

2. Study the information below and then answer the questions that follow.

### NICHOLS PLC CELEBRATES 100 YEARS IN BUSINESS

Noel Nichols, the inventor of the popular soft drink, Vimto, was born in 1883. In 1908, at the age of 24, Noel set up a small business in Manchester selling herbs and medicines to shops. When Noel first invented his drink, he thought of it as a medicine or tonic, to give one energy or power. At first, it was called 'Vim tonic' but it soon became known as 'Vimto'. In 1912 Noel registered his great invention as a medicine, but he soon realised that Vimto was good to drink even when you are fit and healthy, so it was re-registered as a soft drink. Over the years Vimto has overcome many problems, e.g. sugar rationing from 1940-53 to its factory nearly burning down during the Second World War but, it has continued to develop and innovate.

1992	Two types of lollies – the Vimto ice lolly and boiled-sweet lolly
1993	Vimto sold in cans
2001	Vimto jelly for toast
2002	New citrus flavour introduced

Much has changed from those early days in the little factory in Manchester. As the company grew, it was able to benefit from **internal economies** of scale. The company has also made the most of opportunities provided by all types of information and communication technology (ICT).

- (a) (i) What are *internal economies* of scale? [2]
- (ii) Explain **two** internal economies of scale from which Nichols plc may benefit. [6]
- (b) Explain the role of research and development in a business such as Nichols plc. [4]
- (c) Discuss the importance of ICT to the success of a business such as Nichols plc. [8]