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BUSINESS STUDIES **0450/22**

Paper 2 Case Study **February/March 2024**

INSERT **1 hour 30 minutes**

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

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Authentic Foods (AF)

Sam started up his own business, AF, 6 years ago in country X. He received government support. Sam used to live in country A. When he moved to country X he could not find meals from his original country. Sam decided to use recipes from country A to make meals in his kitchen and sell them to people in the local area.

As demand increased Sam set up 5 street market stalls across Main City. Many customers buy his meals because they are traditional and of high quality. There are no other businesses in country X that produce these meals.

Two years ago Sam formed a business partnership with his brother. They used retained profit from the business to invest in a factory to produce meals on a larger scale. AF now has 10 skilled production employees to make the meals in the factory.

AF imports 90% of the ingredients for its meals from country A. AF could buy some of the ingredients locally at a cheaper price but this may change the taste of the meals. Food production businesses in country X usually buy their ingredients locally. However, most manufactured consumer products in country X are imported. Changes in the exchange rate will affect the prices of all imported products.

AF's factory has operated profitably since it opened. There is a high demand for AF's meals especially in Main City where there are many workers who used to live in country A. Sam wants to expand the factory. He needs to decide whether to increase output by:

- investing in new technology at a cost of $50 000
- buying more of their existing equipment at a cost of $25 000.

As part of the expansion Sam is also considering introducing a new meal to the AF range. There are two possible options to choose between. Financial details for each meal can be found in Appendix 3.

Appendix 1

Information about three legal controls being introduced in country X

- Increase in the minimum wage that must be paid to all employees - AF already pays above the existing minimum wage.
- Additional health and safety regulations - this will require additional training and more safety equipment in AF's factory.
- Employees can only work a maximum of 50 hours each week - AF's production employees currently work 40 hours each week but often work up to 60 hours each week when AF is busy.

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Appendix 2

Email from Sam to his brother about the new meal

To: Sam's brother

From: Sam

Date: 6 January 2024

There are 100 000 people from country A currently employed in country X. 60% of these employees earn a high income.

Our traditional meals make customers feel like they are back in country A. This should ensure the market segment we are aiming at will keep buying our food.

I suggest the following marketing mix for our new traditional meal:

- Price - using penetration pricing
- Place - selling to food retailers in Main City
- Advertising - using social media.

Do you think this is a suitable marketing mix for the new meal?

Appendix 3

Cost and revenue data for the two new meals AF could produce

	Meal 1	**Meal 2**
Cost of ingredients per meal	$4	$3
Additional fixed costs per month	$6000	$2000
Price per meal	$10	$5
Forecast sales per month	2000	5000

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