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Level 3 Business Studies, 2015

91381 Apply business knowledge to address a complex problem(s) in a given global business context

2.00 p.m. Tuesday 24 November 2015
Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Apply business knowledge to address a complex problem(s) in a given global business context.	Apply in-depth business knowledge to address a complex problem(s) in a given global business context.	Apply comprehensive business knowledge to address a complex problem(s) in a given global business context.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

You should attempt ALL the questions in this booklet.

Pull out Resource Booklet 91381R from the centre of this booklet.

Refer to relevant business knowledge and / or Māori business concepts in your answers.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–12 in the correct order and that none of these pages is blank.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

Achievement

TOTAL 11

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QUESTION ONE: INVESTMENT APPRAISAL

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Use the information in Resources A to D in the resource booklet, and in the box below, in addition to your business knowledge, to answer this question.

Weka TV is a New Zealand-based satellite television provider. It is the largest pay television platform in New Zealand. *Weka TV* is listed on the New Zealand Stock Exchange, the NZX.

In recent years *Dingo TV*, the Australian television provider, has been interested in a take-over. Consequently, senior managers at *Weka TV* are focused on maintaining short-term profits in order to reduce the likelihood of a take-over.

In 2014 *Weka TV* decided that it needed to add an online component to its product range. This is expected to have a large impact on customers and other stakeholders.

(a) Discuss the possible causes and effects of the decision made by *Weka TV* to add online content to its product mix.

In your answer, fully explain:

- TWO factors which may have caused the decision to offer online content
- TWO possible effects of the decision to offer online content on the business, and on its stakeholders, such as investors, employees, and suppliers.

One of the factorsthat may caused Weka TV to decide to offer online content is the statistical data about video viewing among 18-24 year olds. The data shows that there has been a significant decrease in traditional TV viewers and an increase in online viewers of this age group in Q4 of 2014 compared to that of 2013. This sudden change in statistic may have given Weka TV the idea that their traditional TV viewers may decline and begin to use online services and if they do not begin to provide online content, they risk losing these customers. The second factor that may haved caused this decision is the introduction of Netflix into New Zealand. As it is already an established

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(b) *Weka TV* has two potential options for adding online content to its product line; these are described in Resource D.

Evaluate the TWO possible solutions for providing online content described in Resource D, using the investment appraisal data provided.

In your answer:

- fully explain ONE positive effect that each solution would have on the business
- state the solution you recommend
- justify your recommendation by explaining why it is better than the other solution.

The first solution is to develop a new decoder that gives people access to online content. Its average rate of return is 12% which would mean Weka TV would be able to succesfully generate income from the new decoders which means they are likely to be succesful and Weka TV can make a profit from this investment The second solution is to purchase Star TV who already provides an online service. The payback period for this decision is 4.5 years which is relatively short and therefore Weka TV can start benefitting and making a profit from this decision sooner. ✓✓

I reccommend that Weka TV chooses to purchase Star TV instead of developing a new decoder. A new decoder would involve lots of time and money spent on research and development, whereas Star TV already has the online service setup

More space for this answer is available on the next page.

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So this wouldn't be an issue. Star TV already has a customer base and is therefore already succesfully providing online content, these customers would then become customers of Weka TV, growing their customer base and market share. Star TV already has employees ~~on~~ trained in online content providing and therefore Weka TV wouldnt have to spend time training new or existing employees that they would if they were to develop a new decoder themselves. The average rate of return is 4% less than that of option one, but the payback period is less meaning they can begin to generate a profit 2 and a half years earlier than if they were to create an improved decoder meaning in the long term they should be more financially successful. So overall I recamend that Weka TV chooses the Takeover option.

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QUESTION TWO: PROBLEMS CAUSED BY OUTSOURCING CALL CENTRES

Use the information in Resources E and F, and the box below, in addition to your business knowledge, to answer this question.

> *Weka TV*'s expansion into online content required an increased level of administrative and technical support for new and existing customers. The senior managers decided to outsource their call centre to a firm in India. This soon ran into problems.

(a) Discuss the possible causes and effects of the problems resulting from outsourcing to the Indian call centre.

In your answer, fully explain:

- TWO factors which may have caused the problems
- TWO possible effects of the decision to outsource the call centre on the business, and on its stakeholders, such as investors, employees, and suppliers.

One factor that may have caused this problem is lack of traing of the new call centre staff in India. Their knowledge of Weka TV as a business and of New Zealand customers may be laching due to little training which may be causing long wait times and technical problems not being resolved. A second factor that may have caused this is a language barrier/communication issue between the Indian firm and NZ customers which may have resulted in techinal problems or customer request not being understood and therefore not being fixed or taking too long to be resolved. //

One effect of this decision is that NZ employees will lose their jobs due to calls being outsourced, this ~~puts~~ can affect them greatly financially as they no longer have an income source and may make them angry at Weka TV for allowing people

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(b) Suggest TWO possible solutions (other than returning the call centre to New Zealand) that the senior managers at *Weka TV* could employ to solve the problems presented by the decision to outsource the call centre.

(1) Train staff at the call centre to deal with customers properly and efficinetly.

(2) Send existing employees to work in the call centre in India.

(c) Evaluate how the TWO possible solutions you named in (b) would address the problems presented by the outsourcing of the call centre.

In your answer:

- fully explain ONE positive effect that each solution would have on the business
- state the solution you recommend
- justify your recommendation by explaining why it is better than the other solution.

One positive effect of training the staff would be that they would have the correct skills to manage Weka's customer calls in a timely and appropriate manner and know how to fix technical problems that the customers may be having. ✓ // One positive effect of sending existing staff to India would be that these staff have a lot of experience with the company and will be able to succesfully respond to calls and customers wants and needs just like they would have in New Zealand when there were no problems with call centre waiting times or ~~problem~~ solutions to technical problems. ✓ I recomend that some existing employees get offered jobs at the Indian call centre. This way they get to keep their jobs with the company,

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and can remain financially stable. Although some may be reluctant to work in India, paticularly if they have a family, they coud do so for short periods at a time in order to train staff there with their skills and knowledge and improve the quality of customer service. This would be better than just training staff as they can have proper help from those with experience to gain better skills and they can better learn company values and customs that they might not be aware of if they were just trained to answer calls. Training by itself would be costly and time consuming and is not guarenteed to be implemented by employees where as if existing staff go to work there they, can supervise the employees to ensure they are doing their job correctly which would balance out the cost of sending these staff to India. It also creates more of a sense of loyalty amongst the employees as they feel wanted by Weka TV and feel like an important part of the company, not easily replacable.

A4

QUESTION THREE: PROBLEMS ASSOCIATED WITH LOCATION OF A WAREHOUSE

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Use the information in Resources G, H and I and the box below, in addition to your business knowledge, to answer this question.

Weka TV imports its set-top boxes and stores them in a warehouse in central Auckland before distribution. However, deliveries are becoming more expensive, and delivery times are increasing.

(a) Discuss the possible causes and effects of the increasing delivery times and costs.
In your answer, fully explain:

- TWO factors which may have caused the increasing delivery times and costs
- TWO possible effects of the increasing delivery times and costs on the business, and on its stakeholders, such as investors, employees, and suppliers.

One of the factors which ~~have~~ may have caused an increase in delivery times/costs is the amount of people who are private vechile drivers in Auckland, 69.9%. This large percentage of drivers leads to lots of traffic in Auckland, paticularly in rush hour which means delivery takes longer and is therefore more costly. Another factor which may have caused the increase is the population growth in Auckland. In 2016 it ~~is it is~~ is projected that there will be about 1.6 million people living in Auckland and is expected to continue to keep growing higher. This increase in population means increase of deliuries, increase of drivers on the road and therefore increase of delivery times and costs. A4

One effect of this increase could be loss of loyal customers as they dont want to pay more for delivery or have to wait

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(b) *Weka TV* has found two possible options for new warehousing; these are described in Resource I.

Evaluate the TWO possible solutions in terms of how they would address the issue of increasing delivery times and costs.

In your answer:

- fully explain ONE positive effect that each solution would have on the business
- state the solution you recommend
- justify your recommendation by explaining why it is better than the other solution.

Option one is to move to Wiri Warehouse. located away from the CBD, but next to the motorway. One positive affect this option would have would be that is is cheap to lease at only $65,000 per year meaning Weka TV would be able to spend money improving other arees of the business. //

Option two is to move to Sylvia Park Warehouse, located by the major shopping centre Slyvia Park. This option has a large floor are a of 1204m² made up of 825m² and 379m² of office space. Which means plenty of room for storage of Weka TV's set-top boxes. //

My reccomendation would be to lease Wiri Warehouse, instead of Sylvia Park Warehouse. This is because it has truck access and is container friendly and is also away from the CBD, meaning traffic is easier to avoid, these 3 things would

More space for this answer is available on the next page.

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all aim to make transport easier/quicker; as well as it being located close to the motorway for easy transport. Whereas Sylvia park is located on a busy road near a major shopping centre meaning lots of traffic in that area which in turn could make transport harder. It is also a much cheaper option to lease Wiri at only $65,000 per year compared to $108,000 per year for Sylvia Park, although you have less space, 379m² of Sylvia park is wasted on office space which would be a waste for Wiki TV as they only want to use the warehouse to store their ~~tv~~ box sets, not run their company there so they would be paying for a lot of unused space. Wiri is not available for 6 months, however this is not too long of a time to wait and in the mean time Weka TV could use the money they save by choosing this option to improve transport temporarily while they wait to lease the new warehouse

A3

Extra space if required.
Write the question number(s) if applicable.

QUESTION NUMBER

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1(a) and well known company that has proven to be succesful in providing online content, Weka may feel threatened by this new competitor and may feel they will lose customers due to this.

One effect of deciding to offer online content is that Weka TV will need to hire new employees or retrain existing employees who can work in the online side of the business to ensure it runs as well as possible and is successful. This will cost time and money and employees may be upset by or not agree with this change.

~~The~~ A second affect ~~will~~ could be the cost involved in adding online content, this will affect investors as they may be needed to supply money for this but may not think the change will be successful and may affect the business it self if the new venture isn't succesful than the company may be at a loss.

2(a) overseas to take over their jobs. Impacting on the NZ economy.

Due to all the problems caused by this change, another effect maybe loss of customers for Weka TV which can

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affect them very negatively with loss of market share, reduced income and there fore reduced profits which they company may not be able to deal with and could possibly cause them to have to close down. Paticularly when there are new overseas competitors such as Netflix coming to NZ, there will be lots of option's these customers could change to.

3(a) so long for their product to arrive.
A second effect this could have is delivery costing the business too much and affecting their income. This may affect the businesses' profitability and they may not be able to run as efficiently with delivery at such a high price.

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Achievement exemplar for 91381, 2015		Total score: 11
Q	**Grade score**	**Annotation**
1	4	In part (a) the candidate explains two causes, but does not fully explain the impact on *Weka TV* in relation to the case study: "… losing these customers" does not fully explain and needs to finish with a statement such as "… which will reduce profitability and open up the risk of a takeover by *Dingo TV*". This is similar for the effects, where they are explained but are missing the consequences for *Weka TV* for fully explained. For example, to finish the "retraining of employees" effect, the candidate could have stated: "This may cause employees to leave *Weka TV*, creating a shortage of skilled workers." In part (b) the candidate only describes the positive effect for Option 1, finishing weakly with "… they are likely to be successful" – but in what way? Option 2 is partly explained, but a concentration on returning to profit sooner is an erroneous statement. The conclusion contains some additional information that confirms a higher Achievement grade, such as spending on research and development – although there is no discussion on how this will impact on ARR or the payback period, *Star TV* already being set up and having a customer base.
2	4	In part (a) two good causes are explained, although there is no follow through to the impact on customers "having to wait for 90 minutes" or being "frustrated by waiting to have technical difficulties resolved". The first effect has already occurred according to the resource, so is not going to be a likely future impact, but some credit has been given for its recognition. The second effect (on *Weka TV*) is fully explained. In part (b) two good solutions are provided, but the positive effects are not fully explained in part (c) by discussing the future impact on *Weka TV* (satisfied customers who will stay with *Weka TV*). In the conclusion, discussion of employee loyalty helps to confirm a high Achievement grade.
3	3	In part (a) both causes are fully explained, with good use of the resource data. For the first effect, the candidate discusses "loyal" customers changing because of delivery cost increases, which is not likely. For the second effect, there is an attempt at explaining how profitability will be affected, but it is not done well, due to not putting the explanation into the context of the question and *Weka TV*'s current predicament. The solutions in part (b) are common errors with many candidates for this question. Here, the solutions have not been discussed in the context of delivery times and costs. The lease price is irrelevant in their discussion, as is the floor area. The explanations needed to be related to deliveries. However, in their conclusion they have made reference to the positives of Option 1 (access and container-friendly), which has been used as evidence to award a lower Achievement grade.