3

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NZQA

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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.

Merit

TOTAL 18

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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 factor that may have caused Weka TV to provide online content is the arrival of a new competitor in the market Dingo TV. This has meant that in order to avoid being takeover Weka TV have decided to expand their product base to keep their competitive edge on Dingo TV. Another factor that may have caused them to make this decision is the growing demographic of people between 18-24 watching video content on the internet rather than TV. Meaning Weka's original content wasn't being viewed by ~~that~~ part of their customer base. One possible effect of this decision on investors is that by increasing their product base it means that through having a wider product range it will allow Weka TV to increase ~~their customer~~ base ~~and its~~ profits by offering a wider service that will mean that investors will receive a profitable return on their investment in the long-term. Another effect of providing online content for customers. * pg 11

(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.

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One positive effect that improving their decoder's to allow people access to online media for Weka TV. Is the average rate of return they will receive for this investment of 12%. That means for Weka TV a 12% profitable return on ~~their~~ investment that would increase their profits that they could then use to find further ways to extend their product range. A positive of Weka TV taking over Star TV is that the payback period is only 4.5 ~~and~~ years that allows Weka to have a return on their investment after that time period. That then lets them be able to look for future investments sooner rather than later. The solution that I would recommend for Weka TV is ~~the~~ to takeover Star TV as although the average rate of return is 4% lower than providing improved decoder's (8% to 12%). The payback period of a takeover is considerably less than providing improved decoders as Weka would have their money back after 4.5 years from the takeover of Star TV as opposed to the 7 year payback period for Improved Decoders. The reason that this is a better solution for Weka TV, is that due to the constant changes in technology and formats that

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

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Online media can be provided on. Having a shorter term investment means that for Weka TV they can then invest their funds into another investment to improve the business quicker, due to the shorter payback period. There would also be a cheaper advertising cost for Weka TV if they took over Star TV. This is because Star TV is already an established online media provider that customers would already be aware of. Opposed to the increased costs of advertising Weka's new improved decoder that would decrease the pool of available funds within the ~~$~~ business. Which is why a Takeover is a better solution for ~~Star~~ Weka TV.

E8

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.

One factor that may have caused this problem for Weka TV is the loss in jobs for New Zealand workers as a result of Weka moving to it's call centre to India. Another factor is the decrease in productivity as a result of this shift to India as customers have to wait longer for their calls to be answered. One effect that outsourcing to India on New Zealand employees at Weka TV is that they could lose their job. This is due to their position in the business maybe not being required as it has been outsourced. This will mean for employees ~~a~~ at Weka TV that they will start to have ~~those~~ low moral due to some of their fellow employees being fired that will result in less productivity due to their low moral. Another effect of this decision to outsource for customers is that they will become more frustrated at the lack of proffessionalism shown at the call centre and this will mean that because of being unsatisfied customers, their loyalty to Weka TV will decrease and they will begin to ~~look~~ to other competitors to give their loyalty to.

(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) Send someone trained in Quality Control from Weka TV in NZ to India to improve the productivity and Customer service.

(2) Skype the India call centre to address the problems there. Every ~~week~~

(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 that sending someone trained in Quality control to India is that they can Manage this call Centre. The way that senior management in New Zealand would want them to ~~and it would improve the productivity and customer service of this call centre.~~ A positive effect that Skyping the India call centre every week for senior management as they themselves can address the issues in India without having a physical presence. This would be a positive as it is a low cost method of managing the productivity issues at the Call Centre. I would recommend the first solution to Weka TV as by sending someone to India, trained in Quality Control methods such as Kaizen, Although having a higher cost in the short term opposed to the low cost of Skype, that would be free for them to use to contact India. By having a staff member ~~that~~ is there from NZ every day training the workers in the call centre. It will mean that they learn to be more efficient in their output

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as a result of having someone there to train them every day. As through only contacting them once a week as suggested in solution 2. The employees will not receive the same level of hands on training that they otherwise would. This is because by placing quality control methods such as kaizen in the call centre in India. It will remove wasted time issues in the workplace, that will increase productivity. That will lead to better customer service which in the long term will increase profits from having better productivity and increase customer loyalty through having better customer service.

MS

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 factor that may have caused the increase in delivery times and costs. Would be the large amount of people that drive on Auckland's roads as opposed to using public transport. As in source G as of 2013 69.9% were a private vehicle driver that means a large amount of traffic congestion on the roads that would mean an increase in delivery times and costs. Another factor that may have caused this is their warehouse location in central Auckland. This is because central Auckland is difficult to get in and out of due to the increasing population of Auckland. Therefore meaning increased costs of delivery and delivery times. One effect of the increasing delivery times and costs ~~on Weka~~ for the owners of Weka TV are the increased costs associated with these deliveries. As through higher costs of delivery it increases expenses for the owners and decreases their pool of available funds for Weka TV. An effect of this increase in delivery times for customers is that they will become dissatisfied with the increased delivery times. Which will lead to them being unsatisfied with Weka TV and they will start searching for alternatives services with quicker delivery times.

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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.

One positive effect that the Warehouse in Wiri would have is that the leasing price is $65,000 per year. For Weka TV this would mean a significant decrease in costs per annum. That would then increase their pool of available funds that they could invest into the expansion of Weka TV. A positive effect of the Warehouse in Sylvia Park is that the warehouse location is close to motorway links. That is a positive for Weka TV as it would mean a decrease in delivery times that would increase the productivity of the business due to being able to make more deliveries due to the decreased time it takes for them to deliver product. The warehouse that I would recommend for Weka TV is the Sylvia Park warehouse. The reason for this is that this warehouse is available immediately whereas they would have to wait 6 Months before being able to move in to the Wiri premises that would mean a longer period of ~~higher~~ longer delivery times and higher costs. It has a larger floor area of 1,204 m² that comprises of 825m² warehouse and 379m² office space, opposed to only 574m² at the Wiri warehouse. This would allow Weka TV the option of being able to

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expand their imported products as they have a larger warehouse. It is more expensive at $108,100 lease per year but when considering it is closer to the main part of Auckland and CBD than Wiri (that's in South Auckland). It would mean less ~~&~~ time needed for deliveries but would decrease the cost of deliveries as well. The Sylvia Park warehouse is a better option for Weka TV because although it is more expensive ~~at~~ in the short term, it allows them to be able to expand in the ~~lond~~ long term without having to ~~[illegible]~~ move ~~premise~~ premise again.

A3

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

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QUESTION NUMBER

1A Is that by responding to the demographic within the market of a growing popularity for online watching. The customers of Weka TV will respond by having increased loyalty to the brand and this will be an increase in Brand reputation for Weka TV. As an innovative company that embraces changing demographics in the market. //

Merit exemplar for 91381, 2015			Total score: 18
Q	**Grade score**	**Annotation**	
1	8	In part (a) the candidate fully explains the first cause, but only explains the second. The candidate has fully explained the effect on *Weka TV* and investor stakeholders in relation to the case study. In part (b) the candidate has made a good attempt to fully explain, with further clarification in their conclusion. They then offer new information by discussing the rapid change in technology when comparing and contrasting the two options.	
2	5	In part (a) the cause is only explained and does not discuss how this will impact (i.e. "which has led to increase wait times and dissatisfied customers"). 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* customers) is fully explained. In part (b) two good solutions are provided, and the positive effects are fully explained in part (c) by discussing the future impact on *Weka TV*. This is only fully completed in the conclusion by discussing quality control for Option 1 and level of training for Option 2. Holistically, this answer is a low Merit based on answers in both parts of the question, due to the use of business theory. It is let down by sentence and paragraph structure and not fully explaining ideas in all areas.	
3	3	In part (a) the two causes are fully explained, discussing how delivery costs have risen. The first effect is poorly worded and should have referred to decreased profitability, but the idea is correct. The second effect is not relevant, as once customers receive their set-top box, delivery times are no longer an issue. It should have referred to potential future customers. In part (b) the first solution is not discussed in the context of delivery times and costs. The lease price is irrelevant in their discussion. The second solution is appropriately explained. In their conclusion they have made reference to the positives of Option 2 (available immediately, large warehousing for imports), which has been used as evidence to award a lower Achieved grade.	