



Cambridge International AS & A Level

BUSINESS

9609/41

Paper 4 Business Strategy

May/June 2025

1 hour 15 minutes



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.

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

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]

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