



A-level
BUSINESS

Paper 3 Business 3

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Source 1: Logger Boards Ltd

Bodhi Doyle started surfing when he was just 5 years old. Forty years later, he is the owner and manager of a successful company that specialises in manufacturing professional-quality surf boards using only recycled materials. Bodhi owns 100% of the shares of Logger Boards Ltd; a business which dominates its niche market.

Throughout the company's 25-year history, it has followed Bodhi's founding mission: 5

'Logger Boards Ltd exists to intensify the thrill of riding waves while helping nature recover in its battle with humanity.'

The business has grown from a one-man operation to fill a small workshop with five full-time highly skilled employees creating environmentally friendly, top-quality surfboards. 10

From the very beginning, Bodhi's products have been popular, while several mass-market UK-based surfboard manufacturers have struggled to survive. Logger Boards Ltd has had chances to buy these businesses cheaply in order to expand. Bodhi has declined these opportunities. He also recently turned down a chance to take over Logger Boards Ltd's specialist paint supplier. 15

Bodhi has worked tirelessly to seek out the very best recycled materials to ensure that his boards meet the demands of the world's best surfers. The workshop is now powered completely by renewable energy sources from an onsite wind turbine and a solar-panelled roof. Any waste-water generated is filtered onsite and reused wherever possible. However, with sales at a record high, Bodhi knows that the cramped conditions in the workshop, combined with a lack of storage space for materials, have reduced efficiency. 20

Demand for Logger Boards Ltd surfboards is expected to keep growing. Bodhi has conducted careful planning for a possible new production facility on the existing site that will allow the business to increase total capacity. This would enable the business to: 25

- keep all of its environmentally friendly systems
- create space for more output
- employ more workers if needed.

Bodhi's thorough research has generated forecast data, shown in **Appendix A**. The cost of building the new production facility is estimated to be £500 000. Logger Board's Ltd's bank has offered a long-term loan for this amount, at an annual interest rate of 5%. Further financial information for Logger Boards Ltd is provided in **Appendix B**. 30

Demand for Bodhi's surfboards has grown without the need for promotional expenditure. Bodhi's approach to promotion has been to rely solely on Logger Board's Ltd's social media account on Instagram. Bodhi posts pictures and videos on this account. He has become an 'accidental' influencer with 200 000 followers. The content focuses less on the business and more on Bodhi's surfing lifestyle and personal environmental beliefs. Details of Logger Boards Ltd's followers and customers are shown in **Appendix C**. 35

Bodhi remains undecided about his expansion plans – he has always aimed to minimise the level of risk involved in any business decision he has made. He is also concerned that a larger business may be harder to control, especially given his passion for ensuring that Logger Boards Ltd's mission remains central to the way the business 40

operates. Although his bank manager has suggested that communication and organisational structure will be vital to the success of the growth strategy, Bodhi feels that his leadership will be the most important aspect if the strategy is to succeed. 45

Appendix A Data for current workshop and forecast for new production facility

	Current workshop	Forecast for first year in new production facility
Productivity (units per worker per year)	500	600
Total cost per unit (£s)	350	350
Output (units per year)	2 500	3 000
Capacity (units per year)	2 500	7 500
Fixed costs	£125 000	£250 000
Percentage of waste that is recycled	98	95

Turn over for Appendix B

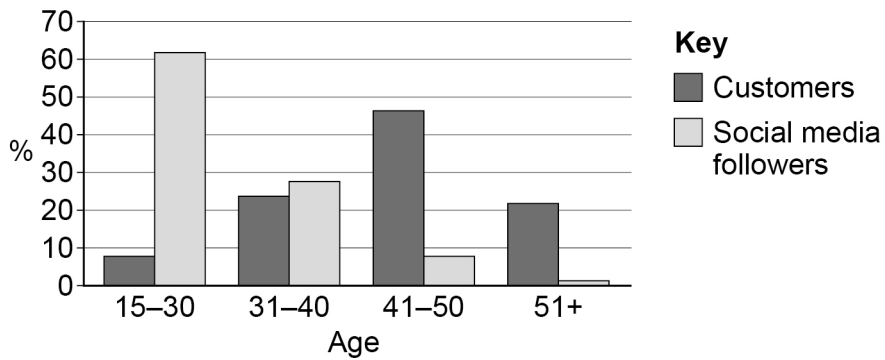
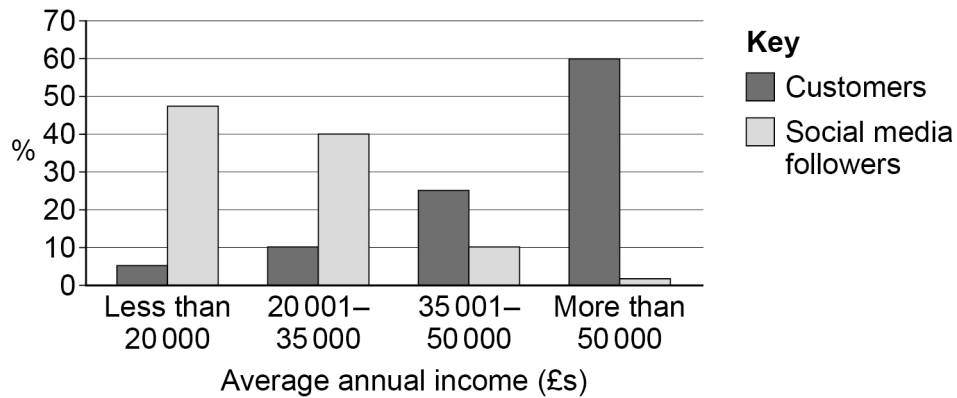
Turn over ►

Appendix B Current financial data for Logger Boards Ltd (before new production facility)**Table 1** Balance sheet (statement of financial position) extracts

	£000s
Current assets	246
Current liabilities	120
Non-current liabilities	400
Total equity	1 000

Table 2 Income statement extracts

	£000s
Sales turnover	1 125
Cost of sales	750
Expenses	125
Finance cost (interest paid on loans)	20
Profit for the year	230

Appendix C Data on Logger Boards Ltd customers and social media followers**Figure 1** Age profile of Logger Boards Ltd customers and social media followers**Figure 2** Average income of Logger Boards Ltd customers and social media followers**END OF SOURCES**

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