

Kettlebeck Guitars: grow, split or aim differently?

Student workbook | Pearson Edexcel A level Economics A (9EC0), Theme 3 | Year 12 or 13 | Original TBS three-lesson case series

Kettlebeck Guitars Ltd builds hand-made acoustic guitars in a converted mill in northern England. It began with two founders and a bench. Eight years later it has a workshop, a wood supplier of its own and four music shops. Now the board must choose how to grow, whether to split the business, and what the workshop should be trying to achieve. Over three lessons you will work as an economic adviser to the board.

Lesson	Question	You will
1	How can Kettlebeck grow, and what holds it back?	classify growth routes, weigh their advantages and disadvantages, give reasons for staying small or growing, test four options against four constraints and recommend one
2	Should Kettlebeck split?	work out which divisions make profit, compare staying together with a demerger, weigh the effects on businesses, workers and consumers, and judge
3	What should the workshop aim for?	compare profit, revenue and sales maximisation using a table and two diagrams, see the principal-agent problem in a bonus and write a recommendation of about 170 words

Kettlebeck at a glance

Feature	Details
Owners	Hanna and Ewan Pryce started the firm in Year 1 and own all of it. Marian Tolley, the managing director since Year 6, owns none of it.
Parts of the firm	The workshop (which includes its own wood supplier, Thornhallow Tonewoods); Askerby Music, four music shops; a small head office.
People (Year 8)	Workshop 14 staff, Askerby Music 22 staff, head office 4 staff.
Money	Figures in £000 are thousands of pounds. "£90 thousand" is £90,000. Rounding: percentages to one decimal place, halves rounded up.

Kettlebeck, Thornhallow Tonewoods, Askerby Music, Ellerdale Guitars, Fenrow Guitars, every person, price, forecast and figure are fictional and invented for teaching; they are not real businesses or statistics. You need a calculator, a pencil and a ruler. The case file is on pages 2 to 5; each task repeats the figures it needs. This is original classroom practice, not an exam paper. Not endorsed by Pearson.

Free sample

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Contents of the full pack

Lesson 1: How can Kettlebeck grow, and what holds it back?

Lesson 2: Should Kettlebeck split?

Lesson 3: What should the workshop aim for?

Student workbook and teacher guide, as PDF and as editable Word files.

The teacher guide has lesson plans, full worked answers and indicative guidance.

This sample is the cover and the first two pages of Lesson 1 of the student workbook. It contains no answers. The pages that follow are exactly as in the full pack.

Lesson 1: How can Kettlebeck grow, and what holds it back?

By the end of this lesson you can name the main routes to business growth, give reasons why firms stay small or grow, test options against four constraints and recommend one.

Case-file reading (pages 2 to 5) comes first: about 6 minutes. Then the starter.

Starter: which term?

Write the term for each description.

Description	Term
1. Growth using the firm's own resources, such as a new product	
2. Buying a business at an earlier stage of the supply chain	
3. Buying a business closer to the customer	
4. Joining with a firm at the same stage of production in the same industry	
5. Joining with a firm in an unrelated industry	
6. Organisations owned and run by the state or local council	
7. Organisations owned by private people or companies that aim to make a profit	
8. Organisations that spend any surplus on their aims, not on owners	

Task 1: classify the six moves

Table "How Kettlebeck has grown" (page 2) lists six moves. Write O (organic), F (forward vertical), B (backward vertical), H (horizontal) or C (conglomerate) for each.

Move	What happens	Type (O, F, B, H or C)
1	Launch the Fell range (Year 3)	
2	Buy Askerby Music, four music shops (Year 5)	
3	Buy Thornhallow Tonewoods, a wood supplier (Year 6)	
4	Take over Ellerdale Guitars, a rival maker (proposed)	
5	Buy a recording studio (proposed)	
6	Add a second bench and tooling set (proposed)	

a. Figure 1 shows the supply chain. Draw an arrow from the Kettlebeck workshop to the box involved in each of moves 2 to 5, and label each arrow with its move number and its letter.

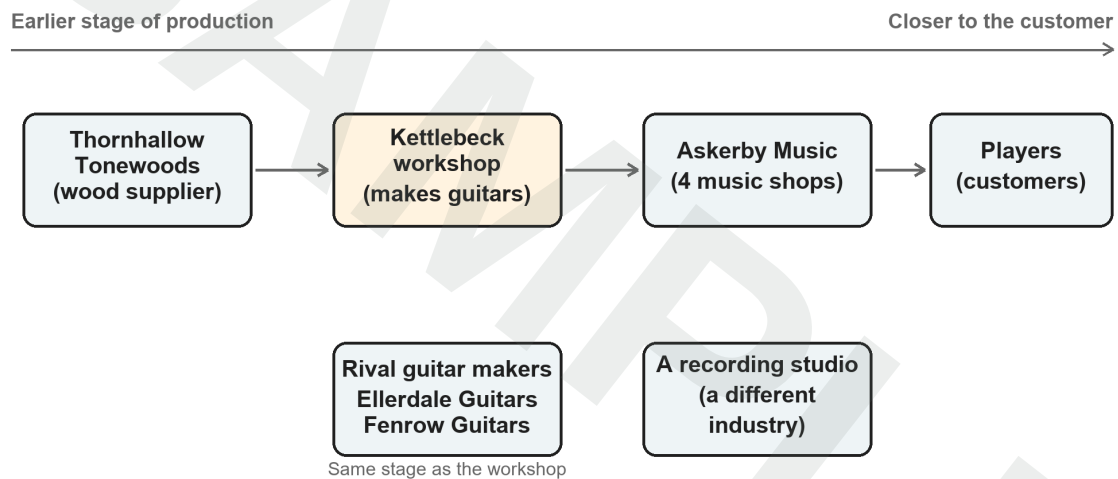


Figure 1. The Kettlebeck supply chain. Grey arrows show the flow of wood and guitars.

b. Match Table 2 (page 3): Options O, H1, H2 and C are moves 6, 4, 4 and 5. Moves 1 to 3 have already been made.