

**ADVANCED GCE**  
**APPLIED BUSINESS**  
Unit 9: Strategic Decision-Making

**F248/CS**

**CASE STUDY**

**Tuesday 13 January 2009**  
**Afternoon**

**Duration: 2 hours**



**INSTRUCTIONS TO CANDIDATES**

- This is a clean copy of the case study which you should already have seen.
- You should refer to it when answering the examination questions which are printed in a separate booklet.
- You may **not** take your previous copy of the case study into the examination.
- You may not take notes into the examination.

**INFORMATION FOR CANDIDATES**

- This document consists of **8** pages. Any blank pages are indicated.

# King's Move plc (KM plc)

## Background

King's Move Ltd had been in existence since the early 1970s and was originally a house removal firm which operated in the West Midlands. When Simon King, son of the founder and sole shareholder, took over the running of the firm in the mid 1980s, he had a vision for King's Move Ltd. This went beyond part of its mission statement to provide reliable, yet localised, operations.

Following a successful flotation, *Kings Move plc (KM plc)* expanded rapidly. The late 1980s housing boom meant many lucrative contracts in the house removals market and soon *KM plc* was also operating in the East Midlands, the M4 'corridor', South Wales and the Hampshire/Dorset region (see Fig. 1). The business of house removal involves considerable investment in capital and labour. Also, there is an unsteady cash-flow as removals generally follow trends in house purchase which, in turn, follow house price, economic and interest rate cycles (see Appendix 1). Customer service is everything if a removal firm is to maintain a decent reputation and *KM plc*, following expansion, has not been without its fair share of problems in this respect.

Areas operated by *KM plc*

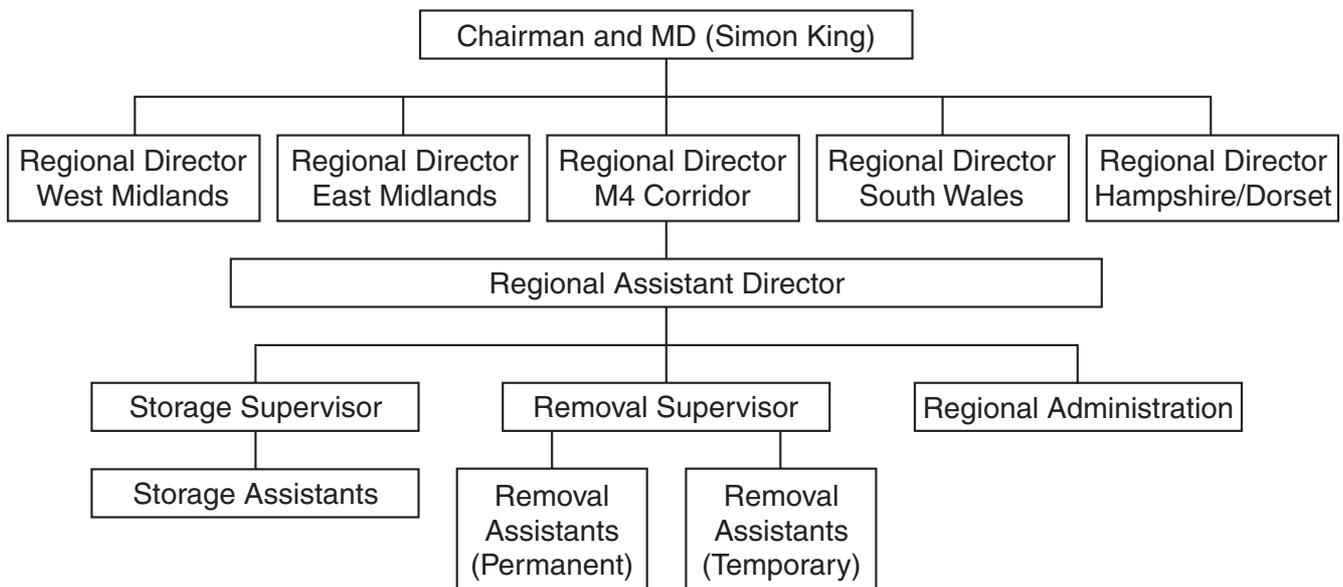


Fig. 1

*KM plc* is set up to operate on a regional basis, but there is considerable overlap and sharing of resources. Each region has up to 15 removal lorries with each lorry subdivided into three sections, called 'containers'. Customers are charged according to the number of containers which they require and experience has shown that most customers in an 'average' three bedroom semi-detached house require at least five removal containers. Ideally, most customers want to move out of one house and into their new one on the same day, but this is not always possible as people may, for example, be moving into rented accommodation for a period of time. Indeed, many people now rent homes because of the cost of buying and often do not have a large volume of furniture to move (**see Appendix 2**). In this case, they usually require storage and *KM plc* rents large storage depots for this purpose in each of its operating regions.

*KM plc* provides a full removal package which starts with the Regional Assistant Director (or his immediate subordinate) visiting the customer's home to quote for the job. This ensures personal contact and guarantees *KM plc* does not rely on the customer to (usually inaccurately) guess the volume of house contents. *KM plc* then quotes within 24 hours. Speed, Simon feels, is essential for the whole job, whether it involves a direct move to another house or time in storage. The storage option is very lucrative for *KM plc* as the customer is then 'captive' and will have to pay to move their possessions out of storage. A removal date is agreed and a team sent in to load boxes into the removal containers on the back of the removal lorries. *KM plc* encourages its customers to let it do the actual packing of household items into removal containers so that it is more efficient, there is less chance of breakage and *KM plc* can charge extra.

As *KM plc* expanded, Simon realised that the organisation would have to adopt a more formalised and hierarchical structure (**see Fig. 2**). Given the stressful nature of moving house, the key to the whole business of removals is providing punctual, trained removal staff, with good customer service skills, who will do the job in an efficient manner. The Removal Supervisor has an essential role in this as he/she runs the job from the moment the removal team arrive on site. Training for removal teams is crucial as they all need to be good at packing, carrying, loading and also need to have good customer service skills. Not only must they eliminate any risk of damaging goods but they must be highly efficient when filling the removal containers. Otherwise they will cost *KM plc* money in wasted space and lost time, quite apart from the problems and the distress it will cause the customer. *KM plc* found that it took some time to get Removal Assistants up to speed and that made the Removal Supervisor's job all the more important. Due to the costs of hiring full-time staff and with somewhat seasonal demand, *KM plc* found that it needed to hire temporary Removal Assistants. This had led to a number of problems with breakages, time-keeping and generally poor customer service.



**Fig. 2**

## Failed Expansion

In the mid 1990s, *KM plc* had tried to expand its operations into the South West. This had been done without proper human resource planning and had resulted in some 'high profile' (they made the regional press) disasters where *KM plc* had had to compensate a number of customers for missed removal dates and damaged goods. One of the major problems was not with the actual removal, but with the demotivated Storage Assistants who worked at the new storage depot. They were initially working without a Storage Supervisor and did not seem able to do anything on time. Entire containers were 'lost', customers' moving dates missed and when Simon himself visited the depot he could not actually find any staff on duty at all. The Directors at *KM plc* seemed of the view that, given their poor performance, it was just as well the storage staff were paid £2 an hour less than their removal staff counterparts. They were not worth any more! Eventually, *KM plc* abandoned this South West venture.

## Moving On

Following these problems, *KM plc* opted for a period of consolidation. Simon decided to adopt a more professional approach to management and spent a lot more time producing and scrutinising performance data. He was particularly keen to look at workforce efficiency and customer feedback and produced a number of ways of measuring the effectiveness of *KM plc's* removal teams.

Simon was also keen to keep an eye open for further opportunities, but was wary following the public relations disaster of the South West. One way to explore the market further was to take on 'one-off' contracts in new regions or hope for new types of customer, such as businesses. Recently, Simon had asked the West Midlands Director to undertake a removal contract for Simon's brother in Manchester. He was relocating to Northern France and needed a period of storage before the subsequent move across the Channel. It did not make much money for *KM plc*, but raised some important questions about logistics and costing which would be valuable for future expansion. What factors should determine how much *KM plc* charges? How were fixed costs allocated when undertaking a removal? How should it be staffed and lorries allocated? Simon decided that *KM plc* should experiment further with more 'special orders' to enable it to produce more data on which *KM plc* could base decisions.

A recent telephone enquiry about a removal from Scotland's west coast to Guernsey in the Channel Islands would be an interesting test case as it would stretch *KM plc's* logistics to the limit. Simon was keen to experiment, even if it meant a loss. He looked again at *KM plc's* standard removal charges and costing information (**see Fig. 3**), but was aware that the company had many other costs, such as storage and salaries which needed to be absorbed into what it ended up charging its customers. There was also the concern that it might be diverting resources away from more profitable contracts elsewhere.

<b>Charges to Customers</b>	
Fee for removal if within 100 mile radius	£300
Additional distance charge	£50 per 100 miles after first 100 miles
Fee per container	£115
Storage charge	£12 per container per week
<b>Costs to <i>KM plc</i></b>	
Removal Supervisor	£14 per hour
Removal Assistant	£8 per hour
Vehicle costs (fuel, absorbed fixed costs, etc)	£200 per removal per vehicle

Fig. 3

### South West Expansion (again)

*KM plc* had gradually taken on more work north of the Midlands, but was keen to look at the South West again – a natural progression from its work along the ‘M4 corridor’ and Dorset, and following house price trends in that region (see Appendix 3). Simon, by 2008, felt that the ‘dust had sufficiently settled’ following the set back in the previous decade and the time was right for expansion into Somerset, Devon and Cornwall. He had spent much of the year researching different options and it was essential that, at all costs, *KM plc* succeeded this time. In November 2008 Simon summarised *KM plc*’s South West options as follows.

**Option One** – Buy a large storage depot in Exeter, costing £1 200 000. This has the advantage of being ideally located for the whole South West, situated on the M5, boosting the firm’s fixed assets and adding a certain much needed ‘prestige and presence’ to *KM plc* in the region.

**Option Two** – Rent a medium sized storage depot in Taunton. This would need a much smaller capital outlay of just £200 000 for general refurbishment and installation of storage equipment, but would require a substantial monthly rent. *KM plc* did have the advantage of an option to purchase the premises for £1 000 000, should it wish to, after two years.

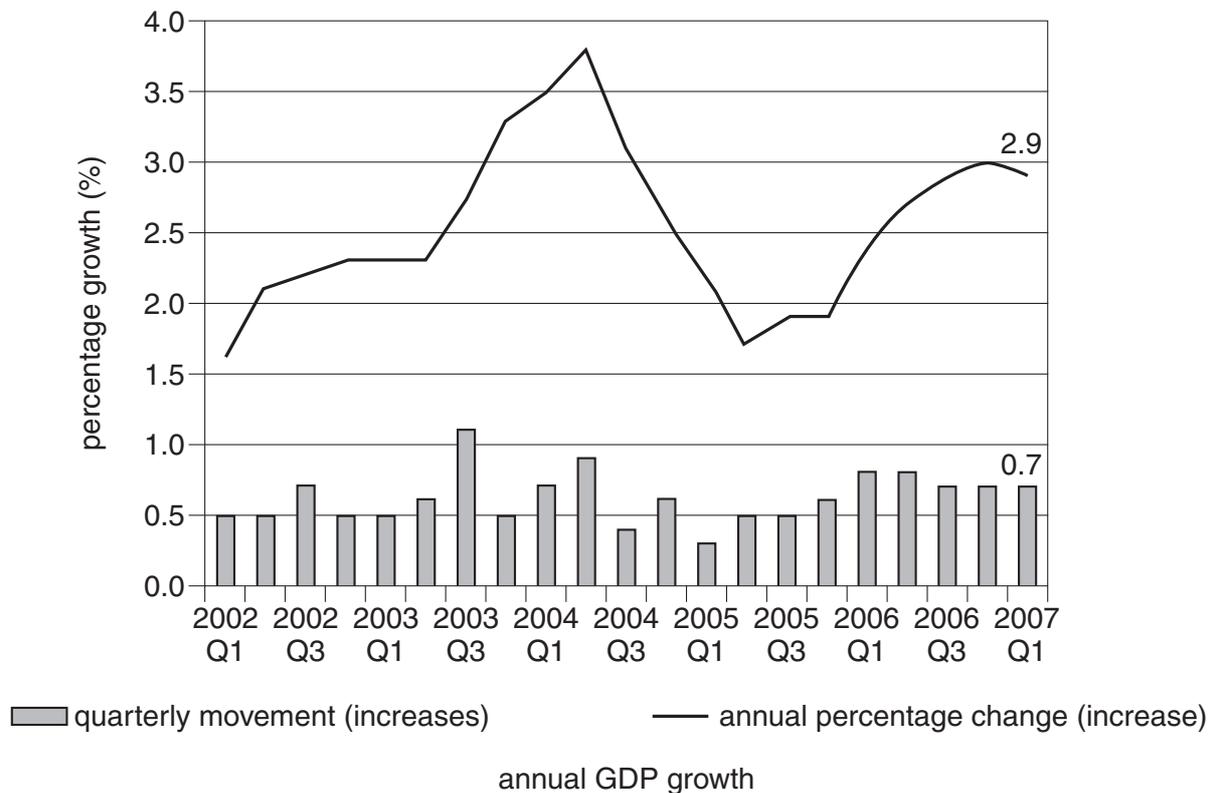
**Option Three** – Expand the existing storage depot in Bristol and use it as a base for the South West, as well as for South Wales and the ‘M4 corridor’. The cost of this would be £500 000. It has the advantage of being *KM plc*’s own site already and might enhance its provision of removal services in existing areas. However, Simon was concerned that it would create logistical difficulties being some distance from, say, Cornwall and was not really what he had in mind regarding a ‘presence’ in the South West.

In each case, *KM plc* had calculated that, within three years, it would need to buy 12 removal lorries, 100 each costing about £70,000, if it was going to meet anticipated demand in the South West. Finance was clearly a big issue, but it was not the only one. Opinion about the expansion was clearly split among the Directors of *KM plc*. Questions had been raised about staffing, training, operations management and marketing. Clearly, there was still a negative feeling regarding the debacle of the 1990s and they needed reassurance and clear evidence that it would work this time. Simon is very keen that *KM plc* increasingly uses decision-making tools, such as Ansoff's Matrix, when planning strategy. The Directors are less keen and view Simon's 'tools' with varying degrees of scorn, preferring to act on their own experience or a 'hunch'. By January 2009, after two months of debate, Simon insisted that *KM plc* reach a decision as the summer removal season was not very far away. 105

## Appendix 1

### Economic Growth, Property Transactions and Interest Rates

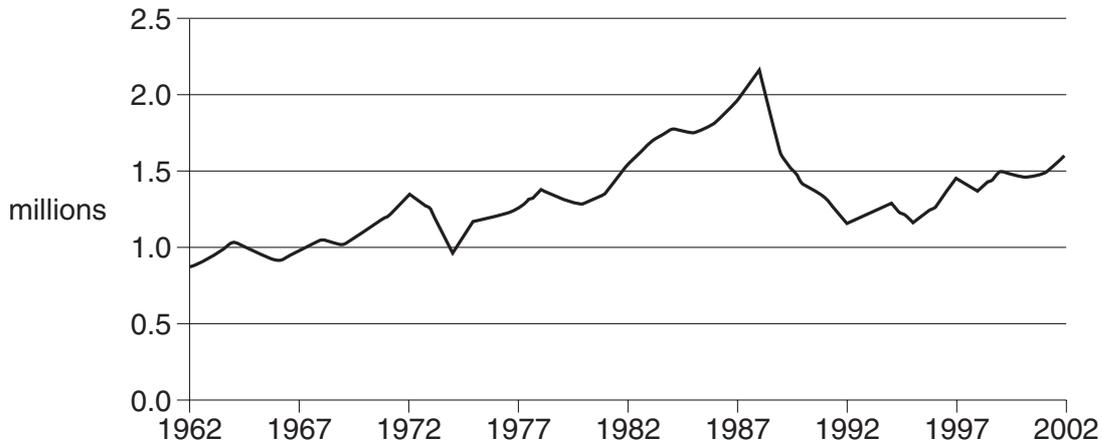
#### UK Economic Growth



Source: Office for National Statistics, [www.statistics.gov.uk](http://www.statistics.gov.uk)

## Property Transactions

### England and Wales



Source: Inland Revenue, [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

## UK Interest Rates

### UK interest rates frozen at 4.75%

**The Bank of England has left UK interest rates on hold at 4.75% for the eighth month running at the end of its latest rate-setting meeting.**

The decision by the Bank's Monetary Policy Committee (MPC) was widely expected given subdued UK inflation and a slowdown in consumer spending.

Extract from *UK interest rates frozen at 4.75%*, <http://news.bbc.co.uk>, 07 April 2005

## Appendix 2

### UK Property Trends

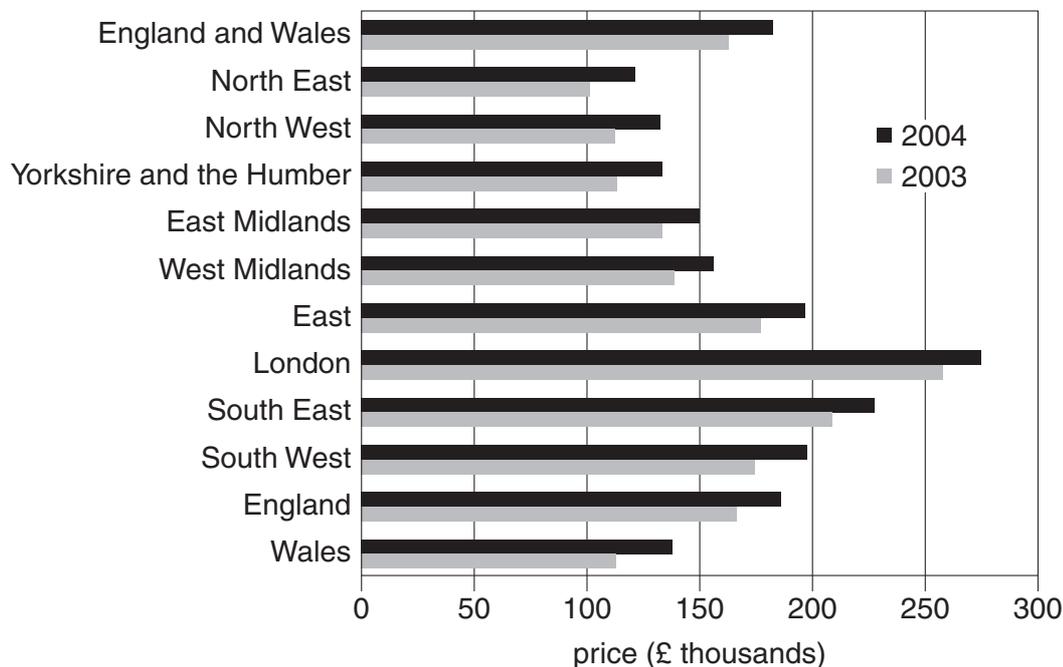
Today, the rental sector is directly linked to house price affordability. When house prices rise, rents go down (and vice versa). Worryingly, UK property prices have increased to 5.8 times the average income compared to the long-term average of 4.2. People are knowingly stretching themselves, egged on by low interest rates, re-mortgage deals and low unemployment. Many, however, cannot afford (or refuse) to get on the housing ladder and so rent instead.

Extract from [www.let-a-property.info](http://www.let-a-property.info)

## Appendix 3

### Regional House Prices

Average regional house prices, 2003 and 2004



Source: Office for National Statistics, [www.statistics.gov.uk](http://www.statistics.gov.uk)



*Copyright Acknowledgements:*

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