



*Rewarding Learning*

**General Certificate of Secondary Education**

**2005**

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**Business Studies**

Case Study  
for use with  
Paper 1

Foundation Tier and Higher Tier

[G1201] [G1203]



**AVAILABLE TO CANDIDATES FRIDAY 25 FEBRUARY**

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You should familiarise yourself with this Case Study in advance of the examination.  
You must **not** take this Case Study into the examination with you.  
A clean copy will be provided along with the question paper.

Two friends, Christine and Denise have decided to set up a coffee house in Moira and need to borrow money from the bank. They plan to sell a wide range of specialist and flavoured coffees along with a limited savoury and sweet food selection. After carrying out market research they believe the coffee house would benefit if they installed 4 computers with internet access.

They have compiled the following Business Plan:

# *Business Plan*

*for*

# *Cafedotcom*

(Proposed name)

## *Internet Coffee House Moir*

*We aim to provide a taste sensation every time we sell one of our  
luxurious coffees*



Business Owners:  
Christine Armstrong  
Denise Donaldson  
Michael O'Neill

## SUMMARY:

Cafedotcom (this is the proposed name of the business) will be an upmarket coffee house and internet café in the town of Moira aimed at a variety of market segments. It will aim to appeal to students, housewives and business people providing a calm and relaxing atmosphere in which to have a break. Market research has shown that the growing town of Moira could support another coffee house and, to gain competitive advantage, it is believed the added bonus of internet access would generate increased sales.

Christine Armstrong and Denise Donaldson will set up the business. Christine has 3 years' experience in running a small bistro in Portaferry and has gained insight into many aspects of controlling a business. She has experience in dealing with customers, managing staff, ordering products and has a general overview of the catering industry. Denise has a degree in Accountancy and will be managing all financial aspects of the new business venture. Michael O'Neill, the sleeping partner, will provide the business with additional funds.

### Statement of Capital Invested

Christine Armstrong	£2800
Denise Donaldson	£2800
Michael O'Neill	£1179

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## **BUSINESS BACKGROUND AND OBJECTIVES:**

Proposed name:	Cafedotcom
Proposed business address:	42 River Road Moira Co Down
Ownership:	Christine Armstrong 42 The Hobbit Moira  Denise Donaldson 67 Hanley Court Moira  Michael O'Neill (sleeping partner) 101 Hollow Hill Lurgan
Status:	Partnership
Business:	Coffee House/Internet Café
Start date:	1 August 2005
Mission statement:	“Cafedotcom” will provide the ultimate coffee experience in an ambience of rest and relaxation. It will provide the customer with a taste sensation.
Short term objectives:	Within our first year we hope to: <ul style="list-style-type: none"><li>• provide a high quality service at all times</li><li>• be considerate of our main stakeholders</li><li>• maintain average monthly sales of £5000</li><li>• encourage loyalty purchases</li></ul>
Long term objectives:	Within our first three years we hope to: <ul style="list-style-type: none"><li>• increase annual profit</li><li>• increase product lines</li><li>• diversify into the home catering market</li><li>• provide demonstration sessions for gourmet cooking</li><li>• extend opening hours to include evening functions</li></ul>

## HUMAN RESOURCES:

### Key Staff:

Name	Qualifications	Role	Salary
Christine Armstrong	BSc Hospitality Management	General Manager – will be responsible for day to day running, i.e., staff, purchases, daily rotas	£12,000 (to be revised at the end of year 1)
Denise Donaldson	BA Accountancy	Financial Controller – will be responsible for all finances of the business and will also take responsibility for promoting the business	£12,000 (to be revised at the end of year 1)

### Other staff:

Name	Qualifications	Role	Salary
John P S Tree	2 years' experience in a high class restaurant in Belfast. He has agreed to sign a part time contract with the business. He intends to study for additional qualifications at evening class	Head Chef – responsible for all catering, cooking and designing menus	Set @ £7.00 per hour  (will work 20 hrs per week. A profit sharing scheme will be set up)

Initially one part time waitress will be employed (£4.50 per hour @ 10 hours per week). More staff will be employed when required and it is anticipated that two extra staff will be employed for the 6 weeks leading up to Christmas.

A shift rota will be established and the owners and employees will work in teams.

## **MARKETING:**

### **Customers**

The main customers and target market will be the people who live in the Moira area and visitors to the small town. Cafedotcom will be aimed at housewives, university students and business people. These will be our target markets.

We believe we could also benefit from passing trade as Moira is close to the M1 motorway and is on the route to other towns. Market research led us to believe a gap in the market exists for a high quality coffee house. A need for an internet café was also identified. We decided that a combination of the two would be the best way forward. The computers will be situated in a sectioned off area at the back of the coffee house and will offer fast and efficient internet access in pleasant relaxed surroundings. (Refer to Appendix 1.)

### **Competition**

There are other coffee houses in the town, however, they do not have the specialist facilities planned for Cafedotcom.

We feel we can gain competitive advantage with our:

- modern and relaxed image
- specialist selection of coffees
- high quality, selective menus
- internet access
- friendly service
- competitive pricing policies
- specialist facilities

### **Product and Price**

We will offer a number of products:

- Speciality coffees and other beverages
- Homebaked desserts, scones and pastries
- Savoury food selection
- Gourmet dish of the day

Within 3 years, we would hope to develop our product portfolio to include the home catering market and we also have plans to run evening classes for gourmet cookery.

Initial pricing will be competitive with coffees ranging from £1.50 to £2.95. Desserts will range from £1.95 to £3.50 and the savoury selection will range in price from £3.25 to £7.95. Initially the gourmet dish of the day will be charged at £6.49.

Internet access will be priced at £1.00 per 15 minutes. We found this to be the average price internet cafés were charging. Discounts will be offered to students. Printing will be free (up to a limit).

**Purchasing:**

All stock will be purchased on a 30-day credit arrangement with the suppliers.

**Promotion**

Promotion will be by way of:

- weekly advertising in the local paper
- flyers to the surrounding area in Moira (See Appendix 2)
- an article in the Ulster Tatler to celebrate the opening of the business
- a variety of other sales promotion techniques

**RESOURCES:**

Premises:	42 River Road Moira 1000 sq ft (excluding store)	
	Rent £550 per month	
Equipment:	Kitchen to include cooker, hob, dishwasher, microwave and coffee maker	£5850
	8 sets of tables and chairs	£1100
	Computers × 4	£3000
	Printer × 1	£259
	Computer tables	£240
	Other furnishings	£300
Start up capital:		£6779



## FINANCE:

### Projected cash flow for Cafedotcom for 6 months to 31 January 2006

	August	September	October	November	December	January
<b>Receipts</b>	£	£	£	£	£	£
Opening Balance	6779	1220	1530	2820	430	2880
Sales	5000	5000	5750	6500	7500	5000
<b>Total receipts</b>	<b>11779</b>	<b>6220</b>	<b>7280</b>	<b>9320</b>	<b>7930</b>	<b>7880</b>
<b>Payments</b>						
Rent	550	550	550	550	550	550
Wages	2720	2720	2720	2900	3080	2720
Rates	100	100	100	100	100	100
Purchases		400	550	700	400	400
Electricity		250			250	
Equipment	6649			4100		
Advertising	150	150	150	150	150	150
Telephone		130			130	
Insurance	320	320	320	320	320	320
Broadband	70	70	70	70	70	70
<b>Total payments</b>	<b>10559</b>	<b>4690</b>	<b>4460</b>	<b>8890</b>	<b>5050</b>	<b>4310</b>
<b>Closing balance</b>	<b>£1220</b>	<b>£1530</b>	<b>£2820</b>	<b>£430</b>	<b>£2880</b>	<b>£3570</b>

**Projected Trading Profit and Loss Account for Cafedotcom for the six months ended 31 January 2006**

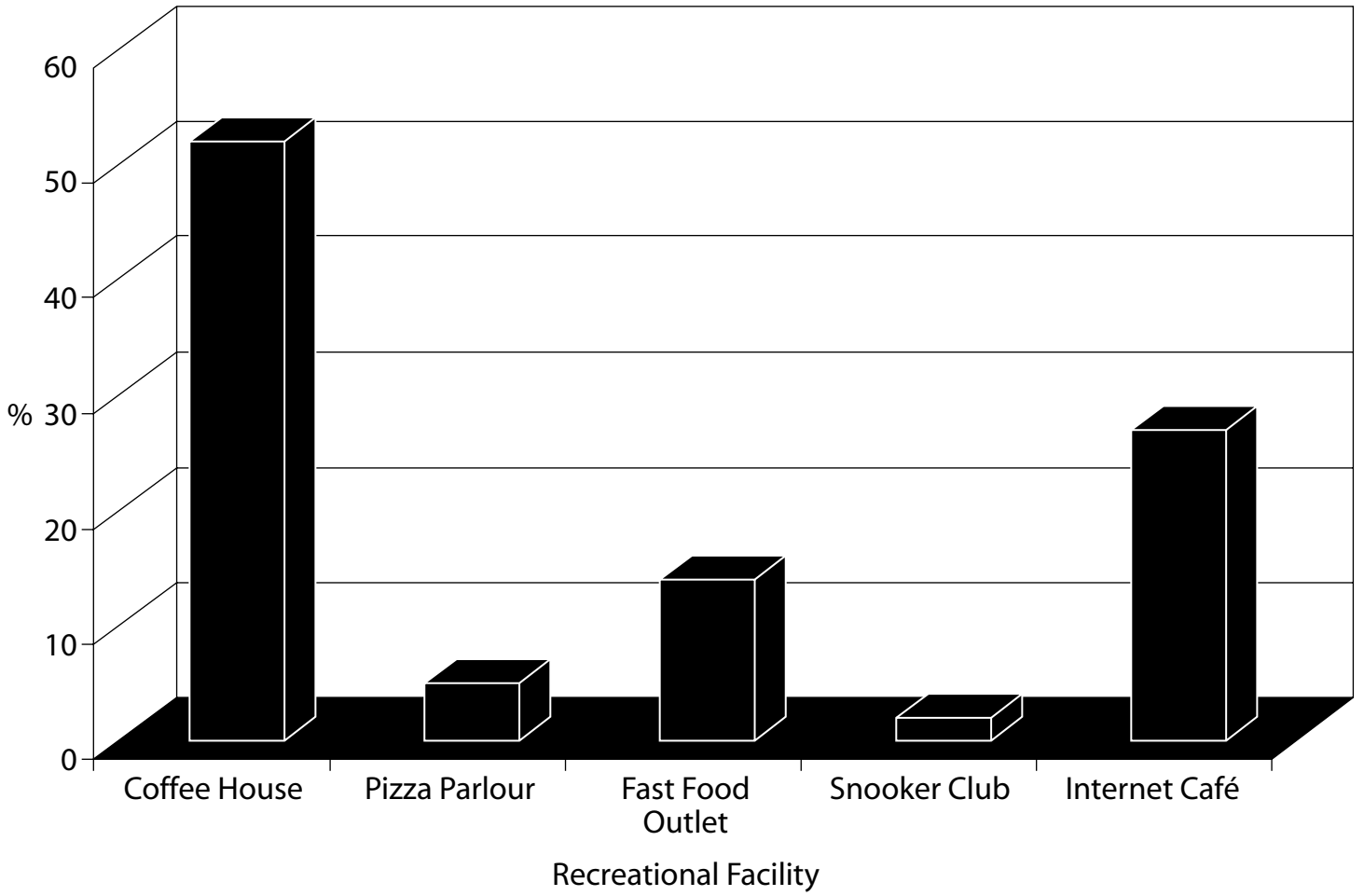
	£	£
Sales		34750
Less: Cost of goods sold		
Purchases	2850	
Less closing stock	<u>600</u>	
		<u>2250</u>
<b>GROSS PROFIT</b>		<b><u>£32500</u></b>
Less Expenses:		
rent	3300	
wages	16860	
rates	600	
electricity	500	
advertising	900	
telephone	260	
insurance	1920	
broadband	<u>420</u>	
		<u>24760</u>
<b>NET PROFIT</b>		<b><u>£7740</u></b>

**Projected Balance Sheet for Cafedotcom as at 31 January 2006**

	£	£	£
<b>FIXED ASSETS</b>			
Fixtures and fittings		5850	
Furniture		1640	
Computer		<u>3259</u>	
			10749
<b>CURRENT ASSETS</b>			
Stock	600		
Bank	<u>3570</u>	4170	
<b>CURRENT LIABILITIES</b>			
Creditors		<u>400</u>	
Working capital			<u>3770</u>
<b>NET ASSETS EMPLOYED</b>			<u><u>14519</u></u>
Financed by:			
Capital		6779	
Net profit		<u>7740</u>	
			<u><u>£14519</u></u>

# APPENDIX 1

What new recreational facility would you like to see in Moira?



# Cafedotcom

## Coffeehouse/internet café

42 River Road, Moira



- Speciality coffee (prices from £1.50)
- Homemade desserts and pastries (prices from £1.95)
- Gourmet Dishes £6.49:

Pan fried salmon served with creamy mushroom risotto

Chicken parcels wrapped in parma ham served with fondant potatoes

Select from our speciality coffees and gourmet food selection in a pleasant and friendly environment (Internet access available)

**Telephone:**  
**028 9242 4211**

**OPENING  
1 AUGUST**

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