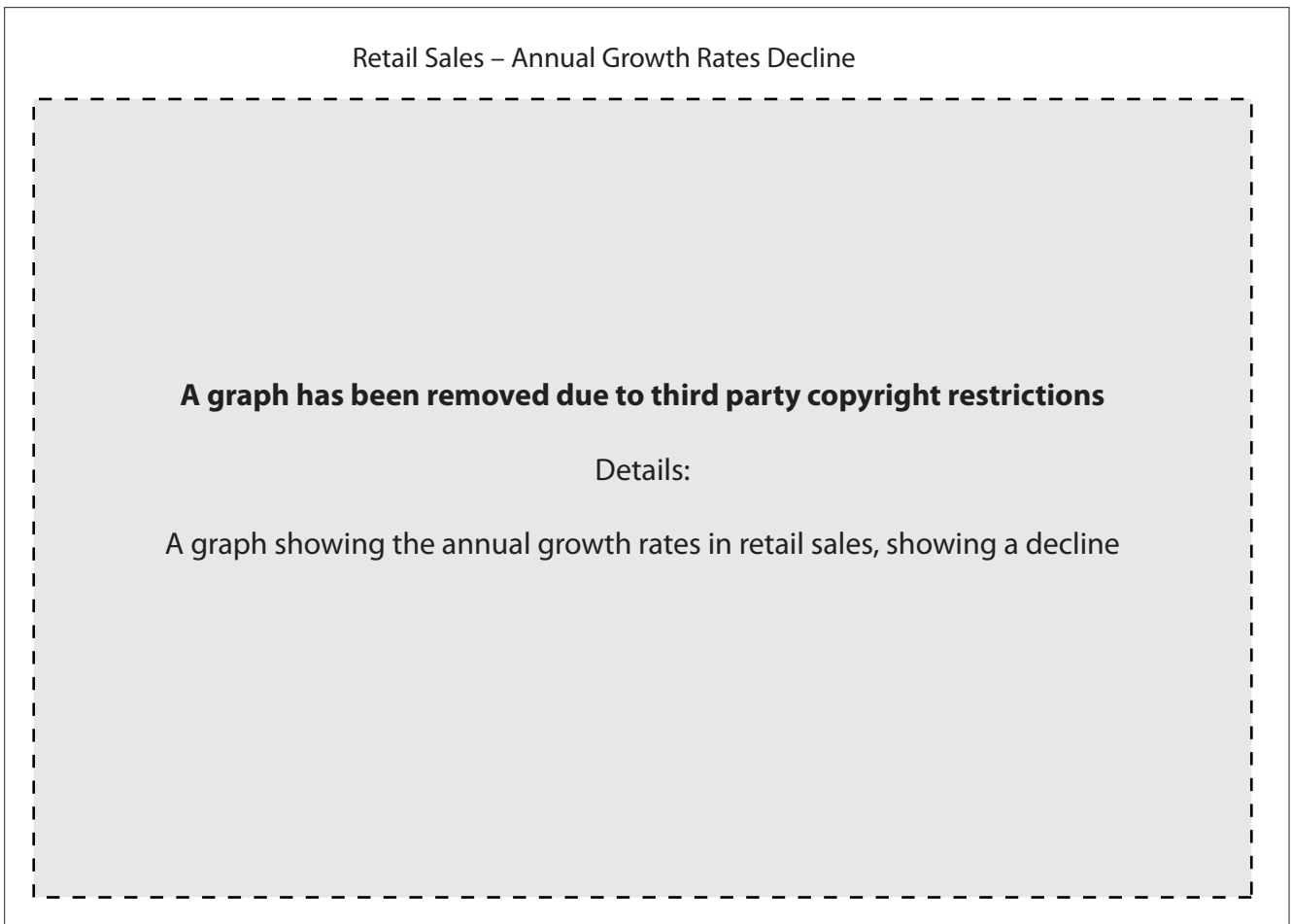


Fig. 4

Clothing Retailers Market Assessment

Faced by declining real.....

An extract has been removed due to third party copyright restrictions

Details:

An extract from the Clothing Retailers Market Assesment by keynote publishing

.....of mainstream clothing fashions.

Fig. 5

Copyright Acknowledgements:

- Fig. 1 text Adapted from Simon Alexander, *Devon's Surfing Beaches*, BBC Devon online, 01 September 2006, www.bbc.co.uk/devon
Fig. 2 Source: Office for National Statistics, www.statistics.gov.uk
Fig. 3 Source: Office for National Statistics, www.statistics.gov.uk
Fig. 4 Source: Office for National Statistics, www.statistics.gov.uk
Fig. 5 Crown copyright material is reproduced with the permission of the Controller of HMSO and the Queen's Printer for Scotland from Clothing Retailers Market Assessment, Key Notes Publications Ltd., www.keynote.co.uk

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (OCR) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

OCR is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.