

CAMBRIDGE

INTERNATIONAL EXAMINATIONS

CAMBRIDGE MANAGEMENT AWARD

EXECUTIVE CERTIFICATE

MODULE ASSIGNMENT

MODULE TITLE: Case Study

MODULE NUMBER: 4180/B

Valid between 1 January 2002 and 31 December 2002

INSTRUCTIONS TO CANDIDATES

You should read the assignment carefully.

It is important to complete the **Assignment Cover Sheet** when you have finished your work. You must complete the details and sign the declaration to confirm that the assignment is all your own work and your tutor must sign to verify that it is your own work.

The length of the assignment must be between 4000 and 5000 words.



UNIVERSITY *of* CAMBRIDGE
Local Examinations Syndicate

Import Italia

Dave and Sue Rogers run a small boarding house near Oxford, UK. They have four double and two single rooms and offer a Bed & Breakfast service for £25 per person, the general rate for the area and type of accommodation. They deliver a good service and, as they are close to the university and tourist sights, they have an average annual occupancy of 82%, over 45 weeks. Fixed and variable costs run at an average of between 27-32% of total capacity per annum. They work happily as a partnership, with the running of the business and the maintenance of the house shared between them.

Dave and Sue recently spent a holiday in Italy, visiting and staying in a number of towns and cities. They were impressed with the quality and price of many of the items for sale in tourist shops, particularly with regional specialities, such as wine, leather, silk, glassware and foods. Some of the shops were family owned, with techniques and crafts handed down through the years.

They realised that they had seen no shops selling similar goods at such reasonable prices in England, and the idea for *Import Italia* was born.

Dave and Sue have come to you for advice and suggestions on how to set up a retail outlet in Oxford, selling a variety of these souvenirs and general goods from Italy. They have some clear ideas on what they are able to do in terms of their own skills and expertise, but they know that they are so taken with the idea of this little piece of Italy in Oxford that they might be letting their heart rule their head. They need to keep the B&B business going, at least in the short term, until the retail outlet takes over financially.

They provide you with the following information and ask you to prepare a feasibility study on their business idea, giving some indication on how long before they can rely on the outlet for a similar income to that which they are receiving from the B&B.

The ideas so far:

Import Italia will purchase specialist goods from particular cities, towns and regions in Italy, directly from the manufacturer. These will be imported under licence in order to retail in the UK, probably in Oxford, within an Italian retail setting. Dave's vision is of a shop, fitted out to sell a small quantity of a wide range of goods, reminding people of holidays in Italy, and reflecting a general representation of Italian art and culture.

Dave has already spoken with a number of producers while in Italy and has come up with the following example range, including minimum wholesale orders and prices:

- Leather goods from Florence: Jackets, handbags, belts, gloves.
Minimum order from manufacturer: £10,000.
Expected retail profit margin: 80 -100%
- Silks from the northern lakes: Ties, scarves, blouses, shirts
Minimum order from manufacturer: £6,000.
Expected retail profit margin: 70 - 80%
- Glassware, decorative masks, writing materials from Venice
Minimum order from manufacturer: £12,000.
Expected retail profit margin: 60%
- General foods, wines and tourist ephemera from across northern Italy
Minimum order from manufacturer: £8,000.
Expected retail profit margin: 100 – 115%

Dave has included two examples for you to check, both of which he brought back from his holiday: a leather jacket which he bought for a little over £120, which he believes would retail in Oxford for over £250, and a silk tie, costing £5, which he believes would sell at £20.

Cost of retail space in Oxford is very high, with the minimum size shop costing around £30,000 per annum, inclusive of rates. On the other hand, the costs reflect the level of passing business. In terms of their customer base, Dave and Sue believe that tourists would make up about 80%, with the remaining coming from students, residents and through mail-order and e-commerce.

In the short term, Dave and Sue would manage and serve in the shop without extra staff. They believe that one of them can manage in the shop while the other runs the B&B throughout the day. Sue tells you that the B&B is at its busiest in the morning, and the work is generally finished at around midday, when she usually shops. The afternoons are spent with the accounts or keeping the place up to scratch.

Dave and Sue have £18,000 savings which they would use to start up the business, and they are prepared to borrow against their house, which is valued at £420,000. They have a £42,000 mortgage on the house at present with 3 years still to run.

Prepare a feasibility study for Dave and Sue which takes into account the information above.

You should address at least the following:

- Operational strategies which consider an importing, warehousing and retailing supply chain with a reliance on specialist manufacturers.
- Information management strategies which will help Dave and Sue manage their two businesses, including booking and inventory control, financial accounting, sales and marketing.
- Quality strategies which allow the company to promote quality as a key competitive usp within their marketing
- Financial strategies which create overall profitability and income levels, ensuring long term stability.

Please note the following:

Information about the businesses which is not given may be assumed, and all such assumptions should be justified.

You should provide a number of alternative strategies, depending upon the level of assumption and risk analysis you make.

All strategies you suggest should be supportable through reference to calculation, research, examples and/or theoretical models.

Your report should be addressed to Dave and Sue, giving your final recommendations as to the feasibility of their ideas, in terms of their impact upon their financial position and quality of life.