

EASTERN UNIVERSITY, SRI LANKA  
FACULTY OF COMMERCE AND MANAGEMENT  
DEPARTMENT OF COMMERCE



THIRD YEAR/FIRST SEMESTER EXAMINATION IN BUSINESS  
ADMINISTRATION/COMMERCE – 2008/2009 (SEP 2009) (Proper/Repeat)

DEF 302 BUSINESS PLANNING

Answer all questions

Time: 03 Hours

01. The Power of the little Blue and White Boxes

One day in 1930, Mabel Holmes noticed that a neighborhood boy, the child of a single father, was eating a homemade biscuit that resembled a hockey puck-hard and dry. Realizing that finding the time to make biscuits from scratch was a challenge for a single parent, Mabel decided to develop a ready-made biscuit mix that would be "so simple even a man can do it." She had no idea that the product she developed would become Jiffy, the nation's first prepared baking mix and now the market leader in the muffin and-biscuit-mix category sold on practically every grocery store shelf in the country.

The Holmes family had been in the wholesale flour business since 1802, and at first, Jiffy was just a small sideline operation of the Chelsea Milling Company. Mabel's husband, Howard Samuel Holmes, ran Jiffy until his death in 1936, when their twin sons Dudley and Howard Sumner took it over and expanded the brand over the next several decades. They added a pie-crust mix in 1940 and a corn-muffin mix in 1950. By the 1960s the little blue and white boxes were selling so well that the Holmes family decided to close the flour wholesaling operation to focus on selling the Jiffy family of products. Today, the Jiffy product line includes 18 products, mixes for everyday products ranging from pizza crust and brownies to pancakes and cornbread.

The privately held family business is the market leader-not an easy task when the competition includes corporate giants General Mills and Pillsbury. Yet in the muffin-mix category, Jiffy commands 55.3 percent of the market when measured by unit sales. Just how does this small company in Chelsea, Michigan, do it? Current CEO Howdy Holmes, Mabel's grandson, credits the company's size and agility for much of its success. "In a larger company, the decision-making process is considerably more complicated," he says. "Here, it's done by three or four people, not three or four departments. We can make pricing decisions based solely on what makes sense, not on shareholder demands." Chelsea Milling focuses on efficient operations and handles every aspect of manufacturing, except printing its classic boxes, at its factory.

Chelsea's marketing strategy also has much to do with its success. Throughout its history, the company has *never* advertised or used one of the staples of grocery store marketing: coupons. Never using advertising sounds like a recipe for failure for a company making food products in this media" rich, advertising-laden world, but Holmes readily admits he thinks Chelsea Milling is an exception. He credits the company's long and rich history that has enabled it to build up generations of goodwill as one family member passes on the tradition of using Jiffy products to the next generation.

Despite its lack of advertising, Chelsea Milling does have a marketing strategy, and it is built on the principles of quality and value. "Our approach is to give people the best value, which is a combination of two things," says Holmes." That's the highest-quality ingredients with the best price. The only way to do that is to take out the percent to 52 percent of the end cost that's passed on to consumers by removing advertising, merchandising so forth."

Because Chelsea Milling does not incur any of these costs, Jiffy's prices are one-third to one-half less than its competitors. That significant price advantage gets customers' attention, which, in turn, gets the attention of super market retailers. "In our stores, Jiffy does three times the sales of the next closest item," says a spokesperson for Kroger, the nation's largest grocery chain. Even Kroger's private-label mixes can't compete with Jiffy because we can't match them on cost."

Howdy Holmes, who says his former career as a professional race car driver was perfect training to take over a manufacturing company, saw the need for change when he took over the helm of the family business in 1987. The company had become too entrenched in outmoded business techniques in manufacturing, quality, accounting, and other key areas. Plus, there was no management succession plan in place. "Our business model worked against growth," he recalls. His goal was to transform Chelsea Milling from a sole proprietorship into a professionally managed company." Today, thanks to a preventive maintenance program enhanced manufacturing scheduling, upgraded quality management techniques, better accounting controls other improvements, Chelsea Milling's production capacity has shot up by 40 percent, to 1.6 million boxes of jiffy mixes. If Holmes's other plans fall into place, the company will need all of it. Even in a slowing market, Jiffy's sales continue to climb. Plus, Holmes says, "Right now we're just in the retail market, but we are seriously looking at export. We are seriously looking at food service. All these are possibilities."

## Questions

1. What is the basis for Chelsea Milling's marketing strategy? How effective is it?  
(07 marks)
2. How easily could a competitor duplicate Chelsea's marketing strategy for Jiffy? Explain.  
(07 marks)
3. How successful do you think a company launching a product such as Jiffy today would be if it never advertised? Explain.  
(07 marks)
4. How would you evaluate the opportunities Chelsea Milling faces for Jiffy products?  
(07 marks)

(Total 28 Marks)

02.

1. Explain the term **“Entrepreneur and Entrepreneurship”**. (04 marks)
2. Discuss the Government role in the development of self employment in Srilanka. (04 marks)
3. Discuss about **“administration and management”** in small business. (04 marks)
4. Differentiate the public company and private company with new company act No 07 of 2007. (04 marks)
5. Why does the business need registration? And what are the legal responsibilities have to be satisfied in the business? (04 marks)

(Total 20 Marks)

03. **“Marketing is every thing you do to find out who your customers are and what they need and want”**

1. Explain the three common method of pricing of a product / service. (04 marks)
2. What are the promotional measures used in the marketing plan? (04 marks)
3. Differentiate the terms of **“Direct and Indirect cost of Labour”**. (04 marks)
4. What is pre-operating activities? And what pre-operating expenses will be incurred in starting business? (04 marks)

(Total 16 Marks)

04. **“Home Based Business is a business which can be of any size or any type as long as the office itself is located in a home.”**

1. Explain the importance of Home Based Business. (05 marks)
2. How does a woman entrepreneur relate with home based business? (05 marks)
3. What are the problems arising in women entrepreneurship? (05 marks)
4. What are the challenges faced by the home based business? (05 marks)

(Total 20 Marks)

05. **“Entrepreneurs must plan their proposed business projects with utmost care to ensure their successful implementation”**

1. What is a business plan and what are the advantages of a business plan? (04 marks)
2. Explain the Executive Summary of a business plan. (04 marks)
3. What are the Characteristics of a good business plan? (04 marks)
4. What are the major components of a business plan? (04 marks)

(Total 16 Marks)