
ENTERPRISE

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Paper 1

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1 hour 30 minutes

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This document consists of **3** printed pages and **1** blank page.

Saba Sauces

Background

Saburo has always enjoyed cooking. At school, for his enterprise project, he had sold bottled sauce made from his grandmother's recipes. When he left school Saburo sold the sauce on a local market stall.

The following year, demand for his sauce had increased and Saburo needed help. His friend Barak wanted to leave his job in a local restaurant, because he did not want to work at night anymore. Saburo asked Barak to help make and sell the sauce. The friends agreed to work together as a partnership.

The partners worked well together as each had very different skills. With Barak's help Saburo was able to create two new sauces to sell. To make sure that people could identify their products they created a brand name, Saba Sauces, and protected the products with a patent.

The partnership was a success, as sharing the workload made the production of sauces more efficient.



Fig. 1

The idea

The Saba Sauces brand was popular and the partners had many loyal customers. Visitors to the town often asked if they could buy the sauces in other towns or even buy online from other countries.

Barak thought that Saba Sauces should be sold in other towns. He suggested that they approach large national stores to see if any would be willing to buy supplies of Saba Sauces to sell in their store. The partners wrote letters to the head offices of each of the large stores.

The representative of one of the stores was interested in the idea and he asked to meet with Saburo and Barak.

The meeting

At the meeting the store representative tasted the product and asked many questions. He explained that before he could agree to sell the sauces, he would need to be sure that his customers were protected. He wanted to know if the production of the sauces followed all necessary food regulations.

Saburo and Barak showed him their production plan, which listed the quality checks used to ensure the safety of the product.

The store representative agreed that this could be a suitable product for his store to sell. If the partners could guarantee supply, he would be willing to place an order. He suggested arranging another meeting in one month's time to allow the partners to plan for this new order.

To supply the order they would need to triple production. This would mean a large investment of money to rent a bigger location, buy more machinery and pay extra staff. Saburo and Barak were not completely sure that they could afford this investment. They did have some profit that they could reinvest, but this would be a big risk as they were worried about the costs of expansion.

The planning

Saburo and Barak were excited about the opportunity. They started to research and produce a business plan for their expanded business.

Barak found a local building that would be a suitable place to make the sauces. Saburo researched the cost of the additional machinery they would need and estimated the costs of the extra staff. The partners realised that the profit they had saved would not be enough to cover all of these extra costs. They knew that many enterprises failed due to cash flow deficits. To avoid this, they would need another source of finance.

Saburo decided to show all of their research to a local business advisor and ask for their advice. The business advisor asked to see their completed business plan so that she could offer the correct advice. She then explained some of the sources of finance that they could use:

- loans
- overdrafts
- mortgages.

A major problem for the partnership would be that they had unlimited liability, so if the enterprise failed, Saburo and Barak would have to sell their personal property to repay any debts. The business advisor suggested that they change the business organisation and become a limited company.

Saba Sauces was on the way to rapid growth. The partners were ready for their next meeting with the store representative. There would be one purpose of the meeting: to negotiate and reach agreement on the future contract. Most importantly, they would need to agree on the number of bottles the store would purchase each month.

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