Examiner only

2. INNOCENT LTD ROLLS OUT THE VEG

Richard Reed wants to push his thriving smoothie drinks company into food, but with a recession looming and Pepsi breathing down his neck is this smart?

Yorkshire born Reed, aged 35, heads Innocent Ltd a nine-year old company. When it started, smoothie drinks (pulped fruit drinks with no additives) were a niche market, but now they have become part of a mass market and Reed's stake alone may be worth £200m.

As the market has grown, Innocent Ltd has built up important assets including a formidable brand (loved and trusted by many), a reputation for using healthy ingredients, supporting eco-causes and having its products widely available in supermarkets and other outlets.

Innocent Ltd now has plans to develop Veg Pots which are vegetarian ready-meals designed to appeal to the office lunchtime market as a healthy alternative to sandwiches. Each 300 calorie pot is said to provide three portions of the recommended five fruit and vegetables a day.

For the Veg Pots to succeed, the company will have to convince people that they are as tasty as the fruit smoothies and worth the hefty price tag. It remains to be seen whether this is an extension too far, or whether consumers will make Veg Pots part of their everyday lunchtime buying habits.

A move to this type of product will enable Innocent Ltd to maximise its assets to the full and to focus on asset-led marketing as opposed to the market-orientated approach it relied on when launching the smoothies.

If Veg Pots become successful, Innocent Ltd might wish to consider becoming a public limited company (plc).

Adapted from The Sunday Times, 14 September 2008 and www.reportbuyer.com

(a) Explain **two** problems that businesses in a niche market might face.

[4]

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(ii) .....

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(c) Discuss whether or not Innocent Ltd should become a public limited company (plc). [8]

Total Mark