



*Liquid Gold plc* is a company that specialises in the production and supply of soft drinks. The Board of Directors is currently planning to add a new drink to the range of successful brands that the company manufactures.

Before the World Cup in 2006, the company introduced a new sports drink to the market. Customers associated the product with fitness and a healthy lifestyle, and sales rose as ‘World Cup fever’ gripped the country.

Now *Liquid Gold plc* is looking ahead to the London Olympics in 2012. It believes that a new drink, aimed mainly at young people below the age of 25, could be successful. However, a number of soft drinks have recently suffered some bad publicity, and sales of some soft drinks have begun to fall.



### **Your role**

You work as a business adviser and have been appointed to give advice to the directors of *Liquid Gold plc* on whether they should launch a new product.

### **Your task**

Use the data in the case study booklet and your knowledge of business studies to write a report for the Board of Directors of *Liquid Gold plc*.

The Board of Directors is deciding whether or not to introduce a new soft drink for the 2012 London Olympics.

Your report should:

- explain and evaluate the evidence from the data that will be of use to the directors when they are deciding whether to launch a new product;
- explain, with reasons, what other information you might need in order to advise the directors on what to do;
- make a recommendation to the Board of Directors on whether the company should produce a new drink. Use the data to justify your decision.

Your report will be assessed on your ability to:

- select, organise, interpret and use information to analyse the business problem; (20 marks)
- apply your knowledge and understanding of appropriate terms, concepts, theories, and methods to address the problem; (16 marks)
- evaluate evidence, make reasoned judgements, and present accurate and appropriate conclusions; (20 marks)
- demonstrate appropriate quality of written communication. (3 marks)

**(Total: 59 marks)**















General Certificate of Secondary Education  
June 2007

**BUSINESS STUDIES SPECIFICATION B** 3133/9/2H  
**BUSINESS STUDIES SPECIFICATION B (SHORT COURSE)**  
**Paper 2H**

**H**



Tuesday 19 June 2007 1.30 pm to 2.30 pm

**CASE STUDY BOOKLET**

**Read this case study before attempting to answer the questions.**

## Data 1

### A recent newspaper report

#### Dentists urge changes to soft drinks

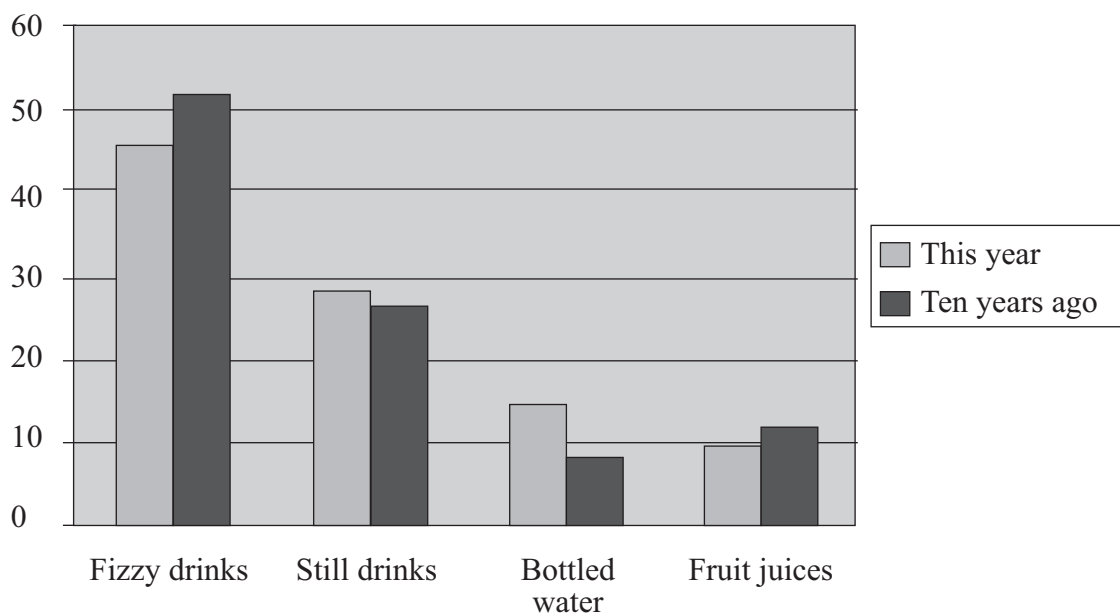
There is increasing tooth decay in young children and teenagers. A strong link between the consumption of fizzy acidic drinks and tooth decay has been found.

Dentists say changes are needed to the ingredients of soft drinks if they are to stop the damage to people's teeth. They want soft drinks manufacturers to consider adding calcium to their drinks to make them less harmful to teeth. Many soft drinks have high levels of acidity. This can make teeth more sensitive and may cause pain.

A leading dentist said that we need to see an increasing number of national campaigns aimed both at the soft drink producers and young people.

## Data 2

### Market Share in soft drinks



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**Data 3****Results of some research carried out by *Liquid Gold plc* amongst one hundred of their workforce.**

Do you buy more soft drinks when a major sporting event is taking place?

Yes	60
No	40

What type of soft drink do you prefer?

Fizzy	35
Still	10
Bottled water	30
Fruit juice	25

Do health scares in the press put you off buying soft drinks?

Yes	25
No	75

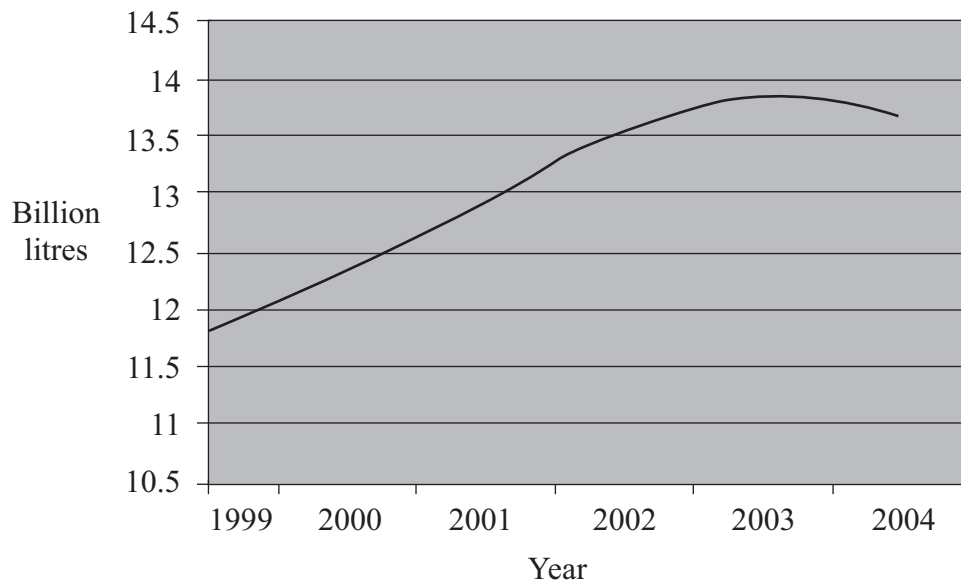
Do you buy mainly *Liquid Gold plc* soft drinks or those of other producers?

<i>Liquid Gold plc</i>	80
Other producers	20

What do you think will happen to your purchases of soft drinks over the next few years?

Stay the same	30
Increase	40
Decrease	30

**Turn over ►**

**Data 4****Sales of soft drinks in the UK****Data 5****Projected cost and price figures for proposed new soft drink aimed at 2012 London Olympics market.**

Fixed Costs	£1.1 million
Price per bottle	£1.20
Variable costs per bottle	£0.10

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**Data 6**

A recent conversation between the Head of the Marketing department and the Head of Finance department at *Liquid Gold plc*.

**Head of Marketing**



We are seriously considering a new product line in time for the 2012 Olympics.

**Head of Finance**

OK but our company's financial position does not look great and look what happened with the last new drink we introduced.



But orders were great once the World Cup got underway.



Yes they were, but we have only just broken even after selling three quarters of a million bottles. We will start to make a profit now but the situation looked risky for a long time.



**Turn over ►**

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**Data 7****Extract from a *Liquid Gold plc* profit and loss account for the year ending 31 December 2006**

	£	£
Sales revenue		48 000 000
Cost of sales		<u>10 000 000</u>
Gross profit		38 000 000
Less expenses		
Marketing	10 000 000	
Salaries	13 000 000	
Rates	1 000 000	
Electricity	2 000 000	
Depreciation	2 000 000	
Distribution	8 000 000	
Research and Development	2 000 000	
Other expenses	2 000 000	<u>40 000 000</u>
Net profit (loss)		(2 000 000)

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**Data 8****Article in a Sunday Newspaper****Fizzy drinks make us fat or give us cancer!**

Rising obesity levels in the UK continue to cause concern, and the full sugar fizzy drinks loved by so many remain a major culprit. Now though comes the concern over levels of the cancer-causing chemical benzene in soft drinks. The levels are probably higher in diet and sugar free drinks!

A spokesperson for the soft drinks industry said, "Benzene occurs naturally in the air anyway, and there is no official legal limit for benzene in soft drinks. The levels of benzene in soft drinks are very low and not a cause for concern".

**Data 9****Results of a large-scale survey of the UK soft drinks industry by an independent market analyst.**

- Long-term trend of soft drink sales growth remains steady
- Total consumption of all soft drinks increased by 47% over the past ten years
- Sales of low calorie drinks have grown at the expense of regular drinks
- A greater range of healthier and sports drinks now exist
- 50% of the top 400 companies in the soft drinks industry have gradually increased their levels of debt over the past 3 years
- 30% of soft drink companies are loss making and are in danger of acquisition

**Turn over ►**

**Data 10****Advertisement for a rival sports drink**

Energyplus is the sports drink that recharges your energy levels. It comes in a great range of flavours, including mango, pineapple and grapefruit.

Truly a taste of the tropics and remember for every bottle you buy we make a contribution to fighting poverty in Africa.



**END OF CASE STUDY**