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BUSINESS STUDIES **0450/21**

Paper 2 Case Study **May/June 2021**

INSERT **1 hour 30 minutes**

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

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This document has **4** pages. Any blank pages are indicated.

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Furniture Outdoors (FO)

FO has been a private limited company for 20 years. It is owned and run by the Chan family and is located in country Z. In country Z the secondary sector has become relatively more important as the country has developed. FO is a manufacturer of wooden furniture that is suitable for outdoor use. Its products include tables, chairs and other outdoor furniture.

Customers order online from the FO website. The furniture is then delivered to customers in country Z using FO's own delivery vehicles. However, FO is considering changing to selling its furniture through either wholesalers or large retailers in country Z.

The Chan family have the business objective of contributing to sustainable development. FO only uses sustainably sourced wood when making furniture. This is from local forests in country Z and the wood is more expensive than imported alternatives.

For many years FO shareholders have reinvested profits to provide the finance for growth. FO recently took over 2 other furniture businesses in country Z and plans further takeovers. The Chan family plan to continue to control and manage FO after this expansion. The leadership style of these two companies is very different to that of FO and their factories are located several miles away from FO in different regions of country Z.

FO need to manage all its resources effectively. It tries to use the same components such as nails, brackets and paint for all its furniture designs. It is important to not run out of raw materials and so orders to suppliers must be carefully planned to avoid late deliveries. FO want to keep wastage of materials to a minimum. FO also need to consider how many employees are required to complete each order.

Appendix 1 - FO website advertisement



FO - the only business to go to when you need new outdoor furniture for your garden.

FO produce a range of high quality furniture to meet all your needs for fashionable, well designed outdoor furniture. Be reassured our furniture is only made from the highest quality wood from sustainable forests.

Our furniture is only available online so order today and have your furniture delivered in the next few weeks. Email any questions to us and we will reply quickly.

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Appendix 2

Extract of cost, selling price and sales data for one of FO's products

Fixed cost per month	$10 000
Variable cost per table	$125
Selling price per table	$250
Forecasts sales for tables per month	100

Appendix 3

Newspaper article from the Daily News April 2021

Sustainable production needed to save the planet

A report from the International Committee for the Planet states that manufacturers must find more sustainable ways to produce their products as global warming is becoming more of an issue.

The report suggests three main ways manufacturers can change:

- Only use raw materials from sources that replace what they have used. This is estimated to raise variable costs by 20%
- Only use packaging that can be recycled. Costs are estimated to increase but the selling price may not rise by more than 10%
- Only use electric vehicles to deliver products. The cost of buying electric vehicles is more than petrol or diesel vehicles. Using electric vehicles could enable variable costs to be reduced by 5%.

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