

## Year 12 Business Bridging Unit

The first element of the courses is entitled 'What is Business?'

Students are to research the following first 3 components of this element.

- Why Businesses Exist
- Mission, Aims, Objectives
- Revenue, Costs and Profit

A useful resources is [www.tutor2u.net>business](http://www.tutor2u.net>business) however, I know already that a number of you have purchased the CGP AQA A-level Business Revision Guide (ISBN 9781 78294 3518).

### Task 1

You need to produce a complete, detailed set of notes covering the above **3** topics.

### Task 2

Complete the **9** and **16** mark questions on the case study entitled 'Real Smoothies'.

There is support available on-line on how to answer a **9** and **16** mark question in AQA 'A'-level Business. You will need to research this!

## Real Smoothies (Business objectives and profit)

### Specification topic: Business objectives and profit

#### Case Study: Real Smoothies plc

Real Smoothies was formed when Jack Brown and Samir Milner met at university and decided to start up a small business cashing in on the growth in natural food products by ethically sourcing ingredients and making and selling smoothies from a kiosk in Wakefield shopping centre.

Unlike most soft drinks on the market Real Smoothies had no added preservatives or flavouring giving them a USP and adding value to the brand. As a result the founders were able to sell at a premium price and cash in on consumer "conscience spending" since a carton of each smoothie would contain 3 of the recommended 5 per day servings of fruit and vegetables. Unique flavours like Mango and Lemongrass added to the variety offered to consumers and very soon the plan was hatched to move production to a large industrial unit and start supplying supermarkets. Jack was determined to take the products to a national audience and they made a successful pitch to some retail buyers from the second largest UK supermarket chain. In order to raise finance for the venture the business was converted to a public limited company, selling shares to the public via the stock market.

With the success of their supermarket order, Jack and Samir closed their kiosk in Wakefield and moved on to supplying more supermarket chains, expanding their supplier network and producing new sizes of smoothies for children's lunch boxes as well as their regular 0.5 and 1 litre cartons. The smoothies keep up to 5 days in a fridge due to their suppliers using the "flash pasteurisation" technique which stops the natural fruit ingredients from perishing. Taking on larger orders allowed for bulk purchases from suppliers and flow production techniques to be used, both of which lowered variable costs of production.

At this point Samir started becoming even more ambitious. "We could take this brand to a global audience" he said after it had gained a 7% market share in the UK drinks market and was making huge sales through the supermarket chains. Customers liked the brand for their ingredients, simple packaging and their charitable work – 10% of their profits had always been donated to charities in the countries from which the fruit ingredients were sourced. After much deliberation Jack and Samir sold a large amount of their shareholding in the firm to a global drinks brand, International Drinks Ltd who promised to take the smoothies to the global audience using their vast distribution channels around the world.

#### Real Smoothies plc

	Last Year	This Year
Revenue	£81m	£144m
Costs	£46m	£79m

#### Exam-style questions

1. Analyse the reasons why Real Smoothies plc have been a profitable company (9 marks)
2. To what extent has profit been the main objective of Samir and Jack? (16 marks)