

91381R



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

Level 3 Business Studies, 2014

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

2.00 pm Wednesday 19 November 2014

Credits: Four

RESOURCE BOOKLET

Refer to this booklet to answer the questions for Business Studies 91381.

Check that this booklet has pages 2–4 in the correct order and that none of these pages is blank.

YOU MAY KEEP THIS BOOKLET AT THE END OF THE EXAMINATION.

RESOURCE A: GENERAL INFORMATION

Kitchen Unique is a major manufacturer of whiteware used in the home (fridges, ovens, washing machines, and tumble dryers) which is based in Wellington, New Zealand. *Kitchen Unique's* products are available in more than 80 countries worldwide. The company had manufacturing plants at Dunedin in New Zealand, California (USA), Italy, and Mexico.

In 2011, *Kitchen Unique* announced the closure of its manufacturing facilities in Dunedin, New Zealand and California (USA).

RESOURCE B: NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

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RESOURCE C: INTERNATIONAL LABOUR COMPARISONS**Working hours and minimum wages**

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RESOURCE D: ARTICLE FROM A NEW ZEALAND NEWSPAPER***Kitchen Unique* move ‘damages iconic brand’**

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An announcement today that 350 jobs are set to go at *Kitchen Unique*'s Dunedin factory, virtually spells the end of the line for whiteware production in New Zealand.

Kitchen Unique chief executive Mike Boredman said today the company's new global manufacturing strategy would see two manufacturing plants moved from New Zealand and California to Mexico.

Trades Union leader Geoff Long said the company's decision would adversely affect its branding in New Zealand, where it has traditionally been seen as a New Zealand company.

“The issue for *Kitchen Unique*, an iconic New Zealand company, is what standards and practices does it operate by?” Mr Long said. “*Kitchen Unique*'s decision shows that the company is not interested in the local community and is only focusing on profit. We aim to keep media attention on this closure for the coming months.”

Shareholders reacted positively to today's move by lifting *Kitchen Unique*'s share price 12 per cent.

RESOURCE E: OPINION PIECE FROM A NEW ZEALAND WEBSITE***Kitchen Unique* struggles in Mexico**

Appliances giant *Kitchen Unique* is facing a number of pressures after opening its new manufacturing plant in the NAFTA zone.

In 2011 *Kitchen Unique* decided to shift production overseas, with the purchase of a manufacturing plant in Mexico.

It wasn't great timing. There was the slow US economy that impacted on sales, and the massive costs of setting up a new factory. Moving factories from one place to another is a big deal. It involves building up inventory to provide stock while production is disrupted, and higher costs for storing the inventory, as well as the costs of setting up a new factory while running the old one.

Kitchen Unique's numbers tell the story. Inventories soared from \$125 million in March 2010 to \$230m in 2012. Relocation costs went from \$12m to \$46m. Meanwhile, income was going backwards – operating profits in appliances fell from \$76m in 2010 to \$32m in 2012, as sales in the company's main markets staggered under the impact of recession. Profits dropped.

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RESOURCE F: DEFINITION OF A BUSINESS TERM

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See: http://www.investopedia.com/terms/p/product_recall.asp*

RESOURCE G: ARTICLE FROM AN INTERNATIONAL INDUSTRY MAGAZINE

New Zealand fridge manufacturer looks at Chinese quality control after product recall

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Kitchen Unique has been forced to recall up to 10,000 fridges manufactured in their Mexican plant, due to problems with plastic parts made in China.

This sweeping recall of its products raises larger questions about the risk to domestic appliance makers of sourcing key parts thousands of miles away in China, without implementing adequate quality control measures.

Executives from several appliance makers said they either avoid Chinese-owned suppliers or help them establish sound quality management processes. And some traders in one of China's largest plastics supply hubs told a Reuters reporter during a recent visit that counterfeit plastic material supplied to *Kitchen Unique* was widespread, as Chinese manufacturers face increasing cost pressures due to high levels of competition.

The China Association of Plastics and Component Manufacturers, which represents many of the country's parts makers, declined to comment.