



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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MAIN EXAMINATION

JANUARY – APRIL 2019 TRIMESTER

FACULTY OF COMMERCE

MBA REGULAR / ODEL PROGRAMME

CEN 520: ENTREPRENERSHIP AND BUSINESS ENVIRONMENT

Date: APRIL 2019

Duration: 3 Hours

INSTRUCTIONS: Answer Question ONE and any other TWO Questions

TAKING THE ROUGH WITH THE SMOOTH

In a funny sort of a way, Innocent drinks began life in the bath. Well, that's one way of opening the story of how three college friends came about innovating one of the most successful recent brands in the drinks market. For making fruit smoothies wasn't the first idea that Richard, Adam and John had set their design on. The three friends had originally hit upon the idea of the bath that automatically filled to the desired level and temperature. The main problem with this idea wasn't that it wouldn't work-it was in convincing other people that it would, when it involved technology that neither Richard, Adam nor John had actually invented. So, the entrepreneurs began to look at their own lives for inspiration. What they discovered, based on something they personally knew about, convinced them of a genuine market opportunity. For they recognised that it had become increasingly difficult for them to take the time that they knew they devote to staying healthy. The modern hectic urban lifestyle that they, and many others, lived seemed incompatible with eating healthily or going to the gym on a regular basis. If they could only come with a way of doing something healthy that didn't require a lot of time they would surely be on to a winning formula. It was this moment of insight that led to the launch of Innocent Drinks-a fruit smoothie that tasted good, was good for you, and that could be easily and quickly be consumed.

Of course, the idea itself was not totally 'new'. People have been making all kinds of drinks from fruits for millennia. But the concept bucked the trend of mass-produced fruit drinks in terms of not relying on concentrates or using

preservatives to lengthen shelf-life. It was also to make inspired use of the latest ideas about packaging and presentation. Having the initial idea was one thing, but the three entrepreneurs had absolutely no experience in either fruit or the drinks market. They made up for this by undertaking their own research of the product and the market. Relying on the simple measure of what tasted good to them and their friends, they were able to narrow down the recipes they would use for the commercial product. Their initial market research then continued to demonstrate the founders' flair for creative thinking and entrepreneurial spirit. An ingenious trial tasting was held at jazz festival. Customers were asked to place their empty cups in a 'yes' or 'no' bin to vote on whether the friends should give up their jobs and make smoothies full-time. With the 'yes' bin recording a landslide victory, they quit their jobs the next day.

At this point in the story it would be easy to add the phrase '...the rest is history'. But this would suggest that the transition from secure employment to entrepreneurial start-up was entirely a smooth one. The reality was rather different. Accessing the finance needed to set up the company on the scale required was no easy task-not least because this was just at the start of the dot-com era, when investors were looking at rather different kinds of business propositions. When the cash ran dry it would have been easy to have thrown in the towel and returned to corporate life. But Richard attributes their getting through this phase to the strength of their friendship and being part of the team. This was also to see them through when distributors initially refused to stock their drinks. The team loaded a van with drinks and personally delivered them to delicatessens and health shops around their area. They presented themselves as new local juice company and handed over free samples, asking the owners to call them if they started to sell. Sell they did, and after the first weekend, 45 companies asked for more.

Innocent drinks have come along way from their humble origins. The company sold 24 smoothies on the first day of business. Today they sell two million smoothies per week!

- Q1. a) What lessons can be aspiring entrepreneurs take from Richard, Adam and John's experiences in setting up Innocent Drinks? **(10marks)**
- b) Drawing on this case, outline what you consider to be the critical success factors in turning a good idea into an innovation **(10marks)**
- Q2. Discuss in details critical factors that contribute in the closure of young Business **(20marks)**
- Q3. As a manager in a reputable company, you are requested by your Board to give a critique on Drucker's seven sources of Innovative opportunities. Prepare a presentation on the subject to the Board who are likely to fund your innovative plans. **(20marks)**

Q4. Describe the principles of building a guerrilla marketing plan and discuss the benefits it bears on entrepreneurs seeking growth opportunities **(20marks)**

Q5. a) Discuss the personal traits necessary to run successful women led enterprise **(10marks)**

b) What are some of the difficulties women entrepreneurs face in their bid to run successful businesses **(10marks)**

END