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MANA TOHU MĀTAURANGA O AOTEAROA

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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.

Excellence

TOTAL 24

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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.

Two factors which may have caused the decision to add online content are the changing market demand, as well as need for additional profit. As shown in resource A, there has been a drastic market shift from conventional t.v. to watching videos on the internet (consumers watch nearly 20 minutes less over a month on conventional t.v. and 2 minutes more on internet based t.V, in 2014 compared to 2013, a movement that will continue to occur. By offering internet based product Weka T.V. is catering to this upcoming demand before it becomes more prevalent, which is beneficial to the businesses longevity. Additionally the creation of another sector of potential sales creates the prospect of additional profit, a motivating factor that could produce an immediate method of combat against Dingo T.V., allowing the company

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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.

Option One: One positive effect that Option One would have on the business is generating a 12% rate of return to the company per anum, meaning that the investment would generate a noticeable profit immediately following the aquisition of the asset, having an immediate positive effect on the profitability of the company and so, by default, the bottom line of the company as a whole. This is especially beneficial as greater profit will result in a direct decrease in the likelihood of a takeover, allowing Weka to retain not only their staff but also their way of doing business as an individual company, as the likelihood of a takeover decreased

Option Two: Option Two allows Weka T.V. to immediately add internet T.V. to the repertoire without the need to establish additional systems of operation, and as a result is cheaper to do (as demonstrated by the shorter payback period while still generating a substantial rate of return

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

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(8.1). A lesser capital investment with immediate implementation is also less likely to cause cash flow issues, as the initial payoff is cheap and the return is immediate, which is beneficial to the company as it allows senior managers to fulfill their goal of maintaining short-term profits.

Of the two options the Takeover option is more beneficial. In a competetive and developing market with products such as Smart T.V.s, consumers no longer need a medium through which to watch T.V., ~~for~~ but rather a platform to do it on, hence why the takeover of Star TV is more ~~sustainable~~ preferable. Not only will the website immediately generate revenue (whereas the production of decoders would take time), but the pay back period is shorter which is ideal in a rapidly changing technological market as it allows the company more flexibility to evolve with the market rather than spend an additional 3.5 years and portion of profit paying off Option One, decreasing the chances of industrial inertia as a result of a cash flow barrier to change, ~~the~~ ~~of return is significant enough~~ contributing to the long term sustainability of the company as well. Additionally, Weka T.V. will aquire Star TV staff, reducing the need for additional training-related costs that could stem from the introduction of additional technology which will save funds and positively contribute to the bottom line of the company//

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QUESTION TWO: PROBLEMS CAUSED BY OUTSOURCING CALL CENTRES

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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.

Factor One: Communication Barrier. Call centre employees in India may struggle to understand the issues faced by NZ customers as a result of flawed communication due to language difficulties, such as accent and dialect. This communication barrier could have contributed to issues as it makes efficient communication difficult, leading to increased call lengths that then contribute to increased wait time. This has an effect on the quality of service provided to customers as the service they recieve is lengthy and may not be efficiently delivered, leading to an increase in customer disatisfaction and frustration towards the company as a whole, which could eventually have a negative effect of the reputation of the company and inadvertantly the amount of customers they have.

Factor Two: Misaligned Interests. Weka TV in NZ may focus on quality however this focus may not translate to offshore call centres such as the one they are currently outsourcing to. A decrease in the level of accountability may make off

(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.

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(1) Dispatch a NZ representative to the offshore call centre, to oversee operations

(2) ~~Train call centre staff and prepare them for FAQs~~ Create an online companion to the call centre with FAQs and commonly requested information.

(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.

Solution 1: One positive effect this solution would have would be the rectifying of misaligned interests as the NZ rep would increase the level of accountability experienced by offshore employees, therefore decreasing lax attitudes towards work. This decrease in lax attitudes would result in an increase in management-driven productivity which would in turn increase the quality of service offered to customers while additionally giving offshore employees someone to defer to in instances of need, ensuring that customers get the help they need, increasing satisfaction and quality of service.

Solution 2: One positive effect this would have on the business would be decreasing the pressure on employees, as not only would they be able to refer customers to the companion site, but also refer to it themselves for a basic level of understanding in regards to common issues and solutions. This would result in a decreased wait

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time at the call centre as customers would be able to 'self-service' and would serve to create a base level of knowledge for any employees who are unsure, resulting in more clued-up employees who will be able to deal with more informed customers with the assistance of a online guide, increasing the likelihood of good customer service being provided, leading to increased satisfaction and more maintenance of profit. //

Of the two, I recommend the second solution, as it not only assists customers but can also be utilised by employees too, making it dually beneficial and so doubly effective for Weka NZ. A decreased strain on the call centre is beneficial as it reduces wait times but also allows customers to access information themselves instantly, rather than feel disatisfied with wait times. It is also more empowering to call centre workers to learn through education rather than reprimand, as it creates a positive business culture rather than a resentful one, which is more beneficial for the business in a hollistic aspect. Additionally, the companion solution is the more sustainable of the two as it can be managed and updated constantly from a remote location while still being accessible to everyone, making it more user-friendly for NZ Weka staff. //

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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.

Factor One: 69.9% of Auckland commuters did so by Private Vehicle in 2013, adding to congestion on the roads and increasing the time each delivery trip took. A

Factor Two: Population growth in Auckland leading to ~~more compe~~ inflation resulting in the increase of freight charges by delivery companies. A

~~The effect of congestion is most~~ One effect of

(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.

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Option 1: One positive effect this solution would have in regards to the issue of increasing delivery time and costs is close access to delivery lines (motorways). Close access to motorways would make delivery much more efficient at the warehouse end as there is a direct line in and out for delivery trucks. Travelling by motorway is more efficient and fast, and so the money saved on resources such as fuel and drivers time can then be reinvested into the companies own contribution to the delivery costs, ensuring that customer prices increase as little as possible and that the company guarantee satisfaction by supplying a premium price. Increased efficiency as a result of close motorway access would also make it easier for multiple deliveries to go daily, as access is easier and trips are more efficient. //

Option 2: One positive effect this solution would have is supplying Weka TV with the opportunity to store more stock, therefore increasing availability to customers and having more space to coordinate

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

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multiple deliveries with multiple ~~steps~~ trucks at once, Which would result in quantities of deliveries and sellable stock increasing, and leading to a decrease in associated costs as a result in economies of scale, meaning that customers would get more frequent deliveries at a lower cost, catering to customer demand and as a result increasing customer satisfaction//

Of the two solutions I belive the Sylvia Park Warehouse to be the better of the two. Although both warehouses allow Weka to increase deliveries and decrease costs, Sylvia Park offers the additional benefit of being able to hold more stock, giving Weka opportunity to increase the quantity of products they sell, and by default increase the amount of customers they can provide to at any one time, which increases profit for the company in addition to merely answering the demand. Despite being more expensive, Sylvia Park is also more ideal ~~as step~~ as it is available to Weka immediately, ensuring the retention of customers that may be lost to competition over an additional 6 months of rising delivery costs and sparse delivery times, and without customers being retained Weka run the risk of being outperformed and facing industrial inertia as a result of waiting 6 months to change rather than changing when the consumers required change.//

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

QUESTION NUMBER

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1(a) to continue on as an individual business. This decision could have an impact on both employees and suppliers as stakeholders in the business. Employees with little to no technical ~~advice~~ ability may become dispensible to the business as they seek out more technologically sound employees, resulting in a drastic change in employee demographic that is not wholly beneficial, while suppliers may also experience negative flow on effects. Suppliers of physical media may not ~~be~~ equipped with digital media capable of handling an increased focus on internet based t.v, and may lose business as a result of this, with this loss of business being particularly detrimental to the suppliers bottom line in an evolving market.

2a) shore employees less ~~emotionally~~ invested in providing a quality Service as there may be less of an emphasis on said quality and so less chances of reprimand, resulting in a lower calibre of service provided by employees. A lack of responsibility makes correct leadership harder for Weka TV in NZ too, as one aspect of the business follows one way of doing business with etiqu~~ette~~ while the other doesn't. This could in term have an effect on ~~sta~~ investors who may question their interests as a result of being aligned with

Extra space if required.
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such a conflicted business, which could lead to withdrawing of investments and financial detachment between investors and Weka TV, resulting in said investors losing money but maintaining morals and business ideals.

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Excellence exemplar for 91381, 2015			Total score: 24
Q	**Grade score**	**Annotation**	
1	8	In part (b) this candidate, one of few, managed to show the correct application of Average Rate of Return and Payback Period theory. They were able to fully explain the positive benefits to *Weka TV* in the context of the case study – that is, improving short-term profitability was important and Option 1 with 12% pa is the best for this. They showed understanding that payback period was about cash flows and Option 2 was best for this, as it will allow other investment opportunities in a fast-moving technology sector. The conclusion chooses Option 2 and justifies it with new information by discussing what *Weka TV* will gain from *Star TV* in a takeover, as well as contrasting with Option 1 in terms of market flexibility.	
2	8	In part (b) two reasonable solutions are identified that address the case study problems. The candidate has then aligned these solutions to the causes and effects they have discussed in part (a) and used appropriate business terms such as accountability and productivity. Positive effects are fully explained by looking at the impact each will have on *Weka TV*'s outsourcing issue. The conclusion compares and contrasts the two solutions in solving the case study outsourcing issue, and introduces new information for solution 2 in terms of being able to be updated from anywhere in the world – not just India.	
3	8	In part (b) the candidate, as with most high-level answers, is able to provide the obvious positive effect for the Wiri warehouse. They extend this beyond the necessary answer by discussing premium pricing. Unlike the responses from the majority of candidates, the Sylvia Park solution's positive effect is well explained in relation to the storage space allowing for a greater amount of stock to be delivered at once, utilising economies of scale. Again, the use of business terminology in context is key in accessing the Excellence grade. The conclusion introduces industrial inertia and the new information of having to wait six months if Option 1 is chosen.	