



Oxford Cambridge and RSA

**Thursday 7 October 2021 – Morning**

**A Level Business**

**H431/01** Operating in a local business environment

Resource Booklet

**Time allowed: 2 hours**



### INSTRUCTIONS

- Use this Resource Booklet to answer the questions in **Section B**.
- Do **not** send this Resource Booklet for marking. Keep it in the centre or recycle it.

### INFORMATION

- The business described in this Resource Booklet is a **real** business.
- This document has **4** pages.

## The Coffee Café (TCC)

The Coffee Café (TCC) was opened by Daphne Wallis in a village near Warwick in 2015. Daphne operates the business as a partnership with her husband, Jeffry. They moved to the village in 2014 and although they loved the location, they often joked that what the village needed was a really good café.

In late 2014, they were walking past an empty three-storey house in the village which had a huge window at the front. It had been used as a shop previously. Daphne remembers saying to Jeffry, “this location could be ideal for a café.”

Daphne carried out market research, among local residents, to find out their preferences about products and opening times. Daphne had previously managed a number of well-known high street retailers, before the birth of her children, and so had plenty of business knowledge and management ability.

There were challenges in opening the café. Apart from raising the finance to buy the premises, there were other problems in the first year of trading. First, despite the market research, it proved hard to know how much trade there would be. Second, the menu had to be changed several times while Daphne decided on TCC’s core products. Third, there was a lot of wastage. However, Daphne learnt from experience what to make and this is no longer a significant issue. If any items, such as cakes, are not likely to be bought by their sell by date, she reduces the price and sells them as ‘today’s treats’.

The café was costly to set up. The coffee machine and other kitchen equipment, such as fridges and freezers, were the most expensive items. It was also necessary to purchase equipment for making the cakes, biscuits, sandwiches and soups on the premises. Tables, chairs, a till and a safe were also bought. Some rewiring was necessary for a new fire alarm. In total, this all cost over £30,000.

Daphne, Jeffry and their children live upstairs, while the café and its kitchen take up the ground floor. Jeffry helps out serving in the café occasionally but has his own career as a graphic designer and does not take an active role in running the business.

TCC sells a wide range of food and Daphne is proud of its range of vegetarian, vegan and gluten free options. Higher prices can be charged for these. Recently, she has introduced a fixed lunch menu, served between 12.00pm and 2.00pm, as well as a take-away sandwich service.

TCC opens six days a week; Tuesday to Saturday, 9.00am – 4.30pm and Sunday, 10.00am – 4pm. Originally, the café was open every day. However, Mondays were usually low on customer numbers. Furthermore, Daphne began to feel the strain of working every day and has come to value her day off. She says, “I enjoy my Mondays, although they are not always relaxing; sometimes there is paperwork to do, such as the VAT return.” However, with the success of TCC, especially the growth in sales from lunches and the take-away sandwich service, she has started to wonder if the café should open again on Mondays.

TCC does not have a website. “I never got around to it”, says Daphne, “but we make extensive use of social media, such as TripAdvisor and Facebook, for promoting new products or special events.” TCC’s target market is ‘local returning customers’ and the café has established a loyal customer base who visit regularly. The café can seat up to 30 customers at a time. Daphne says that, “on average 240 people pay at the till per week, but to assess the actual number of customers this figure needs to be at least doubled, as the person at the till is usually paying for a group. The average spending per customer is £7.50.”

Customer numbers can still be unpredictable. TCC is significantly affected by the weather; rainy days, very hot or very cold days will lower sales considerably. After six years Daphne feels she, “can predict a bit of a pattern now” but customer numbers do not always follow her expectations. This means the possibility of having to throw away perishable products, such as salads and sandwiches. 45

TCC has the usual business overheads to pay, including labour costs which account for about 30% of total costs. Daphne sets TCC’s prices by simply multiplying the cost of the ingredients by between two and three times. So, for example, a ‘large cake’ will contain £13 of ingredients and, when baked, will be divided into 12 slices which will each sell for between £2.20 and £3.30. Daphne says she uses this method, “as it is quick and easy and seems to work” although she admits that she has been thinking about analysing the business’ profit margins in more detail. 50

Daphne has set the following strategic objectives for TCC: 55

- To stay profitable
- To achieve sales growth
- To provide outstanding customer service
- To retain employees
- To keep up with food trends and issues, such as recycling and compostable goods. 60

Staffing is an important issue for TCC. In total, there are 12 part-time staff. There are usually three staff in the café at any one time, including Daphne. She states, “The café is not that large and we work in a very close environment. We have to be able to get on with each other – so employing the right person is crucial.”

Staff training is also important. As well as health and safety issues, all staff have to be aware of food hygiene regulations and possible customer allergies. “Everyone does everything”, says Daphne. “We all serve, bake and prepare the food.” The ‘coffee training’ is particularly complex. This involves knowledge of the different types of coffee and coffee beans and how long the boiling water should be run. Machines are available that have pre-set times for this, but Daphne does not use them and so the coffee experience is all down to the skill of the person making it. This, Daphne believes, is the main factor that distinguishes TCC from its only competitor – a nearby garden centre that also offers hot drinks and some food. She feels that, “these aren’t of the same quality as ours and it lacks the atmosphere of my café.” 65 70

**NB:** TCC is a real business. However, to protect sensitive information, the name of the business and its owners have been changed.

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