

IB Business Management

CASE STUDY PACK – NOV 2019

Paul Hoang





For November 2019 examinations

How to use the Case Study Pack (November 2019)

The 136-page Paper 1 Case Study Pack has been produced to help colleagues and students in their preparations for the November 2019 examination.

The comprehensive Case Study Pack for *Accord* includes:

1. **Definitions** of all the key terms in the case study. Over 95 key terms/phrases have been identified and clearly defined in the context of the *Accord* case study.

See pages 4 – 25

2. A **stakeholder profile** of all the people and various stakeholders featured in the case study, including Aran, Kayla, and Jesse.

See pages 26 – 27

3. Fact Sheet: the energy drinks industry, which provides additional points to help student gain a better understanding of the market. This can help to improve their written responses in the final examinations.

See pages 28 – 33

4. **Comprehension quiz questions** – 10 sets of short comprehension questions to help you're your students' learning of the *Accord* case study. The first page of each quiz comes with the answers (for teachers) and the second page contains a version that can be printed out for students to use in class.

See pages 34 – 53

5. **True or False questions** – 10 sets of 'true or false?' questions to test students' recall and understanding of the *Acord* case study. The first page of each quiz comes with the answers (for teachers) and the second page contains a blank version of the True or False quiz for students.

See pages 54 – 73

6. **Wordle quizzes** – A collection of 5 Wordle quizzes to test your student's understanding of the case study. These quizzes are similar to crosswords but contain the answers randomly in a word cloud. The Wordles can also be used as part of a classroom display to trigger students' memory of the *Accord* case study.

See pages 74 – 83

Business Management – Paper 1 Case Study Pack

Case Study: *Accord*

Introduction



For November 2019 examinations

7. **A–Z Quiz** – A great lesson starter or plenary, with 26 questions to test your students' understanding of the case study.

See pages 84 – 85

8. An applied **SWOT analysis** of *Accord/Enrich*. A SWOT analysis is a useful tool for strategic analysis in order to aid strategic decision making. Whilst the pre-release case study lacks financial information, a fully applied SWOT analysis has been included based on the pre-issued case study and additional sources regarding the energy drinks industry.

See pages 86 – 91

9. A **PEST analysis** for *Accord*. Similarly, a PEST analysis also provides useful information for strategic analysis and for formulating business strategy. A PEST analysis has been included for *Accord*, although there are no data specific to the economy that *Accord* operates in (as this is not mentioned in the pre-released case study).

See pages 92 – 95

10. **Exam-style questions with mark allocations**, using learning outcomes from the IB BM syllabus. Students can tackle these 25 exam-style questions, for independent or collaborative learning, homework, assessments and/or practise exams. Each of these questions come with mark allocations, command terms and suggested answers.

See pages 96 – 105

11. Separate **Paper 1 mock exams for HL and SL**, with accompanying **mark schemes**. The Paper 1 *Accord* Case Study Pack includes two full mock exams – one for HL and one for SL, each with an accompanying detailed mark scheme. For the SL mock exam, additional information has been included for Section B. For the HL mock exam, additional information has also been included in Section C.

Note: whilst real data/information have been included where possible, the additional information in Sections B and C have been included only for the purpose of providing additional practise for the final examination.

SL mock exam paper - See pages 106 – 108 SL markscheme - See pages 109 – 118

HL mock exam paper - See pages 119 – 123 HL markscheme - See pages 124 – 136

Best wishes with the preparations for the November 2018 examinations!

Paul Hoang
5th September 2019

For more hints and ideas for the *Accord* case study, follow the author on Twitter:
[@paulhoang88](#) [#IBBusinessManagement](#) [#CUEGIS](#)



For November 2019 examinations

Tertiary economy (2)

The tertiary sector of an economy refers to businesses that operate in industries involved in the provision of services (intangible products). Examples include: health care, education, transportation and distribution, banking, wholesaling and national defense.

Primary producers (2)

Businesses operating in the primary sector of the economy are involved with the extraction, harvesting and conversion of natural resources, e.g. agriculture, fishing, forestry, mining and oil extraction. Businesses in the country that Aran and Kayla live in operate mainly in the tertiary rather than primary sector.

Funds (4)

Funds refers to the money that an organization has for operational purposes, such as funding the start-up of a new business venture. In this case, the government has limited funds (finance) to support athletes such as Aran and Kayla.

Scholarships (5)

Scholarships are a type of financial reward given by donors to certain people in order to support their education or training. Scholarships are awarded based on different criteria, usually determined by the donor(s) or founder(s) of the award. Aran and Kayla lack the funds to participate in their sporting competitions, so frequently apply for scholarships.

Corporate sponsorship (5)

A corporate sponsor is an organization that pays for or contributes to the costs of an event (such as a marathon or athletics competition) in return for exclusive advertising exposure. In addition to scholarship applications, Aran and Kayla also apply to secure sponsorships from the corporate sector.

Charities (6)

A charity is a non-profit organization set up to provide help and raise money or financial aid for those in need. Aran and Kayla also apply for financial support from charities, although this is likely to be less appropriate since the set up *Accord* as a for-profit organization.



For November 2019 examinations

Non-governmental organizations (6)

An NGO is a type of non-profit social enterprise that operates in the private sector but does not primarily aim to make a profit. NGOs are established to benefit others in society, such as to meet the needs of the poor or to protect the environment. Aran and Kayla also apply to NGOs for financial support. However, as with applications for financial support from charities, NGOs will be less interested in Aran and Kayla since they formed a for-profit partnership business.

Financial support (7)

Financial support refers to any form of monetary resource provided by an external to make some project possible. Due to the lack of financial support from the government, Aran and Kayla apply for scholarships and sponsorships, including applications to charities and NGOs.

Brand leader (10)

A brand leader is the bestselling product in a particular market, i.e. it has the highest market share in the industry. It can also refer to the most highly regarded (respected) product or brand in the market. ABC, a multinational company, is a brand leader in the energy drinks market. However, Red Bull and Monster Energy dominate this market.

Sales growth (sales growing) (11)

This is increase in a firm's sales revenue over time. Sales growth signifies an expansion of the business due to an increase in the size of the organization and/or growth in the industry. Sales growth usually leads to increased market share for the business. The brand leader in the case study has enjoyed 25% year on year sales growth.

Costs (12)

Costs are items of expenditure by a business when producing its goods and/or services. Costs can be classified in many ways, including: direct costs, indirect costs, fixed costs, variable costs, and semi-variable costs. Examples include the costs of: wages, salaries, rent, raw materials, advertising and taxes. In the context of the case study, costs refer to the drawbacks (financial and otherwise) of the consuming energy drinks given that the health benefits are inconclusive.



For November 2019 examinations

Manufacturers (12)

A manufacturer combines and transforms raw materials and/or components into final goods ready for sale. The manufacturers argue that consumption of energy drinks can improve thinking skills and attention spans.

Consumers (14)

Consumers are the end-users of a product, i.e. those who use/consume energy drinks. These tend to be relatively young people, whilst older consumers tend to prefer tea and coffee.

Pressure groups (14)

A pressure group is an external stakeholder group that exists to influence and persuade organizations and governments to act in a social responsible way. Pressure groups are concerned about the health benefits / side effects of consuming caffeinated and sugary drinks.

Range (18)

The product range of a business refers to all products in its product mix, i.e. all the products sold by the business. As a competitive athlete, Aran only consumed a limited range of energy drinks to support his own training programme.

Supply (supplied) (19)

Supply refers to the amount of a good or service that an organization is willing and able to produce at different price levels. In general, the higher the price the greater the quantity supplied as more new businesses can cover their production costs and existing firms can earn greater profit margins.

Multinational companies (MNCs) (20)

A multinational company is an organization owned by shareholders and operates in two or more countries. Its headquarters are typically based in the country of origin. *Accord* competes in an industry dominated by MNCs, such as *ABC* and brand leaders such as Red Bull and Monster Energy.

Business to consumer (B2C) channels (20)

This is a category of e-commerce that involves businesses using the internet to sell products directly to the end user, i.e. consumers. Aran purchased a limited range of energy drinks supplied by MNCs through B2C channels.



For November 2019 examinations

Market (21)

A market refers to the collective groups of existing and potential buyers and sellers of a particular good or a service. The market for specialized energy drinks for athletes is a niche market, whereas the markets for generic energy drinks, teas and coffees are mass markets.

Niche (21)

A niche market product caters for a small market segment, such as all-natural energy drinks for professional athletes. A niche market is a subset of the larger market (for energy drinks or beverages in general) on which an actual or specific product is focused. Niche market products, specialized energy drinks for athletes, aim to satisfy specific market needs, including production quality or specific demographic needs.

Imported (24)

Imports are goods and services purchased from an overseas supplier or manufacturer. *Enrich* is made by imported ingredients such as oranges, kale and spinach.

Unique selling point (26-27)

Also known as a unique selling proposition, this refers to any aspect of a product that makes it stand out positively from other products on the market. Aran believes that *Enrich* has a USP, because the drinks are the first and only 'all-natural' specialized energy drinks on the market.

Brand (31)

This refers to a distinctive name, symbol, image or trademark of a product or organization. As an intangible asset, the brand differentiates the product or organization from competing products and firms in the market. *Enrich* is a brand name belonging to *Accord*.

Products (31)

A product is a good or service which is sold on the market to satisfy the needs and wants of customers. It can be a tangible good or an intangible service. In the case of *Accord*, its products are energy drinks produced and sold under the *Enrich* brand label.

Services (31)

Services are intangible (non-tangible) products provided by organizations. Aran wants *Enrich* to be regarded as a brand of related goods and services, not just energy drinks.



For November 2019 examinations

Long-term goals (32)

Long-term goals are the aspirations that a business organization wants to accomplish in the distant future. Long-term goals require significant time, planning and resources. One of *Accord's* long-term goals is to establish *Enrich* as a lifestyle brand.

Lifestyle brand (lines 32 and 127-128)

A branding strategy that attempts to embody a brand as a way of life for its consumers. This can be based on the brand's values or aspirations, or the interests, opinions and attitudes of its consumers. The consumers of lifestyle brands are willing to pay a premium price for the emotional connection with the brand, e.g. Red Bull in the energy drinks market.

Samples (33)

Samples (often referred to as free samples or "freebies") are usually small and packaged portions of merchandise distributed free of charge in order to promote a product. This marketing technique, used by Aran to entice customers when he struggled to pay for his own training and competitions, is often used when introducing or launching a product to potential customers.

Training (34)

Training is the process of developing the knowledge and skills of workers in order to enhance their confidence and competence in the workplace. In the context of the case study, Aran was routinely training as part of being a professional athlete.

Expenses (35)

This refers to the money spent or costs incurred in producing something. As an organization grows, its expenses tend to increase. In the context of the case study, Aran incurred expenses when training and competing at national and international levels.

Customers (35)

Customer are the individuals or organizations that purchase goods or services from a business. They are a key external stakeholder group of an organization. All businesses strive to meet the needs and wants of their customers. Aran did this by guaranteeing his customers that *Enrich* products are nutritious and produced with 100% natural ingredients, and meet the standards set by the governing bodies in the industry.



For November 2019 examinations

Standards (36)

These are the guidelines used to show that certain quality requirements have been met. Businesses that meet or exceed international quality standards are likely to include the relevant quality award symbols or logos on their products and marketing. Due to the health concerns regarding the benefits and costs of energy drinks, product standards are regulated by sports governing bodies.

Research and development (39)

R&D refers to the activities that a business conducts with the intention of making discoveries that can lead to commercial successes by adopting new processes and procedures in the workplace and/or launching new products. R&D can help a business to gain competitive advantages and help it to expand its operations. Further R&D is needed to test and confirm whether *Enrich* products are safe to freeze and be transported to customers over longer distances.

Partnership (41)

This is a business organization co-owned by at least two partners. In an ordinary partnership, there are between two to twenty owners, with unlimited liability. As partners, Aran and Kayla share legal responsibility for the operations and success of *Accord*.

Vision (41)

The vision of a business is where the business aspires to be in the future; the vision is therefore the long term and ultimate goal of the business. In the case of *Accord*, the vision is “to sell *Enrich* as an ethical energy drink free from added sugar, caffeine, artificial sweeteners and preservatives”. Having a vision gives *Accord* and its internal stakeholders a clear sense of purpose and direction.

Ethical (41)

Ethical behaviour means that a business acts in a socially responsible way towards its stakeholders, such as the fair treatment towards its workers and being considerate of the natural environment. *Enrich* is regarded by its owners as an ethical product as it is made from 100% natural ingredients, is nutritious and meets the quality standards set by sports governing bodies.

Business (42, 51)

A business is a decision-making organization involved in the production of goods and/or services to satisfy the needs or wants of customers. It combines human, capital and financial resources to create such products. *Accord* was established as a business by Aran and Kayla.



For November 2019 examinations

Ethical objectives (43)

Ethical objectives are the moral principles and aspirations that guide business decision-making. Ethics are the beliefs of what society considers to be morally right or wrong. These goals can come from internal pressures (such as the desire of management to implement ethical business behaviour) or from external pressures. Ethical objectives are shaped by societal norms and expectations of business practices that are deemed to be fair. Accord tries to achieve this by producing an ethical energy drink that is made from 100% natural ingredients (free from added sugar, caffeine, artificial sweeteners and preservatives) and meeting quality standards set by sports governing bodies.

Marketing (43)

Marketing is the management process of identifying, anticipating and satisfying consumers' requirements in a profitable way. It involves *Accord* meeting customers' needs and wants by focusing on ensuring the product, price, place and promotion are effective in encouraging sales of the good or service. However, in the case of *Accord*, it also means doing all of this in an ethical way, such as not to overcharge customers or to use misleading advertising campaigns.

Operations (43)

Operations management is concerned with processing resources (land, labour, capital and enterprise) to provide outputs in the form of goods and/or services. It aims to provide the right quantity and quality of goods or services in a cost-effective and timely manner. Again, in the case of *Accord*, operations management practices would be driven (guided) by the firm's ethical objectives.

Financial direction (44)

The financial direction of a business refers to its financial goals, which are usually focused on the firm's health (such as its liquidity) or financial performance (such as its gross profit margin). It is seen by examining the firm's cash flow statement, its profit and loss account, and its balance sheet (of assets and liabilities). In the case of *Accord*, financial matters are driven by the firm's ethical objectives, such as paying fair (competitive) wages to its workers.

Secondary market research (45 and 75)

Also known as **desk research**, this refers to information collected from second-hand sources (which already exist), e.g. government statistics, the news media and independent market research reports, all of which are easily accessible to the public. Through attending a conference, Kayla discovered that some MNCs are considering producing their own fruit and vegetable energy drinks.



For November 2019 examinations

Market size (size of the market) (45)

Market size refers to the number of buyers and/or sellers in particular market. It is typically measured by sales revenue or sales volume. Market size can be confined to a domestic market or be on much larger worldwide scale. It is a measure of the size of an industry. Kayla used secondary market research to investigate the size of the energy drinks market (which is growing globally).

Business owner (48)

A business owner is the legal proprietor of a business organization. Business owners can be individuals or groups of owners with legal rights to the assets of the organization, including any profits generated from its operations. Aran and Kayla are the two business owners of *Accord*.

Primary market research (49)

Primary research (or field research) is the process of conducting market research to collect new (original) data to gain more insight into the issue being investigated to meet the needs of the organization. Examples include the use of: questionnaires (surveys), interviews, observations and focus groups. *ABC*, the multinational mentioned in the case study, has conducted its own primary market research in order to assess its entry into the all-natural energy drinks industry.

Snowballing (49)

Snowball sampling (also known as chain sampling or referral sampling) is a sampling technique where research participants suggest or recommend other partakers for a test or study. Hence, the sample size grows larger and larger (rather like a rolling snowball). This is the sampling technique used by *ABC* to establish the likely size of the all-natural energy drinks industry over the next 4 years.

Social media (52-53)

Social media refers to any form of online platform (such as websites and applications) that enable users to create and share interactive content or to participate in online social networking. Social media technologies facilitate the creation and communication of information, ideas and opinions. This is the chosen method used by Kayla to build the brand value of *Enrich*.



For November 2019 examinations

Random sampling (57)

Random sampling is a statistical sampling technique which enables each research subject to have an equal chance of being selected. A common method to do this is to use a random name generator from a computer. This method was not used by Kayla in her own market research, but may have given *Accord* more representative findings about people's attitudes to natural and health-related energy drinks.

Operations (61)

Operations management is concerned with processing resources (land, labour, capital and enterprise) to provide outputs in the form of goods and/or services. It aims to provide the right quantity and quality of goods or services in a cost-effective and timely manner. Aran is in charge of operations management and the supply-chain at *Accord* (see below), including sourcing suitable overseas suppliers of fresh fruits and vegetables for its natural energy drinks.

Supply-chain (61)

Supply-chain management focuses on the flow of goods from the origin to the final destination (reaching the consumer). It involves the complexities of stock control, warehousing, packaging and transportation, i.e. it is about getting the right products to the right customers at the right time, for the right price.

Human resource department (61)

HRM is about the development of people and overall workforce planning. It includes the recruitment, selection, dismissal, training and development of employees. Although *Accord* does not currently have a HR department, there is still the need for Aran and Kayla to carry out this function, which includes tasks such as the recruitment, selection, dismissal, training and the professional development of the employees at *Accord*.

Workforce (62)

The workforce of a business is the total number of people employed by the organization. The case study mentions that *Accord's* workforce is only small, but is expected to grow.

Job production (65)

Also known as customized production, this production method involves the manufacturing of unique or one-off orders. Aran believes he can use job/customized production in the factory if the *Enrich* range of products become successful.



For November 2019 examinations

Price (66, 68, 103)

Price refers to the value of a good or service that is paid by the customer. Price will usually cover the costs of production, allowing the business to earn a profit margin. The price of the *Enrich* range of drinks (averaging \$3.00 per bottle) was significantly more expensive than those charged by the large MNCs (averaging \$2.20), i.e. more than 36% higher.

Branding advantages (70)

Branding advantages refers to the benefits of having a strong brand. This includes brand awareness, brand identity, brand value and brand loyalty. Large MNCs such as Red Bull and Monster Energy have greater branding advantages than smaller, less-established firms such as *Accord*.

Economies of scale (70)

Economies of scale refers to the cost-saving benefits enjoyed by an organization due to its larger scale of operation. It is shown by a fall in unit (average) costs of production following an increase in output. For example, larger firms can reduce their unit costs by buying raw materials in bulk, using sophisticated technology to raise productivity and gaining easier access to low-cost finance. The MNCs mentioned in the case study have significant economies of scale, due to their large scale of operations.

Promotional reach (71)

Promotional reach refers to the total number of different individuals or households exposed to a particular medium of promotion during a given time period. For example, television advertising has greater promotional reach than leaflets or promotional mail. *Accord's* limited finances mean it can only use BTL promotional methods (see below), with only minimal promotional reach.

Below-the-line promotion (71)

Below the line promotion refers to the use of non-mass media promotional activities e.g. price and added value promotions, free samples (of perfumes and cosmetics products) and discount vouchers. This is the cost-effective promotional method used by *Enrich* due to its limited finances.



For November 2019 examinations

Positioning (73)

Market positioning is an analytical tool based on the knowledge and perceptions of customers about a particular organization, its products and/or its brands. The typical measure ranks the price and quality of different products, brands or firms according to the perceptions of customers. More objectively, a firm's position in the market can be measured by its relative market share. Market leaders have a prominent market position. Kayla believes that *Enrich* is positioned as the foremost ethical provider of energy drinks.

Retailers (77)

A retailer is a merchant or vendor that sells goods and services directly to consumers, usually in small quantities. This contrasts with wholesalers and suppliers, who usually sell to other business customers. Examples include convenience stores, shops and supermarkets. Retailers in the case study have agreed not to sell energy drinks to teenagers, in line with government policies.

Supermarkets (77)

A supermarket is a large retail establishment that sells a broad range of food and drink products and household goods. It is a self-service retail store, selling mainly fast-moving consumer goods (FCMGs) such as fresh fruits and vegetables, meat products, bread, milk, drinks, pet food, and toiletry products. Supermarkets, as mentioned in the case study, have also agreed not to sell energy drinks to teenagers, in line with government policies.

Brand value (81)

Brand value represents the premium that customers are willing to pay in order to buy a certain brand of a product rather than a rival product. Brand value ensures a business can earn a high profit margin. Businesses can increase their brand value by various methods, such as: repositioning the brand, improving its quality and reliability, making it more recognizable and memorable (perhaps by improved promotional strategies). *Enrich* products are not sold to teenagers and as an all-natural energy drink provides health benefits and (claimed) cost savings (despite the higher price of its drinks). This can therefore improve the brand value of *Enrich*.



For November 2019 examinations

Ethical credentials (82-83)

Businesses that act in an ethical way (by being moral and principled in their operations) can earn formal credentials. Ethical credentials are formal recognition of the firm's ethical behaviour, awarded by governing bodies or other accrediting organizations. *Accord's* ethical credentials could improve due to its ethical business practices, including not distributing or selling its range of energy drinks to teenagers.

Profits (85)

Profit is the surplus from sales revenue after all production costs have been deducted. It is a fundamental objective of most private sector organizations. In its most simplistic form, profit = sales revenue – total costs. Kayla believes that establishing the *Enrich* brand is more important, in the short term, than generating profits. This is particularly logical given the highly competitive nature of the energy drinks market, which is dominated by large MNCs set to launch their own fruits and vegetables beverages.

First-mover advantage (86)

First-mover advantage (FMA) is a marketing term used to explain the benefits gained by being the first to enter a particular market. For example, the first entrant can benefit from huge profit margins, monopoly power and gain control of market share by building up brand loyalty. Kayla believes *Accord* has a FMA as the large MNCs have yet to launch all-natural energy drinks.

Competitors (87)

Competitors are rival organizations operating in the same market or industry. The organization may have little or no control over the activities of its competitors as these are external stakeholders. *Accord's* competitors include large multinational companies such as *ABC* and well-known market leaders such as Red Bull and Monster Energy.

Niche product (88)

A niche product caters for a small market segment, such as all-natural energy drinks for professional athletes. A niche market is a subset of the larger market (for energy drinks or beverages in general) on which an actual or specific product is focused. Kayla regards *Enrich* as a niche market product, although Aran disagrees (preferring to perceive the product catering for the mass market), and customers are "confused" about the positioning of the product.



For November 2019 examinations

Market segments (90)

A market segment is a distinct group of customers with similar characteristics, tastes and preferences. Marketing *Enrich* drinks as niche products would limit the number of market segments that the drinks would appeal to (such as specialised energy drinks targeted at only adult sports athletes). However, it would clarify the market position and brand association of *Enrich* products.

Mass-market (90)

A mass-market is one where products are targeted at unsegmented consumer groups, i.e. the products are aimed at or appeal to all customers in the market. An example is fast-moving consumer goods (FMCGs) sold in supermarkets. Such products are usually promoted through mass media targeting all consumer groups, rather than niche markets. Aran favours a mass-market approach to selling *Enrich* drinks, in order to cater for more market segments and improve the firm's profitability.

Product innovation (91)

Product innovation is the management process of designing and creating new products (goods or services) or making improvements to existing ones. Quite often, this includes making incremental improvements to a firm's existing goods and services. Aran believes *Enrich* is a major product innovation, given it is nutritious (unlike most energy drinks that contain sugar and caffeine) and health benefits which cuts costs for consumers (who do not need to purchase vitamins or visit the doctors so often).

Revenue expenditure (93)

A reason why businesses need finance, revenue expenditure refers to the money needed for the day-to-day running of a business. For example, *Accord* will need money to pay for raw materials (of the imported ingredients), wages to employees, rent for the premises, general insurance and utility bills.

Capital expenditure (93)

Capital expenditure is a use of finance, referring to the spending of a business organization on acquiring, maintaining and/or upgrading its fixed assets. Capital expenditure represents a financial investment in the business, such as *Accord's* purchases of equipment and machinery to produce *Enrich* energy drinks.



For November 2019 examinations

Production (94)

Production (or operations management) is concerned with processing resources (land, labour, capital and enterprise) to provide outputs in the forms of goods and/or services. It aims to provide the right quantity and quality of goods and/or services in a cost-effective and timely manner. Aran wants to borrow finance in order to increase the production of *Enrich* energy drinks as a mass-market product.

Skilled employees (94)

This refers to workers with special knowledge, training, and experiences to carry out their work. If Aran's growth plans materialize, *Accord* would soon need to hire more skilled employees to manage the equipment to produce the range of *Enrich* products.

Launching (95)

Launch is the stage of the product life cycle which occurs when a product is introduced to the market, and it follows the stage of development and testing. The case study mentions that *ABC*, a multinational competitor, is set to launch (release) its own all-natural energy drink soon. This is a potential threat to the success and profitability of *Enrich* beverages as *ABC* has branding advantages and the benefits of economies of scale.

Forecasts (97)

Forecasts are a prediction or estimation of a future quantifiable variable, such as sales revenue, sales growth, cash flow or profits. Sales of *Enrich* products in the first three months were acceptable, but below Aran and Kayla's initial predictions. This suggests that they were overly optimistic and/or need to refine their marketing strategies.

Customer perception (102)

This refers to the views and opinions of customers regarding a particular brand or business. Kayla thinks *Accord* needs to conduct more thorough market research on customer perceptions of *Enrich*. This seems very logical given their sales were less than predicted and that consumers are confused about whether the products are energy drinks or fruit and vegetable juices.



For November 2019 examinations

Competition (102)

This refers to the rivalry within an industry. Competitors may offer products of better quality, more competitive prices and/or have lower cost structures. *Accord* faces competition from large multinational companies such as *ABC* and well-known market leaders such as Red Bull and Monster Energy. In 2019, both Coca-Cola and PepsiCo entered the energy drinks industry, creating further competition in this already-saturated but growing industry.

Per unit costs (103)

The average cost of production is the cost per unit of output. The per unit cost is derived from dividing the total costs of output by the number of units of produced. Aran wants to pursue growth so that the per unit costs of *Enrich* will fall (economies of scale) in order to compete with the large MNCs.

Gross profit margins (103-104)

The GPM is a profitability ratio that measures the proportion of gross profit generated from the sales revenue of a business. For example, if the GPM is 65%, this means for every \$100 of sales revenue, \$65 is generated as gross profit (with the other 35% being the *cost of goods sold*). Expanding the business in order to achieve lower per unit costs will enable *Accord* to have improved gross profit margins, thereby improving the firm's profitability.

Invested (105)

Investment refers to the capital expenditure of a business, i.e. the spending on acquiring, maintaining and/or upgrading of fixed assets thereby broadening the firm's capital base. Examples include the purchase of equipment, machinery and buildings. In the context of the case study, both Aran and Kayla have invested, or put in a lot of time, energy and money, into making *Accord* a success.

Capacity (106)

Capacity refers to the maximum output of a worker, department or organization, per period of time. It is based on the ability of the business to use its resources to produce goods and services. Larger firms have a greater capacity of output. As sales were below initial forecasts, *Accord* can use its existing capacity to increase output.



For November 2019 examinations

External sources of finance (107)

External sources of finance refers to the various methods by which an organization gets its money from third-party providers, such as banks (loans), suppliers (trade credit) and leasing companies. Given the financial position of *Accord*, it is no real surprise that Kayla struggled to secure external sources of finance to enable the business to increase its production capacity.

Production capacity (108)

Production capacity refers to the maximum output of a worker, department or organization, per period of time. It is based on the maximum ability of the business to use its resources to produce goods and services. Unlike *Accord*, larger firms have a greater production capacity, so are able to benefit from economies of scale. Aran also wants to increase the production capacity in order to sell *Enrich* as a mass-market product.

Business angel (108)

A business angel is an affluent investor who provides finance for business start-ups, usually in exchange for a financial stake in the business. They tend to be wealthy, entrepreneurial individuals who take risks by investing their own money in return for owning part of a business they expect to see grow and become successful. The case study mentions a business angel interested in investing in *Accord* due to its socially responsible business practices. However, Kayla is reluctant to get the business angel involved as it would dilute the ownership and control of the existing partners.

Socially responsible (109)

Corporate social responsibility (CSR) is the conscience of a business with consideration of the organization's actions on its various stakeholder groups and the natural environment. It also involves organizations monitoring and ensuring their compliance with the ethical standards of society. *Accord's* business activities evolve around its ethical objectives, so is expected to behave in a socially responsible way, such as ensuring its all-natural energy drinks are nutritious and meet the standards of sports governing bodies.



For November 2019 examinations

Management (110)

Management encompasses several roles which include planning, commanding, controlling, coordinating and organising human and capital resources to achieve organizational objectives. Managers focus on problem solving and decision-making so that goals can be achieved within a set time frame. The business angel looking to invest in *Accord* also wants to get involved with the day-to-day management of the business. Whilst this is against the wishes of Kayla, it could provide much needed management support, especially as Aran and Kayla are relatively new to the corporate world.

Brand identity (112)

Brand identity refers to the way in which a business wants its products to be perceived by the consumers. It includes the visual elements of a brand that together identify and distinguish it in the consumers' minds. The brand identity (such as being the first all-natural energy drink on the market) can even give *Accord* a unique selling proposition.

Innovative (113)

Innovation is the commercial development, adoption and exploitation of an invention or creative idea that appeals to customers in a profitable way for the business. Sources of innovation include discovery of new production processes, such as just-in-time production. Innovation can give any business a huge competitive advantage so many firms devote significantly more money to research and development (R&D). The case study mentions that Aran believes *Enrich* is a product innovation in the energy drinks industry. It also mentions that the running outfit that Jesse wore at a major tournament was innovative as it reduced wind resistance, thereby possibly giving athletes an advantage in competitions.

Sponsors (117)

A sponsor is a person or organization that pays for or contributes to the costs of an event in return for exclusive advertising exposure. Jesse, being a famous athlete, had several sponsors, including the one that provided him with the innovative, wind resistant running outfit for a major competition.

Brand association (119)

Brand association refers to the various attributes of a particular brand from the perspective of consumers, i.e. what they have in mind about the brand. Ideally, the brand should be associated with something positive. Jesse's association with the *Enrich* brand could either tarnish it (due to the allegations of his cheating) or enhance it (due to his celebrity status as a famous athlete).



For November 2019 examinations

Growth (123)

This is the expansion of a business due to an increase in the size of the organization and/or growth in the industry. Expansion is usually measured by an increase in variables such as sales revenue, number of employees or profits. In the case of *Accord*, it also includes an increase in the firm's production capacity. Aran and Kayla are looking for suitable premises to support the future growth of their business.

Production plant (124)

A production plant refers to an industrial building or large factory where goods are manufactured. Aran and Kayla have found an affordable location (previously a confectionery production plant) in order to increase the production capacity of *Enrich* drinks.

Economically sustainable (132)

Economic stability refers to conserving the economy's scarce resources to prevent jeopardizing production of goods and services for future generations. It is about using different strategies for using existing resources in an optimal way so that the business functions profitably over time. Kayla believes *Accord* needs to launch new products, such as *Detox*, in order for the business to survive and remain profitable in the long run.



For November 2019 examinations

Aran

- A successful international athlete (a marathon runner),
- Lives in a country with a humid climate and that is mainly but his international sporting career is nearing an end a tertiary economy, with few primary producers
- Has won several national titles
- Frequently applies for scholarships and corporate sponsorship funding (for travel, equipment and entrance fees to athletics competitions)
- Supplements his water intake with expensive, carefully selected (limited range of) imported energy drinks in order to support his demanding training programme
- Researched energy drinks but discovered that the health benefits and costs are controversial
- Is concerned about the cost of energy drinks and their composition (ingredients)
- Decided to make his own energy drinks (called *Enrich*) from imported natural ingredients, e.g. oranges, kale and spinach
- Considers “all natural” to be the unique selling point/proposition (USP) of *Enrich* energy drinks
- Also believes that *Enrich*:
 - will be the first all-natural energy drink on the market
 - provides excellent nutrition for marathon running
 - would save athletes money as they would not need to purchase vitamins or go to the doctor as often
 - should be viewed as a healthy lifestyle brand, not only as an energy drink
- Sold small quantities of *Enrich* to pay for his training and competitions
- Assures his customers that *Enrich*:
 - is nutritious
 - is produced with 100 % natural ingredients, and
 - would meet the standards set by sports governing bodies
- Already thinking about the long term goals for his *Enrich* energy drinks
- Offered free samples of *Enrich* to athletes who lived and trained in his country
- Set up *Accord* as a partnership with Kayla
- Manages operations and the supply chain at *Accord*
- Along with Kayla, decided not to create a human resource department (because *Accord* has a small workforce)
- Has contacts with overseas suppliers but needs to seek additional suppliers of fruit and vegetables



For November 2019 examinations

- Needs to find space to prepare and store *Enrich* branded energy drinks
- Believes that *Accord* might need to find a small factory if *Enrich* products are successful
- Knows the price of *Enrich* products (averaging \$3) are significantly more expensive than energy drinks charged by large MNC rivals (which average \$2.20 for similar drinks)
- Believes that treating *Enrich* as a niche market product would narrow the possible market segments for *Accord*
- Prefers to treat *Enrich* as a mass-market product, and wants to launch the brand quickly to prevent missing out on potentially high profits
- Considers *Enrich* as a significant product innovation
- Is enthusiastic but impatient, so argued that *Accord* should borrow immediately for revenue and capital expenditures to finance increased production
- Has heard from his contacts that *ABC* will soon be launching a new all-natural energy drink
- After three months of operation without a firm decision at *Accord*, Aran (and Kayla) has been working very long hours
- Has received positive feedback from friends and fellow athletes about *Enrich* and *Accord*
- Surprised by the feedback from their new customers:
 - confused about whether *Enrich* is an energy drink or fruit juice beverage
 - believe that the health benefits of *Enrich* are exaggerated
 - argue that the drinks are too expensive
- In response, Aran believes *Accord* should expand its production in order to lower per unit costs (which would enable it to reduce prices and keep its GPM the same)
- Believes that sales of *Enrich* will pick up in three months (if prices can be reduced)
- Despite the issues being faced, Aran has invested so much time and effort into *Accord* that he (and Kayla) wants to continue with it
- Along with Kayla, Aran found an affordable abandoned confectionery production plant that could be used to increase the production capacity of *Enrich* energy drinks
- Decided with Kayla to increase production, using *Accord's* existing capacity
- Looked for potential investors in *Accord*
- Contacted by Jesse, the famous athlete – someone who Aran respects
- Was nervous about possibly working with Jesse, but also sympathetic of his situation
- Fully aware and fearful that association with Jesse could result in a social media backlash (due to accusations of cheating in a competition), which could undermine and tarnish the *Enrich* brand
- Envisaged *Enrich* being a lifestyle brand.



For November 2019 examinations

Kayla

- A successful international athlete (a heptathlete), but her international sporting career is nearing an end
- Lives in a country with a humid climate and that is mainly a tertiary economy, with few primary producers
- Competes in tournaments nationally and overseas
- Frequently applies for scholarships and corporate sponsorship funding (for travel, equipment and entrance fees to athletics competitions)
- Disagrees with Aran that *Enrich* has a USP, arguing that all-natural energy drinks already exist
- Set up *Accord* as a partnership with Aran
- Completed secondary market research about the potential size of the market for all-natural energy drinks
- Recently attended a food and beverage conference, and found out that some MNCs are considering producing fruit and vegetable energy drinks
- Registered *Accord* as a partnership
- Manages the financial aspects of the business
- Focused on building the brand value of *Enrich* by using social media, contacts with athletes and friends and family (totaling over 100 people)
- Conducted primary market research about people's attitudes to natural and health-related energy drinks
- Decided not to tell Aran about her concerns following the overwhelmingly positive feedback on attitudes to natural and health-related energy drinks (due to the potentially biased sample used)
- Manages marketing and finance at *Accord*
- Along with Aran, chose not to have a human resource department at *Accord* due to the small size of the workforce
- Believes that restricting *Enrich* to below-the-line promotional methods is the most cost effective method and allow *Accord* to have tighter control over its position in the market (being the foremost ethical provider of energy drinks).
- Discovered through secondary market research that many of the competing energy drinks produced by MNCs were being sold to teenagers (contrary to government policies and agreements with retailers, such as supermarkets)



For November 2019 examinations

- Convinced that *Enrich* could create a USP as the only locally produced, caffeine-free, all-natural energy drink
- Believes that establishing the *Accord* and *Enrich* brands is more important than generating large profits in the short term
- Believes that *Enrich* has a first-mover advantage in the market (as MNC competitors are only just beginning to consider the idea of all-natural energy drinks)
- Regards *Enrich* as a niche market product
- After three months of operation without a firm decision at *Accord*, Kayla (and Aran) has been working very long hours
- Has received positive feedback from friends and fellow athletes about *Enrich* and *Accord*
- Surprised by the feedback from their new customers (see below), so feels that *Accord* should do more research on customer perception and the competition
- Despite the issues being faced, Kayla has invested so much time and effort into *Accord* that she (and Aran) wants to continue with it
- Along with Aran, Kayla found an affordable abandoned confectionery production plant that could be used to increase *Accord's* production capacity
- Decided with Aran to increase production, using *Accord's* existing capacity, but was unsuccessful in finding external sources of finance to do so
- Is reluctant to allow the business angel (who is seeking to invest in *Accord*) to have any involvement in the day-to-day management of the business
- Carried out further market research to see if the additional capacity (from the abandoned confectionery production plant) could be used for another drink to complement *Enrich*
- Discussed with Aran the idea of a drink called *Detox*, which is based on green tea
- Believes that unless *Accord* introduces *Detox* as a new product, *Enrich* would struggle to be economically sustainable.



For November 2019 examinations

Jesse

- A famous athlete looking to rebuild his own brand identity after accusations of cheating
- Contacted Aran
- Won a major competition, wearing a specially designed innovative running outfit (and was paid \$2m to do so)
- His competitors complained that Jesse's running outfit gave him an unfair advantage
- His other sponsors were also against him wearing this outfit
- Conducted his disagreements with his rivals on social media
- His association with the *Enrich* brand could help *Accord* to boost the media reach of *Enrich* energy drinks.

Employees

- A small workforce
- More skilled employees will soon be required to manage the equipment (and Aran's expansion plans).

Rivals (Competitors)

- The brand leader sold over 6 billion drinks in 2018, with annual sales growth of 25%
- Some manufacturers argue that energy drinks can improve the thinking skills and attention spans of their customers
- The energy drinks consumed by Aran are supplied by multinational companies (MNCs) that sell through business-to-consumer (B2C) channels
- Some MNCs are considering producing fruit and vegetable energy drinks
- *ABC*, a multinational company, has carried out primary market research (using a snowballing technique) to see how large the all-natural energy drink market could become in four years
- *ABC* is expected to launch a new all-natural energy drink soon
- Are supplying an ever-increasing range of energy drinks, fruit drinks and other beverages
- Are large and experienced in the beverage market
- Have significant branding advantages, economies of scale and wider promotional reach than *Enrich*.



For November 2019 examinations

Customers

- New customers contacted *Accord* (through social media) saying they were confused about whether *Enrich* was a fruit juice or an energy drink
- Claimed that the health benefits of *Enrich* were exaggerated
- Also argue that *Enrich* energy drinks are too expensive.

Business angel

- Looking to invest in new, socially responsible businesses so has contacted *Accord*
- Wants some involvement in the day-to-day management of *Accord*.

Pressure groups

- Most medical pressure groups argue that energy drinks have negative side effects, especially if consumed by younger consumers
- They warn that the amount of caffeine and sugar contained in energy drinks can be harmful.

The government / governing bodies

- Has limited funds (finance) to support athletes in the country
- Sports governing bodies require formal medical approval before energy drinks can be used by athletes in the country.

Affiliated sports and leisure clubs

- Exclusive distributors/sellers of *Enrich* energy drinks.

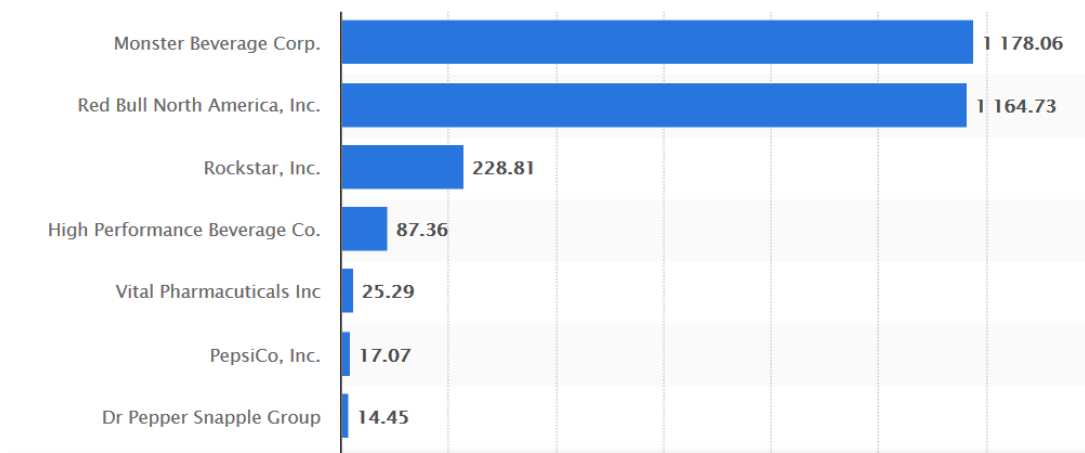


For November 2019 examinations

The section provides additional context to the case study, to help students improve their written responses in the examination.

US energy drinks industry – Statistics & Facts

- Energy drinks are beverages that claim to provide consumers with an energy boost
- Typically, energy drinks are high in caffeine but may also contain additional ingredients such as vitamins
- They are popular among younger age groups, consumed to help consumers to wake up and/or stay awake, increase their mental performance and to enable them to concentrate for longer
- There is high market growth potential in the energy drinks industry, with sales consistently increasing since 2011
- The market (based on sales in million US dollars) is dominated by Monster Beverage, Red Bull and Rockstar



www.statista.com/statistics/652474/leading-vendors-of-energy-drinks-in-the-us-based-on-sales/

- The main distribution channels include supermarkets, general merchandisers and convenience stores and gas (petrol) stations
- Important product attributes to the consumer include: the energy drink brand, the taste, and an affordable price.

<https://www.statista.com/topics/1687/energy-drinks/>



For November 2019 examinations

The Energy Drinks Industry

- Energy drinks are part of the broader soft drinks industry, which includes:
 - carbonated beverages
 - fruit and vegetable juices
 - bottled water
 - sports drinks
 - beverage concentrates
 - ready-to-drink tea
 - and ready-to-drink coffee
- According to the American Beverage Association, consumers are buying less soda drinks and more energy drinks
- According to Euromonitor International's market research, the three largest markets for energy drink growth in 2017 were the United States, China and Brazil

Source: <https://www.investopedia.com/articles/investing/022315/energy-drinks-industry.asp>

The biggest companies in the energy drinks industry

Red Bull

- Red Bull energy drink started in 1987, and marked the beginning of the global energy drinks industry
- The brand is owned by an Austrian company, Red Bull GmbH
- It was started by entrepreneur Dietrich Mateschitz, who still owns most of the company as a private limited company
- Red Bull is sold in 167 countries
- The main ingredients in Red Bull are caffeine, taurine, B vitamins, sucrose, glucose, and carbonated water
- Red Bull drinks come in 20 varieties, which include: original, sugar-free (5 calories), Total Zero (no calories), and Editions (cranberry, blueberry, tropical, zero-calorie orange and zero-calorie cherry)
- The company is known for its "Red Bull gives you wings" slogan



For November 2019 examinations

- It has recently experienced strong sales growth in India, Japan, Turkey, Scandinavia, Russia, and Brazil
- The company plans to focus on continued expansion in the United States (which it entered in 1997), Western Europe, and the Far East
- Red Bull's advertising strategy relies heavily on sporting events and extreme sports sponsorship, buzz marketing, and television adverts

Monster

- The Monster brand is owned by California-based Monster Beverage Corp., formerly Hansen Natural Corp., which was founded in 1990
- Monster Energy drinks were launched in 2002 after the company was unsuccessful with another drink produced to compete with Red Bull in 1997
- Monster promotes itself as “way more than an energy drink . . . a lifestyle in a can.”
- Monster associates itself with “action sports, punk rock music, partying, hangin’ with the girls, and living life on the edge.”
- Monster comes in 16-ounce cans, but are priced similar to Red Bull's 8.4-ounce cans
- Monster drinks come in 36 varieties, including its flagship Monster Energy drink, double-strength, coffee-flavoured, fruit flavoured, no calorie, and protein-enhanced variants
- The main ingredients include carbonated water, sucrose, glucose, taurine, panax ginseng, L-Carnitine, caffeine, B vitamins, glucuronolactone, inositol, and guarana
- Monster is sold in 114 countries
- Monster has done business with Coca-Cola since 2008 (Coca-Cola is a key distributor of Monster drinks)
- Red Bull and Monster account for more than 80% of the US energy drinks market.



For November 2019 examinations

Rockstar

- Rockstar International was founded by its owner Russ Weiner as a private limited company in 2001
- The company says its energy drinks are “designed for those who lead active lifestyles.”
- Rockstar comes in 8.4-ounce, 16-ounce, and 24-ounce cans, with 27 varieties
- Rockstar’s main ingredients include carbonated water, sucrose, glucose, taurine, caffeine, L-Carnitine, milk thistle extract, ginkgo biloba leaf extract, guarana seed extract, and panax ginseng root extract
- Rockstar is sold in more than 30 countries
- Its advertising strategy includes affiliations with action sports, motor sports, live music, and models
- Like Monster, Rockstar is priced similar to Red Bull, but its cans are nearly twice the size.

Source: <https://www.investopedia.com/articles/investing/022315/energy-drinks-industry.asp>

The energy drinks market (2019 – 2024)

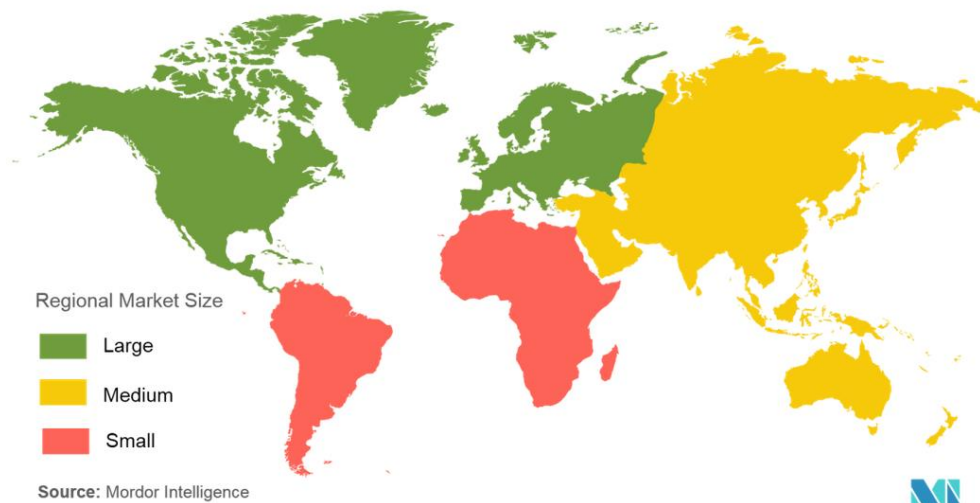
- Energy drinks are aggressively marketed as products that boost physical stamina (physical performance) and mental alertness (cognitive performance)
- The energy drinks market is expected to reach USD 83.4 billion by 2024
- Key players (with high market share): Red Bull, Monster, Rockstar, Coca-Cola and PepsiCo
- Energy drinks have transitioned from being a niche market product to one of the fastest growing products in the drinks industry
- There is an increasing consumer focus on fitness and health
- There has been a significant rise in the number of consumers switching from carbonated drinks to energy drinks
- The major consumers of energy drinks are the millennial population, aged between 18 – 35
- North America is the major market for energy drinks (due to health concerns and awareness), with Asia-Pacific being the fastest growing market, (due to changing demographics and increasing disposable income)



For November 2019 examinations

- Markets in South America and Middle East & Africa are relatively smaller, but are expected to grow in the coming years

Energy Drinks Market- Market Size by Region (2018), Global



- Young adults and adolescents are the main target groups of energy drinks' manufacturers
- Energy drinks are available through supermarkets, hypermarkets, food retailers, online retail (e-commerce), specialist stores, and other distribution channels
- Energy drinks face significant competition from packaged fruit juices, fizzy drinks, and malted health drinks; these substitutes are lower in cost and price than energy drinks
- The energy drinks market is saturated, making it hard for the new and small companies (such as *Accord*) to compete

Source: <https://www.mordorintelligence.com/industry-reports/energy-drinks-market>



For November 2019 examinations

The energy drinks global market, 2019

- The energy drinks market is expected to reach \$84.7 billion by 2026
- Energy drinks are made both with and without sugar and may or may not be carbonated, so the product range is significantly broad
- These products are gaining popularity among athletes, students, and adult consumers
- Demand for sugar-free or low-sugar energy drinks and products formulated with natural ingredients have been rising
- The US is the largest market for energy drinks, with a significant rise in the demand for sugar-free or reduced sugar products
- Consumers in the US are also demanding a wide variety of low-calorie natural flavoured beverages

Source: www.marketwatch.com/press-release/energy-drink-2019-global-market-net-worth-us-8470-billion-forecast-by-2026-2019-04-18

2018 Top selling energy drinks (USA) by sales revenues

1. Red Bull Original	\$2.9 billion
2. Monster Energy Original	\$1.685 billion
3. Red Bull Sugar-free	\$762.3 million
4. Monster Energy Zero Ultra	\$660.4 million
5. NOS Energy Drink	\$446.4 million
6. Monster Energy Lo Carb	\$286.9 million
7. Monster Mega Energy	\$235.6 million
8. Red Bull The Blue Edition	\$218.1 million
9. Rockstar Original	\$210.7 million
10. Red Bull The Yellow Edition	\$197.9 million
11. Monster Juice	\$188.3 million
12. Rockstar Pure Zero	\$164.8 million
13. Monster Energy Ultra Sunrise	\$156.9 million
14. Rockstar Punched	\$133.6 million
15. Red Bull The Green Edition	\$132.7 million

Source: <https://www.caffeineinformer.com/the-15-top-energy-drink-brands>



For November 2019 examinations

Comprehension Quiz 1

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Who are the successful athletes mentioned in the case study?
.....
2. Does the government mentioned in the case study have the funds to support athletes?
.....
3. Which type of drinks were becoming increasingly popular?
.....
4. What are the medical pressure groups concerned about?
.....
5. Which niche market is referred to in the case study?
.....
6. What is the brand name of Aran's drinks, made from imported ingredients?
.....
7. Who is Jesse?
.....
8. Who registered *Accord* as a business?
.....
9. Why did Aran and Kayla choose not to have a human resources department at *Accord*?
.....
10. What type of brand (branding) had Aran envisaged for the drinks?
.....
11. Did Aran look for any potential investors?
.....
12. Was Kayla successful in finding external sources of finance to increase *Accord's* production capacity?
.....



For November 2019 examinations

Comprehension Quiz 1 – Answers

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Who are the successful athletes mentioned in the case study?
Aran and Kayla
2. Does the government mentioned in the case study have the funds to support athletes?
No – it has limited funds
3. Which type of drinks were becoming increasingly popular?
Imported energy drinks
4. What are the medical pressure groups concerned about?
The amount of caffeine and sugar contained in these drinks can be harmful, especially to younger consumers
5. Which niche market is referred to in the case study?
Specialized energy drinks for athletes
6. What is the brand name of Aran's drinks, made from imported ingredients?
Enrich
7. Who is Jesse?
A famous athlete (retired)
8. Who registered *Accord* as a business?
Kayla
9. Why did Aran and Kayla choose not to have a human resources department at *Accord*?
Due to Accord's small workforce
10. What type of brand (branding) had Aran envisaged for the drinks?
Lifestyle brand
11. Did Aran look for any potential investors?
Yes
12. Was Kayla successful in finding external sources of finance to increase *Accord's* production capacity?
No



For November 2019 examinations

Comprehension Quiz 2

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Which sector of the economy is most prominent in the country where Aran and Kayla live?

.....

2. What two things must Aran and Kayla frequently apply for?

.....

3. Who supplemented their water intake with expensive, carefully selected imported energy drinks?

.....

4. Apart from energy drinks, what other products are claimed to also improve thinking skills and attention spans?

.....

5. The market for specialized energy drinks for athletes is described as being in what type of market?

.....

6. Why has Kayla has questioned Aran's perception of *Enrich's* USP?

.....

7. What is the main concern about freezing *Enrich* drinks?

.....

8. What did Kayla learn at a recent food and beverage conference?

.....

9. Was the feedback from Kayla's market research positive?

.....

10. What is the typical price of similar drinks to *Enrich* from the large multinational companies?

.....

11. What type of promotion is *Enrich* restricted to?

.....

12. How did new customers of *Enrich* contact *Accord* (in order to provide feedback)?

.....



For November 2019 examinations

Comprehension Quiz 2 – Answers

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Which sector of the economy is most prominent in the country where Aran and Kayla live?
Tertiary sector
2. What two things must Aran and Kayla frequently apply for?
For scholarships and corporate sponsorship funding
3. Who supplemented their water intake with expensive, carefully selected imported energy drinks?
Aran
4. Apart from energy drinks, what other products are claimed to also improve thinking skills and attention spans?
Other caffeinated products, such as tea and coffee
5. The market for specialized energy drinks for athletes is described as being in what type of market?
Niche
6. Why has Kayla questioned Aran's perception of *Enrich's* USP?
She argues that all-natural energy drinks already exist
7. What is the main concern about freezing *Enrich* drinks?
Further research and development are required to ensure this can be done
8. What did Kayla learn at a recent food and beverage conference?
She learned that some MNCs were considering producing fruit and vegetable energy drinks
9. Was the feedback from Kayla's market research positive?
Yes; overwhelmingly positive
10. What is the typical price of similar drinks to *Enrich* from the large multinational companies?
\$2.20
11. What type of promotion is *Enrich* restricted to?
Below-the-line promotion
12. How did new customers of *Enrich* contact *Accord* (in order to provide feedback)?
Social media



For November 2019 examinations

Comprehension Quiz 3

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Are there many primary sector producers in the country where Aran and Kayla live?
.....
2. In which year did the brand leader sell over 6 billion (energy) drinks?
.....
3. What imported ingredients are included in Aran's energy drinks?
.....
4. What did Aran do when he struggled to pay for his training and competitions?
.....
5. What is the vision of *Accord*?
.....
.....
6. Which type of market research had *ABC* used to see how large the all-natural energy drink market could become?
.....
7. Which alternative method of sampling did Kayla think may not have given *Accord* the same favourable feedback?
.....
8. Which rival companies are supplying an ever-increasing range of energy drinks, fruit drinks and other beverages?
.....
9. What did Kayla believe was more important in the short term than generating large profits?
.....
10. Apart from being "confused", what did new customers claim about *Enrich* as a product?
.....
11. Why did Jesse contact Aran?
.....
12. Was Aran was nervous about Jesse being an additional investor in *Accord*?
.....



For November 2019 examinations

Comprehension Quiz 3 – Answers

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Are there many primary sector producers in the country where Aran and Kayla live?
No
2. In which year did the brand leader sell over 6 billion (energy) drinks?
2018
3. What imported ingredients are included in Aran's energy drinks?
Oranges, kale and spinach
4. What did Aran do when he struggled to pay for his training and competitions?
Sell *Enrich* drinks (to offset some of the expenses)
5. What is the vision of *Accord*?
To sell *Enrich* as an ethical energy drink free from added sugar, caffeine, artificial sweeteners and preservatives
6. Which type of market research had *ABC* used to see how large the all-natural energy drink market could become?
Primary market research (using a snowballing sampling technique)
7. Which alternative method of sampling did Kayla think may not have given *Accord* the same favourable feedback?
Random sampling
8. Which rival companies are supplying an ever-increasing range of energy drinks, fruit drinks and other beverages?
The large multinational companies
9. What did Kayla believe was more important in the short term than generating large profits?
Establishing *Accord* and its brand
10. Apart from being "confused", what did new customers claim about *Enrich* as a product?
They claimed that the health benefits were exaggerated and the drink was too expensive
11. Why did Jesse contact Aran?
To help rebuild his image / brand identity
12. Was Aran nervous about Jesse being an additional investor in *Accord*?
Yes, even though he was also sympathetic



For November 2019 examinations

Comprehension Quiz 4

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Who is the marathon runner – Aran or Kayla?
.....
2. How many drinks did the brand leader sell in 2018?
.....
3. How do the multinational companies mentioned in the case study sell their energy drinks to Aran?
.....
4. According to Aran, what is so “unique” about *Enrich*?
.....
5. For how long can *Enrich* drinks be kept in the refrigerator for and stay fresh?
.....
6. What type of market research about the potential size of the market for all-natural energy drinks did Kayla complete?
.....
7. Who offered to manage the financial aspects of *Accord*?
.....
8. Why was Kayla a little concerned/apprehensive about the findings from her primary market research?
.....
9. Who manages the operations and supply chain at *Accord*?
.....
10. According to Kayla, what is the position of *Enrich* in the energy drinks market?
.....
11. Why does Kayla regard *Enrich* as a niche product?
.....
12. Who was looking to invest in new, socially responsible businesses so contacted *Accord*?
.....



For November 2019 examinations

Comprehension Quiz 4 – Answers

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Who is the marathon runner – Aran or Kayla?
Aran
2. How many drinks did the brand leader sell in 2018?
Over six billion drinks
3. How do the multinational companies mentioned in the case study sell their energy drinks to Aran?
Business to consumer (B2C) channels
4. According to Aran, what is so “unique” about *Enrich*?
“All natural” ingredients
5. For how long can *Enrich* drinks be kept in the refrigerator for and stay fresh?
Up to one week
6. What type of market research about the potential size of the market for all-natural energy drinks did Kayla complete?
Secondary market research
7. Who offered to manage the financial aspects of *Accord*?
Kayla
8. Why was Kayla a little concerned/apprehensive about the findings from her primary market research?
Whilst the feedback was overwhelmingly positive, the sample was based on people Kayla and Aran already knew
9. Who manages the operations and supply chain at *Accord*?
Aran
10. According to Kayla, what is the position of *Enrich* in the energy drinks market?
The foremost ethical provider of energy drinks
11. Why does Kayla regard *Enrich* as a niche product?
The multinational competitors are only beginning to consider the idea of all-natural energy drinks
12. Who was looking to invest in new, socially responsible businesses so contacted *Accord*?
A business angel



For November 2019 examinations

Comprehension Quiz 5

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Who is the heptathlete – Aran or Kayla?
.....
2. What did Aran discover from his research on energy drinks?
.....
3. Why did Aran decide to make his own drinks?
.....
4. What three things does Aran assure his customers of?
.....
5. What did Kayla intend to find out from her market research?
.....
6. How many athletes and friends and family did Kayla contact as part of her technique to build the brand value of *Enrich*?
.....
7. What does Kayla believe can become *Enrich*'s unique selling proposition?
.....
8. What will *ABC* be launching soon?
.....
9. Why did Jesse need to rebuild his brand identity?
.....
10. Does Aran respect Jesse as an athlete?
.....
11. How would *Detox* as a drink be beneficial to athletes?
.....
12. What did Kayla's secondary market research reveal about many of the competing energy drinks produced by the large MNCs?
.....



For November 2019 examinations

Comprehension Quiz 5 – Answers

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Who is the heptathlete – Aran or Kayla?
Kayla
2. What did Aran discover from his research on energy drinks?
The health benefits and costs are controversial
3. Why did Aran decide to make his own drinks?
He was concerned about the cost of the energy drinks and their composition
4. What three things does Aran assure his customers of?
Enrich is nutritious, produced with 100% natural ingredients and meets the standards set by sports governing bodies
5. What did Kayla intend to find out from her market research?
The potential size of the market for all-natural energy drinks
6. How many athletes and friends and family did Kayla contact as part of her technique to build the brand value of *Enrich*?
Over 100 people
7. What does Kayla believe can become *Enrich*'s unique selling proposition?
The only locally produced, caffeine-free, all-natural energy drink
8. What will *ABC* be launching soon?
A new, all-natural energy drink
9. Why did Jesse need to rebuild his brand identity?
There were accusations of cheating
10. Does Aran respect Jesse as an athlete?
Yes
11. How would *Detox* as a drink be beneficial to athletes?
It allows them to relax after a hard training day
12. What did Kayla's secondary market research reveal about many of the competing energy drinks produced by the large MNCs?
They were being sold to teenagers



For November 2019 examinations

Comprehension Quiz 6

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Who has competed in tournaments nationally and overseas – Aran or Kayla?
.....
2. What do some manufacturers argue that energy drinks can improve?
.....
3. What is required before the specialized energy drinks can be used by athletes?
.....
4. Why does Aran feel that *Enrich* would save athletes money?
.....
5. Can *Enrich* be frozen?
.....
6. What would determine *Accord's* future marketing, operations and financial direction?
.....
7. Was it easy for Aran and Kayla to start up *Accord*?
.....
8. Although Aran has overseas supplier contacts, what does he need additional suppliers of?
.....
9. What is the average price of *Enrich* drinks, per bottle?
.....
10. Why does Aran not want to treat *Enrich* as a niche product?
.....
11. What did Kayla feel that *Accord* should do more research on?
.....
12. What was Jesse wearing when he won a major competition?
.....



For November 2019 examinations

Comprehension Quiz 6 – Answers

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Who has competed in tournaments nationally and overseas – Aran or Kayla?
Kayla
2. What do some manufacturers argue that energy drinks can improve?
Thinking skills and attention spans
3. What is required before the specialized energy drinks can be used by athletes?
Medical approval from sports governing bodies
4. Why does Aran feel that *Enrich* would save athletes money?
They do not need to buy vitamin supplements or go to the doctors as often
5. Can *Enrich* be frozen?
Aran thinks so, but this is not definitive (further research and development are required)
6. What would determine *Accord's* future marketing, operations and financial direction?
Its ethical objectives
7. Was it easy for Aran and Kayla to start up *Accord*?
Yes, it was quick and easy
8. Although Aran has overseas supplier contacts, what does he need additional suppliers of?
Fruits and vegetables
9. What is the average price of *Enrich* drinks, per bottle?
\$3.00
10. Why does Aran not want to treat *Enrich* as a niche product?
It would narrow the possible market segments, and hence sales revenues, for the brand
11. What did Kayla feel that *Accord* should do more research on?
Customer perception and the competition in the market
12. What was Jesse wearing when he won a major competition?
A specially designed innovative running outfit



For November 2019 examinations

Comprehension Quiz 7

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. For what purpose do Aran and Kayla apply for scholarships and corporate sponsorship funding?
.....
2. Which type of consumers tend to drink caffeinated products, such as tea and coffee?
.....
3. Why does Aran have faith in *Enrich* as a product?
.....
4. What did Aran offer to athletes in different sports who lived and trained in his country?
.....
5. What type of objectives does *Accord* have?
.....
6. What (medium) did Kayla use to build the brand value of *Enrich*?
.....
7. What does Aran need to find additional space for?
.....
8. What does Kayla believe will enhance the brand value of *Enrich*?
.....
9. How well did *Enrich* do, in terms of sales, in the first 3 months?
.....
10. Where does Kayla believe *Enrich* drinks should be sold?
.....
11. Why does Kayla believe *Accord* needs to launch *Detox*?
.....
12. Why did Kayla not tell Aran about her concerns from the overwhelmingly favourable feedback from her primary research?
.....



For November 2019 examinations

Comprehension Quiz 7 – Answers

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. For what purpose do Aran and Kayla apply for scholarships and corporate sponsorship funding?
To fund their travel, equipment and entrance fees to competitions
2. Which type of consumers tend to drink caffeinated products, such as tea and coffee?
Older consumers
3. Why does Aran have faith in *Enrich* as a product?
He believes that *Enrich* will be the first all-natural energy drink on the market
4. What did Aran offer to athletes in different sports who lived and trained in his country?
Free samples of *Enrich*
5. What type of objectives does *Accord* have?
(Very highly) ethical objectives
6. What (medium) did Kayla use to build the brand value of *Enrich*?
Social media, Aran and her own contacts of athletes, and friends and family
7. What does Aran need to find additional space for?
To prepare and store the energy drinks
8. What does Kayla believe will enhance the brand value of *Enrich*?
Selling *Enrich* energy drinks only through affiliated sports clubs
9. How well did *Enrich* do, in terms of sales, in the first 3 months?
Sales of *Enrich* drinks were satisfactory, but below forecasts
10. Where does Kayla believe *Enrich* drinks should be sold?
Sold only through affiliated sports and leisure clubs
11. Why does Kayla believe *Accord* needs to launch *Detox*?
Otherwise, *Enrich* would struggle to be economically sustainable
12. Why did Kayla not tell Aran about her concerns from the overwhelmingly favourable feedback from her primary research?
Not to dampen Aran's enthusiasm for the business



For November 2019 examinations

Comprehension Quiz 8

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Who owns *Accord*?
.....
2. What did Kayla's primary market research focus on?
.....
3. Which two categories/types of organizations do Aran and Kayla apply to for financial support?
.....
4. Which consumer group is argued, by the medical pressure groups, to be most harmed by the consumption of energy drinks?
.....
5. What were the two concerns of Aran regarding the specialized energy drinks from MNCs?
.....
6. What type of business organization is *Accord*?
.....
7. Who focused on building the brand value of *Enrich*?
.....
8. Which sampling technique was used by *ABC*, a multinational company?
.....
9. What does Aran prefer instead of treating *Enrich* as a niche product?
.....
10. Was Kayla happy with the business angel wanting some involvement in the day-to-day management of *Accord*?
.....
11. Why did sympathy for Jesse diminish on social media?
.....
12. Why is Aran considering the option of freezing *Enrich* drinks?
.....



For November 2019 examinations

Comprehension Quiz 8 – Answers

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Who owns *Accord*?
Aran and Kayla, as partners

What did Kayla's primary market research focus on?
The attitudes (of her contacts) to natural and health-related energy drinks

2. Which two categories/types of organizations do Aran and Kayla apply to for financial support?
Charities and non-governmental organizations (NGOs)
3. Which consumer group is argued, by the medical pressure groups, to be most harmed by the consumption of energy drinks?
Younger consumers
4. What were the two concerns of Aran regarding the specialized energy drinks from MNCs?
The cost of the energy drinks and their composition (ingredients)
5. What type of business organization is *Accord*?
Partnership
6. Who focused on building the brand value of *Enrich*?
Kayla (using social media)
7. Which sampling technique was used by *ABC*, a multinational company?
Snowballing
8. What does Aran prefer instead of treating *Enrich* as a niche product?
Treating it as a mass-market product
9. Was Kayla happy with the business angel wanting some involvement in the day-to-day management of *Accord*?
No – she was reluctant to allow this
10. Why did sympathy for Jesse diminish on social media?
It was revealed that Jesse was paid \$2million to wear the special running outfit (against the wishes of his other sponsors)
11. Why is Aran considering the option of freezing *Enrich* drinks?
To transport these to customers over long distances



For November 2019 examinations

Comprehension Quiz 9

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Who supplied Aran with his carefully selected energy drinks for his private consumption?
.....
2. What does Aran believe is Accord's unique selling point (USP)?
.....
3. According to Aran, what would enable *Enrich* to become a healthy lifestyle brand?
.....
4. Who was thinking about the long-term goals of *Enrich*?
.....
5. Why was Kayla somewhat concerned after attending the food and beverage conference?
.....
6. If *Enrich* becomes successful, what does Aran believe the business will need?
.....
7. State the three advantages that the large multinational companies have over *Enrich*.
.....
8. Why might selling *Enrich* only through affiliated sports clubs enhance *Accord's* ethical credentials?
.....
9. If a small factory is to be used by Aran and Kayla, what production method would they use in the factory?
.....
10. Who would be hired to manage the equipment if production increases?
.....
11. What decision did Aran and Kayla agree to, following the surprising feedback from (new) customers?
.....
12. Are Aran and Kayla's international sporting careers nearing an end?
.....



For November 2019 examinations

Comprehension Quiz 9 – Answers

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Who supplied Aran with his carefully selected energy drinks for his private consumption?
Multinational companies
2. What does Aran believe is Accord's unique selling point (USP)?
That *Enrich* will be the first all-natural energy drink on the market
3. According to Aran, what would enable *Enrich* to become a healthy lifestyle brand?
If *Enrich* could be viewed as a brand of related products and services (not just energy drinks)
4. Who was thinking about the long-term goals of *Enrich*?
Aran
5. Why was Kayla somewhat concerned after attending the food and beverage conference?
She learned that some MNCs were considering producing fruit and vegetable energy drinks
6. If *Enrich* becomes successful, what does Aran believe the business will need?
A small factory
7. State the three advantages that the large multinational companies have over *Enrich*.
Significant branding advantages, economies of scale and wider promotional reach
8. Why might selling *Enrich* only through affiliated sports clubs enhance *Accord's* ethical credentials?
As teenagers who aren't members (of a sports club) would not be able to purchase *Enrich* energy drinks
9. If a small factory is to be used by Aran and Kayla, what production method would they use in the factory?
Job/customized production
10. Who would be hired to manage the equipment if production increases?
Skilled labour
11. What decision did Aran and Kayla agree to, following the surprising feedback from (new) customers?
To increase production of *Enrich*, using *Accord's* existing capacity
12. Are Aran and Kayla's international sporting careers nearing an end?
Yes



For November 2019 examinations

Comprehension Quiz 10

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. What did Aran suggest *Accord* needs to do instead of further market research?
.....
2. What type of property (premises) did Aran and Kayla find to support the future growth of *Enrich*?
.....
3. Are the health effects of green tea (to help athletes relax) conclusive?
.....
4. What is *Detox*?
.....
5. Does Aran have any overseas supplier contacts?
.....
6. What would happen to some of the older confectionery-making equipment in the production plant that Aran and Kayla found?
.....
7. Who manages marketing and finance at *Accord*?
.....
8. Why do Aran and Kayla drink a lot of water?
.....
9. Why did Jesse’s rivals feel he had an unfair advantage in the major athletics competition?
.....
10. In terms of marketing, what type of promotion is Accord restricted to using?
.....
11. According to the case study, what do large multination companies of energy drinks benefit from?
.....
12. As a professional athlete, what has Aran won
.....



For November 2019 examinations

Comprehension Quiz 10 – Answers

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. What did Aran suggest *Accord* needs to do instead of further market research?
That *Accord* should expand production to lower per unit costs
2. What type of property (premises) did Aran and Kayla find to support the future growth of *Enrich*?
An abandoned confectionery production plant
3. Are the health effects of green tea (to help athletes relax) conclusive?
No; just as with energy drinks
4. What is *Detox*?
A drink from *Accord* that is based on green tea
5. Does Aran have any overseas supplier contacts?
Yes
6. What would happen to some of the older confectionery-making equipment in the production plant that Aran and Kayla found?
They would need to be replaced
7. Who manages marketing and finance at *Accord*? *Kayla*
8. Why do Aran and Kayla drink a lot of water?
They are athletes in a country with a humid climate
9. Why did Jesse's rivals feel he had an unfair advantage in the major athletics competition?
His specially designed innovative running outfit reduced wind resistance
10. In terms of marketing, what type of promotion is *Accord* restricted to using?
Below-the line
11. According to the case study, what do large multinational companies of energy drinks benefit from?
Economies of scale
12. As a professional athlete, what has Aran won?
Several national titles



For November 2019 examinations

True or False Quiz 1

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. Aran and Kayla are successful athletes.	
2. Some manufacturers argue that energy drinks can improve people's thinking skills and attention spans.	
3. Aran used C2C channels to get his own energy drinks.	
4. Aran believes that <i>Enrich</i> will be the first all-natural energy drink on the market.	
5. <i>Enrich</i> drinks can be kept in the refrigerator and stay fresh for up to one week.	
6. Kayla relied on the use of athlete contacts and friends and family to build the brand value of <i>Enrich</i> .	
7. The brand leader sold over 20 million drinks in 2018.	
8. If <i>Enrich</i> becomes successful, Aran thinks the business will need a small factory.	
9. <i>Enrich</i> uses above-the line promotion.	
10. <i>ABC</i> is set to launch a new, all-natural energy drink soon.	
11. <i>Accord's</i> multinational competitors are only beginning to consider the idea of all-natural energy drinks.	
12. Aran envisaged a lifestyle brand for <i>Enrich</i> drinks.	
13. Over 100 athletes and friends and family were contacted by Kayla as part of her technique to build the brand value of <i>Enrich</i> .	



For November 2019 examinations

True or False Quiz 1 – Answers

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. Aran and Kayla are successful athletes.	T
2. Some manufacturers argue that energy drinks can improve people's thinking skills and attention spans.	T
3. Aran used C2C channels to get his own energy drinks. He uses business to consumer (B2C) channels	F
4. Aran believes that <i>Enrich</i> will be the first all-natural energy drink on the market.	T
5. <i>Enrich</i> drinks can be kept in the refrigerator and stay fresh for up to one week.	T
6. Kayla relied on the use of athlete contacts and friends and family to build the brand value of <i>Enrich</i> .	T
7. The brand leader sold over 20 million drinks in 2018. Over six billion drinks	F
8. If <i>Enrich</i> becomes successful, Aran thinks the business will need a small factory.	T
9. <i>Enrich</i> uses above-the line promotion. It is restricted to using below-the-line promotion	F
10. <i>ABC</i> is set to launch a new, all-natural energy drink soon.	T
11. <i>Accord's</i> multinational competitors are only beginning to consider the idea of all-natural energy drinks.	T
12. Aran envisaged a lifestyle brand for <i>Enrich</i> drinks.	T
13. Over 100 athletes and friends and family were contacted by Kayla as part of her technique to build the brand value of <i>Enrich</i> .	T



For November 2019 examinations

True or False Quiz 2

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. Kayla is a marathon runner.	
2. The tertiary sector of the economy is most prominent in the country where Aran and Kayla live.	
3. From his research, Aran discovered the health benefits and costs of energy drinks are controversial.	
4. Aran decide to make his own drinks because he became concerned about the cost of the energy drinks and their composition (ingredients).	
5. The mission statement of <i>Accord</i> is to sell <i>Enrich</i> as an ethical energy drink free from added sugar, caffeine, artificial sweeteners and preservatives.	
6. Aran feels that <i>Enrich</i> would save athletes money because they will not need to buy vitamin supplements or go to the doctors as often.	
7. Kayla offered to manage the financial aspects of <i>Accord</i> .	
8. Kayla was happy with the business angel wanting some involvement in the day-to-day management of <i>Accord</i> .	
9. <i>Accord</i> does not have a human resources department.	
10. <i>Enrich</i> sales performed better than expected in the first three months.	
11. The large multinational companies, such as <i>ABC</i> , benefit from economies of scale.	
12. Kayla wants to launch <i>Detox</i> in order for <i>Accord</i> to be economically sustainable.	
13. Aran needs to find additional space to prepare and store <i>Enrich</i> energy drinks.	



For November 2019 examinations

True or False Quiz 2 – Answers

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. Kayla is a marathon runner. She is a heptathlete	F
2. The tertiary sector of the economy is most prominent in the country where Aran and Kayla live.	T
3. From his research, Aran discovered the health benefits and costs of energy drinks are controversial.	T
4. Aran decide to make his own drinks because he became concerned about the cost of the energy drinks and their composition (ingredients).	T
5. The mission statement of <i>Accord</i> is to sell <i>Enrich</i> as an ethical energy drink free from added sugar, caffeine, artificial sweeteners and preservatives. This is their vision, not mission	F
6. Aran feels that <i>Enrich</i> would save athletes money because they will not need to buy vitamin supplements or go to the doctors as often.	T
7. Kayla offered to manage the financial aspects of <i>Accord</i> .	T
8. Kayla was happy with the business angel wanting some involvement in the day-to-day management of <i>Accord</i> . No – she was reluctant to allow this	F
9. <i>Accord</i> does not have a human resources department.	T
10. <i>Enrich</i> sales performed better than expected in the first three months. Sales of <i>Enrich</i> were satisfactory but below forecasts	F
11. The large multinational companies, such as <i>ABC</i> , benefit from economies of scale.	T
12. Kayla wants to launch <i>Detox</i> in order for <i>Accord</i> to be economically sustainable.	T
13. Aran needs to find additional space to prepare and store <i>Enrich</i> energy drinks.	T



For November 2019 examinations

True or False Quiz 3

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. Aran is a marathon runner.	
2. Kayla has won several national titles.	
3. Apart from energy drinks, other caffeinated products (such as tea and coffee) are claimed by manufacturers to also improve thinking skills and attention spans.	
4. <i>Enrich</i> energy drinks are made from natural ingredients.	
5. Kayla had recently attended a food and beverage conference.	
6. <i>ABC</i> , a multinational company, had used random sampling as a sampling technique to see how large the all-natural energy drink market could become.	
7. Only some medical pressure groups argue that energy drinks have negative side effects.	
8. Kayla manages marketing and finance at <i>Accord</i> .	
9. The large multinational companies have significant branding advantages.	
10. The health benefits of <i>Enrich</i> include it being a caffeine-free, all-natural energy drink and the cost savings of being locally produced.	
11. New customers claimed that the health benefits of <i>Enrich</i> were exaggerated.	
12. <i>Detox</i> would be beneficial to athletes as it allows them to relax after a hard day of training.	
13. Job/customized production will be used by Aran and Kayla if they choose to get a small factory.	



For November 2019 examinations

True or False Quiz 3 – Answers

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. Aran is a marathon runner.	T
2. Kayla has won several national titles. Aran has	F
3. Apart from energy drinks, other caffeinated products (such as tea and coffee) are claimed by manufacturers to also improve thinking skills and attention spans.	T
4. <i>Enrich</i> energy drinks are made from natural ingredients.	T
5. Kayla had recently attended a food and beverage conference.	T
6. <i>ABC</i> , a multinational company, had used random sampling as a sampling technique to see how large the all-natural energy drink market could become. <i>ABC</i> used snowballing	F
7. Only some medical pressure groups argue that energy drinks have negative side effects. Most of them do	F
8. Kayla manages marketing and finance at <i>Accord</i> .	T
9. The large multinational companies have significant branding advantages.	T
10. The health benefits of <i>Enrich</i> include it being a caffeine-free, all-natural energy drink and the cost savings of being locally produced.	T
11. New customers claimed that the health benefits of <i>Enrich</i> were exaggerated.	T
12. <i>Detox</i> would be beneficial to athletes as it allows them to relax after a hard day of training.	T
13. Job/customized production will be used by Aran and Kayla if they choose to get a small factory.	T



For November 2019 examinations

True or False Quiz 4

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. Kayla has competed in tournaments nationally and overseas.	
2. Older consumers tend to consume caffeinated products, such as tea and coffee.	
3. Aran believes Accord's unique selling point (USP) is <i>Enrich</i> will be the first all-natural energy drink on the market.	
4. Kayla was successful in finding external sources of finance to increase <i>Accord's</i> production capacity.	
5. <i>Enrich</i> meets the standards set by sports governing bodies.	
6. Kayla believes that <i>Enrich</i> is economically sustainable.	
7. Kayla discovered that some MNCs were considering producing fruit and vegetable energy drinks.	
8. The feedback from Kayla's market research overwhelmingly positive.	
9. <i>Enrich</i> is restricted to using below-the-line promotion.	
10. Jesse is a famous athlete.	
11. New customers were confused about whether <i>Enrich</i> was a fruit juice or an energy drink.	
12. The typical price of similar drinks to <i>Enrich</i> from the large multinational companies is \$3.	
13. Kayla supplements her water intake with expensive, carefully selected imported energy drinks?	



For November 2019 examinations

True or False Quiz 4 – Answers

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. Kayla has competed in tournaments nationally and overseas.	T
2. Older consumers tend to consume caffeinated products, such as tea and coffee.	T
3. Aran believes Accord's unique selling point (USP) is <i>Enrich</i> will be the first all-natural energy drink on the market.	T
4. Kayla was successful in finding external sources of finance to increase Accord's production capacity. She was unsuccessful	F
5. <i>Enrich</i> meets the standards set by sports governing bodies.	T
6. Kayla believes that <i>Enrich</i> is economically sustainable. Not unless <i>Enrich</i> introduces <i>Detox</i> as a new product	F
7. Kayla discovered that some MNCs were considering producing fruit and vegetable energy drinks.	T
8. The feedback from Kayla's market research overwhelmingly positive.	T
9. <i>Enrich</i> is restricted to using below-the-line promotion.	T
10. Jesse is a famous athlete.	T
11. New customers were confused about whether <i>Enrich</i> was a fruit juice or an energy drink.	T
12. The typical price of similar drinks to <i>Enrich</i> from the large multinational companies is \$3. \$2.20	F
13. Kayla supplements her water intake with expensive, carefully selected imported energy drinks? Aran does	F



For November 2019 examinations

True or False Quiz 5

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. Aran and Kayla need to frequently apply for scholarships and corporate sponsorships?	
2. <i>Enrich</i> drinks can be frozen.	
3. Most medical pressure groups argue that energy drinks can be harmful, especially to younger consumers.	
4. Aran believes <i>Enrich</i> could become a healthy lifestyle brand.	
5. Aran and Kayla are the only partners of <i>Accord</i> .	
6. Aran prefers to see <i>Enrich</i> as a niche market product.	
7. Kayla was concerned about the findings from her primary market research because the positive feedback was based on a sample of people they already knew.	
8. The large multinational companies have a wider promotional reach than <i>Enrich</i> .	
9. The brand leader sold over 6 billion energy drinks in 2019.	
10. Kayla thinks <i>Enrich</i> drinks should be sold only through affiliated sports and leisure clubs.	
11. Jesse was paid \$2 million to wear a special running outfit.	
12. Aran looked for potential investors in <i>Accord</i> .	
13. <i>Accord</i> intends to have very high ethical objectives.	



For November 2019 examinations

True or False Quiz 5 – Answers

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. Aran and Kayla need to frequently apply for scholarships and corporate sponsorships?	T
2. <i>Enrich</i> drinks can be frozen. Aran thinks so, but this is not definitive	F
3. Most medical pressure groups argue that energy drinks can be harmful, especially to younger consumers.	T
4. Aran believes <i>Enrich</i> could become a healthy lifestyle brand.	T
5. Aran and Kayla are the only partners of <i>Accord</i> .	T
6. Aran prefers to see <i>Enrich</i> as a niche market product. He wants it treated as a mass-market product	F
7. Kayla was concerned about the findings from her primary market research because the positive feedback was based on a sample of people they already knew.	T
8. The large multinational companies have a wider promotional reach than <i>Enrich</i> .	T
9. The brand leader sold over 6 billion energy drinks in 2019. 2018	F
10. Kayla thinks <i>Enrich</i> drinks should be sold only through affiliated sports and leisure clubs.	T
11. Jesse was paid \$2 million to wear a special running outfit.	T
12. Aran looked for potential investors in <i>Accord</i> .	T
13. <i>Accord</i> intends to have very high ethical objectives.	T



For November 2019 examinations

True or False Quiz 6

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. <i>Detox</i> is a drink from <i>Accord</i> that is based on green tea.	
2. Specialized energy drinks for athletes are a niche market product.	
3. When Aran struggled to pay for his training and competitions, he sold <i>Enrich</i> drinks.	
4. <i>Accord</i> intends to have very high ethical objectives.	
5. There are many primary sector producers in the country where Aran and Kayla live? There are only a few.	
6. Aran had recently attended a food and beverage conference. It was Kayla, not Aran	
7. Aran has overseas supplier contacts.	
8. Aran manages the operations and supply chain at <i>Accord</i> .	
9. Large multinational companies are supplying an ever-increasing range of energy drinks, fruit drinks and other beverages	
10. Kayla's secondary market research revealed that the large MNCs were selling their energy drinks to teenagers.	
11. Aran wants to borrow money for revenue and capital expenditures in order to finance increased production.	
12. Jesse contacted Aran to help rebuild his image / brand identity.	
13. Kayla feels that <i>Accord</i> should do more research on customer perception and the competition in the market.	



For November 2019 examinations

True or False Quiz 6 – Answers

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. <i>Detox</i> is a drink from <i>Accord</i> that is based on green tea.	T
2. Specialized energy drinks for athletes are a niche market product.	T
3. When Aran struggled to pay for his training and competitions, he sold <i>Enrich</i> drinks.	T
4. <i>Accord</i> intends to have very high ethical objectives.	T
5. There are many primary sector producers in the country where Aran and Kayla live? There are only a few	F
6. Aran had recently attended a food and beverage conference. It was Kayla, not Aran	F
7. Aran has overseas supplier contacts.	T
8. Aran manages the operations and supply chain at <i>Accord</i> .	T
9. Large multinational companies are supplying an ever-increasing range of energy drinks, fruit drinks and other beverages	T
10. Kayla's secondary market research revealed that the large MNCs were selling their energy drinks to teenagers.	T
11. Aran wants to borrow money for revenue and capital expenditures in order to finance increased production.	T
12. Jesse contacted Aran to help rebuild his image / brand identity.	T
13. Kayla feels that <i>Accord</i> should do more research on customer perception and the competition in the market.	T



For November 2019 examinations

True or False Quiz 7

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. Aran fears a potential social media backlash if <i>Enrich</i> is associated with Jesse.	
2. Aran needs to find additional suppliers of fruits and vegetables.	
3. Aran registered <i>Accord</i> as a business.	
4. New customers of <i>Enrich</i> contacted <i>Accord</i> to provide feedback via social media.	
5. Kayla believes <i>Enrich's</i> unique selling proposition could be that it is the only locally produced, caffeine-free, all-natural energy drink.	
6. Kayla regards <i>Enrich</i> has a niche market product.	
7. It was quick and easy for Aran and Kayla to start up <i>Accord</i> .	
8. Domestically produced energy drinks are becoming increasingly popular.	
9. Aran and Kayla found an abandoned confectionery production plant to support the future growth and production capacity of <i>Enrich</i> .	
10. <i>Enrich</i> is claimed to be a nutritious energy drink, produced with 100% natural ingredients.	
11. <i>Accord</i> has a human resources department.	
12. The business angel does not want any day-to-day involvement in <i>Accord</i> .	
13. All of the older confectionery-making equipment in the production plant that Aran and Kayla found would be replaced.	



For November 2019 examinations

True or False Quiz 7 – Answers

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. Aran fears a potential social media backlash if <i>Enrich</i> is associated with Jesse.	T
2. Aran needs to find additional suppliers of fruits and vegetables.	T
3. Aran registered <i>Accord</i> as a business. It was Kayla who did this	F
4. New customers of <i>Enrich</i> contacted <i>Accord</i> to provide feedback via social media.	T
5. Kayla believes <i>Enrich's</i> unique selling proposition could be that it is the only locally produced, caffeine-free, all-natural energy drink.	T
6. Kayla regards <i>Enrich</i> has a niche market product.	T
7. It was quick and easy for Aran and Kayla to start up <i>Accord</i> .	T
8. Domestically produced energy drinks are becoming increasingly popular. Imported energy drinks	F
9. Aran and Kayla found an abandoned confectionery production plant to support the future growth and production capacity of <i>Enrich</i> .	T
10. <i>Enrich</i> is claimed to be a nutritious energy drink, produced with 100% natural ingredients.	T
11. <i>Accord</i> has a human resources department. It does not, as the business only has a small workforce	F
12. The business angel does not want any day-to-day involvement in <i>Accord</i> . The business angel wants some involvement in the daily management of Accord	F
13. All of the older confectionery-making equipment in the production plant that Aran and Kayla found would be replaced. Some; not all	F



For November 2019 examinations

True or False Quiz 8

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. The brand leader sold over 6 billion drinks in 2018.	
2. Medical approval from sports governing bodies is required before any specialized energy drinks can be used by athletes.	
3. The government has sufficient funds to support athletes.	
4. Enrich drinks can be kept in the refrigerator and stay fresh for up to one month.	
5. Aran was nervous about Jesse being an additional investor in <i>Accord</i> .	
6. Aran respects Jesse as an athlete.	
7. According to Kayla, <i>Enrich</i> is positioned in the energy drinks market as the foremost ethical provider of energy drinks.	
8. Jesse needs to rebuild his brand identity as there were accusations of cheating.	
9. <i>Accord</i> has been set up as a private limited company.	
10. Jesse wore a special running outfit with the backing of his sponsors.	
11. <i>Accord's</i> ethical objectives would determine its future marketing, operations and financial direction.	
12. <i>Enrich</i> drinks can be refrigerated.	
13. Aran prefers to expand production (in order to lower per unit costs) instead of conducting further market research (on customer perception and the competition).	



For November 2019 examinations

True or False Quiz 8 – Answers

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. The brand leader sold over 6 billion drinks in 2018.	T
2. Medical approval from sports governing bodies is required before any specialized energy drinks can be used by athletes.	T
3. The government has sufficient funds to support athletes. No – it has limited funds	F
4. Enrich drinks can be kept in the refrigerator and stay fresh for up to one month. One week only	F
5. Aran was nervous about Jesse being an additional investor in <i>Accord</i> .	T
6. Aran respects Jesse as an athlete.	T
7. According to Kayla, <i>Enrich</i> is positioned in the energy drinks market as the foremost ethical provider of energy drinks.	T
8. Jesse needs to rebuild his brand identity as there were accusations of cheating.	T
9. <i>Accord</i> has been set up as a private limited company. Partnership	F
10. Jesse wore a special running outfit with the backing of his sponsors. This was against the wishes of his other sponsors	F
11. <i>Accord's</i> ethical objectives would determine its future marketing, operations and financial direction	T
12. <i>Enrich</i> drinks can be refrigerated.	T
13. Aran prefers to expand production (in order to lower per unit costs) instead of conducting further market research (on customer perception and the competition).	T



For November 2019 examinations

True or False Quiz 9

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. Kayla focused on building the brand value of <i>Enrich</i> .	
2. Kayla's primary market research focused on the attitudes of her contacts to natural and health-related energy drinks.	
3. Kayla believes the health benefits of <i>Enrich</i> will enhance the brand value.	
4. Both Aran and Kayla apply to large multinational companies for financial support of their sporting pursuits.	
5. The sales growth of the brand leader (of energy drinks) increased by 25% each year.	
6. The price of <i>Enrich</i> drinks is similar to those charged by the large MNCs.	
7. <i>Enrich</i> energy drinks contain imported ingredients including oranges, kale and spinach.	
8. Aran is considering freezing <i>Enrich</i> drinks in order to transport these to customers over long distances.	
9. Aran offered free samples of <i>Enrich</i> to athletes who lived and trained in his country.	
10. Aran and Kayla agreed to increase the production of <i>Enrich</i> , using <i>Accord's</i> existing capacity.	
11. New customers did not think that <i>Enrich</i> was too expensive.	
12. Green tea provides health benefits and helps athletes to relax.	
13. A business angel is looking to invest in a profitable business so contacted <i>Accord</i> .	



For November 2019 examinations

True or False Quiz 9 – Answers

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. Kayla focused on building the brand value of <i>Enrich</i> .	T
2. Kayla's primary market research focused on the attitudes of her contacts to natural and health-related energy drinks.	T
3. Kayla believes the health benefits of <i>Enrich</i> will enhance the brand value.	T
4. Both Aran and Kayla apply to large multinational companies for financial support of their sporting pursuits. They apply to charities and non-governmental organizations (NGOs)	F
5. The sales growth of the brand leader (of energy drinks) increased by 25% each year.	T
6. The price of <i>Enrich</i> drinks is similar to those charged by the large MNCs. The price of <i>Enrich</i> drinks is significantly more expensive	F
7. <i>Enrich</i> energy drinks contain imported ingredients including oranges, kale and spinach.	T
8. Aran is considering freezing <i>Enrich</i> drinks in order to transport these to customers over long distances.	T
9. Aran offered free samples of <i>Enrich</i> to athletes who lived and trained in his country.	T
10. Aran and Kayla agreed to increase the production of <i>Enrich</i> , using <i>Accord's</i> existing capacity.	T
11. New customers did not think that <i>Enrich</i> was too expensive. They do	F
12. Green tea provides health benefits and helps athletes to relax. This is not conclusive	F
13. A business angel is looking to invest in a profitable business so contacted <i>Accord</i> . The business angel was seeking to invest in a new, socially responsible business	F



For November 2019 examinations

True or False Quiz 10

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. Various medical pressure groups are concerned about the amount of caffeine and sugar contained in energy drinks.	
2. New customers clearly identified <i>Enrich</i> as an energy drink.	
3. Kayla believes that establishing the <i>Accord</i> brand is more important in the short term than generating large profits.	
4. Kayla used primary market research to investigate the potential size of the market for all-natural energy drinks.	
5. Kayla argues that all-natural energy drinks already exist, so <i>Enrich</i> does not have a unique selling point USP.	
6. Kayla believes <i>Detox</i> , as a new product from <i>Accord</i> , needs to be launched.	
7. Jesse’s specially designed innovative running outfit helped to reduce wind resistance.	
8. According to Aran, <i>Enrich</i> ’s “All natural” (100% natural ingredients) ingredients is what makes the brand so unique.	
9. Skilled labour will be hired to manage the equipment if production increases at <i>Accord</i> .	
10. Aran gets his carefully selected energy drinks (for his private consumption) from multinational companies.	
11. Aran was interested in Jesse being associated with the <i>Enrich</i> brand as this could help boost the media reach of the drinks.	
12. Aran wants to treat <i>Enrich</i> as a niche product.	
13. Further research and development are required to ensure <i>Enrich</i> drinks can be frozen.	



For November 2019 examinations

Answer true or false to each of the statements below from the *Accord* case study.

	True or False?
1. Various medical pressure groups are concerned about the amount of caffeine and sugar contained in energy drinks.	T
2. New customers clearly identified <i>Enrich</i> as an energy drink. They were confused about whether <i>Enrich</i> was a fruit juice or an energy drink	F
3. Kayla believes that establishing the <i>Accord</i> brand is more important in the short term than generating large profits.	T
4. Kayla used primary market research to investigate the potential size of the market for all-natural energy drinks. Secondary market research	F
5. Kayla argues that all-natural energy drinks already exist, so <i>Enrich</i> does not have a unique selling point USP.	T
6. Kayla believes <i>Detox</i> , as a new product from <i>Accord</i> , needs to be launched.	T
7. Jesse’s specially designed innovative running outfit helped to reduce wind resistance.	T
8. According to Aran, <i>Enrich’s</i> “All natural” (100% natural ingredients) ingredients is what makes the brand so unique.	T
9. Skilled labour will be hired to manage the equipment if production increases at <i>Accord</i> .	T
10. Aran gets his carefully selected energy drinks (for his private consumption) from multinational companies.	T
11. Aran was interested in Jesse being associated with the <i>Enrich</i> brand as this could help boost the media reach of the drinks.	T
12. Aran wants to treat <i>Enrich</i> as a niche product. Kayla regards <i>Enrich</i> has a niche product	F
13. Further research and development are required to ensure <i>Enrich</i> drinks can be frozen.	T



For November 2019 examinations

Wordle Quiz 1

Identify the following key terms from the definitions given below.



1. Management process of identifying, anticipating and satisfying the requirements of customers, in a profitable way.
2. Sampling technique where research participants suggest or recommend other potential participants for a test or study.
3. The total number of people employed by the organization.
4. Online platforms (such as websites and applications) that enable users to create and share interactive content or to participate in online social networking.
5. Sector in which organizations are involved with the provision of services, i.e. intangible products.
6. An external stakeholder group that exists to influence and persuade organizations and governments to act in a social responsible way.
7. Analytical tool based on the knowledge and perceptions of customers about a particular organization, its products and/or its brands.
8. Type of financial reward given by donors to certain people in order to support their education or training.
9. Any aspect of a product that makes it stand out positively from other products on the market.



For November 2019 examinations

Wordle Quiz 1 – Answers

Identify the following key terms from the definitions given below.



1. Management process of identifying, anticipating and satisfying the requirements of customers, in a profitable way. [Marketing](#)
2. Sampling technique where research participants suggest or recommend other potential participants for a test or study. [Snowball](#)
3. The total number of people employed by the organization. [Workforce](#)
4. Online platforms (such as websites and applications) that enable users to create and share interactive content or to participate in online social networking. [Social media](#)
5. Sector in which organizations are involved with the provision of services, i.e. intangible products. [Tertiary economy](#)
6. An external stakeholder group that exists to influence and persuade organizations and governments to act in a social responsible way. [Pressure groups](#)
7. Analytical tool based on the knowledge and perceptions of customers about a particular organization, its products and/or its brands. [Positioning](#)
8. Type of financial reward given by donors to certain people in order to support their education or training. [Scholarships](#)
9. Any aspect of a product that makes it stand out positively from other products on the market. [Unique selling point \(USP\)](#)



For November 2019 examinations

Wordle Quiz 2

Identify the following key terms from the definitions given below.



1. Marketing approach targeted at unsegmented consumer groups, i.e. the products are aimed at or appeal to all customers in the market.
2. Transformation process of providing outputs in the forms of goods and/or services.
3. Encompasses several roles which include planning, commanding, controlling, coordinating and organising human and capital resources to achieve organizational goals.
4. A profitability ratio that measures the proportion of gross profit generated from the sales revenue of a business.
5. Individuals or organizations that purchase goods or services from a business. They are a key external stakeholder group of an organization.
6. A decision-making organization involved in the production of goods and/or services to satisfy the needs or wants of their customers.
7. The maximum output of a worker, department or organization, per period of time.
8. A good or service that caters for a small market segment, e.g. all-natural energy drinks for professional athletes.
9. A use of finance, referring to the spending of a business on acquiring, maintaining and/or upgrading its fixed assets.



For November 2019 examinations

Wordle Quiz 2 – Answers

Identify the following key terms from the definitions given below.



1. Marketing approach targeted at unsegmented consumer groups, i.e. the products are aimed at or appeal to all customers in the market. **Mass-market**
2. Transformation process of providing outputs in the forms of goods and/or services. **Production**
3. Encompasses several roles which include planning, commanding, controlling, coordinating and organising human and capital resources to achieve organizational goals. **Management**
4. A profitability ratio that measures the proportion of gross profit generated from the sales revenue of a business. **Gross profit margins**
5. Individuals or organizations that purchase goods or services from a business. They are a key external stakeholder group of an organization. **Customers**
6. A decision-making organization involved in the production of goods and/or services to satisfy the needs or wants of their customers. **Business**
7. The maximum output of a worker, department or organization, per period of time. **Capacity**
8. A good or service that caters for a small market segment, e.g. all-natural energy drinks for professional athletes. **Niche product**
9. A use of finance, referring to the spending of a business on acquiring, maintaining and/or upgrading its fixed assets. **Capital expenditure**



For November 2019 examinations

Wordle Quiz 3

Identify the following key terms from the definitions given below.

Primary producers

Partnership

Charities

Multinational companies

Brand leader

Vision

Consumers

Ethical objectives

Non-governmental organizations

1. A business organization co-owned by at least two owners, with limited liability.
2. Where the business aspires to be in the future, i.e. its ultimate goal.
3. The end-users of a good or service.
4. Type of non-profit social enterprise that operates in the private sector but does not primarily aim to make a profit.
5. Businesses involved with the extraction, harvesting and conversion of natural resources, e.g. agriculture, fishing, forestry, mining and oil extraction.
6. Non-profit organizations set up to provide help and raise money or financial aid for those in need.
7. An organization owned by shareholders and operates in two or more countries, typically with its headquarters in the country of origin.
8. The bestselling product in a particular market, i.e. it has the highest market share in the industry.
9. The moral principles and aspirations that guide business decision-making based on the beliefs of what society considers to be morally right or wrong.



For November 2019 examinations

Wordle Quiz 3 – Answers

Identify the following key terms from the definitions given below.

Primary producers

Partnership

Charities

Multinational companies

Brand leader

Vision

Consumers

Ethical objectives

Non-governmental organizations

1. A business organization co-owned by at least two owners, with limited liability. [Partnership](#)
2. Where the business aspires to be in the future, i.e. its ultimate goal. [Vision](#)
3. The end-users of a good or service. [Consumers](#)
4. Type of non-profit social enterprise that operates in the private sector but does not primarily aim to make a profit. [Non-governmental organizations](#)
5. Businesses involved with the extraction, harvesting and conversion of natural resources, e.g. agriculture, fishing, forestry, mining and oil extraction. [Primary producers](#)
6. Non-profit organizations set up to provide help and raise money or financial aid for those in need. [Charities](#)
7. An organization owned by shareholders and operates in two or more countries, typically with its headquarters in the country of origin. [Multinational company](#)
8. The bestselling product in a particular market, i.e. it has the highest market share in the industry. [Brand leader](#)
9. The moral principles and aspirations that guide business decision-making based on the beliefs of what society considers to be morally right or wrong. [Ethical objectives](#)



For November 2019 examinations

Wordle Quiz 4

Identify the following key terms from the definitions given below.

Secondary market research

Workforce

Business owner

Financial position

Brand value

Production capacity

Niche product

Economies of scale

Random sampling

1. This represents the premium that customers are willing to pay in order to buy a certain brand of a product rather than a rival product.
2. The cost-saving benefits enjoyed by an organization due to the larger scope of its operations.
3. A statistical sampling technique which enables each research subject to have an equal chance of being selected.
4. The legal proprietors of a business organization, with lawful rights to its assets.
5. The total number of employees in the organization.
6. This refers to the financial health (such as its liquidity) or financial performance (such as its gross profit margin) of a business.
7. A good or service that caters for a small market segment, e.g. all-natural energy drinks for professional athletes.
8. Data and information gathering from sources that already exist.
9. The maximum output of a worker, department or organization, per period of time.



For November 2019 examinations

Wordle Quiz 4 – Answers

Identify the following key terms from the definitions given below.

Secondary market research

Business owner

Workforce

Financial position

Brand value

Production capacity

Niche product

Random sampling

Economies of scale

1. This represents the premium that customers are willing to pay in order to buy a certain brand of a product rather than a rival product. **Brand value**
2. The cost-saving benefits enjoyed by an organization due to the larger scope of its operations. **Economies of scale**
3. A statistical sampling technique which enables each research subject to have an equal chance of being selected. **Random sampling**
4. The legal proprietors of a business organization, with lawful rights to its assets. **Business owner**
5. The total number of employees in the organization. **Workforce**
6. This refers to the financial health (such as its liquidity) or financial performance (such as its gross profit margin) of a business. **Financial position**
7. A good or service that caters for a small market segment, e.g. all-natural energy drinks for professional athletes. **Niche product**
8. Data and information gathering from sources that already exist. **Secondary market research**
9. The maximum output of a worker, department or organization, per period of time. **Production capacity**



For November 2019 examinations

Wordle Quiz 5

Identify the following key terms from the definitions given below.

Economically sustainable

Brand association **Business angel** **Socially responsible**
Revenue expenditure
Market segments
Lifestyle brand
Customer perception
Brand identity

1. Marketing strategy that attempts to embody a brand as a way of life for its consumers.
2. The views and opinions of customers regarding a particular brand or business.
3. The money needed for the day-to-day running of a business, e.g. raw materials, wages, rent, insurance and utility bills.
4. The various attributes of a particular brand from the perspective of consumers, i.e. what they have in mind about the brand.
5. Having a conscience, with consideration of the organization's actions on its various stakeholder groups and the natural environment.
6. An affluent investor who provides funds for business start-ups, usually in exchange for a financial stake in the business.
7. Conserving the economy's scarce resources to prevent jeopardizing production of goods and services for future generations.
8. The way in which a business wants its products to be perceived by the consumer.
9. Distinct groups of customers with their similar characteristics, tastes and preferences.



For November 2019 examinations

Wordle Quiz 5 – Answers

Identify the following key terms from the definitions given below.



1. Marketing strategy that attempts to embody a brand as a way of life for its consumers. **Lifestyle brand**
2. The views and opinions of customers regarding a particular brand or business. **Customer perception**
3. The money needed for the day-to-day running of a business, e.g. raw materials, wages, rent, insurance and utility bills. **Revenue expenditure**
4. The various attributes of a particular brand from the perspective of consumers, i.e. what they have in mind about the brand. **Brand association**
5. Having a conscience, with consideration of the organization's actions on its various stakeholder groups and the natural environment. **Socially responsible**
6. An affluent investor who provides funds for business start-ups, usually in exchange for a financial stake in the business. **Business angel**
7. Conserving the economy's scarce resources to prevent jeopardizing production of goods and services for future generations. **Economically sustainable**
8. The way in which a business wants its products to be perceived by the consumer. **Brand identity**
9. Distinct groups of customers with their similar characteristics, tastes and preferences. **Market segments**

Business Management – Paper 1 Case Study Pack

Case Study: Accord

A-Z Quiz



For November 2019 examinations

Complete the following A-Z quiz to check your comprehension of the *Accord* case study.

	Clue	Answer
A	Name of professional marathon runner, who established <i>Accord</i> with his business partner.	
B	<i>Enrich</i> is restricted to this type of marketing to keep costs low.	
C	Business expenses on acquiring or maintaining/upgrading fixed assets.	
D	Drink based on green tea, which allows athletes to relax after a hard day of training.	
E	All-natural energy drink made from imported ingredients.	
F	The benefits from being the original organization to enter a particular market.	
G	Profitability ratio that measures an organization's proportion of gross profit generated from its sales revenue.	
H	The division of a firm responsible for the recruitment, selection, dismissal, training and development of employees.	
I	Commercial development, adoption and exploitation of an invention or creative idea that appeals to customers.	
J	Customized production of unique or one-off orders.	
K	Professional heptathlete and co-founder of <i>Accord</i> .	
L	Strategy that attempts to symbolize a brand as a way of life for its consumers.	
M	Process of planning, commanding, controlling, coordinating and organising resources to achieve organizational goals.	
N	Market products that cater for a small market segment.	
O	A functional role of any business organization.	
P	Business organization co-owned by at least two people.	
Q	Starting up <i>Accord</i> was easy and for Aran and Kayla.	
R	Vendor that sells goods and services directly to consumers.	
S	Sampling technique used by <i>ABC</i> , a multinational company.	
T	Largest production sector in the country that Aran lives.	
U	<i>Enrich's</i> ... could be Kayla's belief that the product is "only locally produced, caffeine-free, all-natural energy drink".	
V	The long term and ultimate aspiration of <i>Accord</i> .	
W	The total number of people employed by Aran and Kayla.	
X	The money spent or costs incurred in producing something.	
Y	Aran felt that <i>Enrich</i> should be viewed as ay lifestyle brand.	
Z	Research is needed to establish if <i>Enrich</i> can be ...z.. for distribution to customers over longer distances.	

Business Management – Paper 1 Case Study Pack

Case Study: Accord

A-Z Quiz



For November 2019 examinations

Complete the following A-Z quiz to check your comprehension of the *Accord* case study.

	Clue	Answer
A	Name of professional marathon runner, who established <i>Accord</i> with his business partner.	Aran
B	<i>Enrich</i> is restricted to this type of marketing to keep costs low.	Below-the-line
C	Business expenses on acquiring or maintaining/upgrading fixed assets.	Capital expenditure
D	Drink based on green tea, which allows athletes to relax after a hard day of training.	<i>Detox</i>
E	All-natural energy drink made from imported ingredients.	<i>Enrich</i>
F	The benefits from being the original organization to enter a particular market.	First-mover advantage
G	Profitability ratio that measures an organization's proportion of gross profit generated from its sales revenue.	Gross profit margin
H	The division of a firm responsible for the recruitment, selection, dismissal, training and development of employees.	Human resource department
I	Commercial development, adoption and exploitation of an invention or creative idea that appeals to customers.	Innovative (innovation)
J	Customized production of unique or one-off orders.	Job production
K	Professional heptathlete and co-founder of <i>Accord</i> .	Kayla
L	Strategy that attempts to symbolize a brand as a way of life for its consumers.	Lifestyle brand
M	Process of planning, commanding, controlling, coordinating and organising resources to achieve organizational goals.	Management
N	Market products that cater for a small market segment.	Niche product
O	A functional role of any business organization.	Operations
P	Business organization co-owned by at least two people.	Partnership
Q	Starting up <i>Accord</i> was easy and for Aran and Kayla.	Quick
R	Vendor that sells goods and services directly to consumers.	Retailers
S	Sampling technique used by <i>ABC</i> , a multinational company.	Snowballing
T	Largest production sector in the country that Aran lives.	Tertiary
U	<i>Enrich's</i> ... could be Kayla's belief that the product is "only locally produced, caffeine-free, all-natural energy drink".	Unique selling point
V	The long term and ultimate aspiration of <i>Accord</i> .	Vision
W	The total number of people employed by Aran and Kayla.	Workforce
X	The money spent or costs incurred in producing something.	eXpenses
Y	Aran felt that <i>Enrich</i> should be viewed as ay lifestyle brand.	healthY
Z	Research is needed to establish if <i>Enrich</i> can be ...z.. for distribution to customers over longer distances.	froZen



For November 2019 examinations

SWOT Analysis for Accord

SWOT analysis provides a framework for decision makers to consider factors in both the internal and the external business environment that affect their operations. The internal factors can be classified as either **strengths** or **weaknesses** within the organization. The external factors can be classified as **opportunities** or **threats**, as outlined in the case study. Additional sources have been incorporated into this SWOT analysis to add context to the *Accord* case study.

Strengths

- Aran has won several national titles as a professional athlete, so has a lot of relevant experience to run *Accord*. Kayla, as a heptathlete, also competes in tournaments nationally and overseas, so again has relevant experience to run the partnership.
- The “all natural” aspect of *Enrich* could give the product a unique selling point/proposition (USP) in the energy drinks market. After all, most energy drinks are made from ingredients such as caffeine, taurine, B vitamins, sucrose, and glucose. In addition, Aran believes that *Enrich* provides “excellent nutrition for marathon running” and as a result can help athletes to save money.
- *Enrich* energy drinks can be refrigerated to stay fresh for up to a week. This helps to improve the appeal of *Enrich* products to customers.
- *Accord’s* ethical objectives give it a distinctive selling point in comparison to competitors in the industry. *Enrich* is marketed as an ethical energy drink (free from added sugar, caffeine, artificial sweeteners and preservatives).
- *Enrich* has a first-mover advantage in this particular segment of the beverages market because its larger multinational competitors are only just beginning to consider the idea of producing all-natural energy drinks.
- Feedback from Aran and Kayla’s friends and fellow athletes was positive, suggesting *Enrich* could be a success (although there is potential bias in such feedback).



For November 2019 examinations

Weaknesses

- *Accord* is a relatively small business start-up, with limited funds (Aran and Kayla frequently apply to charities and NGOs for financial support). Hence, they have also been unsuccessful in finding external sources of finance to increase production capacity. In addition, they may struggle to find the finance to replace some of the older confectionery-making equipment in the abandoned confectionery production plant.
- The two business partners do not have any prior business experience. This will make strategic planning and decision making more problematic for Aran and Kayla.
- *Accord* does not have a human resource department, so workforce planning may be an issue for the business, especially if it plans to grow in the future. Having a small workforce does not mean HR planning can be neglected by Aran and Kayla. In particular, the partnership is likely to need more staff to manage the equipment if *Accord* expands production in the abandoned confectionery production plant. In addition, Aran and Kayla are both working very long hours. This is not unusual for new business start-ups, but it does signify a weakness in the human resources aspects of the business.
- The price of *Enrich* products is significantly more expensive than those charged by the large MNCs. On average, the prices of *Enrich* drinks are 36.36% higher than the average price charged by the large MNCs. Given the brand loyalty of products such as Red Bull and Monster Energy, the price disadvantage can be costly for *Accord*.
- *Enrich* is restricted to below-the-line promotional methods. Although Kayla argues this is the most cost effective method, it also limits the promotional reach of the brand. By contrast, *Accord's* rivals, such as *ABC*, are able to reach a much larger customer base through above-the-line promotional methods.
- Although it can improve *Accord's* ethical credentials, restricting the sales of *Enrich* drinks through affiliated sports clubs will limit its distribution channels and potential sales revenue. By contrast, the larger rivals are able to use retailers such as supermarkets and convenience stores to sell their energy drinks.
- There are signs of conflict and disagreements between Aran and Kayla. For example, Aran prefers to see *Enrich* as a mass-market product, whereas Kayla prefers to market *Enrich* as a niche product. Kayla is also not being open and honest with some of the feedback from her market research. Such potential conflict can be problematic for *Accord's* continuity, survival and growth.



For November 2019 examinations

- Sales figures of *Enrich* in the first three months were satisfactory, but below forecasts. This could further indicate some of *Accord's* weaknesses, such as its limited funds to compete in an industry dominated by large multinational companies (alongside their significant branding advantages, economies of scale and wider promotional reach).
- Feedback from new customers contacting *Accord* through social media said they were confused about whether *Enrich* was a fruit juice or an energy drink. This suggests a weakness in the market position of *Accord's* energy drink.
- Customers also claimed that the health benefits of *Enrich* were exaggerated and the drink was too expensive. Again, this suggests that *Accord* needs to improve its marketing (to reposition the brand) or decide whether to use batch/flow production (in order to reduce per unit costs).

Opportunities

- There has been a significant rise in the number of consumers switching from carbonated drinks to energy drinks. According to the American Beverage Association, consumers are buying less soda drinks and more energy drinks. In particular, the demand for sugar-free or low-sugar energy drinks and products formulated with natural ingredients has been rising. These social changes can help *Accord* in its pursuit to establish *Enrich* as the only locally produced, caffeine-free, all-natural energy drink.
- There is also increasing consumer focus on fitness and health. There may be opportunities for *Accord* to focus on healthy, zero-calorie, and low-sugar products. The growing trend to lead a fit and healthy life can allow *Enrich* to become a healthy lifestyle brand.
- Energy drinks have transitioned from being a niche market product to one of the fastest growing products in the drinks industry. Hence, the energy drinks industry has been growing profitably for many years. According to www.mordorintelligence.com, the energy drinks market is expected to reach \$83.4 billion by 2024. This gives scope for *Accord* to enter a market with growth potential.
- Selling *Enrich* products through affiliated sports and leisure clubs can broaden the firm's distribution channels and therefore reach more customers. The additional health benefits (from the all-natural energy drink) and cost savings (less of a need to buy vitamins or to visit the doctor) would help to strengthen *Accord's* USP and brand value.



For November 2019 examinations

- Businesses focused on personalization and convenience may have a better chance of survival and success in the saturated energy drinks market. The new drinks proposed by Kayla, such as *Detox*, could form part of the lifestyle brand that Aran had envisaged. It would also broaden the customer base for *Accord* to help improve its sales.
- There could be plenty of opportunities for sales growth if *Enrich* products can be frozen and transported/sold to customers over longer distances. However, more R&D is needed before this can be confirmed.
- Product and brand awareness could improve dramatically through advertising and celebrity endorsement (Jesse). Having the famous athlete associated with the *Enrich* brand could help boost the media reach of the brand and help to increase sales. This could be a relatively inexpensive option as Jesse is looking to rebuild his own image after accusations of cheating to win a major competition.
- There may also be opportunities to sponsor major sports events (marathons or heptathlons) sponsored by *Accord*. There may be room in the market for businesses that differentiate themselves from the market leaders (which are similar in their marketing and sponsorships), especially if *Accord* can offer something unique from the big players.
- The business angel looking to invest in new, socially responsible businesses could provide *Accord* with much-needed finance in order to fund its expansion plans.
- Markets in South America and Middle East & Africa are relatively smaller, but are expected to grow in the coming years. This could enable *Accord* to consider exporting their energy drinks.

Threats

- The government in the country where Aran and Kayla live has limited funds to support athletes. This further limits the finance available to the business partners, who still frequently apply to charities and NGOs for financial support.
- The brand leader in the energy drinks market sold over six billion drinks last year, and enjoys annual sales growth of 25%. This makes it extremely challenging for *Accord* to have any market standing in this industry.
- The large MNCs are supplying an ever-increasing range of energy drinks, fruit drinks and other beverages. This will threaten the profitability of *Accord*.



For November 2019 examinations

- In addition, *Accord's* well-established rivals also benefit from significant branding advantages, economies of scale and a wider promotional reach in the beverages market. Again, these factors will threaten *Accord's* chances of survival and success.
- The health benefits of energy drinks and the costs involved are controversial, so this can cause major problems for *Accord* as a new start-up business. In addition, as most medical pressure groups argue that energy drinks have negative side effects, especially if consumed by younger consumers, this could prove problematic for *Accord's* long-term goals.
- Although the “all natural” aspect of *Enrich* can give it a unique selling point/proposition (USP), this is only short-lived as the larger multinational rivals, such as *ABC*, are already planning to launch their own versions of fruit and vegetable energy drinks. This is a major threat to *Accord*, as the business has very limited funds to expand and a lower promotional reach to existing and potential customers.
- The controversy over the health benefits of energy drinks mean that medical approval from sports governing bodies is required before these products can be sold to and consumed by athletes. Such regulations can prove problematic and expensive for *Accord* to comply with, to ensure that *Enrich* energy drinks (including the proposed *Detox* brand) meet the standards set by the sports governing bodies.
- Energy drinks face significant competition from packaged fruit juices, fizzy drinks, and malted health drinks; these substitutes are lower in cost and price than energy drinks. Energy drinks are part of the broader soft drinks industry, such as carbonated soft drinks, teas and coffees, so there is plenty of fierce competition in the beverages market. Furthermore, both Coca-Cola and PepsiCo have entered the energy drinks industry in 2019, putting them in direct competition with the likes of Monster Energy, Red Bull and *Enrich*. The energy drinks market is saturated with established brands, making it hard for small businesses such as *Accord* to compete.
- The energy drinks market is dominated by Red Bull, Monster and Rockstar with a combined market share of over 80%. This makes it extremely difficult for new start-ups like *Accord* to compete. Worse for Aran and Kayla, *ABC* is soon to launch a new all-natural energy drink. Given its superior market power and brand awareness, this can seriously threaten the survival of *Accord*.
- Using Jesse as a celebrity endorser of the *Enrich* brand could backfire. Jesse is accused of cheating in a major competitive event, and has faced criticism on social media. Being involved with Jesse before he is able to clear his name, if at all, could easily tarnish the “all-natural” image of the *Enrich* brand.



For November 2019 examinations

- Concerns that energy drinks contain high caffeine concentrations mean there is more pressure to legislate, regulate and educate in order to limit the consumption of these products. This can make it more challenging for *Accord* to launch *Detox*, as the health effects of green tea to help athletes relax are not conclusive.
- The business angel investor wants some involvement in the day-to-day management of *Accord*, which Kayla is reluctant to allow as this could dilute their control and management of the partnership. Getting a business angel involved will improve *Accord's* finances but could very easily cause conflict and further problems for Aran and Kayla.
- As Aran makes his own drinks from imported ingredients (such as oranges, kale and spinach), fluctuating exchange rates can pose a threat to *Accord's* profitability. In particular, a fall in the exchange rate will mean that he needs to pay more for the imported ingredients.



For November 2019 examinations

PEST Analysis for Accord

PEST analysis provides a framework for decision makers to consider factors in the external business environment that affect their operations. These factors can be categorized as **political**, **economic**, **social** and **technological** factors that can present opportunities and threats, as outlined in the *Accord* case study.

Note: The IB Business Management syllabus refers to STEEPLE analysis (social, technological, economic, environmental, political, legal and ethical). In this analysis, 'environmental' and 'ethical' factors are covered under the section on 'social' factors, and the 'legal' issues are covered under the section on 'political' factors.

Political factors and considerations

- The government in the country where Aran and Kayla live has limited funds to support athletes. This limits the finances available to Aran and Kayla, who are still frequently applying to charities and NGOs for financial support.
- The controversy over the health benefits of energy drinks mean that medical approval from sports governing bodies is required before these products can be sold to or consumed by athletes. Such regulations can prove problematic and expensive for *Accord* as the firm will need to ensure that *Enrich* energy drinks (including the proposed *Detox* brand) meet the quality standards set by these sports governing bodies.
- The concerns that energy drinks contain high caffeine concentrations mean that there is more pressure to legislate, regulate and educate in order to limit the consumption of these products. This can add further challenges for *Accord* to launch *Detox*, as the health effects of green tea to help athletes relax are not conclusive.

Note: we are not provided with information about the country in which Aran and Kayla live, but *Accord* would need to comply with all aspects of corporate and employment laws within the country.



For November 2019 examinations

Economic factors and considerations

- Energy drinks have transitioned from being a niche market product to one of the fastest growing products in the drinks industry. Hence, the industry has been growing profitably for many years. According to www.mordorintelligence.com, the energy drinks market is expected to reach \$83.4 billion by 2024. This gives scope for *Accord* to enter a market with growth potential.
- *Accord* is a relatively small business start-up, with limited funds. In fact, Aran and Kayla frequently apply to charities and NGOs for financial support. Hence, they have also been unsuccessful in finding external sources of finance to increase the productive capacity to make *Enrich* products. In addition, they may struggle to find the finance to replace some of the older confectionery-making equipment in the abandoned confectionery production plant.
- There may be opportunities for *Accord* to sponsor major sports events (such as marathons or heptathlons). There may enable *Accord* to differentiate themselves from the market leaders (who all have similar approaches to their marketing and sponsorships deals), especially if *Accord* can offer something unique from the market leaders.
- However, *Accord's* well-established multinational rivals benefit from significant branding advantages, economies of scale and a wider promotional reach in the beverages market. In addition, large multinationals such as *ABC* are already planning to launch their own versions of fruit and vegetable energy drinks. The intense degree of competition, an economic factor in a PEST analysis, is likely to threaten *Accord's* chances of survival and success in the energy drinks market.
- The price of *Enrich* products is significantly more expensive than those charged by the large MNCs. On average, the prices of *Enrich* drinks are 36.36% higher than the average price charged by the large MNCs. Given the brand loyalty of products such as Red Bull and Monster Energy, the price disadvantage may prove to be highly detrimental for *Accord*.
- Furthermore, the energy drinks market is dominated by Red Bull, Monster Energy and Rockstar with a combined market share of over 80%. This makes it extremely difficult for new start-ups like *Accord* to compete. Worse for Aran and Kayla, *ABC* is soon to launch its own all-natural energy drink. Given its superior market power and brand awareness, this can seriously threaten the survival of *Accord*.



For November 2019 examinations

- Energy drinks also face significant competition from packaged fruit juices, fizzy drinks, and malted health drinks; these substitutes are generally lower in cost and price than energy drinks. Therefore, the economic climate makes it challenging for small businesses such as *Accord* to compete.
- Getting a business angel involved will improve *Accord's* finances, but could very easily cause conflict and further problems for Aran and Kayla. Nevertheless, getting the business angel involved could provide *Accord* with much-needed finance in order to fund its expansion plans, especially as the business angel is looking to invest in new, socially responsible businesses.
- As Aran makes his own drinks from imported ingredients (such as oranges, kale and spinach), fluctuating exchange rates can pose a threat to *Accord's* profitability. In particular, a fall in the exchange rate will mean that *Accord* needs to pay more for the imported ingredients.
- According to market research from Euromonitor International, the three largest markets for energy drink growth in 2017 were the United States, China and Brazil. Markets in South America and Middle East & Africa are smaller, but are expected to grow in the coming years. This could enable *Accord* to consider exporting their energy drinks.

Social factors and considerations

- The health benefits of energy drinks are inconclusive and controversial, so this can cause major problems for *Accord* as a new start-up business. In addition, as most medical pressure groups argue that energy drinks have negative side effects, especially if consumed by younger customers in society, this could prove problematic for *Accord* in the future.
- *Accord's* ethical objectives may give it a distinctive selling point in comparison to large multinational competitors in the industry. *Enrich* is marketed as an ethical energy drink (free from added sugar, caffeine, artificial sweeteners and preservatives). This could prove advantageous to *Accord* if society places ethical business practices as a priority.
- There has been a significant rise in the number of consumers switching from carbonated drinks to energy drinks. According to the American Beverage Association, consumers are buying less soda drinks and more energy drinks. In particular, the demand for sugar-free or low-sugar energy drinks and products formulated with natural ingredients has been rising. These changes in social preferences can help *Accord* in its pursuit to establish *Enrich* as the only locally produced, caffeine-free, all-natural energy drink.



For November 2019 examinations

- There is also increasing consumer focus on fitness and health. Hence, there may be opportunities for *Accord* to focus on healthy, zero-calorie, and low-sugar products. The growing trend to lead a fit and healthy life can therefore enable *Enrich* to become a healthy lifestyle brand.
- Energy drinks are popular among younger age groups in society, consumed to help students and adolescents to wake up and/or stay awake, increase their mental performance and to enable them to concentrate for longer. Businesses focused on personalization and convenience may have a better chance of survival and success in the saturated energy drinks market. The new drinks proposed by Kayla, such as *Detox*, would broaden the customer base for *Accord* to help improve its sales.
- Using Jesse as a celebrity endorser of the *Enrich* brand could backfire. Jesse is accused of cheating in a major competitive event, and has faced criticism on social media. Public support seems to have diminished since it was exposed that Jesse was paid \$2m to wear the special running outfit (against the wishes of his other sponsors). Therefore, being involved with Jesse before he is able to clear his name, if at all, could easily tarnish the “all-natural” image of the *Enrich* brand.

Technological factors and considerations

- *Enrich* energy drinks can be refrigerated to stay fresh for up to a week. This helps to improve the appeal of *Enrich* products to customers.
- There could be plenty of opportunities for sales growth if *Enrich* products can be frozen and transported/sold to customers over longer distances. However, more R&D is needed before this can be confirmed.
- There is scope for *Accord* to consider both business to consumer (B2C) and business to business (B2B) transactions via an online platform. This would enable *Enrich* to reach a far larger customer base.



For November 2019 examinations

Exam-style Questions – Worksheet 1

To help prepare for the examination questions, answer the following questions based on the *Accord* case study.

1. *Accord* is set up as a partnership (line 41). State two features of a partnership. [2]

.....
.....
.....
.....

2. State two features of charities (line 6). [2]

.....
.....
.....
.....

3. Explain two reasons for setting up a business, such as *Accord*. [4]

.....
.....
.....
.....

4. With reference to *Accord*, describe two steps in setting up a new business. [4]

.....
.....
.....
.....

5. Describe two problems faced by a new business start-up, such as *Accord*. [4]

.....
.....
.....
.....

.....
.....
.....
.....



For November 2019 examinations

Exam-style Questions – Worksheet 1 (Answers)

1. *Accord* is set up as a partnership (line 41). State two features of a partnership. [2]

Award 1 mark for each relevant feature, up to 2 marks:

- A business organization owned by 2 to 20 owners (partners)
- The partners share the set-up costs, risks and any profits earned
- The partners have unlimited liability
- It is established as an unincorporated business, with no legal separation between the owners and the business entity.

2. State two features of charities (line 6). [2]

Award 1 mark for each relevant feature, up to 2 marks:

- An organization that performs useful social or environmental functions, such as supporting athletes in national or international competitions
- Organizations that do not primarily seek to earn a profit
- Non-profit businesses that have tax advantages due to their purpose and benefit for others in society.

3. Explain two reasons for setting up a business, such as *Accord*. [4]

Possible reasons could include (mark as 2 + 2):

- To enable Aran and Kayla to be more self-reliant and financially independent
- To gain economic security due to the potential to earn high profits as business owners
- The possibility of earning more than working for someone else
- The desire to be independent (to be your own boss)
- To pursue personal interests and skills (such as athletes)
- To achieve a greater sense of purpose and achievement.

4. With reference to *Accord*, describe two steps in setting up a new business. [4]

Typical steps include (mark as a 2 + 2):

- Formulating a business idea/plan, and identifying market opportunities in the energy drinks industry
- Legal set-up of the partnership owned by Aran and Kayla
- Securing internal and/or external sources of finance
- Finding a suitable and affordable business location
- Marketing and establishing a customer base
- Human resource planning and the recruitment/training of managers/workers.

5. Describe two problems faced by a new business start-up, such as *Accord*. [4]

Possible problems could include (mark as 2 + 2):

- The lack of funds; Aran and Kayla do not have sufficient funds to finance their own competitions, so will struggle with securing funds to run *Accord*
- The lack of product differentiation or a unique selling proposition; Kayla argues that all-natural energy drinks already exist so *Enrich* doesn't have a clear USP
- Difficulties in recruiting suitably skilled and experienced workers
- Not having an established relationship with reliable suppliers; Aran needs to find additional suppliers of fruit and vegetables
- The time-consuming and costly legal process of setting up the partnership
- The lack of experience in strategic decision-making, e.g. Aran and Kayla decided against a human resource department, but have plans to increase the workforce
- *Accord* does not have an established customer base, who are confused about whether the business supplies energy drinks or fruit juices.



For November 2019 examinations

Exam-style Questions – Worksheet 2

To help prepare for the examination questions, answer the following questions based on the *Accord* case study.

1. Define the term *innovation* (lines 91 and 113). [2]

.....
.....
.....

2. Describe the purpose of a vision (line 41). [2]

.....
.....
.....
.....

3. Explain one benefit of being a brand leader (line 10). [2]

.....
.....
.....
.....

4. Explain **two** benefits for *Accord* of meeting quality standards set by the sports governing bodies (lines 36 – 37). [4]

.....
.....
.....
.....
.....
.....

5. Kayla and Aran are partners of *Accord*. Explain why they might be described as being entrepreneurs. [4]

.....
.....
.....
.....
.....
.....



For November 2019 examinations

Exam-style Questions – Worksheet 2 (Answers)

1. Define the term *innovation* (lines 91 and 113). [2]

- Innovation refers to the commercial process of putting a new idea or approach into action
- It is the process of translating a creative idea/invention into a commercially viable good or service that adds value for customers
- It can also refer to the process of improving existing products or processes.

2. Describe the purpose of a vision (line 41). [2]

The vision of a business is a written declaration of where it aspires to be in the future, i.e. it is the overall long-term goal of *Accord*. Having a vision (to sell *Enrich* as an ethical energy drink) gives *Accord* a clear sense of purpose and direction.

3. Explain one benefit of being a brand leader (line 10). [2]

A brand leader is the bestselling product (or one of the bestselling products) in a particular market, i.e. it has the highest market share in the industry. It can also refer to the most highly regarded (respected) product or brand in the market. This gives the brand competitive advantages such as higher sales revenue, brand loyalty and brand recognition.

4. Explain **two** benefits for *Accord* of meeting quality standards set by the sports governing bodies (lines 36 – 37). [4]

Award 1 mark for identifying each relevant benefit, and 1 mark for the explanation, such as:

- Customers are more willing to accept *Enrich* products, which helps to attract new customers and retain existing ones
- Compliance with quality standards shows that *Accord* produces energy drinks that are fit for purpose and are approved by the governing bodies/authorities
- Customers regard quality as important as sub-standard beverages can be very harmful, especially to young consumers
- It makes *Accord* more competitive/attractive and gives Aran and Kayla a better chance to compete with the likes of *ABC*

5. Kayla and Aran are partners of *Accord*. Explain why they might be described as being entrepreneurs. [4]

Possible responses could include (mark as 2 + 2):

- An entrepreneur is someone who bears the financial risks of starting and managing a business, such as *Accord*
- Entrepreneurs develop new ideas (such as all-natural energy drinks) or find new ways of offering an existing product (such as *Detox*, based on green tea)
- Entrepreneurs assume the financial risks and rewards of running the business, especially in the case of partnerships such as *Accord* because the owners have unlimited liability
- Entrepreneurs have responsibility for strategic decision making in the organization, such as expanding the business (line 126).



For November 2019 examinations

Exam-style Questions – Worksheet 3

To help prepare for the examination questions, answer the following questions based on the *Accord* case study.

1. Define the term *economies of scale* (line 70). [2]

.....
.....
.....

2. Identify two external stakeholders of *Accord*. [2]

.....
.....
.....

3. Describe the nature of business activity in the tertiary sector (line 2). [2]

.....
.....
.....
.....

4. With reference to *Accord*, distinguish between capital expenditure and revenue expenditure (line 93). [4]

.....
.....
.....
.....
.....

5. Kayla is keen to launch *Detox* (lines 129 – 131). Explain why it is important that *Accord* generates new revenue streams. [4]

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....



For November 2019 examinations

Exam-style Questions – Worksheet 3 (Answers)

1. Define the term *economies of scale* (line 70). [2]

The reduction in average (unit) costs of production that result from an increase in the size of its operations.

2. Identify two external stakeholders of *Accord*. [2]

Mark as 1 + 1:

- Suppliers from overseas (line 62)
- Customers (lines 35, 38, 81 and 98,
- Business angel (lines 108 – 109)
- Government (lines 4 and 76)
- Press groups (line 14)
- Competitors, such as *ABC* (lines 49, 69 and 95)

3. Describe the nature of business activity in the tertiary sector (line 2). [2]

- Tertiary sector activities involve businesses providing services
- Business activity in this sector of the economy is usually labour intensive
- It is the predominant sector in developed (high-income) countries.

4. With reference to *Accord*, distinguish between capital expenditure and revenue expenditure (line 93). [4]

- Capital expenditure refers to spending by a business on acquiring, maintaining and/or upgrading its fixed assets. It represents a financial investment in *Accord*, such as the machinery, equipment and commercial properties of the business (its production plant).
- Revenue expenditure refers to the money needed for the day-to-day running of the business, such as finance needed to pay Aran and Kayla's salaries, or the electricity bills to run its production facilities.

5. Kayla is keen to launch *Detox* (lines 129 – 131). Explain why it is important that *Accord* generates new revenue streams. [4]

Possible reasons include (mark as a 2 + 2):

- Increased sales revenue in order for *Accord* to earn more profit (especially as the sales of *Enrich* were lower than expected)
- To remain competitive, innovative and sustainable by securing new sources of sales revenue
- To motivate employees, especially as *Accord* needs to attract new skilled workers in the future.



For November 2019 examinations

Exam-style Questions – Worksheet 4

To help prepare for the examination questions, answer the following questions based on the *Accord* case study.

1. Define the term *unique selling point/proposition* (USP) (lines 26 – 27). [2]

.....
.....
.....

2. Outline the importance of brand identity (line 112) to *Accord*. [2]

.....
.....
.....
.....

3. In the context of *Accord*, describe the meaning of growth (line 123). [2]

.....
.....
.....
.....

4. Explain **two** advantages of *Accord* being a partnership (line 41). [4]

.....
.....
.....
.....
.....
.....
.....
.....

5. Explain the importance of ethical objectives (line 43) for *Accord*. [4]

.....
.....
.....
.....
.....
.....
.....



For November 2019 examinations

Exam-style Questions – Worksheet 4 (Answers)

1. Define the term *unique selling point/proposition* (USP) (lines 26 – 27). [2]

A firm's USP refers to any aspect of the organization, its brands or its products that enables clear and distinctive differentiation from the perception of consumers. Hence, a USP gives the business a competitive advantage over its rivals.

2. Outline the importance of brand identity (line 112) to *Accord*. [2]

Brand identity refers to the way in which *Accord* wants its energy drinks products to be perceived by the consumers. It is important as it enables customers to identify and distinguish the *Enrich* brand in the minds of existing and potential customers. The brand identity (such as being the first all-natural energy drink on the market) can even give *Accord* a unique selling proposition.

3. In the context of *Accord*, describe the meaning of growth (line 123). [2]

Growth is the expansion of *Accord* as a business due to an increase in the size of the organization and/or the energy drinks industry. It can be measured by an increase in *Accord*'s sales revenue, number of employees or level of profits.

4. Explain **two** advantages of *Accord* being a partnership (line 41). [4]

Possible advantages could include (mark as 2 + 2):

- There is enhanced problem solving and decision making as Aran and Kayla work together as partners, rather than in isolation.
- More capital (finance) is available compared to if Aran or Kayla operated as sole traders.
- The partners share risks - any losses experienced by *Accord* will be borne by both partners equally (so the burden for each partner is less).
- Partners also provide support for each other as well as inspire one another. The arrangements enable Kayla to focus on marketing and finance, whereas Aran is in charge of operations management and the supply chain.

5. Explain the importance of ethical objectives (line 43) for *Accord*. [4]

Ethics refer to the moral principles and values that underpin business activity and behaviour, i.e. it is concerned with what is 'right' or 'wrong', from society's point of view. Benefits of *Accord* having ethical objectives include:

- maintaining/improving the brand identity of *Enrich* energy drinks
- improved customer perception - consumers usually respond positively to businesses that act ethically, thereby enhancing the *Enrich* brand
- maintaining the goodwill/support of *Accord*'s suppliers, such as their supplier of fruits and vegetables
- reducing labour turnover - improved motivation (due to the *Accord*'s ethical business practices) is likely to result in improvements in the recruitment and retention of workers
- similarly, it can improve employee loyalty/commitment to *Accord*, thereby improving labour productivity at the firm
- collectively, having ethical objectives could be a prerequisite to improve the long term success and profitability of *Accord*, especially in a saturated market which is dominated by large multinational beverages manufacturers.



For November 2019 examinations

Exam-style Questions – Worksheet 5

To help prepare for the examination questions, answer the following questions based on the *Accord* case study.

1. Define the term *brand* (line 31). [2]

.....
.....
.....

2. Outline why the business angel (line 108) may be considered as a stakeholder of *Accord*. [2]

.....
.....
.....

3. Outline what is meant by a *lifestyle brand* (lines 127 – 128). [2]

.....
.....
.....

4. Explain **two** possible type of economies of scale for the large multinational companies such as *ABC* (line 70). [4]

.....
.....
.....
.....
.....
.....
.....
.....

5. Explain the importance of product innovation (line 91) for *Accord*. [4]

.....
.....
.....
.....
.....
.....
.....
.....



For November 2019 examinations

Exam-style Questions – Worksheet 5 (Answers)

1. Define the term *brand* (line 31). [2]

A brand refers to a distinctive name, symbol, image or trademark of a product or organization. As an intangible asset, the brand (such as *Enrich*) differentiates the product or organization from competing products and firms in the markets.

2. Outline why the business angel (line 108) may be considered as a stakeholder of *Accord*. [2]

A business angel is an affluent investor who provides finance for business start-ups, usually in exchange for a financial stake in the business. As the business angel also wants involvement in the daily running of *Accord*, s/he can be considered as a stakeholder of *Accord*.

3. Outline what is meant by a lifestyle brand (lines 127 – 128).

This is a branding strategy that attempts to embody a brand, such as *Enrich*, as a way of life for its consumers. Consumers of lifestyle brands are willing to pay a premium price for the emotional connection with the brand, e.g. Red Bull in the energy drinks market.

4. Explain two possible types of economies of scale for the large multinational companies such as *ABC* (line 70). [4]

Economies of scale are the cost-saving advantages that a business can enjoy by enlarging the scale of its output. Examples of possible economies of scale could include:

- Technical economies of scale – large businesses can afford to invest in sophisticated and specialist capital machinery to increase the scale of output, thereby reducing the per unit cost of production.
- Marketing economies of scale – large businesses can spread their advertising and marketing budgets over a large range of output as well as purchasing their stocks/inventory in bulk, at discounted prices (depending on the degree of its negotiation power in the market).
- Specialization and Managerial economies of scale – Larger firms can afford to hire specialist managers and skilled staff to split complex production processes into separate tasks. Specialization helps to boost productivity (i.e. the workforce is able to produce more output) in the same time, thereby reducing the cost of each unit of output.
- Financial economies of scale – Larger businesses are usually able to borrow more money and at a lower cost (interest rate charge). This is because the larger firm is more 'credit worthy' as it represents lower risk for the lender, so can benefit from more favourable rates of borrowing.

Award 1 mark for identifying each relevant type of economies of scale, and 1 mark for the explanation.

5. Explain the importance of product innovation (line 91) for *Accord*. [4]

Product innovation is the management process of designing and creating new products (such as *Detox* green tea) or making incremental improvements to existing ones (*Enrich* energy drinks). It is important for *Accord* as there is intense competition in the energy drinks market, so Kayla is particularly keen to launch new product innovations in order to remain economically sustainable (line 132). Being the first to launch an all-natural energy drink (lines 26 – 27) can also enable *Accord* to exploit a unique selling proposition (line 27) and stay competitive in the energy drinks industry.

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK
Standard Level Mock Examination
Paper 1
Case Study: *Accord*



For use in November 2019

1 hour 15 minutes

INSTRUCTIONS

- Do not open this examination paper until you have been instructed to do so
- You will need a clean copy of the *Accord* case study for this examination paper
- Read the case study carefully
- A clean copy of the Business Management formulae sheet is required
- Answer any **two** questions from Section A
- Answer **the** compulsory question from Section B
- Please note this product is protected by international copyrights. Redistribution is strictly prohibited.
- You are permitted to use a calculator for this examination paper
- Total marks available: 40 marks

SECTION A

Answer **two** questions from this section.

1.
 - (a) Describe **one** type of economies of scale (line 70) for the large and experienced multinational companies. [2 marks]
 - (b) State **two** features of a partnership (line 41). [2 marks]
 - (c) Explain the importance of ethical objectives for *Accord*. [6 marks]

2.
 - (a) Describe the interests of any **two** external stakeholder groups of *Accord*. [4 marks]
 - (b) In the context of *Accord*, explain the differences between internal and external sources of finance. [6 marks]

3.
 - (a) Define the following terms:
 - (i) *gross profit margins* (lines 103 – 104). [2 marks]
 - (ii) *economic sustainability* (lines 132). [2 marks]
 - (b) Explain the importance of branding (line 85) for *Accord*. [6 marks]

There is no additional information in this mock exam paper for Section A.

SECTION B

Answer **the** following questions.

4. Kayla conducted further secondary market research to present to Aran (see Item 1 below). Given the findings, Kayla suggested that *Accord* needs to reposition itself in the market to be perceived as a health drink, rather than an energy drink. This can help *Accord* to secure a unique selling proposition, before the large multinational companies enter the industry. She also argued that *Accord* needs to establish a first-mover advantage in the all-natural health drinks market by using below-the-line promotion.

Meanwhile, Aran favours further discussions with the business angel in order to secure the finance needed to sell *Enrich* as a mass-market product. He has proposed converting *Accord* to a private limited company in order to compete with larger rivals such as *ABC*. Kayla is totally against this idea and prefers to keep *Accord* as a partnership.

Item 1: Government consultation to end the sale of energy drinks to children

In late 2018, the UK government concluded its public consultation process to seek opinions on the proposed ban on selling energy drinks to children. Two-thirds of children aged 10 to 17 and a quarter of 6 to 9 year-olds consume energy drinks. There was strong support from parents, health professionals, teachers and some industry bodies and retailers for an end to sales of high-caffeine energy drinks to children.

The Department of Health & Social Care defines an energy drink as “*soft drinks that contain higher levels of caffeine than other soft drinks, and may also contain a lot of sugar (though low- or zero-calorie energy drinks are available).*”

The government stated “*Evidence suggests that excessive consumption of energy drinks by children (aged 12-18) is linked to negative health outcomes such as headaches, sleeping problems, irritation and tiredness.*”

The government has yet to determine which age limit would be appropriate if it does decide to end the sale of energy drinks to children. It is also considering prohibiting all sales of energy drinks from all vending machines, regardless of the age of the person buying them.

Source: Department of Health & Social Care

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/736398/consultation-on-ending-the-sale-of-energy-drinks-to-children.pdf

- (a) Define the term below-the-line promotion (line 71). [2 marks]
- (b) With reference to Aran and Kayla, outline **two** reasons why people choose to set up their own business. [4 marks]
- (c) Describe **two** benefits for *Accord* of having a unique selling proposition (lines 26 – 27). [4 marks]
- (d) Discuss the costs and benefits for *Accord* if it chooses to convert from a partnership to a private limited company. [10 marks]

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK
Standard Level Mock Examination – Mark scheme
Paper 1
Case Study: *Accord*



For use in November 2019

TEACHERS' NOTES

- Teachers should use their professional judgment in awarding answers that may not be included in this mark scheme
- Please note this product is protected by international copyrights. Redistribution is strictly prohibited
- The data and information included in Section B are provided for illustrative purposes only, in order to give students practice for the final examination in November 2019.

SECTION A

1. (a) Describe one type of economies of scale (line 70) for the large and experienced multinational companies. [2 marks]

Examples of possible economies of scale for large MNCs in the energy drinks industry could include:

- Technical economies of scale – large manufacturers of energy drinks can afford to invest in sophisticated and specialist capital machinery to increase the scale of output, thereby reducing the per unit cost of production.
- Marketing economies of scale – large MNCs can spread their advertising and marketing budgets over a large range of energy drinks products as well as purchasing their stocks/ingredients in bulk, at discounted prices.
- Specialization and Managerial economies of scale – Large MNCs can afford to hire specialist managers and skilled staff to split complex production processes into separate tasks, whereas *Accord* relies heavily on Aran and Kayla. Specialization in large MNCs helps to boost productivity (i.e. the workforce is able to produce more output) in the same time, thereby reducing the cost of each unit of output.
- Financial economies of scale – Larger businesses are usually able to borrow more money and at a lower cost (interest rate charge). This is because the larger firms are more 'credit worthy' as they represent lower risk for the lender, so can benefit from more favourable rates of borrowing.

Mark as 1 + 1

Award [1 mark] for a vague description but demonstrates some understanding. Award [1 mark] for application to the Accord case study.

- (b) State two features of a partnership (line 41). [2 marks]

Feature of partnerships include:

- A business organization owned by 2 to 20 owners (partners)
- Partners share set-up costs, risks and profits of the business
- Most, if not all, partners have unlimited liability
- It is established as an unincorporated business, with no legal separation between the owners and the business entity
- *Accept any other relevant/correct feature of partnerships.*

Mark as 1 + 1

Award [1 mark] for each correct feature of a wholesaler.

(c) Explain the importance of ethical objectives for *Accord*. [6 marks]

Ethics refer to the moral principles and values that underpin business activity and behaviour, i.e. it is concerned with what is 'right' or 'wrong', from society's point of view.

Having ethical objectives may be of importance to *Accord* because it can:

- Maintain the goodwill/support of domestic and overseas suppliers of fruits and vegetables to produce *Enrich* energy drinks.
- Enhance *Accord's* corporate reputation – ethical objectives and strategies can help to maintain/improve the brand identity and corporate image of *Enrich* products. This is particularly important in the energy drinks industry where there is much controversy about the health benefits of the beverages.
- Foster customer trust and loyalty – implementing ethical objectives can improve customer perceptions of *Accord/Enrich*. Consumers usually respond positively to businesses that act ethically, thereby enhancing the brand association and brand value of *Enrich*.
- Help to avoid legal issues – acting ethically means *Accord* behaves in line with the law (such as employment legislation and health & safety laws), thereby avoiding costly legal fees and sanctions should *Accord* break any laws.
- Improving employee loyalty/commitment to the ethical business, thereby improving motivation (due to ethical business practices) and cutting the costs of hiring new staff.
- To improve the long term success and profitability of *Accord*, especially in a highly competitive environment/industry.

Award **[1 to 2 marks]** for an answer that shows some understanding of the demands of the question. The response may be superficial and lacks depth of analysis. Award a maximum of **[2 marks]** if there is no application made to the *Accord* case study.

Award **[3 to 4 marks]** for an answer that shows an understanding of the demands of the question. There is an explanation of the importance of the importance of ethical objectives, but the analysis may lack detail. There is some appropriate use of business management terminology and partial application to the *Accord* case study.

Award **[5 to 6 marks]** for a detailed explanation of the importance of ethical objectives. There is accurate and appropriate use of business management terminology throughout the answer, with effective application made to the *Accord* case study.

2. (a) Describe the interests of any two external stakeholder groups of *Accord*. [4 marks]

External stakeholders of *Accord* include:

- Customers – who are interested in low(er) prices, especially as larger multinational companies charge \$0.80 less on average than *Accord* does; a wide range of all-natural energy drinks, and convenience (improved channels of distribution).
- Suppliers – who are interested in getting more competitive prices for their inventory of fresh fruits and vegetables (to make the all-natural energy drinks).
- Competitors – large multinational companies such as *ABC*, *Red Bull* and *Monster Energy* compete for market share and brand loyalty in the energy drinks industry.

- Pressure groups including labour unions – these stakeholder groups push for improved corporate social responsibility (such as the health issues surrounding energy drinks being sold to teenaged customers) and the ethical treatment of *Accord's* small workforce.
- Sports governing bodies – these stakeholder groups are keen to ensure *Accord's* product meet their quality standards and are safe for consumption. They will also be interested in *Accord's* corporate social responsibility (CSR).
- External investors, such as the business angel (line 108) – who are interest in the growth prospects and financial returns from investing in *Accord*.
- *Accept the interests of any other relevant external stakeholder group of Accord, that is described in the context of the case study.*

Mark as 2 + 2.

Award **[1 mark]** for each valid external stakeholder group identified, and **[1 mark]** for the description of the stakeholder group's financial/non-financial interest in *Accord*, up to the maximum of **[2 marks]**.

No marks can be awarded if the student refers to internal stakeholders.

(b) In the context of *Accord*, explain the differences between internal and external sources of finance. [6 marks]

Internal sources of finance are the methods by which *Accord* raises finance from within its own organization, using its own resources. By contrast, external sources of finance are the funds that come from outside the business organization, using third party providers.

Possible internal sources of finance for *Accord* could include:

- Sales revenue from the sale of *Enrich* products sold by *Accord*.
- Start-up capital (personal funds) from Aran and Kayla to establish *Accord*.
- Sale of fixed assets, such as unused or unwanted machinery and equipment (although this is an unlikely source of finance for *Accord*, given it is a relatively new business).

Note: do not accept retained profit as a source of internal finance as *Accord* has been operating for less than 12 months.

Possible external sources of finance for *Accord* could include:

- Bank overdrafts during times of cash flow problems for *Accord*.
- Bank loans for larger projects (such as funding the purchase/rental of the unused confectionery production plant) or to fund product development (such as *Detox*).
- Corporate sponsorship and scholarship funds, from external providers as part of their own CSR policies and/or to gain exclusive advertising rights with *Accord/Enrich*
- Business angel – possible funding from the investor looking for commercial opportunities with a socially responsible business such as *Accord*.
- *Accept any other relevant external sources of finance (e.g. government subsidies or grants or hire purchase for capital equipment) that is written in the context of the Accord case study.*

Award **[1 to 2 marks]** for an answer that shows some understanding of the demands of the question. The response may be superficial and the explanation lacks depth. Award a maximum of **[2 marks]** if there is no application made to the *Accord* case study.

Award **[3 to 4 marks]** for an answer that shows an understanding of the demands of the question. There is an explanation of the differences between internal and external sources of finance, but the response may lack detail. There is appropriate use of business management terminology and attempts at application to the *Accord* case study.

Award **[5 to 6 marks]** for a detailed explanation of the differences between internal and external sources of finance for *Accord*. There is accurate and appropriate use of business management terminology throughout the answer, with effective application of the case study.

3. (a) **Define the following terms:**

(i) **gross profit margins (lines 103 – 104). [2 marks]**

The GPM is a profitability ratio that measures the proportion of a firm's gross profit (as shown in its P&L account) generated from the firm's sales revenue (also reported in the P&L account). The formula to calculate this is:

$$\text{GPM} = \text{Gross profit} / \text{sales revenue} \times 100$$

*Students are **not** expected to word their definition **exactly** as above.*

*Award **[1 mark]** for a definition that shows some understanding of gross profit margin.*

*Award **[2 marks]** for a clear definition of gross profit margin, similar to the example above.*

Note: *application to the case study is not required nor expected for full marks.*

(ii) **Economic sustainability (line 132). [2 marks]**

Economic sustainability refers to the ability of a business, such as *Accord*, to support its level of business activity in the future. It is about being efficient in managing the use of the firm's scarce resources so that sales or sales growth can be maintained. This will involve selling goods and/or services that appeal to the market in order for the business to survive.

*Students are **not** expected to word their definition **exactly** as above.*

*Award **[1 mark]** for a definition that shows some understanding of economic sustainability.*

*Award **[2 marks]** for a clear definition of economic sustainability, similar to the example above.*

Note: application to the Accord case study is not required nor is it expected for full marks.

(b) Explain the importance of branding (line 85) for Accord. [6 marks]

Branding is important to *Accord* because:

- An appropriate brand is needed to meet the expectations of *Accord's* target markets.
- It can help new businesses such as *Accord* to attract customers, especially in well-established markets.
- The effectiveness of the firm's brands can have a direct impact on its sales revenue and profits.
- Branding helps to differentiate *Enrich* products from rival ones on the market, and can give *Accord* a unique identity.
- Brand recognition can help *Accord* to increase sales, especially in highly competitive markets such as the energy drinks industry.
- Branding can enhance *Accord's* USP (lines 27 and 79).
- A well-developed and respected brand can help *Enrich* to set premium prices, thereby helping to improve profit margins (currently this is not the case, but *Accord* still charges higher prices than the average energy drink on the market).
- Branding can help to encourage repeat purchases (brand loyalty).
- Effective brand management helps to lengthen a product's life cycle.
- *Accept any other relevant explanation, written in the context of the Accord case study.*

Award a maximum of [2 marks] if some understanding of the demands of the question is shown, but the explanation is inaccurate, lacks clarity or lacks application to Accord.

Award a maximum of [4 marks] if there is an understanding of the demands of the question, but the answer lacks depth in the explanation of the importance of branding. There is an attempt at application to the Accord case study.

Award [6 marks] if there is a good understanding of the demands of the question, with the answer showing an in-depth response that is applied effectively to the Accord case study.

SECTION B

4. (a) Define the term *below-the-line promotion* (line 71). [2 marks]

Below-the-line promotion refers to the use of non-mass media promotional activities, e.g. price promotions, free samples (of *Enrich* energy drinks) and discount vouchers. This is the most cost-effective promotional method used by *Accord* due to its limited finances.

Students are **not** expected to word their definition **exactly** as above. Application to the *Accord* case study is not required or expected for full marks.

Award [1 mark] for a definition that demonstrates only partial understanding of below-the-line promotion.

Award [2 marks] for a definition that demonstrates a clear understanding of below-the-line promotion, similar to the example above.

- (b) With reference to Aran and Kayla, outline two reasons why people choose to set up their own business. [4 marks]

Possible reasons for Aran and Kayla setting up *Accord* include:

- To be independent and self-reliant, from an economic perspective, i.e. Aran and Kayla have become their own bosses as the co-owners of *Accord*.
- To gain economic security, due to the potential of earning high profits for what Kayla perceives as a niche product with both a unique selling proposition (line 27) and possible first-mover advantage (line 86). There is certainly the potential for Aran and Kayla to earn more than if they worked as employees for someone else.
- To pursue personal interests and skills as a commercial venture, especially as Aran and Kayla are successful professional athletes (marathon runner and heptathlon competitor).
- To achieve a greater sense of purpose and achievement, e.g. Aran and Kayla want to be successful as social entrepreneurs by providing athletes and other customers with a range of all-natural and nutritious energy drinks.
- Accept any other relevant reason why Su might have set up HH and/or AS.

Mark as 2 + 2.

Award [1 mark] for each valid reason that is identified, and [1 mark] for the development of each of the answer, written in the context of the *Accord* case study, up to a maximum of [2 marks].

- (c) Describe two benefits for *Accord* of having a unique selling proposition (lines 26 – 27). **[4 marks]**

The interrelated advantages of *Accord* having a USP include the following:

- The USP explains to customers why *Enrich* is better/superior to other energy drinks provided by alternative producers.
- Having a USP gives *Enrich* a clear differentiated product, helping *Accord* to attract more customers, especially in a market dominated by large multinational companies.
- It can encourage customer loyalty (repeat purchases of *Enrich* energy drinks). It can also encourage positive word of mouth promotion for the brand, helping to bring in new customers.
- It can help to improve *Accord's* marketing, by integrating the USP into all aspects of its marketing, such as its below-the-line promotions. Essentially, the USP provides and promotes a clear benefit (all-natural, nutritious energy drink) to *Accord's* customers.
- Ultimately, a USP can give *Accord* competitive advantages over other energy drinks brands, especially those that have not yet produced their own all-natural energy drinks.
- *Accept any other relevant advantage of having a USP for Accord.*

Mark as 2 + 2.

Award **[1 mark]** for each valid advantage that is identified, and **[1 mark]** for the development of each of these answers, written in the context of *Accord*, up to a maximum of **[2 marks]**.

- (d) Discuss the costs and benefits for *Accord* if it chooses to convert from a partnership to a private limited company **[10 marks]**

A business organization owned by 2 to 20 owners (partners), i.e. Aran and Kayla are the legal owners of *Accord*.

Arguments in favour of *Accord* remaining as a partnership include:

- As Aran and Kayla are both like-minded (especially as both are professional athletes), there is enhanced problem solving and decision making; involving other people as partners can dilute the professional relationship of the existing partners.
- The partnership's business affairs can remain private, i.e. there is no need to disclose such information to shareholders.
- Partnerships are easier to run and manage than limited liability companies. They are also less strictly regulated than companies.
- *Accord* can be far more flexible under a partnership than a private limited company. Currently, the partners can introduce any changes they consider to be necessary or desirable, e.g. introducing *Detox* as an additional product to the existing range of products.

However, remaining as a partnership also has its drawbacks for Aran and Kayla, such as:

- Both partners have unlimited liability, i.e. they are accountable for all and any debts of *Accord*, even if this means selling their personal possessions to clear the debts.
- The business is at risk if there are disagreements/conflict/friction between the two partners, especially as strategic decisions are usually made collectively; currently, it does not seem that Aran and Kayla have done much strategic thinking together.
- Each partner is legally liable for the actions (including any errors or mistakes) made by the other partner, yet both partners have unlimited liability.
- If a partner leaves for whatever reason, it can jeopardize the continuity of *Accord* as a business in its current format, especially if a partner expresses her/his desire to dissolve the partnership.

Advantages of converting *Accord* to a private limited company include:

- The owners of the business, including Aran and Kayla, will have limited liability, so cannot lose more than they have invested in the company if *Accord* fails.
- It becomes easier for *Accord* to raise finance compared being a partnership with just two owners (who have very limited funds of their own). Typically, private limited companies can raise more capital than partnerships. Even if Aran and Kayla sold shares only to their friends and family, additional funds can be raised for the expansion of the business. This is not currently possible under the partnership arrangement.
- It is still easy to retain ownership and control despite being able to raise the necessary finance to expand the business. Aran and Kayla will not lose control of the company as shares can only be sold (to friends and family) with their prior knowledge and approval.

However, converting to a private limited company also means:

- The legal process takes more time and money to set up compared with a partnership.
- Business affairs are not kept private as limited liability companies are held accountable to their shareholders. For example, the financial accounts of *Accord* would need to be externally audited by chartered accountants.
- There is some degree of dilution of control and ownership as *Accord* will have additional owners. Even if Aran and Kayla hold the majority of the shares in *Accord*, they will still need to consult and collaborate with additional shareholders in the company.
- Currently, Aran and Kayla split any profits made by the business. Converting to a private limited company means that dividends will need to be distributed to all shareholders of *Accord*, so this may reduce *Accord*'s retained profit.
- *Accept any other relevant and substantiated discussion.*

Award [1 to 2 marks] for a general answer showing a limited understanding of the demands of the question. There is no application to Accord.

Award [3 to 4 marks] for a simplistic answer that shows some understanding of the demands of the question, but simplistic or superficial application of the case study and stimulus material.

For [5 to 6 marks] answers must identify the costs and benefits of converting from a partnership to a private limited company. However, there is limited development of the responses or explanations are unsubstantiated.

Award a maximum of [6 marks] for answers that only consider the costs and benefits of either a partnership or private limited company, but written in the context of Accord.

*For **[7 to 8 marks]** answers must make effective use of the case study. The answer considers both the costs and benefits of Accord converting from being a partnership to a private limited company. However, the discussion points are not always justified.*

*For **[9 to 10 marks]** answers must be well developed, with consideration of both the costs and benefits of converting to a private limited company. There is effective use of the information in the case study in order to support the discussion points.*

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK
Higher Level Mock Examination
Paper 1
Case Study: *Accord*



For use in November 2019

2 hours 15 minutes

INSTRUCTIONS

- Do not open this examination paper until you have been instructed to do so
- You will need a clean copy of the *Accord* case study for this examination paper
- A clean copy of the Business Management formulae sheet is required
- Answer any **two** questions from Section A
- Answer **the** compulsory question from Section B
- Answer **the** compulsory question from Section C
- Please note this product is protected by international copyrights. Redistribution is strictly prohibited
- You are permitted to use a calculator for this examination paper
- Total marks available: 60 marks

SECTION A

Answer **two** questions from this section.

1.
 - (a) Outline **two** ways in which the market size of the energy drinks market might be measured (line 45). [4 marks]
 - (b) Explain the benefits of market segmentation (lines 89 – 90) for *Enrich*. [6 marks]

2.
 - (a) Suggest why a strong brand identity (line 112) is important for *Accord*. [4 marks]
 - (b) Explain why *Accord*, as a new start-up business, has struggled to attract external sources of finance (line 107). [6 marks]

3.
 - (a) Define the following terms:
 - (i) *snowballing* (line 49). [2 marks]
 - (ii) *first-mover advantage* (line 86). [2 marks]
 - (b) Explain the importance for *Accord* of meeting the quality standards set by the sports governing bodies (line 36 – 37). [6 marks]

There is no additional information in this mock exam paper for Section A.

SECTION B

Answer **the compulsory** questions from this section.

4. Kayla conducted further **secondary market research** to present to Aran. Given the findings, Kayla suggested that *Accord* needs to reposition itself in the market to be perceived as a health drink, rather than an energy drink. This can help *Accord* to secure a unique selling proposition, before the large multinational companies enter the industry. She also argued that *Accord* needs to establish a first-mover advantage in the all-natural health drinks market by using below-the-line promotion.

Meanwhile, Aran favours further discussions with the business angel in order to secure the finance needed to sell *Enrich* as a mass-market product. He has proposed converting *Accord* to a private limited company in order to compete with larger rivals such as *ABC*. Kayla is totally against this idea and prefers to keep *Accord* as a partnership.

- (a) Define the term *secondary market research*. [2 marks]
- (b) In the context of *Accord*, distinguish between revenue and capital expenditure (line 93). [4 marks]
- (c) In the context of *Accord*, explain the meaning of ethical objectives (line 43). [4 marks]
- (d) Discuss the costs and benefits for *Accord* if it chooses to convert from a partnership to a private limited company. [10 marks]

SECTION C

Answer **the** following question.

5. In a recent meeting, Aran and Kayla met to discuss the objectives and future strategic direction of *Accord*. Kayla presented the following information (Items 1 to 3 below), enabling the partners to discuss opportunities and threats to their business.

Item 1: Government consultation to end the sale of energy drinks to children

In late 2018, the UK government concluded its consultation process to seek public opinion on the proposed ban on selling energy drinks to children. Two-thirds of children aged 10 to 17 and a quarter of 6 to 9 year-olds consume energy drinks. The main finding was that there was a strong support from parents, health professionals, teachers and some industry bodies and retailers for an end to sales of high-caffeine energy drinks to children.

The Department of Health & Social Care defines an energy drink as “*soft drinks that contain higher levels of caffeine than other soft drinks, and may also contain a lot of sugar (though low- or zero-calorie energy drinks are available).*”

The UK government stated that “*Evidence suggests that excessive consumption of energy drinks by children (aged 12-18) is linked to negative health outcomes such as headaches, sleeping problems, irritation and tiredness.*”

The government has yet to determine which age limit would be appropriate if it does decide to end the sale of energy drinks to children. It is also considering prohibiting all sales of energy drinks from all vending machines, regardless of the age of the person buying them.

Source: Department of Health & Social Care

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/736398/consultation-on-ending-the-sale-of-energy-drinks-to-children.pdf

Item 2 – Supermarkets voluntarily ban energy drinks sold to under-16s

Sales of energy drinks to children under the age of 16 have been banned by most major UK supermarkets since March 2018, under a voluntary code of conduct. The voluntary ban came into place following public concerns that the consumption of energy drinks is a growing problem in both primary and secondary schools. A teaching union representative stated “*More and more studies are showing that it can lead to diabetes, hyperactivity and other such conditions.*”

The British Soft Drinks Association said there is just as much caffeine in most energy drinks than in a small cup of coffee, which does not have the same restrictions applied. It also stated that “*the main contributors to daily caffeine intake in all age groups are tea, coffee, chocolate and other non-alcoholic beverages.*”

Continued on next page...

However, Naveed Sattar, Professor of Metabolic Medicine at Glasgow University, said children should not be consuming energy drinks because *"They were originally developed for optimal sport performance in high-functioning athletes, to replenish sugars and salts. The problem is that the word 'energy' is misleading... but very few children are high-performing athletes so they don't need this additional sugar, salt, and caffeine."*

A BBC investigation found that high-caffeine energy drinks were still being sold in supermarkets despite the voluntary ban. In August 2019, the BBC also reported that all publicly-funded sports and leisure centres in Scotland have banned the sale of energy drinks to children under the age of 16.

Sources: <https://www.bbc.co.uk/news/uk-scotland-44630521> and <https://www.bbc.co.uk/news/uk-scotland-scotland-politics-49220773>

Item 3 – The global energy drinks market (2019 – 2024)

- Energy drinks are aggressively marketed as products that boost physical stamina (physical performance) and mental alertness (cognitive performance).
- The energy drinks market is expected to reach USD 83.4 billion by 2024.
- Key players (with high market share) include Red Bull, Monster and Rockstar.
- The energy drinks market is saturated, making it hard for the new and small companies to compete.
- Energy drinks have transitioned from being a niche market product to one of the fastest growing products in the drinks industry.
- There is an increasing consumer focus on fitness and health.
- There has been a significant rise in the number of consumers switching from carbonated drinks to energy drinks.
- The main consumers of energy drinks are millennials, aged between 18 to 35.
- North America is the major market for energy drinks (due to health concerns and awareness), with Asia-Pacific being the fastest growing market, (due to changing demographics and increasing disposable income).
- Markets in South America and Middle East & Africa are relatively smaller, but are expected to grow in the coming years.
- Energy drinks face significant competition from packaged fruit juices, fizzy drinks, and malted health drinks; these substitutes are lower in cost and price than energy drinks.

Source: <https://www.mordorintelligence.com/industry-reports/energy-drinks-market>

With reference to the additional stimulus material above (Sections B and C) and information from the case study, discuss the consequences of changes in the external business environment for *Accord's objectives* and *strategy*. [20 marks]

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK
Higher Level Mock Examination – Mark scheme
Paper 1
Case Study: *Accord*



For use in November 2019

TEACHERS' NOTES

- Teachers should use their professional judgment in awarding answers that may not be included in this mark scheme
- Please note this product is protected by international copyrights. Redistribution is strictly prohibited
- The data included in Section B are provided for illustrative purposes only, in order to give students practise for the final examination in November 2019
- The additional information in Section C is for illustrative purposes only, again to give students examination practise.

SECTION A

1. (a) Outline two ways in which the market size of the energy drinks market might be measured (line 45). **[2 marks]**

Possible measures could include:

- Sales revenue of the energy drinks industry in the country that Aran and Kayla live in; this might also be compared with the size of the industry in other countries or even the global market for energy drinks
- Profits earned in the energy drinks industry
- Number of workers employed in the energy drinks industry
- Market capitalization (market value) of energy drinks manufacturers in the industry
- The number of energy drinks producers in the industry
- *Accept any other relevant measure of market size that is outlined in the context of the energy drinks industry.*

Award **[1 mark]** for each valid measure of market size that is identified, and **[1 mark]** for an outline of each of these, up to the maximum of **[4 marks]**.

Award only up to [2 marks] if the answer does not have clear application to Accord.

- (b) Explain the benefits of market segmentation (lines 89 – 90) for *Enrich*. **[6 marks]**

A market for a particular product, such as energy drinks, consists of different types of customers, subdivided into **market segments**. A segment refers to a distinct group of customers with similar characteristics or desires (such as teenaged students who consume energy drinks as a stimulant to enhance their thinking skills and attention spans).

- By broadening the market into different segments, it is easier for *Accord* to analyse which group of customers to target based on the various *Enrich* products, e.g. sports athletes, millennial population, overly active (busy) professionals, or teenagers.
- It enables *Accord* to plan and implement a more appropriate marketing mix and marketing strategies in order to better meet the needs of the various segments of the market for energy drinks.
- It gives *Accord* a clearer idea of their customers (shared characteristics, such as age, gender, income levels, and social class) and their perceptions of the brand (*Enrich*) or the business (*Accord*). At the moment, customers are confused about whether *Enrich* is an energy drink or fruit juice, for example.
- Market segmentation leads to less wastage of (human and financial) resources because *Accord's* marketing becomes more focused in order to appeal to the target markets. For example, *Accord* might be able to produce a new *Enrich* product to cater for price-conscious customers. This would help *Accord* to compete with multinational companies charging a lower average price (of \$2.20).

Hence, knowledge of market segmentation can be fundamental for the success of *Accord's* marketing strategies of *Enrich* energy drinks.

Accept any other relevant examination of the usefulness of market segmentation for *Accord*.

Award **[1 to 2 marks]** if the answer shows some understanding of the purpose of market segmentation. However, the answer lacks detail and makes minimal use of appropriate business and management terminology.

Award **[3 to 4 marks]** for an answer that demonstrates some understanding of the demands of the question. There is some understanding of the benefits of market segmentation and appropriate use of business management terminology. At the lower end of the mark band, the response is mainly theoretical and lacks clear application to the *Accord* case study.

Award **[5 to 6 marks]** for a detailed explanation, demonstrating an accurate and concise understanding of the benefits of market segmentation for *Enrich*. There is appropriate use of business management terminology throughout the answer, with effective use of the *Accord* case study.

2. (a) **Suggest why a strong brand identity (line 112) is important for *Accord*.** **[4 marks]**

Brand identity refers to the way in which a business wants its products to be perceived by the consumers. It includes the visual and emotional elements of a brand that together identify and distinguish it from rival products. Possible reasons why a strong brand identity is important to *Accord* include:

- A strong brand encourages customer loyalty, i.e. repeat customers who continue to buy *Enrich* drinks.
- It can create a distinctive identity for *Enrich*, enabling it to be differentiated from competitors on the energy drinks market.
- Having a strong brand identity adds value to *Enrich* drinks, so customers get more than just all-natural energy drinks, but can save customers money as they do not need to purchase vitamins or visit the doctors so often (lines 29 – 30).
- A strong brand facilitates *Accord's* growth strategy due to increased brand awareness and enhanced brand development (such as *Detox*), especially as the business wants to expand.
- The brand identity (such as being the first all-natural energy drink in the market) can even give *Accord* a unique selling proposition to stand out in the already-saturated energy drinks industry.
- *Accept any other relevant explanation of the importance of having a strong brand identity, written in the context of the Accord case study.*

Award up to **[2 marks]** for an answer that shows some knowledge of the importance of a strong brand identity. However, the answer lacks depth or application to *Accord*.

Award up to **[4 marks]** for an accurate answer that shows good knowledge of the importance of a strong brand identity. The answer uses appropriate business management terminology throughout, and shows competent application to the *Accord* case study.

(b) Explain why *Accord*, as a new start-up business, has struggled to attract external sources of finance (line 107). **[6 marks]**

Reasons why start-up businesses such as *Accord* often struggle to secure external sources of finance to fund their operations might include the following arguments:

- *Poor market research* – Aran and Kayla have not carried out sufficient market research to suggest that *Enrich* or *Detox* will succeed. Hence, this can result in their business idea being flawed as the product fails to meet the needs and wants of customers (who are confused about whether the product is a fruit juice or energy drink).
- *Limited customer base* – Although the energy drinks industry is huge and is still growing, *Accord* has very minimal market share. It has proved difficult for the firm to penetrate the industry because of the market power of the large multinational companies that dominate the market. Hence, *Accord's* sales have been limited to a specialised market segment.
- *Inability to raise sufficient internal finance* – the co-owners have limited funds of their own. This raises concerns from providers of external finance (such as commercial banks) about the ability of *Accord* to repay its debts, especially if it faces liquidity problems as a new start-up.
- *Poor / incomplete business plan* – It does not seem that Aran and Kayla have a sufficient business plan, i.e. it is not comprehensive enough to secure the necessary external finance needed. For example, the business does not have a human resources department. The owners were also surprised that customers were confused about *Enrich* as a product, and thought the health benefits were exaggerated and that the drinks were too expensive. Thorough market research and a better business plan may have helped to alleviate these problems, thereby helping *Accord* to get external finance.
- *Unknown / confusing brand name* – The *Enrich* product lacks brand recognition, yet start-ups have a limited budget available for promotion and advertising. *Accord* is only able to use below-the-line promotion. Furthermore, customers are confused about the *Enrich* brand. Using “*Accord*” as the brand name for a firm that only produces *Enrich* drinks is also puzzling. External providers of finance will worry about the product gaining customer recognition and market share, especially in a market dominated by large multinational brands such as Red Bull and Monster Energy.
- *Inexperience* – The two owners lack the necessary entrepreneurial experience to make strategic decisions, causing additional problems for the start-up. This does not reassure financial lenders to part with their money.
- *Accept any other well-explained reason, written in the context of the Accord case study.*

Award a maximum of **[2 marks]** if the explanation is imprecise, lacks clarity or lacks application to *Accord*.

Award a maximum of **[4 marks]** if the answer shows some understanding of the demand of the question, but lacks depth in the explanation. There is an attempt at application to the *Accord* case study.

Award up to **[6 marks]** for an answer that shows a clear understanding of the demands of the question. There is appropriate use of business management terminology throughout the answer, and the explanation has depth and is applied well to the *Accord* case study.

3. (a) Define the following terms:

(i) **snowballing (line 49).** [2 marks]

Snowball sampling (also known as chain sampling or referral sampling) is a sampling technique where research participants suggest or recommend other partakers for a test or study. Hence, the sample size grows larger and larger (rather like a rolling snowball). This is the sampling technique used by *ABC* to establish the likely size of the all-natural energy drinks industry over the next 4 years.

Students are not expected to word their definition exactly as above. Application to the Accord case study is not required for full marks, but has been included for illustrative purposes.

Award [1 mark] for a description that shows some understanding of snowballing.

Award [2 marks] for an answer that shows a clear definition/understanding of snowballing.

(ii) **First-mover advantage (line 86).** [2 marks]

First-mover advantage (FMA) is a marketing term used to explain the benefits gained by being the first to enter a particular market. For example, the first entrant can benefit from huge profit margins, monopoly power and gain control of market share by building up brand loyalty. Kayla believes *Accord* has a FMA as the large MNCs have yet to launch all-natural energy drinks.

Students are not expected to word their definition exactly as above. Application is not expected nor required for full marks, but has been included above for illustrative purposes only.

Award [1 mark] for a description that shows some understanding of first-mover advantage.

Award [2 marks] for an answer that shows a clear definition/understanding of first-mover advantage.

(b) **Explain the importance for *Accord* of meeting the quality standards set by the sports governing bodies (line 36 – 37).** [6 marks]

Quality means that a good or service fulfils its purpose and meets the expectations of the consumer, as well as meeting the stipulated minimum benchmarks set by the government or governing bodies. Reasons why meeting quality standards is important to *Accord* include:

- Customer safety - Unsafe energy drinks can cause physical and emotional harm to customers, especially in an industry where the health benefits of consumption are being contested. Jeopardising consumer safety would cause immense damage to the *Enrich* brand, perhaps irrevocably.
- Media exposure - Today's consumers have easier access to information through social media and the internet. Substandard output of *Enrich* drinks is likely to be reported in various online forums very quickly, across the world, thereby harming the reputation of *Accord*.

- Costs of reworking - It can cost more time and money for *Accord* to rework (reproduced) the substandard energy drinks. Hence, getting things right first time can ensure that costs are kept under control.
- Competitive forces - Global rivalry from large multinational companies means that only brands which provide high quality products are able to establish brand loyalty and to attract a larger customer base. *Enrich* faces immense competition from market leaders such as Red Bull, Monster Energy and Lucozade.
- Competitive advantages – Meeting the quality standards set by sports governing bodies can be a form of product differentiation, which can give *Accord* a competitive advantage, i.e. a unique or distinctive selling point.
- Ultimately, being unable to meet the standards set by the sports governing bodies results in a lack of public confidence in the product and a decline in potential profitability.

In essence, meeting quality standards is important to *Accord* because customers assess what they get for their money (averaging \$3.00 per bottle) by comparing the benefits of *Enrich* with the price of rival products (averaging \$2.20), i.e. whether they get value for money. Without meeting these regulatory standard, it could prove difficult for *Accord* to expand its product range (such as *Detox*).

Accept any other relevant response that is substantiated and examined in the context of the Accord case study.

Award **[1 to 2 marks]** for an answer that shows some understanding of the demands of the question. The response may be superficial and lacks depth of analysis. Award a maximum of **[2 marks]** if there is no application made to the *Accord* case study.

Award **[3 to 4 marks]** for an answer that shows an understanding of the demands of the question. There is an explanation of the importance of meeting quality standards, but the analysis may lack detail. There is some appropriate use of business management terminology and partial application to the *Accord* case study.

Award **[5 to 6 marks]** for a detailed explanation of the importance of meeting quality standards (set by sports governing bodies). There is accurate and appropriate use of business management terminology throughout the answer, with effective application made to the *Accord* case study.

4. (a) Define the term *secondary market research*. [2 marks]

Also known as **desk research**, this refers to information collected from second-hand sources (which already exist), e.g. government statistics, the news media and independent market research reports, all of which are accessible to the public.

Award [1 mark] for a definition that shows some understanding of secondary market research.

Award [2 marks] for an answer with a clear definition secondary market research, similar to the example above.

(b) In the context of *Accord*, distinguish between revenue and capital expenditure (line 93). [4 marks]

Capital expenditure refers to spending by *Accord* on acquiring, maintaining and/or upgrading its fixed assets in order to broaden the firm's capital base. It represents a financial investment in *Accord*, e.g. the purchase of the abandoned confectionery production plant to increase its production capacity.

By contrast, revenue expenditure is the money that *Accord* needs for its day-to-day running of the business. Examples include (finance needed to pay for) employee salaries, raw material costs (of the fruits and vegetables to make the all-natural *Enrich* energy drinks), rent, insurance and utilities bills for the running of *Accord*.

Accept any other relevant distinguishing feature of capital and revenue expenditure.

*Award up to [2 marks] for an answer that shows some understanding of the two terms, although the answer may lack a clear distinction or appropriate use of examples. There is limited, if any, application to the *Accord* case study.*

*Award up to [4 marks] for an answer that shows a good level of understanding of the two terms, with a clear distinction made. There is appropriate use of relevant examples, and effective application of the *Accord* case study.*

(c) In the context of *Accord*, explain the meaning of ethical objectives (line 43). [4 marks]

- Ethical objectives are the moral principles and aspirations that guide business decision-making
- Ethics are the beliefs of what society considers to be morally right or wrong
- Ethical objectives are shaped by societal norms and expectations of business practices that are deemed to be fair
- These goals can come from internal pressures (such as the desire of Aran and Kayla to implement ethical business behaviour) or from external pressures (such as pressure groups, suppliers or affiliated sports and leisure clubs)
- *Accord* tries to achieve this by producing an ethical energy drink that is made from 100% natural ingredients (free from added sugar, caffeine, artificial sweeteners and preservatives) and meeting quality standards set by sports governing bodies.

Award up to [2 marks] for an answer that shows some knowledge of the meaning of ethical objectives. The answer lacks depth or the explanation is rather generic (with minimal or superficial application at best).

*Award up to [4 marks] for an in-depth answer that shows good knowledge of ethical objectives, with clear application to the *Accord* case study.*

(d) Discuss the costs and benefits for *Accord* if it chooses to convert from a partnership to a private limited company. [10 marks]

A business organization owned by 2 to 20 owners (partners), i.e. Aran and Kayla are the legal owners of *Accord*.

Arguments in favour of *Accord* remaining as a partnership include:

- As Aran and Kayla are both like-minded (especially as both are professional athletes), there is enhanced problem solving and decision making; involving other people as partners can dilute the professional relationship of the existing partners.
- The partnership's business affairs can remain private, i.e. there is no need to disclose such information to shareholders.
- Partnerships are easier to run and manage than limited liability companies. They are also less strictly regulated than companies.
- *Accord* can be far more flexible under a partnership than a private limited company. Currently, the partners can introduce any changes they consider to be necessary or desirable, e.g. introducing *Detox* as an additional product to the existing range of products.

However, remaining as a partnership also has its drawbacks for Aran and Kayla, such as:

- Both partners have unlimited liability, i.e. they are accountable for all and any debts of *Accord*, even if this means selling their personal possessions to clear the debts.
- The business is at risk if there are disagreements/conflict/friction between the two partners, especially as strategic decisions are usually made collectively; currently, it does not seem that Aran and Kayla have done much strategic thinking together.
- Each partner is legally liable for the actions (including any errors or mistakes) made by the other partner, yet both partners have unlimited liability.
- If a partner leaves for whatever reason, it can jeopardize the continuity of *Accord* as a business in its current format, especially if a partner expresses her/his desire to dissolve the partnership.

Advantages of converting *Accord* to a private limited company include:

- The owners of the business, including Aran and Kayla, will have limited liability, so cannot lose more than they have invested in the company if *Accord* fails.
- It becomes easier for *Accord* to raise finance compared being a partnership with just two owners (who have very limited funds of their own). Typically, private limited companies can raise more capital than partnerships. Even if Aran and Kayla sold shares only to their friends and family, additional funds can be raised for the expansion of the business. This is not currently possible under the partnership arrangement.
- It is still easy to retain ownership and control despite being able to raise the necessary finance to expand the business. Aran and Kayla will not lose control of the company as shares can only be sold (to friends and family) with their prior knowledge and approval.

However, converting to a private limited company also means:

- The legal process takes more time and money to set up compared with a partnership.
- Business affairs are not kept private as limited liability companies are held accountable to their shareholders. For example, the financial accounts of *Accord* would need to be externally audited by chartered accountants.
- There is some degree of dilution of control and ownership as *Accord* will have additional owners. Even if Aran and Kayla hold the majority of the shares in *Accord*, they will still need to consult and collaborate with additional shareholders in the company.
- Currently, Aran and Kayla split any profits made by the business. Converting to a private limited company means that dividends will need to be distributed to all shareholders of *Accord*, so this may reduce *Accord*'s retained profit.

Award [1 to 2 marks] for a general answer showing a limited understanding of the demands of the question. There is no application to Accord.

Award [3 to 4 marks] for a simplistic answer that shows some understanding of the demands of the question, but simplistic or superficial application of the case study and stimulus material.

For [5 to 6 marks] answers must identify the costs and benefits of converting from a partnership to a private limited company. However, there is limited development of the responses or explanations are unsubstantiated.

Award a maximum of [6 marks] for answers that only consider the costs and benefits of either a partnership or private limited company, but written in the context of Accord.

For [7 to 8 marks] answers must make effective use of the case study. The answer considers both the costs and benefits of Accord converting from being a partnership to a private limited company. However, the discussion points are not always justified.

For [9 to 10 marks] answers must be well developed, with consideration of both the costs and benefits of converting to a private limited company. There is effective use of the information in the case study in order to support the discussion points.

SECTION C

Answer **the compulsory** question from this section.

5. **With reference to the additional stimulus material above (Sections B and C) and information from the case study, discuss the consequences of changes in the external business environment for *Accord's* objectives and strategy.** [20 marks]

Positive changes in the external business environment are considered below, and are related to how these affect *Accord's* corporate objectives and strategy:

- Energy drinks have transitioned from being a niche market product to one of the fastest growing products in the drinks industry. Hence, the industry has been growing profitably for many years. Item 3 suggests that the energy drinks market is expected to reach \$83.4 billion by 2024. This gives scope for *Accord* to enter a market with growth potential, so long as it can clarify what the *Enrich* brand of products stands for (which market segment(s) it specifically targets). In addition, *Accord* would probably need to set up a human resources department to facilitate its expansion plans.
- As part of its marketing strategy, there may be opportunities for *Accord* to sponsor major sports events (such as marathons or heptathlons). There may enable *Accord* to differentiate itself from the market leaders (who all have similar approaches to their marketing and sponsorships deals), especially if *Accord* can offer something truly unique. Giving back to the community is also in line with *Accord's* ethical objectives and socially responsible business behaviour.
- Getting the business angel involved will improve *Accord's* finances, but could very easily cause conflict and further problems for Aran and Kayla. It would certainly require the organizational objectives and strategies to be reviewed with the new investor. Nevertheless, getting the business angel involved could provide *Accord* with much-needed finance in order to fund its expansion plans.
- As Aran makes his own drinks from imported ingredients (such as oranges, kale and spinach), fluctuating exchange rates can pose a threat to *Accord's* profitability. In particular, a fall in the exchange rate will mean that *Accord* needs to pay more for the imported ingredients. Hence, one strategy they may need to consider is sourcing domestic suppliers.
- According to Item 3, the energy drinks market in South America and Middle East & Africa are relatively small, but are expected to grow in the coming years. Hence, another strategy for *Accord* to consider is exporting its energy drinks to these markets (especially if *Enrich* products can be frozen for transporting across long distances).
- *Accord's* ethical objectives (line 43) may give it a distinctive selling point in comparison to large multinational competitors such as Red Bull or Coca-Cola that use a large quantity of sugar and non-natural ingredients in their drinks. *Enrich* is marketed as an ethical energy drink (free from added sugar, caffeine, artificial sweeteners and preservatives). This could prove advantageous to *Accord* if society places ethical business practices as a priority. Social marketing strategies can be used to differentiate *Enrich* from the commercialisation of energy drinks used by the larger, multinational companies.
- There is also increasing consumer focus on fitness and health (Item 3 mentions health concerns and awareness of the drawbacks of consuming energy drinks). Hence, there may be opportunities for *Accord* to focus on healthy, zero-calorie, and low-sugar products, made from only natural ingredients. The growing trend to lead a fit and healthy life can therefore enable *Enrich* to meet its objective of becoming a healthy lifestyle brand.
- *Accept any other potentially positive consequence of changes in the external environment (in Items 1 – 3 or from the case study) that impact on Accord's organizational objectives and strategies.*

Detrimental changes in the external business environment are considered below, and are related to how these affect *Accord's* corporate objectives and strategy:

- The controversy over the health benefits of energy drinks mean that medical approval from sports governing bodies is required before these products can be sold to or consumed by athletes. Such regulations can prove problematic and expensive for *Accord* as the firm will need to ensure that *Enrich* energy drinks (including launching the proposed *Detox* brand) meet the quality standards set by these sports governing bodies.
- The public concerns that energy drinks contain high caffeine concentrations mean that there is more pressure to legislate, regulate and educate in order to limit the consumption of these products. This can add further challenges for *Accord* to launch *Detox*, as the health effects of green tea to help athletes relax are not conclusive. Therefore, *Accord* needs to put more funds into research and development in order to provide the evidence to support their belief that *Enrich* is “nutritious, produced with 100 % natural ingredients and would meet the standards set by the sports governing bodies” (lines 36 – 37).
- *Accord's* well-established multinational rivals benefit from significant branding advantages, economies of scale and a wider promotional reach (line 70) in the beverages market. In addition, large multinationals such as *ABC* are already planning to launch their own versions of fruit and vegetable energy drinks. The intense degree of competition is likely to threaten *Accord's* chances of survival and success in the energy drinks market, so a change in corporate strategy is likely to be needed.
- The price of *Enrich* products is significantly more expensive than those charged by the large MNCs. On average, the prices of *Enrich* drinks are 36.36% higher than the average price charged by the large MNCs. Given the brand loyalty of products such as Red Bull and Monster Energy, the price disadvantage may prove to be highly detrimental for *Accord*. Hence, it seems logical that *Aran* prefers to increase the production of *Enrich* products in order to reduce per unit costs. However, it may need to ensure that through market research there is sufficient demand for *Accord's* products.
- Using *Jesse* (line 111) as a celebrity endorser of the *Enrich* brand could backfire. *Jesse* is accused of cheating in a major competitive event, and has faced criticism on social media. Public support seems to have diminished since it was exposed that *Jesse* was paid \$2m to wear the special running outfit (against the wishes of his other sponsors). Therefore, being involved with *Jesse* before he is able to clear his name, if at all, could easily tarnish the “all-natural” image of the *Enrich* brand. Alternative marketing strategies need to be considered as a result, especially in an age where social networking can spread news far quicker than the mass media.
- Perhaps the biggest threat facing all energy drinks makers is the growing number of countries that have or are planning to ban the sale of such products to children (one of the largest market segments in the industry). Items 1 and 2 suggest that *Accord's* objectives and strategies need to change, adapting to changing needs of their customers. Perhaps developing alternatives (such as *Detox*) or remarketing *Enrich* to inform customers of the all-natural content of the drinks can help to avoid plummeting profits due to government regulations on the sale of energy drinks. Targeting parents, health professionals and teachers (Item 1) may help to win much-needed support for *Accord's* products, especially as *Aran* envisages *Enrich* being a lifestyle brand (lines 127 – 128).
- *Accept any other relevant potential detrimental consequence of changes in the external environment (in Items 1 – 3 or from the case study) that impact on Accord's organizational objectives and strategies.*

Overall, the intensity of competition in the market means *Accord* needs to revise its objectives and strategies. Businesses focused on personalization and convenience may have a better chance of survival and success in the saturated energy drinks market. Focusing on, and promoting, *Enrich* as a natural, nutritious and non-energy drink may help to distinguish the brand from the high-sugar, high-caffeine rival products on the market. The new drinks proposed by *Kayla*, such as *Detox*, would also broaden the customer base for *Accord* to help improve its sales.

Further guidance on the assessment criteria is provided below. There are 5 assessment criteria (KARSI) for Section C:

Criterion A: Knowledge and understanding of tools, techniques and theories

Criterion B: Application

Criterion C: Reasoned arguments

Criterion D: Structure

Criterion E: Individual and societies

Criterion A: Knowledge and understanding of tools, techniques and theories

Examples of relevant theories, management tools and techniques include:

- Branding (brand identity, brand association, brand association, brand leader, branding advantages, lifestyle brand, and brand value)
- Business ethics
- Capacity utilisation
- Capacity utilization
- Corporate social responsibility (CSR) and ethical business objectives
- Costs and revenues
- Human resource planning
- Market positioning (and repositioning strategies)
- Market research
- Marketing objectives and marketing strategies (including social media marketing)
- Niche vs mass-market products
- Organizational objectives and organization strategies
- Pricing strategies
- Product innovation and Research & Development
- Production methods
- Promotional mix
- Revenue and capital expenditures
- Sources of finance (internal and external)
- Supply chain
- Sustainability
- Vision statements

*Award up to **[2 marks]** for an answer that shows some understanding of at least two business management tools, techniques or theories, but these are not developed, or if there is no use of the additional stimulus material.*

*Award up to **[4 marks]** if at least two relevant business management tools, techniques and theories are clearly understood and developed, with appropriate application of the additional stimulus material.*

Note: it is not expected that a student uses all of the additional sources (items) provided.

Criterion B: Application

Award up to [2 marks] for an answer with some limited context/application to Accord, but the answer is not developed well. The use of reasoned arguments is likely to be limited.

Award up to [4 marks] if there is relevant and competent application of the stimulus materials in the case study and Sections B and C. The answer is written in the context of the Accord case study (i.e. the content in the pre-issued case study and the additional stimulus material).

Criterion C: Reasoned arguments

Award up to [2 marks] if the answer shows some limited arguments, but these are not justified. There may be limited, if any, application of the additional stimulus material.

Award up to [4 marks] if relevant arguments are justified/substantiated and there is use of the additional stimulus material. The arguments are discussed in a balanced way, and a conclusion is drawn regarding Accord's organizational objectives and strategy.

Criterion D: Structure

This assessment criterion awards marks for:

1. an introduction
2. a body
3. a conclusion, and
4. fit-for-purpose paragraphs (written in the written response).

Award up to [3 marks] if any three of the four elements are present, or the answer is mainly organized and presented in a clear way.

Award up to [4 marks] if all four elements are present, i.e. the answer is clearly organized.

Criterion E: Individuals and societies

Stakeholders that might be considered include: Aran, Kayla, Jesse, the business angel, customers, rivals (competitors), the government, and pressure groups.

Award up to [2 marks] if one group or individual stakeholder of Accord is considered appropriately, or if both individual and group stakeholders are considered in a superficial way.

Award up to [4 marks] if two or more individuals and group stakeholders are considered in a balanced way. There is effective application of the additional stimulus material.

When awarding the marks for each assessment criterion, refer to **pages 65 to 68** of the Business Management Guide for a detailed breakdown of the mark bands for Paper 2 Section C.