

IB BUSINESS MANAGEMENT SL

Aventis

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Aventis is a privately held company that operates two stores in Dubai, selling consumer electronic products. Aventis offers various products, such as mobile phone and laptop accessories. Noel, the founder and CEO, set up the business in 2015 and currently owns 70% of the shares. His two brothers, Tim and Mike, own 15% of the shares each. Their mission statement is “providing high-quality consumer electronic products at a low price”. The business uses a competitive pricing strategy and has enjoyed high sales revenue since its establishment.

Aventis purchased the buildings their stores operate from using long-term bank loans. Additional finance to cover set-up costs came from the owner’s savings. However, Aventis’ profits have been falling recently. Increased competition from national retailers has caused Aventis’ sales revenue to decline.

Noel has identified the following reasons for this decline:

- These larger businesses are selling their products online, thus increasing their sales revenue.
- These larger businesses can benefit from economies of scale and offer products at lower prices.
- These larger businesses have invested in multiple marketing campaigns.

Aventis needs to respond to these changes in the market if they are to survive. Noel wants to create an online store to enable customers to purchase Aventis’ products online and remain competitive. However, this will require an investment of \$300,000. The shareholders have agreed they will need additional finance to fund this.

Noel is considering two options to finance the new online retail section:

Option 1: Convert Aventis to a publicly held company.

Option 2: A business angel, Martin Kelly, has approached Noel. He is offering \$300,000 for 25% of shares in Aventis.

Noel favours Option 1, converting Aventis to a publicly held company, but Tim disagrees. Tim prefers the idea of a business angel to retain their autonomy as shareholders to some extent.



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