**Data response 1**

**A tale of two bicycle manufacturers**

Thanks to the success of Bradley Wiggins, Chris Boardman and others, bicycle sales in Britain have been soaring. According to Mintel, 3.6 million bicycles were sold in Britain in 2014. The total amount spent on buying these bicycles was £745 million.

In the past, most of the bicycles bought in Britain were also manufactured in Britain by companies such as Raleigh. Raleigh was set up in 1887 by Frank Bowden. It was one of the first companies in the world to mass produce high-quality and affordable bicycles. Raleigh also used innovation to create product differentiation. It was the first company to sell bikes with gears in 1932; and their 1970s Chopper children's bike is still regarded as a design classic today. Raleigh used to produce its bicycles from a factory in Nottingham. At the company's peak in the mid-1970s Raleigh produced over 4 million bicycles per year in Britain, employing 12,000 people. They made seven in every ten bikes sold in the UK. Unfortunately, by the late 1990s Raleigh was in decline, unable to compete against cheap imported bicycles. The management responded by moving production from the UK to China and Taiwan. Raleigh's bikes are still designed in the UK, but by 2015 the company's UK workforce had been reduced to just over 100 people. Raleigh's UK market share in the same year was 20 per cent.

Some bicycles are still manufactured in Britain. Perhaps the best known example is Brompton which sells folding bikes that can be taken on trains by London commuters. Brompton is still relatively small. The business employed 240 workers in 2014. The company's only factory in Brentford produced 45,000 bikes in the same year, which generated revenue of £25 million.

**Questions** (50 marks; 60 minutes)

1

a) Calculate the average price of every bicycle sold in the UK in 2014. How does this compare with the average price of a Brompton bike in the same year? (4)

b) Comment on your findings. (6)

2 Assess the relative importance of cost competitiveness to Brompton Bicycle Ltd. (10)

3 Assess the implications of Raleigh's decision to offshore production to the company's various stakeholder groups. (10)

4 Evaluate whether Brompton Bicycle Ltd should attempt to move out of its niche market in foldaway bicycles and diversify into producing conventional mass-market bikes. (20)