



**GCE A LEVEL – NEW**

1510U40-1



S17-1510U40-1

**BUSINESS – A2 unit 4**  
**Business in a Changing World**

MONDAY, 19 JUNE 2017 – MORNING

2 hours 15 minutes

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### **ADDITIONAL MATERIALS**

In addition to this examination paper, you will need:

- a WJEC pink 16-page answer booklet.
- a calculator.

### **INSTRUCTIONS TO CANDIDATES**

Use black ink or black ball-point pen.

Answer **all** questions in Section A.

Answer **one** question from Section B.

You are advised to spend no more than:

- 80 minutes on Section A
- 55 minutes on Section B

Write your answers in the separate answer booklet provided.

### **INFORMATION FOR CANDIDATES**

The number of marks is given in brackets at the end of each question or part-question.

You are reminded of the need for good English and orderly, clear presentation in your answers.

## SECTION A

*Answer all the questions in this section.*

1. Read the case study below and answer the questions that follow.

### Innocent Drinks

#### Small beginnings

Rich, Adam and Jon, friends from university, went on a snowboarding holiday during which they decided to go into business together selling smoothies. In 1998 they sold their first fruit smoothies from a stall at a music festival in London. A sign above the stall read "Should we give up our jobs to make these smoothies?" and people were asked to throw their empty bottles into bins marked 'Yes' or 'No'. The 'Yes' bin contained the most bottles and the idea for Innocent Drinks was born.

After writing a business plan no investors came forward. The friends re-wrote their plan another eleven times, being turned down by every bank, venture capitalist and business angel that they approached. At the time, smoothies were a new concept in the UK drinks market which resulted in no one wanting to invest. It would be quite a risk to launch a new product in an already crowded drinks market. The team would have to convince other businesses to put the smoothies in their fridges, develop a brand name and image, negotiate production facilities as well as concern themselves with food safety laws. To top it all, the smoothies would be twice as expensive as the carbonated soft drinks currently on offer. Despite all these obstacles, eventually, an investor, Mr Pinto, provided the group with enough capital to get started. At that stage, it must have been difficult to believe that Coca-Cola would purchase a significant quantity of shares in Innocent Drinks just ten years later.

#### The products

Innocent Drinks launched with three smoothies. Funky labels were put on 250 ml bottles in order to attract trendy, health conscious twenty-somethings to the brand. The products were more expensive than popular fizzy drinks such as Coca-Cola or bottled water but it was hoped that the health and nutritional benefits would outweigh the cost in consumers' minds. Early bottles often contained jokes on the labels in order to encourage repeat purchases and secure brand loyalty. Innocent Drinks quickly extended its portfolio to develop a wide range of smoothies. 'Super smoothies', containing additional vitamins, were developed next. They introduced a 100 % British sourced smoothie made from traditional British fruit including damsons, blackcurrants and elderflower. Products such as 'veg pots' for adults and 'noodle pots' for children allowed the business to move into the food market.

Innocent Drinks are keen to make the most of what they have by offering a range of bottle sizes to target different users of the product be it families or individuals. Smoothies in a carton with a straw have also been introduced in order to appeal to children as a lunch box treat. Another packaging tactic has been to repackage drinks in to 'fruit tubes' containing only 40g, as a snack time treat for children. The simple pack size changes have been a great success with Innocent Drinks stating on its website that the introduction of different size cartons alongside the introduction of 'Super smoothies' led to an increase in sales.

As well as successful products, Innocent Drinks have also trialled items such as Thickies (a yogurt based drink) and Juicy Water (later renamed This Water), which struggled to sell when launched. Other products such as Innocent Ice Cream never got to the product launch stage as its development was more complicated than first thought.

In addition to food and drink items, Innocent Drinks have produced a range of books on healthy eating. In 2011, the family recipe book, "Hungry", was published. The company toured a grass covered van around the country to serve food made from recipes contained within the book. Those purchasing a book from the van received a 50 % discount off the usual retail price of £20.

45 **Spreading the word**

The quirky marketing of Innocent Drinks has become something of a trademark. From small beginnings, internet marketing was attempted by sending weekly webnews to just eleven people. The team visited trade shows in order to attract business from retail stores and eventually managed to get a deal to put smoothies in ten Waitrose stores. The trial was a success and they began to distribute their product in more stores. The company got their first big break in the press with an article in a London newspaper.

Sponsorship has also been important to Innocent Drinks' marketing campaign. During the London 2012 Olympic and Paralympic Games, Innocent Drinks were the official smoothie and juice product. The company also launched a special Olympic smoothie. Their grass covered bikes and bars served drinks to visitors and athletes across the Olympic Park.

**Doing good**

Innocent Drinks have always traded on their green credentials. From their annual Nature Weekends, giving staff a chance to explore the great outdoors, to the development of honey smoothies in their 'Buy One Get One Bee' event in 2010 which focused attention on the declining bee population.

A significant development in Innocent Drinks' charity work came in 2003 when 46% of all profits were given to charity, a move which nearly bankrupted the business. As a result, Innocent Drinks became more organised in 2004 and the Innocent Foundation began, using 10% of annual profits to support ethical activities. To date, the company has committed over £2.4 m and directly helped over 530 000 people.

The company has gone on to link their charitable activities with other groups. In 2013 Former US President Bill Clinton visited the company to help launch the new look Innocent Foundation, with its mission to help the world's hungry, and also to talk about the joint project with the Clinton Foundation in Malawi.

One of Innocent Drinks' highest profile campaigns in recent years has been 'The Innocent Big Knit'. Participants knit small woollen hats which are big enough to fit on the top of 250 ml Innocent smoothie bottle caps. These are sent to Innocent by the public and offered as an optional extra for those purchasing Innocent products. For each knitted hat sold, 25p goes to Age UK.

The production of many Innocent Drinks' products is outsourced to third parties. From the production plants sending zero waste to landfill to the production of smoothies in 100% recycled plastic bottles, Innocent Drinks has always pushed its suppliers to behave in an energy efficient and environmentally friendly manner in order to 'do good' for the planet.

**Onwards and upwards**

Innocent Drinks is now a multinational organisation. Since the setting up of their first overseas production hub in Dublin during 2002, facilities have opened in Paris and Amsterdam a year later. In 2006 Innocent Drinks opened for business in Scandinavia and in 2007 European expansion occurred in Germany and Austria becoming Europe's best selling smoothie.

As the company produces goods with a limited shelf life, arranging suppliers, contracts with retailers and distribution is a challenge. However, Innocent Drinks' connection with Coca-Cola became useful when breaking into new markets abroad.

Recently, Coca-Cola purchased further shares in Innocent Drinks to increase their level of ownership. Shortly after, Rich, Adam and Jon handed over the running of Innocent Drinks to a new management team which had worked for Innocent Drinks over a number of years and were familiar with the company's quirky approach and reputation.

- (a) Explain the possible responses of Innocent Drinks to the potential risks outlined in lines 11–15. [8]
- (b) To what extent has Innocent Drinks' marketing strategy been a success? [10]
- (c) Acting in a socially responsible manner is beneficial to Innocent Drinks and all its stakeholders. Discuss. [10]
- (d) Evaluate the arguments for and against Innocent Drinks outsourcing production. [10]
- (e) Consider the benefits and problems to Innocent Drinks of operating on a global scale. [12]

**SECTION B**

*Answer one question from this section.*

**2. Financial analysis**

- (a) Describe how financial ratios may be used to assess the performance of rapidly expanding businesses. [10]
- (b) Discuss the view that financial performance is more important than non-financial performance as a measure of business success. [20]

**3. Flexible workforce**

- (a) Describe how flexible working practices, including the use of technology, have impacted upon office workers across Wales. [10]
- (b) Evaluate the impact of increasingly flexible working patterns on employees and employers in Wales. [20]

**4. Lean production**

- (a) Describe the range of lean production practices which may be used by large scale manufacturers in Wales to reduce waste and improve productivity. [10]
- (b) Evaluate the impact of introducing lean production practices on businesses and their stakeholders. [20]

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