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Practice exam questions

The Green Apron

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Check your answer to the question on pp. 26–27 of the magazine.

Sample answer

An entrepreneur is someone who takes a risk by creating a business, which involves having a business idea and the financial capital to make this idea a reality. Roles of an entrepreneur are creating and setting up a business, running and expanding/developing a business and innovation.

Peter Roberts, the entrepreneur who started the business Pure Gym in 2009, carried out important entrepreneurial roles such as taking risks. When he entered the gym market it could be described as saturated, with a great deal of competition. Roberts took the risk of sacrificing his own capital to open four gyms in the UK with a usp of being low cost, compared to competitors such as David Lloyd Leisure. He risked failure in taking such an innovative approach, which could have ended with him not only losing his invested capital but also losing his stable income as he had to give up his established career as a chartered surveyor. However, Roberts saw that low-cost gyms in Germany met a need and this research led to the innovation of introducing Pure Gym to the UK, managing the risks of setting up the business as the business model had already been tested successfully. As a result, Roberts trade off — a stable career for a new gym concept — could be seen as a managed risk that ultimately resulted in 450,000 members over 90 sites in the space of 13 years.

Another role of entrepreneurs may be that, for a business to survive, they must monitor the costs and sales of products and protect the innovation and intellectual property rights of the business. For example, Rob Law, the entrepreneur behind the children's suitcase Trunki, became successful after he completed extensive research, at his own cost, into the optimum selling price for his product. Law managed to sell 3 million of the £40-plus suitcases around the world in the 10 years of production and now sells to over 100 countries, with a turnover of £9.5 million in 2018. Law achieved this after having been rejected for £100,000 funding in 2006 by *Dragons' Den* investors.

However, Law has had significant legal battles along the way to success, with the business having to spend £1 million on international court cases to protect the intellectual property rights of his design. This resulted in a £1.4 million loss in 2015 and also resulted in a UK Supreme Court decision in 2016 that rejected Law's argument that his design was so unique that other companies could not copy elements from it. Kiddee Cases successfully argued that their product was sufficiently succinct from Law's that it could compete against the Trunki. This has resulted in significant costs both financially and potentially in reputation to the Trunki brand and business.

In conclusion, the entrepreneurial spirit is critical to the success of a business as without it, entrepreneurs such as Dyson, Law and Roberts would not introduce innovative products to the market. Robert's idea of cheap gyms was a risk but, as the concept had already been tested in another Western market, it tapped into a segment of the market that was not covered by pricier

competitors, hence its success. However, entrepreneurs' decisions do not always result in successful outcomes for the business as Law found in terms of protecting the intellectual property rights of the Trunki. It can be argued that the court action at least delayed Kiddee Cases entering the market and acted as barrier to entry for that specific business, and a warning to other potential competitors who might copy Law's idea. This might be seen as a further role of an entrepreneur in maintaining the success of the business and it's interesting to note that Trunki demand is still very strong, despite competition, with the company increasing its profits by 51% in 2019 despite the court's decision.

Sample examiner comment

Mark: 16/16 (Level 4 — an excellent response fully focused on the question).

A depth and range of knowledge and understanding are shown of the importance of entrepreneurial roles to the success of a business.

Application about a specific and relevant businesses is applied effectively throughout the answer.

Analysis is well developed throughout the answer and considers a balanced range of issues appropriate to answering the question.

The answer makes judgements as to the importance of entrepreneurial roles to the success of a business. The answer shows a balance of competing arguments and a clear focus on answering the question throughout.

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