

Boost juice case study

[Business](#)



Economics Boost Juice Case study Boost Juice is currently experiencing economies of scale 3 reasons for Boost Juice experiencing economies of scale 1 - Purchasing inputs and raw materials in bulk Buying in bulk means that the average cost of each unit of raw material is cheaper than if each unit was bought individually In one year alone, Boost Juice goes through more than 35 tones of mangos and you still have all of the other range of fruits that are bought.

Therefore buying in bulk means that the average cost of the raw material decreases which therefore, using the value chain, means that the average cost per output decreases as output increases. As the order value increases, a business obtains more bargaining power with suppliers.

It may be able to obtain discounts and lower prices for the raw materials 2- Cheaper marketing costs per outlet Due to the rapid expansion of boost since it was established in 2000 (on average one new boost store opens every 4 days) has meant that the cost of advertising per outlet has decreased (e. If you had one outlet and advertising cost \$10, 000 and then the business expanded to 10 outlets it would mean that cost of advertising per outlet would go from \$10, 000 to \$1000) This has enabled boost to undergo further marketing strategies which in turn brings more consumers to the product meaning that the price of each unit output would decrease 3- Economies AT scale can be defined as reactions in costs per unit AT output as output increases and so therefore arise when the cost per unit falls as output increases.

They are the ‘savings of size’ if a firm is able to increase the size of its plant or operations in the long run production period. A business that is experiencing economies of scale in the present is the smoothie and Juice making company called Boost Juice. Established in 2000, Boost Juice, managed by successful entrepreneur Jeanine Allis, is a business that has been able to be extremely successful through domination of their market and a number of marketing strategies that has enabled them to grow in size and thus currently be experiencing economies of scale.

Since the very first Boost Juice was opened in 2000, the next 6 years saw the opening of 189 new stores and the rapid growth is still occurring today.

There are two main types of economies of scale, internal and external each of which are leading factors as to why a business may currently be experiencing economies scale. Within this case study of the highly profitable and highly successful business Boost Juice I will be discussing 3 of the reasons why Boost Juice are currently experiencing economies of scale which are bulk buying, cheaper marketing costs and

As stated above, economies of scale can occur due to both internal and external factors. One of the key internal factors of which has led to Boost Juice experiencing economies of scale is bulk-buying of raw materials and other inputs. Bulk buying can be defined as buying goods/ materials/ other inputs in large quantities which becomes highly relevant to business that are undergoing or have already expanded as a business due to the cost benefits that are associated with bulk buying.

The leading cost benefit associated with the bulk buying is that the average cost of each unit of raw material is far cheaper than if each unit were bought individually.

As businesses grow it is essential that they order larger quantities of production inputs so that they can meet the increased demand and production. As the order value of wanted raw materials increases a business is able to obtain monopoly (buying) power with its supplier's. This is extremely applicable to Boost Juice. Boost Juice is a highly successful fruit juice retailer thus requiring extremely large quantities of fruit (along with the other needed inputs).

In one year, Boost Juice goes through more than 35 tonnes of mangoes alone and when you consider all of the other fruits that Boost Juice will have to purchase as inputs there is an extremely large quantity of fruit that needs to be supplied. Therefore buying in bulk is much more cost effective as it makes the unit price per input much cheaper through the cost volume benefits of buying in bulk.

Therefore, Boost Juice has been able to experience economies of scale in the present through bulk buying which drastically reduces the unit price per input, which reduces the cost of output.