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BUSINESS STUDIES **0450/22**

Paper 2 Case Study **October/November 2024**

INSERT **1 hour 30 minutes**

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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.

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

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Big Bikes (BB)

BB is a public limited company which manufactures bicycles in country X. It produces a range of bicycles for different age groups from young children to adults. BB's main market is in country X where it sells its bicycles through specialist bicycle shops. It also exports 30% of its output.

BB uses flow production and employs 100 production workers in its factory. These production workers are paid $10 per hour. BB has high labour turnover as its employees are not well-motivated. Appendix 1 shows that BB has a flat organisational structure with a short chain of command.

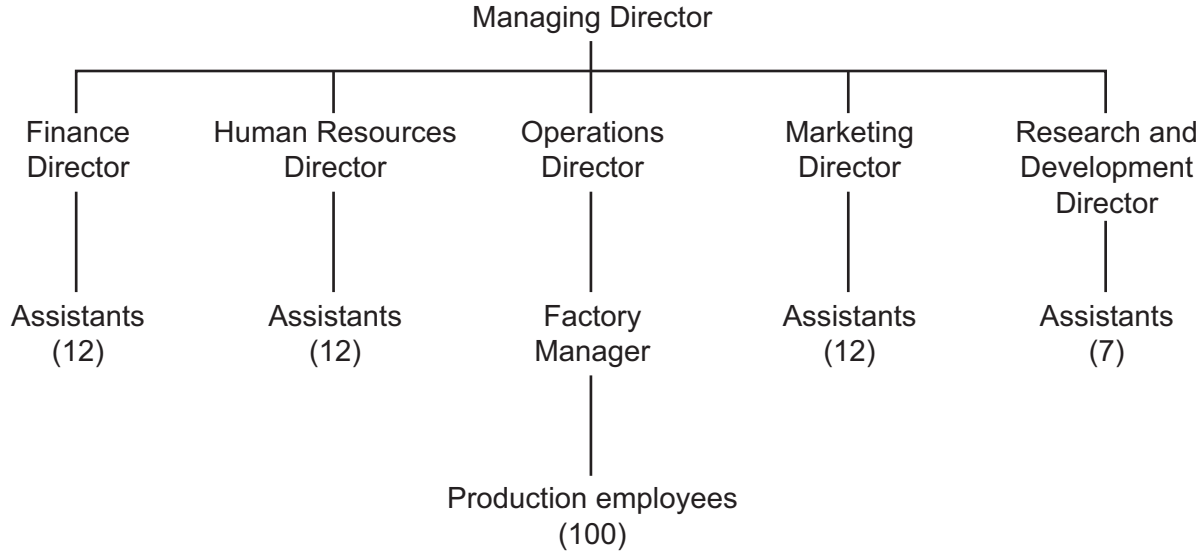
BB's sales have increased every year since it was set up 25 years ago. However, sales of bicycles in country X have been growing more slowly in the last year. BB's best-selling children's bicycle is now in the maturity stage of the product life cycle and sales of this product have not grown for the last 3 years. BB's Marketing Director wants to use an extension strategy to boost sales for this product rather than stopping production.

BB wants to start selling its products in new markets in other countries. It is also going to become a multinational company as it plans to manufacture, as well as sell, its bicycles in other countries. This decision will affect BB's different stakeholder groups. BB needs to choose between country A and country B when deciding where to locate its first new factory. Information about these two countries is shown in Appendix 2.

Appendix 3 shows an extract from the financial statements of BB and its main competitor. BB's Finance Director is analysing these statements to see which company has the better financial performance.

Appendix 1

Organisational chart for BB



Numbers in brackets show number of employees (total = 150)

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Appendix 2

Information about the two countries BB could choose to locate its first new factory in

	Country A	Country B
Raw materials	70% available in country A Cost $350 per bicycle	40% available in country B Cost $175 per bicycle
Labour	Low unemployment Wage cost $300 per bicycle	High unemployment Wage cost $100 per bicycle
Market	Many competitors Selling price $1000 per bicycle	Few competitors Selling price $400 per bicycle

Appendix 3

Extracts from the financial statements of BB and its main competitor

	BB	BB's main competitor
Return on capital employed (ROCE)	30%	15%
Long-term bank loan	$10m	$60m
Acid test ratio	1.3	0.67
Revenue	$120m	$200m
Gross profit	$60m	$120m
Profit	$6m	$40m

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