



Oxford Cambridge and RSA

Wednesday 13 October 2021 – 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 **4** pages.

KEEKO KIDS Ltd

Keeko Kids Ltd (KKL) was established in 1998 and is based on Merseyside, in the north-west of England. It began by selling colouring kits (consisting of crayons and a picture to colour in) to food outlets in airports, motorway service stations and on ferries. These colouring kits were given out, free of charge, by the food outlets to young children. 5

In 2003, a single McDonald's franchisee at Liverpool Airport placed an order for the colouring kits. Within a couple of years, over 250 McDonald's restaurants, all across the UK, were buying colouring kits from KKL. At that time, KKL worked with a number of different suppliers, including Stadium Crayons Ltd, located in Southampton on the south coast of England.

In 2009, just when the demand for KKL's products was growing significantly, Stadium Crayons went into administration. With no time to find an alternative supplier of crayons, KKL bought Stadium Crayons. Although manufacturing of the crayons remained in Southampton, the process was managed from KKL's base on Merseyside. In addition, each of the two companies kept their separate legal identity, although both are owned and managed by the same person, Sarah Chinnaraja, who is the Managing Director and only shareholder (see Extract A). 10 15

Extract A – Extract from the financial statements of Keeko Kids Ltd and Stadium Crayons Ltd (year ended 31 March 2019)

	<u>Keeko Kids Ltd</u>	<u>Stadium Crayons Ltd</u>	
Non-current assets	£1 601	£50 670	
Current assets	£189 912	£118 897	20
- including Inventories of:	£31 464	£75 553	
Current liabilities	£154 000	£70 879	
Depreciation method	25% reducing balance method	20% reducing balance method	
Director	Mrs S Chinnaraja	Mrs S Chinnaraja	25
Average employees during the year	5	8	

Source: Unaudited financial statements for Keeko Kids Ltd & Stadium Crayons Ltd, 2019

By 2019, KKL was supplying about 1500 McDonald's restaurants in the UK as well as an increasing number of other customers, including ASDA, Marks & Spencer, Pizza Hut and The Hollywood Bowl Group.

KKL's main competitors are based in China, where manufacturing costs are lower. However, KKL's Managing Director, Sarah Chinnaraja, is proud that the millions of crayons that KKL produces are manufactured in the UK and is determined to see this continue (see Extract B). 30

Extract B – Keeko crayons - made in the UK

We are the only crayon manufacturer in the UK. We believe it's important to support UK manufacturers, so we always try to source our raw materials and products from local businesses. Benefits to us of buying UK-sourced products include:

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- Huge amounts of CO₂ are produced when transporting goods from overseas. By buying locally we can do our bit for the environment.
- When products are manufactured in the UK our supply chain is shorter and it is easier to monitor ethical standards than when importing.
- The lead time for ordering UK-sourced products can be shorter than from overseas suppliers.
- The value of the pound has fallen to its lowest level since 1985. By buying in the UK, the price we agree will be the price paid.

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Source: Adapted from www.keekokids.co.uk/about/made-in-the-uk (accessed 09/10/19)

Much of KKL's output is now focused on producing colouring boards with the customer's logo as part of the design. These custom-made boards have a pad of pictures attached (so that a child can 'tear off' one picture to colour in) as well as a space to hold a range of coloured crayons. An alternative, but cheaper, option is a standard board with a vinyl sticker attached which has the company name or logo on it.

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KKL does a lot of its promotion at trade fairs around the UK, including "Caffè Culture", "The Casual Dining Show" and "The Holiday Park & Resort Innovation Show" (**see Extract C**).

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Extract C – The Holiday Park & Resort Innovation Show 2019

This year KKL is exhibiting at the Holiday Park & Resort Innovation Show, where we will be showcasing all our colouring products for businesses.

Over 4500 firms from across the holiday business industry will be at Birmingham's NEC in November. The show is perfect for those looking for inspiration, advice and resources to innovate and make more money from their attractions and holiday businesses.

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This trade fair is an unmissable opportunity for holiday and leisure entrepreneurs to make the most of their resorts, holiday parks and attractions by getting the very best in advice, products and services.

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This is set to be the most exciting and comprehensive show yet. With world-class experts, seminars, suppliers, workshops, unrivalled networking and live features all under one roof – these two days are truly unmissable for anyone in this sector!

Source: Adapted from www.keekokids.co.uk/were-exhibiting-at-the-holiday-park-resort-innovation-show-2019/ (accessed 09/10/19)

KKL was also featured on the popular BBC2 series, 'Inside the Factory' in March 2019. Presenter, Cherry Healey, visited Stadium Crayons' factory to see how crayons are made (**see Extract D**).

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Extract D – The manufacturing process for a crayon

Factory General Manager, Dave Ayling, showed Cherry how the manufacturing process was relatively simple, but labour intensive.

- Mix a batch of raw ingredients - paraffin wax, stearic acid and other non-toxic chemicals - in a large container. This liquid is heated to more than 60°C. 70
- Add coloured powder, by hand, to create the colour of crayon required.
- Using a large jug, transfer the liquid into a machine which compresses the mixture into crayon-shaped moulds.
- Once the crayons have cooled, any excess mixture is scraped off by hand. 75
- The moulding machine then ejects the finished crayon and the employee checks for any damaged crayons. One moulding machine can produce up to 60 000 crayons per day.
- A 'Keeko Kids' crayon label is added using a dedicated machine – this is the only automated part of the process. One machine can label over 8000 crayons per hour. 80
- An employee selects the correct number and colour of crayons and puts them into a branded box.

Just over six months after the Southampton factory was featured on 'Inside the Factory', it was closed. This was as a result of KKL formally merging with Stadium Crayons and officially opening its new crayon factory on Merseyside in October 2019, where it produces between 25 and 30 million crayons every year. This move means that the entire business operation is now located in one place, where 14 employees work a four-day week. KKL has also joined a scheme to provide job opportunities to people under the age of 30, who have been out of work for more than a year. 85

At the official opening of the new factory, Sarah Chinnaraja said: 90

“Nothing about this journey has been easy, [but] it is a huge relief and a blessing to be in one place and to consolidate our business, and we look forward to an exciting future.”

NB: All data was correct at the time of writing (October 2019)

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