



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma in Business
Advanced Level

BUSINESS ORGANISATION AND ENVIRONMENT

5179/01

Core Module

May 2010

2 hours plus 15 minutes' reading time

Additional Materials: Answer Booklet/Paper

READ THESE INSTRUCTIONS FIRST

Write your Centre number candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use a soft pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, highlighters, glue or correction fluid.

Attempt **all** tasks.

Start each task on a new piece of paper.

Please leave a margin on the right and left hand side of each new page.

At the end of the examination, fasten all your work securely together, in the correct order.

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

This document consists of **5** printed pages and **3** blank pages.



You must read the case study below and attempt ALL the tasks which follow.

(This case study is fictitious.)

THE EXOTIC FRUIT JUICE COMPANY LTD

In the United Kingdom, there are many Pakistani and Bangladeshi restaurants which are generally referred to as Indian restaurants or curry houses. There has been a significant growth in the popularity of spicy food and market research reports indicate that in the UK one person in four eats 'curry' at least once a week.

Abdul Lateef and Khalid Meah were working together in a Bangladeshi restaurant in the UK when they identified a business opportunity for themselves. Most diners would drink water, beer, or occasionally, wine with their meals. Abdul and Khalid decided to develop what is termed a soft drink that was especially suitable for spicy and hot dishes and they decided to develop a range of fruit juices. Abdul and Khalid approached the food technology department of a leading university to help them create an individual taste and one which would complement the various spices used in curries. 5 10

In 2002, they set up The Exotic Fruit Juice Company Ltd which trades as 'Exotic'. It is a private limited company with a share capital of \$50 000¹. Abdul and Khalid knew that the development and marketing costs of their juices would require a large investment and they raised loans to supplement the share capital. They believe there are advantages in keeping the company private but they are also aware that to achieve success and rapid growth they might have to convert to a public limited company in the future. The company has many business objectives but the most significant, other than making a profit, are the satisfaction of customer demand, and helping to provide employment and better living standards in Bangladesh. 15

Including Abdul and Khalid, the company has seven shareholders and they all work in the company as executive directors. Because of the specialised nature of the business, the Board is strengthened by five non-executive directors drawn from marketing, finance and exotic fruit backgrounds. Abdul and Khalid are joint managing directors. The management style is authoritarian which Abdul and Khalid justify because the company is still young and they need to keep a tight control over its affairs. However, in the last year, they have introduced quality circles. Communications present some problems for the MDs as contact has to be made between the different departments in the UK and Bangladesh. 20 25

In the UK, the company currently rents an office in the middle of the country and a dockside warehouse. It employs 25 people who are mostly employed in delivery and direct selling. In Bangladesh (Dhaka) they own the fruit juice production and bottling plant where 100 are employed. The plant is run by Abdul and the UK operation is managed by Khalid; the two operations are run as separate profit centres. 30

The company prides itself on looking after its employees. They are paid good wages and bonuses but, nonetheless, have the following reasonable expectations of the Exotic Fruit Juice company: financial and non-financial incentives, suitable and safe conditions of work, and appropriate training and retraining opportunities. The company applies computer technology to all aspects of the business. There is a website which advertises the company and individual clients can buy the juice by the case over the internet. 35

¹Quoted in US dollars

When Khalid was asked why the business was located both in the UK and Bangladesh, he said the reasons were obvious. He understands that every business is, in some way, influenced by external or PEST factors and he identified three particular influences or factors: the business or trade cycle in the UK, competition in the soft drinks industry, and exchange rates. 40

It took two years to research and develop their new juice drinks before they were ready to market their product line. Their main campaign was to encourage Asian food wholesalers and restaurants in the UK to stock their fruit juices. In 2009 some 6% of all Indian restaurants in the UK were being supplied with the Exotic company's juices. In 2004, their first year of trading, they sold 350 000 bottles of fruit juice and by 2009 sales had risen to more than 3.6 million bottles. The fruit juice market in the UK is large and competitive but Exotic Fruit Juices are sold in a niche market. 45

Exotic's product range currently consists of eight different flavours. Consumers can choose an appropriate fruit juice which will suit mild, medium or hot dishes. The restaurant price per bottle is between \$5 and \$10. Supermarkets sell at about \$1.80. Promotion tends to be via the internet or in-house i.e. restaurants are given incentives to sell the fruit juices. 50

The business is expanding rapidly and last year they started to sell to the airline and cruise ship markets. They plan to enter the ethnic food market in New York in 2011 and are currently in negotiation with an agent. They are currently considering adding four other flavours to the product line. The juices are produced in Bangladesh but the fruits are imported from Southern Europe and as far away as Australia. 55

The marketing objectives include operating a successful marketing mix, the establishment of the company image and its product range, and the achievement of a targeted market share. The company has yet to draw up a customer service policy but the mission statement identifies the customers as being the company's main resource. 60

You must attempt ALL of the following tasks.

Where appropriate use information from the case study to support each answer.

- 1 (a) Explain the following business objectives of The Exotic Fruit Juice Company Ltd:
- (i) satisfying customer demand; [5]
 - (ii) helping to provide employment and better living standards in Bangladesh. [5]
- (b) (i) Explain why Abdul and Khalid prefer to keep 'Exotic' as a private company. [5]
- (ii) Describe why they might have to convert to a public limited company. [5]
- [Total: 20]**
- 2 (a) The membership of the Board of Directors includes five non-executive directors. Explain why 'Exotic' has appointed non-executive directors. [5]
- (b) Communications present a few problems for the company. Describe the methods you would use to ensure a smooth flow of information, instructions and feedback within 'Exotic'. [5]
- (c) (i) The management style is said to be authoritarian. Explain what authoritarian means in the context of 'Exotic'. [5]
- (ii) Describe what a quality circle is and suggest **one** benefit of it to 'Exotic'. [5]
- [Total: 20]**
- 3 (a) Discuss the following expectations that the **employees** may reasonably have of their employer, The Exotic Fruit Juice Company:
- (i) financial and non-financial incentives; [5]
 - (ii) suitable and safe conditions of work; [5]
 - (iii) appropriate training and retraining opportunities. [5]
- (b) The Exotic Fruit Juice Company applies computer technology to all aspects of the business. Explain what this statement means. [5]
- [Total: 20]**
- 4 (a) Every business is affected by PEST or external factors that influence its activity. Explain how 'Exotic' as a business might be influenced by:
- (i) the business or trade cycle in the UK; [5]
 - (ii) exchange rates. [5]
- (b) Explain the reasons for locating The Exotic Fruit Juice Company in both:
- (i) the UK; [5]
 - (ii) Bangladesh. [5]
- [Total: 20]**

- 5 (a) Explain the following marketing objectives of 'Exotic':
- (i) to operate a successful marketing mix; [5]
 - (ii) to establish the image of the company and its product range. [5]
- (b) In the UK, 'Exotic' fruit juices are sold in a niche market. Describe what a niche market is and explain why the company's fruit juices are sold in one. [5]
- (c) Explain what the mission statement means when it says the customers are the company's main resource. [5]
- [Total: 20]

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