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90845



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Level 2 Business Studies 2021

90845 Apply business knowledge to a critical problem(s) in a given large business context

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Apply business knowledge to a critical problem(s) in a given large business context.	Apply in-depth business knowledge to a critical problem(s) in a given large business context.	Apply comprehensive business knowledge to a critical problem(s) in a given large 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 parts of the task in this booklet.

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.

Do not write in any cross-hatched area (
). This area may be cut off when the booklet is marked.

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

TASK

This task has four parts, (a) to (d). Use the information from Resources A to C, and your business knowledge, to complete each part. You may integrate any relevant Māori concept into your answers.

RESOURCE A: Case study

Nuku Cycles is a bicycle manufacturer based in Taupo that assembles and sells a range of e-bikes to several bike retailers around the country. An iwi-owned company, the manufacturer provides employment opportunities for the local community and sources components for its bikes from a number of other New Zealand-based companies. This is quite different from other bike suppliers, who typically import their bicycles from overseas providers. *Nuku Cycles* promotes itself as being a Māori-owned business that makes its own bikes in New Zealand.

The *Nuku Cycles* e-bikes range in price from \$700 to \$12,000. Their commuter e-bikes (which run on electric batteries) are very popular and there is often a wait list to purchase them, due to the high demand. Bicycle stores have recently experienced problems importing stock from overseas brands.

Nuku Cycles wants to promote healthy lifestyles and support the local community. Management believe they have a social responsibility to their community to ensure there are plenty of opportunities for people of all ages and backgrounds to ride a bike. Having this focus means that Nuku Cycles does not make as much profit as other bike manufacturers of a similar size, as it tries to keep the prices of some of its models affordable for the wider community.

RESOURCE B: Company growth

Nuku Cycles has experienced significant growth in sales over the past two years, and its current assembly facility and workforce are nearing full capacity. Bike retailers are continually complaining about the time it takes for orders to be filled, and *Nuku Cycles* is concerned that this may affect its brand reputation and limit its potential sales.

To meet the increasing demand for its e-bikes, management are investigating the following growth strategies to increase both the capacity and productivity of its operations:

- loans from financial institutions
- a joint venture or strategic alliance with a bike component manufacturer in New Zealand
- a merger with an overseas bike manufacturer.

RESOURCE C: Global shortage of e-bikes (extract from a newspaper article)

COVID-19: Global shortage of bikes follows turbo-charged, coronavirus-fuelled demand New Zealand is facing a shortage of new bicycles and e-bikes as sales go "through the roof" record high of 65,000 in 2019. That figure is widely predicted to rise to more than 100,000 in 2020. Source (adapted): https://www.stuff.co.nz/national/123019534/covid19-global-shortage-of-bikes-follows-turbocharged-coronavirusfuelled-demand

(a)	Sele man	ect (✔) TWO appropriate growth strategies below from Resource B that <i>Nuku Cycles</i> ' agement could implement to address the increasing demand for e-bikes:
		Loans from financial institutions
		A joint venture or strategic alliance with a bike component manufacturer in New Zealand
		A merger with an overseas bike manufacturer
	(i)	Why is each option considered a growth strategy?
	(ii)	How could each growth strategy help to manage the increasing demand for e-bikes?

١	Discuss TWO problems that <i>Nuku Cycles</i> may experience during its intended expansi why these problems may occur.
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With rising manufacturing costs, due to increased employment expenses and parts being more expensive to purchase within New Zealand, *Nuku Cycles*' management are investigating ways of maintaining profitability for the owners, while remaining focused on keeping its bikes affordable for the wider community.

Management are considering purchasing *Nuku Cycles*' e-bikes partially assembled and unbranded from a cheaper overseas manufacturer, while still claiming that they are locally 'assembled', in order to maintain the perception that the company is a local producer. This approach would reduce the need for a large local manufacturing workforce, and thus also reduce material and production costs significantly.

Disgruntled employees of *Nuku Cycles* have informed a local reporter of management's possible plans to reduce employment expenses and manufacturing costs in New Zealand, while trying to maintain a false perception that its e-bikes are New Zealand-made, which may be considered an unethical practice.

(c)	(i)	What are TWO possible negative consequences for <i>Nuku Cycles</i> in choosing to source the e-bikes overseas, and why might these consequences occur?

Based on financial considerations and a price-sensitive market, management makes the difficult decision to source its e-bikes partly assembled from a cheaper overseas supplier.

(i)	Identify TWO recommendations, and explain why each recommendation would manage
	negative consequences of choosing to source e-bikes from overseas.
(ii)	How would each recommendation impact <i>Nuku Cycles</i> ' ability to promote healthy lifesty and support the local community?

Justify, w	th TWO reasons, why c	one recommendation	on would be more	effective than the o
in manag	ng the negative consec	quences of choosing	g to source e-bike:	s from overseas.

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

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QUESTION NUMBER	