



Mock Exam 3

CANDIDATE
NAME

CENTRE
NUMBER

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CANDIDATE
NUMBER

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BUSINESS

9609

Paper 4 Case Study

1 hours 15 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Section A: answer **all** questions.
- Section B: answer **one** question.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

- The total mark for this paper is 40.
- The number of marks for each question or part question is shown in brackets [].
- The insert contains the case study.

NELSON FOOD PROCESSING (NFP)

1 HOUR 15 MINUTES

NFP is a public limited company. The business was started as a cooperative business in 2015 by farmer Tom Nelson who owned a farm in a beautiful region of country X. It was a dairy farm with a large herd of cows. His three sons expanded the business by buying more land and opening a butter and cheese processing factory which used only milk from the Nelson herd.

Timeline of NFP's strategy for growth

2016	The business was converted into a public limited company. (see Appendix 1)
2017	Diary farm closure to buy in fresh milk in order to improve profitability through efficiency. (see Appendix 2)
2018-19	External growth – Acquisition of Value Foods (VF) (See Appendix 3)
2020	Reputation damaged (See Appendix 4)

Developing a new business strategy

NFP's Board of Directors plans to widen its range of products to allow NFP to develop into a more diversified processed food supplier. The Marketing Director has studied the market for frozen food.

He reported to a recent Board meeting: 'There appears to be a gap in the market for frozen food products with a quality image, selling at premium prices. Frozen food seems to be associated with low quality ingredients. We could use NFP's established brand image to sell a range of high-priced frozen foods, using ingredients better than those of existing producers. A successful entry into this market could compensate for the falling demand for fresh milk based products and increase NFP's product portfolio. Although new production methods may be required but this move could also help us improve existing rates of capacity utilization in our factories.'

Aims for the frozen food industry:

- develop core competencies
- Undertake competitor analysis
- operate efficiently within a dynamic environment
- choose appropriate finance

Sian would now like advice on which approaches she should use to develop a new business strategy.

Appendix 1: Converting to a public limited company

- The family sold most of its shares in NFP in 2016 and converted the business into a public limited company. Tom retired many years ago and his three sons no longer had management roles in NFP.
- Ron Nelson – Tom’s eldest son – was replaced last year as Chief Executive Officer by Sian Wilkins.
- Sian’s vision for NFP was to make it one of the largest food processing companies in the country using the quality brand image built up over the years by the Nelson family. Since her appointment NFP had started to make a large range of desserts, all of which had milk as one of their ingredients.

Appendix 2: Divestment of dairy farm

- The original dairy farm was only a small part of the NFP business. The dairy farm employed just 20 workers out of a total NFP workforce of 256.
- The milk produced by the farm was still used in the dairy and food processing departments as it was of a very high quality – a feature once used by NFP as part of its brand advertising.

	DIARY FARM	SUPPLIER (WHOLESALE)
COST OF MILK PER LITRE	24 cents	20 cents

Sian had decided to close it down to increase profitability and provide better return for shareholders.

Appendix 3: Takeover of Value foods (VF)

- Value foods (VF) was one of the longest established food processing businesses in country X. It was best known for making food products that offer value for money rather than using the best ingredients. VF sold its own brand products to a supermarket chain which focused on low prices.
- This takeover gives NFP a large factory that increased the total capacity of the company by 50% at a lower cost than building a new facility. NFP planned to use this factory to produce new product ranges once it had been updated and new equipment installed to replace very old machines.

Appendix 4: Company in crisis

- In April 2020, there were news reports that 250 people became ill after consuming contaminated butter produced by NFP. This was country X’s biggest case of food poisoning for over 10 years.
- In a national television appearance, Sian was asked by a reporter about VF’s early decision not to recall thousands of products which contained meat from animals other than those animals stated on the packaging.
- Her response was: ‘NFP’s strategy will be to integrate the VF business into NFP as rapidly as possible to achieve our aim of higher profits. This means quickly changing the way VF is managed and the values and standards used in the production and marketing of its products. The milk we had used from the wholesale market must have been contaminated’. She added that NFP had now introduced a quality assurance system and had contacted all those consumers affected to offer compensation.

Answer **both** questions

Q1 Evaluate NFP's strategy for growth between 2016 and 2020.

[20]

Q2 Advise Sian on which approaches she should use to develop a new business strategy for the frozen food industry.

[20]

