

General Certificate of Secondary Education
June 2005



BUSINESS STUDIES SPECIFICATION B 3133/9/1
BUSINESS STUDIES SPECIFICATION B (SHORT COURSE)
Paper 1

F&H

Friday 17 June 2005 9.00 am to 10.15 am

CASE STUDY BOOKLET

Read this case study before attempting to answer the questions.

Study **all** the information before attempting to answer the questions.

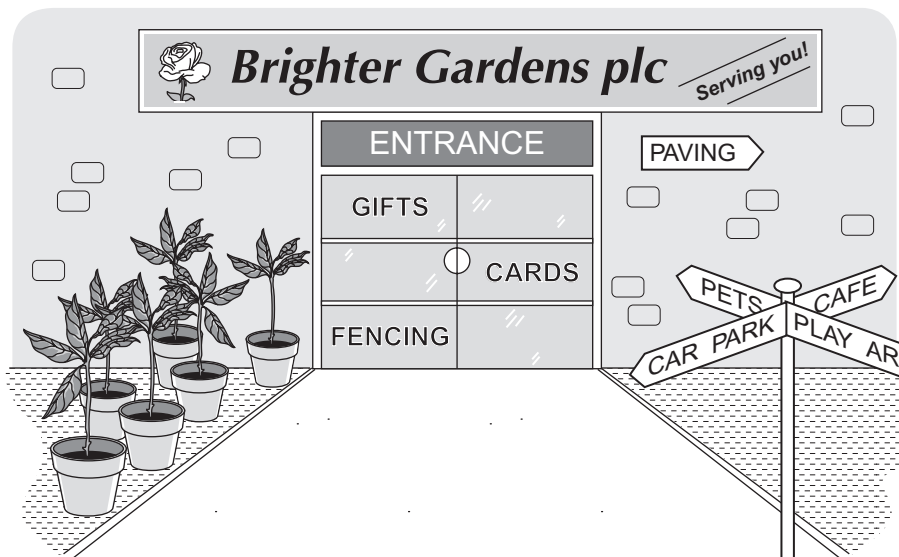
Data A

BRIGHTER GARDENS plc

Brighter Gardens plc started life 30 years ago. The original owners, Stephanie and Ian Scott, set up as a private limited company running a small garden centre on the outskirts of a major town, Greenville, in the north east of England. At first they were happy to make a steady income from a business that used their skills and interest. Later, the Scotts realised the potential of the business and they expanded the site steadily over the next four years. They then set up two further garden centres over the following three years.

In 1980, the Scotts merged their company with a larger company that operated garden centres across northern England. Operating under the name *Brighter Gardens Ltd*, the newly merged company was able to achieve economies of scale, particularly in the areas of finance, purchasing and marketing.

After ten years of further expansion and a fivefold increase in profits, *Brighter Gardens Ltd* owned and operated 18 garden centres across northern England. In 1991, to finance the next stage of its development and to help increase market share, the shareholders decided to change into a public limited company – *Brighter Gardens plc*.



Data B

In 2003, the Board of Directors of *Brighter Gardens plc* carried out a financial review of the company. They looked at the following data extracted from the company's Balance Sheet and Profit and Loss Account for 2002 and 2003.

Extract from the Balance Sheet for *Brighter Gardens plc* as at 31 October 2003

	2003 £m	2002 £m
Fixed Assets	202	195
Current Assets		
Stock	25	24
Debtors	2	1.5
Cash	<u>15</u>	<u>13.5</u>
	42	39
Current Liabilities	<u>35</u>	<u>36</u>
Net Current Assets (working capital)	<u>7</u>	<u>3</u>

Extract from the Profit and Loss Account for *Brighter Gardens plc* as at 31 October 2003

	2003 £m	2002 £m
Sales Revenue	275	240
Cost of Sales	<u>165</u>	<u>154</u>
Gross Profit	110	86
Expenses	<u>85</u>	<u>64</u>
Net Profit	<u>25</u>	<u>22</u>

Data C*Newspaper extract*

Gardening really seems to be the number one activity for today's householders. Encouraged by TV programmes such as 'Ground Force' and 'Gardeners' World', people, young and old, are using their leisure time to carry out major makeovers on their gardens. Market data for the garden centre industry over the three year period to 2003 show an average of 5% growth in sales each year. To meet this demand, many nationally owned garden centres started expansions in 2002 while two major DIY chains announced plans to introduce gardening sections into their larger stores.

Following their financial review in 2003, the Board of Directors carried out a SWOT analysis to help plan the company's future. As a result the company decided on a major investment programme to upgrade and expand their garden centres. The company planned to spend up to £1 million on each of its 22 northern based garden centres. Possible improvements to these garden centres included vehicle access and parking, additional greenhouse and showroom space, expanded outside display areas plus extra warehousing and office space. Improvements to the first garden centre began in April 2004 with the final one due for completion by May 2006.

The company's labour force will increase by 200 over the next three years as the company expands product ranges in all of its garden centres. It expects some opposition to expansion plans at some of its locations where local farmland will need to be purchased or where the garden centre is alongside a busy main road. The chairman of *Brighter Gardens plc* is confident, however, that everyone affected by this investment programme will recognise that the external benefits will outweigh any possible external costs.

Data D

To help plan the whole investment programme for the company as well as the features and stock at each site, *Brighter Gardens plc* carried out extensive market research. This was also used to plan the promotional launch of each redeveloped garden centre.

As Carole Rowe, manager of the first garden centre to be expanded, says, "It is very important that we get our pricing and promotion strategies just right. Special value offers, local newspaper advertising and leaflet drops have often worked well, but we may need to be more imaginative if we are going to earn a good return on our investment."