



Cambridge International AS & A Level

BUSINESS

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Paper 3 Case Study

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INSERT

3 hours

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.

Muka's Animal Adventures (MAA)

Muka's Animal Adventures (MAA) is a social enterprise owned by Muka and her family. MAA is in country G, in Africa. MAA is an animal park and education facility which aims to attract paying customers. MAA's customers are visitors from the local area as well as foreign tourists. MAA's animal park is located within one of the largest and most beautiful nature reserves in Africa. The nature reserve is home to many rare animal and bird species.

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The owners of MAA aim to make a profit each year which is reinvested back into the business to support its social objectives. MAA's social objectives are to:

- promote the importance of wildlife conservation
- inspire and educate visitors to its animal park
- offer employment to the local population.

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External environment

Following many years of economic instability and a depreciating currency, country G now has a stable government and fast economic growth. Despite the rate of growth, country G's currency remains weak against most major currencies. The government is keen to attract more tourists from other countries. It offers development grants to tourism businesses to improve their attractions and facilities.

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Marketing

MAA is a seasonal business and most foreign tourists visit during the summer. MAA promotes itself through the Tourist Board of country G and through local tour companies and hotels. Muka's key marketing objective is to attract more local visitors and foreign tourists, especially during less busy seasons. To help to achieve this objective she will prepare a 5-year marketing plan for MAA.

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Wildlife conservation is very prominent in all marketing communications, including on MAA's website. MAA's customers pay \$10 to enter the park, with reduced prices for children and school groups. The park attractions include a wide range of small animals in enclosures and an 'Animal Adventure' education centre with displays and activities. MAA's education centre promotes wildlife conservation and provides information about all the rare animal and bird species in the nature reserve. MAA's park also has a successful souvenir shop, which sells high quality products including homemade textile items made by a local women's co-operative.

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MAA's customers can also pay extra for safari drives and bird-watching tours in the nature reserve. The safari drives are very popular with foreign tourists in particular. MAA often does not have enough capacity to satisfy demand due to insufficient vehicles and guides.

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Muka wants to increase MAA's revenue. She is thinking about increasing the entry price from \$10 to \$12 for all adult customers or charging a higher price just to foreign tourists.

Market research suggests an increase in entry price from \$10 to \$12 would lead to a decrease in the average number of local visitors from 9500 to 6000 per month. However, most foreign tourists would be happy to pay up to \$15. Muka estimates the variable cost per customer is \$3.50.

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Finance

MAA has high costs. The animals need daily care and the facilities and enclosures need regular maintenance to ensure customer safety. As well as revenue from park customers, MAA receives funding from wildlife and conservation charities. Also, some businesses in country G make donations to MAA's animals' welfare as part of their corporate social responsibility (CSR) commitment. MAA will receive a government grant of \$1.5m in the next financial year. This grant will be used to help finance MAA's expansion plans to attract more local visitors and foreign tourists. 40 45

Human resources

Most permanent employees, including tutors who work in the education facility, have full-time contracts. Some live in accommodation at the park. MAA also employs temporary workers on zero hours contracts during busy periods. Some people who work with the animals are volunteers on MAA's popular work experience programme. 50

Individuals who want a job working with animals can pay to attend a training course at MAA. However, MAA still finds it difficult to recruit trained employees. Muka wants to make sure that the park has enough trained employees. However, she also aims to reduce MAA's labour costs and the number of permanent job roles. Similar businesses in country G are also expanding and recruiting more employees. 55

New safari vehicles

A local company has offered MAA the chance to purchase three safari vehicles for \$40 000 each. The vehicles are two years old, but still in good condition, and should have a minimum of four years useful life. Each vehicle will accommodate up to sixteen passengers. They will provide a comfortable safari drive into the nature reserve. These additional vehicles could solve MAA's capacity problems and offer a higher quality visitor experience. MAA would also need to employ a guide and driver for each vehicle. 60

Muka estimates the following data for the purchase of three safari vehicles based on a safari drive price of \$50 per person.

Table 1: Financial data for safari vehicle purchase 65

Year	Net cash flow (\$000)	Discount factors at 8%
0	(120)	1
1	30	0.93
2	35	0.86
3	40	0.79
4	40	0.74

Further developments

Muka would like to expand the business while maintaining its social objectives. This would help to ensure the future of MAA by increasing profit for reinvestment. There is land available within MAA's existing park and Muka is considering two alternative uses. 75

Option 1

Build a textile production unit that could be used to dye cloth and manufacture a range of textile products such as toys, clothing, bed covers and cushions. These products would be sold throughout country G in hotels and craft shops, as well as in MAA's own souvenir shop. MAA would also offer courses in local cloth dyeing techniques and give customers the opportunity to create personal textile souvenirs. 80

Option 2

Enter a joint venture with a successful international hotel corporation to build a luxury safari lodge. This will enable customers to stay overnight and experience night-time and early morning safari drives. The lodge's restaurant would offer local and international food to all MAA's customers, not only guests staying at the lodge. 85

A summary of the information collected so far is shown in Appendix 1.

Appendix 1: Research data for Options 1 and 2

	Option 1 Build textile production unit	Option 2 Joint venture to build a luxury safari lodge	90
Initial cost to MAA	\$2m	\$3.5m	
Estimated accounting rate of return (ARR)	5%	4%	95
MAA strengths	<ul style="list-style-type: none"> • Reputation for quality products in souvenir shop • Access to local skills in textiles and dyeing 	<ul style="list-style-type: none"> • Skills and knowledge about the needs of safari customers • Close links with the Tourist Board 	100
MAA weakness	<ul style="list-style-type: none"> • No experience in marketing and supplying products nationally 	<ul style="list-style-type: none"> • No experience in luxury hospitality management 	
Main driving forces	<ul style="list-style-type: none"> • Access to a wider market throughout country G • Offers more local employment 	<ul style="list-style-type: none"> • Customers could stay longer and purchase more services • Spread risk through joint venture 	105
Main restraining forces	<ul style="list-style-type: none"> • Competition from low-quality imported textile souvenir products 	<ul style="list-style-type: none"> • Possible culture clash between MAA and the international hotel corporation 	110
Probability of success	65%	50%	
Expected monetary value over five years	\$1.5m	\$4m	

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