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AS GCE APPLIED BUSINESS

F242/01/CS Understanding the Business Environment

PRE-RELEASE CASE STUDY

JUNE 2017



INSTRUCTIONS TO TEACHERS

- 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 the Case Study will be given to you with the Question Paper.
- This document consists of **8** pages. Any blank pages are indicated.

Nora's Nyonya Delights

Background

Nora's Nyonya Delights (NND) was founded by Nora. Having graduated with a First class honours degree in Food Science and Nutrition in 2008, Nora had expected to find suitable employment in the catering industry. However, due to the recession which followed the credit crunch in 2007, Nora found herself spending one year after graduation working in fast-food chains earning the minimum wage. Undeterred by the failure to find a job commensurate with her qualification, Nora decided to start her own catering business. Thus *NND* was born! 5

Nora was brought up to appreciate good, home-cooked food. Her mother, Noreen, was an excellent cook and as soon as Nora was able to eat solid food, she was given a wide variety of foods and flavours. Nora feels indebted to her mother for her good palate and her knowledge of Nyonya cuisine. Nora's culinary skills were nurtured and developed from a very young age by watching and helping her mother cook in the kitchen. Nyonya cuisine is a fusion of Chinese and Malay cooking. The food is distinctive in its flavours and style. It contains many of the traditional ingredients of Chinese food complemented by Malay spices and herbs. 10

Humble beginnings

With the help of a small business grant, Nora was able to renovate the family kitchen. The grant also enabled her to equip the kitchen to the standard required by the local council's Environmental Health Department and complete a Level 3 Food Hygiene training course. In the summer of 2010, Nora managed to secure the lease of a market stall in Covent Garden, London. Situated in the affluent West End of London, Covent Garden attracts over 44 million visitors every year. *NND* thrived in this environment from the very first day of trading. Indeed, a few months after it started trading, Nora was struggling to cope with the demand for the delicious food prepared in her family kitchen. In the summer of 2012, Nora decided that it was time for *NND* to be a 'proper' restaurant, with space for a seating area and an industrial-sized kitchen capable of catering for at least 50 diners at any one time. 15 20

In the summer of 2013, after spending 12 months researching possible locations, the first *NND* restaurant opened its doors to the public in fashionable Kensington. 25

Different revenue streams

NND's restaurant has two main revenue streams. As it is first and foremost a restaurant, the most important source of revenue comes from serving food and drinks to diners from noon to midnight, seven days a week. The lunchtime menu is broadly based on the street food served at the market stall in Covent Garden, while the dinner menu is more sophisticated and elaborate.

The restaurant's second revenue stream comes from a small retail section situated inside the restaurant. The retail section is next to the till, where a range of speciality foods imported from the Far East are sold to diners and non-dining customers. Nora has identified the best-selling product – coffee bags which she imports from the Far East. She believes coffee from the Far East is much underrated compared with its European and South American counterparts. Nora is the sole agent in the UK for these coffee bags. A key selling point of the coffee bags is the convenience of having high quality coffee without needing any equipment associated with making a good cup of ground coffee. Since their introduction in January 2017, sales of these coffee bags have grown and Nora hopes to sell them online in the near future. 30 35

Modern technology

Nora understands the importance of using social media to advertise *NND*, especially because the restaurant operates in a highly competitive market. In addition, *NND*'s diners can now pre-order their meals on Facebook. This has contributed to a 10% increase in sales revenue. 40

Nora wants to introduce more modern technology so that *NND* can improve its customer service in this very competitive industry (see **Appendix 1**).

With a growing customer base and a packed restaurant most weekends, Nora thinks that it is also important to use modern technology to improve the efficiency of day-to-day operations. 45


Nora is fully aware of the drawbacks of introducing modern technology, at least in the short-term.

The future

Three years on, helped in part by the recovering economy, the market stall and the restaurant are both doing exceptionally well. Recently, Nora has been approached by several people interested in opening new *NND* restaurants in major cities around the UK, such as Belfast, Birmingham, Manchester and Liverpool. While researching different business models for her first restaurant in Kensington she came across an article promoting the advantages of setting up a worker-owned co-operative (see **Appendix 2**). She was so inspired by the article that she adopted the business model. There are significant advantages of using the co-operative model, not least that it made running the market stall at Covent Garden possible at the same time as operating the restaurant. A flat organisation structure, and the financial advantages that a co-operative enjoys, ensured that the first restaurant was set up without too many obstacles. She is wondering whether adopting the co-operative model for her expansion plan into the rest of the UK is the way forward. 50 55

Appendix 1

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Appendix 2

Worker co-operative ownership model

With the traditional franchise model struggling in the recession, some business people are finding that co-operative efforts are more rewarding.

“Speaking as someone who’s owned franchises in the past, the worker co-operative model is a much better way to do business. I feel like I’m an owner, not an employee of the franchisor,” says Mr Patel, a supporter of the worker co-operative ownership model. “When you’re a real businessperson, you don’t want to be directed and controlled by a corporate entity that’s often far from your location and is telling you what’s best for your investment”.

Started in 1999 by a group of former Baskin-Robbins franchisees, KaleidoScoops puts a surcharge on the ice cream it sells to its co-operative members and collects a small quarterly fee, but does not take a percentage of retail sales like many franchise operations. The members work together on advertising and store growth, and volunteer their time to help build the brand.

“We’re not a free-for-all where each member can do their own thing,” Mr Patel says. “There are standards we must meet and guidelines to follow. But there’s also flexibility; we have a right to make the menu fit our market.”

Expanding a number of outlets through a co-operative can be tricky. In a traditional franchise model, the franchisee buys into the brand and gets support from the corporate structure, which handles marketing, R&D, purchasing, etc. A true co-operative does not have that kind of corporate support. It has to be the members contributing to pay for or supply the support functions themselves.

Start-up costs for a worker co-operative can be up to 70% lower than a traditional franchise. In part, this is due to a low membership fee. Members are not pressured to buy certain equipment or carry particular menu items if these do not translate into sales in their local target market.

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