Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/41**

Paper 4 Business Strategy **May/June 2025**

1 hour 15 minutes

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You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS
- Answer **all** questions.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.

INFORMATION
- The total mark for this paper is 40.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **4** pages.

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Riki's Restaurant (RR)

RR is a restaurant based in country W. The business was set up in 1980 by sole trader, Riki. RR developed a positive reputation for tasty food, reasonable prices and outstanding customer service leading to loyal customers. RR made a profit every year.

At the end of 2020 Riki retired and sold RR to Chelsea, an entrepreneur. Chelsea had just completed a business management degree and wanted to grow the business steadily over the first five years of ownership. Chelsea also aimed to increase profitability by at least 30% by the end of 2025. Chelsea believed that this could be achieved by a human resource (HR) strategy to increase efficiency by reducing labour cost, the highest cost of the business.

Timeline of RR

2021	Sole trader Chelsea takes control of RR on 1st January 2021. RR has a total of 20 employees. All employees have permanent contracts with fixed hours. Many of the employees have worked for RR for over 30 years. Chelsea introduces an HR strategy to increase efficiency by reducing labour cost (see **Appendix 1**). Five employees, two chefs and three customer service employees, are made redundant. Problems with the customer booking system due to employee errors. This led to disciplinary action.
2022	Labour turnover starts to increase (see **Appendix 2**). Customer satisfaction starts to fall (see **Appendix 3**). Annual revenue is 50% lower than 2021.
2023	Chelsea reports a loss of $52 500. Chelsea struggles to raise finance to improve the liquidity of RR.
2024	Chelsea accepts Mario as an equal partner into the business. Mario is a successful chef with many ideas to improve the business performance. Chelsea retains responsibility for the operations and HR functions. Mario takes on responsibility for the marketing and finance functions. Mario assesses RR's financial performance over time (see **Appendix 4**).
2025	Mario considers a recent market research report (see **Appendix 5**).

Developing a new business strategy

Mario wants to improve the performance of RR against its competitors. Mario needs advice on the most appropriate approach he could use to develop a new business strategy to achieve this.

Appendix 1: Summary of Chelsea's HR strategy for RR in 2021

Changes to contracts

- All employees to move to zero hours contracts to match demand and employees' availability.
- Employees to be given seven days' advance notice of their weekly hours.
- Staff discount reduced.
- Opportunities for individual bonuses to be earned.

Changes to job roles

- All employees to be multiskilled to increase flexibility and job variety.
- Some training offered.
- Customer bookings only accepted online.

Appendix 2: RR's labour turnover data between 2021 and 2024

Year	Labour turnover (%)
2021	12
2022	35
2023	55
2024	48

Appendix 3: RR's customer satisfaction data between 2021 and 2024

Year	Customer satisfaction rating (%)
2021	74
2022	40
2023	25
2024	31

Appendix 4: Extracts from RR's financial statements between 2021 and 2024

	2021	2022	2023	2024
Revenue ($000)	400	200	150	220
Direct costs ($000)	150	150	180	180
Acid test ratio	1:1	0.8:1	0.3:1	0.2:1

Appendix 5: Market research report summary in 2025

- There are 57 restaurants within a five-mile radius of RR.
- 67% of the local market is dominated by international fast-food companies.
- The demand for mid-priced restaurants is increasing due to an economic downturn.
- Some successful local restaurants are developing new menu options aimed at vegans.

Answer **both** questions.

1 Evaluate the impact of Chelsea's HR strategy on RR's performance between 2021 and 2024. [20]

2 Advise Mario on the most appropriate approach he should use to develop a new business strategy to improve the performance of RR against its competitors. [20]