**1.3 Understanding that businesses operate within an external environment**

**The impacts of the external environment on costs and demand: Activity**

**Twinings**

Twinings is the English tea company which was founded in 1706 and claims to be one of the first companies to introduce tea drinking to England. It is famed for having the world's oldest continually-used company logo, opening one of the first tea rooms in London and, of course, blending teas such as Earl Grey. It is based in Andover, Hampshire.

In 2010 the company decided to close its factories in the UK and move them to a new purpose-built £27 million factory in Poland and to expand its plant in China. This would result in job losses of nearly 400 in England. This included 263 posts at a North Shields factory and 129 in Andover. Twinings owner Associated British Foods said it was necessary to cope with the growing demand in Europe and to improve efficiency.

Twinings further upset workers that lost their jobs when they were told their contracts would be extended by six months so they could train their Polish replacements, who were brought over to the UK for this training. The plan received negative media attention and consumer reactions including a protest outside AB Foods' annual general meeting and a Facebook campaign and 22 MPs signed a Commons motion condemning the move, but it still took place.

Twinings applied for a £12 million grant from the EU for job creation in Poland, which they planned to use to help fund the opening of a tea packing factory in Poland. Critics however stated that it was not job creation but simply relocation to an area of the EU where pay levels were lower, which would negatively impact the UK economy. UK EU MPs (MEPs) raised this issue and in 2011 the grant was refused.

However, Twinings still went ahead with the relocation of jobs. AB Foods Chief Executive George Weston claimed the decision to open the Polish site was made before the application for the grant. He said that it no longer made sense to ship tea around the world from the UK due to the costs and that they needed factories in the right places to remain competitive. He said the expansion in China and the new plant in Poland would reduce tea miles (positively impacting the environment) and would result in a business better equipped to supply the market.

Do you believe cost was the primary consideration for this move? (16 marks)