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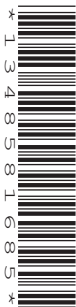
Tuesday 21 May 2024 – Morning

A Level Business

H431/02 The UK business environment

Resource Booklet

Time allowed: 2 hours



INSTRUCTIONS

- Use this Resource Booklet to answer the questions in **Section B**.
- Do **not** send this Resource Booklet for marking. Keep it in the centre or recycle it.

INFORMATION

- The business described in this Resource Booklet is a **real** business.
- This document has **8** pages.

BROMPTON BICYCLE Ltd (BBL)

Brompton Bicycle Ltd (BBL) produces the best-known folding bicycle in the UK. Andrew Ritchie invented the bicycle in 1975 and established BBL. Output was only 720 bicycles a year, with fewer than 20 employees. Will Butler-Adams, the current Chief Executive Officer (CEO), now leads the business, having replaced Andrew in 2005.

By 2022, BBL's revenue reached nearly £100m, with this figure having grown on average by 17% per year over the previous 20 years. At its current factory in Greenford, west London, more than 600 employees now build 100 000 bicycles a year.

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BBL's bicycles are popular due to the time it takes to fold or unfold one. BBL's website states that it takes just 20 seconds to transform the 1.5-metre long bicycle into a small cube (see Fig. 1). This allows the bicycle to be easily carried onto a train or into the workplace.

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Fig. 1
A folded BBL bicycle



There are four standard models of bicycle available. These range from the basic 'A-line', which weighs 11.5 kg, with prices starting at £850, to the premium 'T-line' which weighs only 7.5 kg but has a starting price of £3750. There are also electric versions of the bicycles which sell for between £2800 and £3775.

BBL's consumer profile has changed since the company started. Originally, they were older riders in business suits and working in offices. Now they are typically younger and no longer wear suits. Recently, market forces affecting BBL have changed (see Extract A).

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Extract A

Changes in BBL's market

20% of BBL's output is sold in the UK, where its customers are relatively wealthy and use the bicycle to get to and from their workplace. The brand is seen as a luxury one.	
During the Covid pandemic, government data showed that cycle traffic was up by more than 300%, compared to pre-pandemic days. There was a 400% increase in demand for BBL's bicycles. Explanations for this included:	20
<ul style="list-style-type: none"> the bicycle can be easily stored in housing where space is limited during the pandemic, workers did not want to travel on public transport there was a general increase in cycling as part of attempts by individuals to improve both their mental and physical health. 	25
Even after the pandemic came to an end in the UK demand remained high. By March 2022, weekday cycle traffic was still 50% higher than in 2019.	

Source: Adapted from *The Telegraph* (16/04/22)

BBL has been a private limited company since its formation. There are more than 160 shareholders, but only seven of these individually own more than 4% of the shares. The company founder, Andrew Ritchie, is the largest shareholder with 18% of the shares, but he is no longer involved in managing the business. The CEO, Will Butler-Adams, is the next largest shareholder, with 8.4% of the shares. The Board of Directors has not considered turning the business into a public limited company. BBL's accounts show that it currently has £11m of cash in the bank. The business has not raised any external capital in the past 20 years. Butler-Adams would prefer not to raise new capital unless required, but he feels it would not be difficult if necessary.	30
A feature of BBL's bicycles is that they can be customised, with 17 million different combinations. Each bicycle is handmade, with up to 60 employees working on each bicycle at some point. The ability to fold the bicycle is made possible by a ring of brass inserted into the hinge. This requires a technique known as brazing. Production of every bicycle begins with a skilled brazer, who takes two years to train, assembling tubes of metal to make the bicycle frame. It is this expertise which guarantees quality. According to Butler-Adams the bicycle, "...has to be perfect, not just when you buy it, but 15 to 16 years later."	40
According to BBL's website, "To truly deliver on our purpose, we need passionate, innovative, and talented people that want to make an impact. We can offer you a job you won't find anywhere else." In October 2022, their website listed more than 60 different job vacancies. These included:	45
<ul style="list-style-type: none"> Engineers for manufacturing, design, and software Quality inspectors Designers Accountants Marketing data analysts Sales managers Customer support assistants. 	50
Some of the successful applicants for these roles will be highly experienced and others will be newly qualified. BBL wants to put each employee into a 'Position to thrive'. The website states that, "Whether you are early in your career or an experienced professional, BBL provides you with everything you need to excel in your job and for personal growth. You will be actively encouraged to increase your skillset."	55
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BBL is not the only business in the UK selling folding bicycles. Its main competitors include Hummingbird, Moulton and Dahon. An independent analyst has produced a SWOT analysis to be presented to BBL's Board of Directors (see Fig. 2).

Fig. 2
A SWOT analysis of BBL

Strengths	Weaknesses
<ul style="list-style-type: none"> Premium brand and best known in the UK market A more neat and compact design compared to Dahon and Hummingbird bicycles Much quicker to fold or unfold than a Moulton bicycle 	<ul style="list-style-type: none"> More expensive than a Dahon bicycle Has difficulties finding sufficient specialised labour in the UK
Opportunities	Threats
<ul style="list-style-type: none"> Moulton has a much smaller output so customers can find them hard to purchase 	<ul style="list-style-type: none"> Dahon and Hummingbird bicycles are lighter so may be favoured by customers

BBL is now building a new factory to allow for further expansion. The factory will be eco-friendly, powered by solar panels and wind turbines, and will not even have a car park. The current factory in Greenford will continue to operate until at least 2030 during the transition to the new site (see Extract B).

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Extract B
BBL's factories – current and future

BBL's new factory at Ashford in Kent, on a 100-acre piece of reclaimed land, is due to open by 2027. This expansion will mean an eventual increase in employee numbers to 1500. It will also allow the business to develop new bicycle designs, with an ultimate goal of producing 200 000 bicycles a year.

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The initial cost of the factory will be 50% higher than building a 'traditional' factory in the UK. However, BBL expects it to save money in the longer term. The factory is designed to inspire workers. According to the company's CEO, "So much manufacturing is in some industrial estate hidden away and nobody sees it. We want to redefine manufacturing."

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BBL designs and manufactures bicycles with a real practical value. They are built to last and perform reliably over time. Working together under one roof means BBL can stay true to its principles. Many of the factory machines have been made by BBL, with parts named for the people that created them. BBL's manufacturing teams work together to find the best solution for every job, alongside specialised robots designed by BBL.

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Source: Adapted from www.brompton.com/bikes/made-in-london (accessed 16/10/22) & *The Guardian* (25/02/22)

Since 2011, BBL has offered a bicycle hire scheme at numerous locations around the UK. This scheme is operated by a fully owned subsidiary of BBL called 'Brompton Bike Hire Ltd'. It was the idea of Will Butler-Adams, so that anyone who wanted to 'give cycling a go' or 'try out a bicycle' could do it in an affordable way (**see Extract C**).

Extract C

Brompton's Bike Hire scheme

Customers can hire a BBL bicycle from a 'locker' that is convenient to them and return it to any of the 70+ hire locations nationwide.

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- Customers use an app to reserve a bicycle up to 24 hours in advance.
- Bicycles can be hired for £5 a day, fully insured, with no hidden costs.
- There is a subscription service available for students at a fixed rate of £30 per month for an academic year.
- Hire customers can claim back their hire fees if they decide to buy a BBL bicycle, receiving up to £150 for a regular bicycle, or £250 for an electric bicycle.

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There are plans to improve the app and the pay-as-you-go structure, as further expansion of the scheme takes place. The aim is to allow as many people as possible to experience the joy and usefulness of a BBL bicycle.

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Cardiff is the latest city where BBL's folding bicycles can be hired, as three new locations opened in October 2022. The locations are at Cardiff Central, Cathays, and Whitchurch railway stations. A BBL spokesperson said, "We're pleased to bring our Bike Hire scheme to [this] thriving city...helping Cardiff Council with its aims of reducing pollution, decreasing traffic congestion, and improving the wellbeing of its residents."

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Brompton's Bike Hire scheme is the only one operating in the UK which uses folding bicycles. Other schemes only operate in one or two cities. The best known of these other schemes is in London (currently sponsored by Santander) where 12 000 bicycles are available from 800 locations around the city for a fee of £1.65 per 30 minutes.

Source: Adapted from <https://cyclingindustry.news> (21/07/22), www.walesonline.co.uk (6/10/22) & www.cyclinguk.org (4/08/22).

NB: All data was correct at the time of writing (October 2022)

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