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Business

International Advanced Subsidiary

Unit 2: Managing business activities

Source Booklet

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Sources for use with Section A

Extract A

Problems for India's labour-intensive industries

Labour-intensive industries, such as jewellery, textiles and leather goods are declining in India.

In July 2017 the goods and services taxation (GST) was introduced in India. Businesses are able to claim a refund from the government on the GST they pay to suppliers but many labour-intensive industries are small-sized businesses that find the new procedure difficult. The refund claim must be made online but IT is not accessible to some small businesses. In addition, there are reports of a long period between businesses paying GST to suppliers and then receiving the refund. Capital-intensive industries, such as chemicals, transport equipment and electronic goods, have not experienced the same problems.

India's labour-intensive industries have seen a fall in exports. In the textiles industry for example, there has been an increase in competition from neighbouring countries such as Bangladesh and Vietnam. Not only have exports of Indian textiles fallen but imports have increased.

Jewellery exports are expected to fall by 5–6% (in value terms) in 2019 and sales volume to fall by around 16%. This is in spite of the reputation of small Indian jewellers for producing individually designed jewellery to customer requirements and offering a highly personal service.

Closure of jewellery businesses *Gitanjali Gems Ltd* and *Firestar Diamonds* has led to around 3,000 permanent employees losing their jobs. While these numbers may be small, the overall decline in labour-intensive industries is likely to bring a further increase in unemployment.

Extract B

Selected information from *Gem Spinners India Ltd's* balance sheet (2017)

	Rupees (in millions)
Inventory	30.7
Debtors	48.0
Cash	21.2
Total current assets	99.9
Total current liabilities	143.2

Sources for use with Section B

Extract C

Lava, the Indian smartphone manufacturer, launches new Z91 smartphone

Lava has launched the Z91, another smartphone in its Z series. The *Lava* Z91 is priced at \$154 in Zambia and comes with a two-year warranty.

The smartphone has a large screen display and a fingerprint reader. This feature allows users to create shortcuts to open apps by using fingerprint recognition. The dual-SIM smartphone *Lava* Z91 also comes with a facial recognition feature that can unlock the device by scanning the face of the user.

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Lava is forecasting monthly sales of 2,750 of its Z91 smartphones during the first year it is available in Zambia. This is based on market research into the preferences of 1,000 smartphone users in Zambia.

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Extract D

Zamtel introduces changes to improve its operations

Zamtel is a state-owned telecommunication service provider in Zambia, offering one of only three mobile phone networks to customers across the country. It also provides landline and internet services, as well as shops selling a range of smartphones and accessories.

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The government is aiming for Zambia to become a prosperous middle income country by 2030, where reliable Information Communication Technology (ICT) will be an important factor. The government wants to establish Zambia as a country where businesses are based on improved quality service and productivity. As part of this, *Zamtel* is to use the Kaizen process in an attempt to improve the service it offers to all customers.

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The management at *Zamtel* is aiming to make changes that will bring in greater efficiency and improve lives and businesses through the use of faster internet and telephone communication. The introduction of Kaizen is part of this. Team working and coming forward with new ideas from employees will be priorities at the business's call centre, as will improving motivation of employees in the workplace.

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Through Kaizen, the aim is to change the previous culture at *Zamtel*, where employees sometimes felt that management was not interested in their ideas and career progression was not easily achieved. This caused problems with motivation and frequently a need to replace staff who left. Therefore, in the past there were difficulties making technological improvements to the services *Zamtel* provided.

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Zamtel is now training its 700 employees to use Kaizen. Following results of sales forecasting, it is also implementing a \$280m investment in its mobile phone network. This will mean an additional 1,009 transmission towers will be built to speed up communication, as well as a new technical centre.

Sources for use with Section C

Extract E

Tate & Lyle expands its food laboratory in Mexico

Demand for healthier food options is growing among consumers in Latin America. *Tate & Lyle*, a multinational supplier of food ingredients, plans to expand and relocate its food laboratory facilities in Mexico. *Tate & Lyle* approved this expansion so that it can provide greater assistance to the manufacturers it supplies, who are looking to produce healthier food and beverage products. 5

The upgraded facility will feature ultra-high temperature (UHT) processing equipment for sterilisation, food analysis technology and access to *Tate & Lyle* food advisers. *Tate & Lyle* claims that this combination of equipment and advice will allow Latin American manufacturers in the dairy, beverage, bakery, soup and sauce sectors to develop and trial new ingredients and formulas that satisfy consumer demands. 10

The company has also announced that it will expand its Latin American product portfolio. It has introduced a new low-calorie sweetener called Dolcia Prima Allulose. The company claims this has 70% of the sweetness of sugar. The product will be available to food and beverage manufacturers in Mexico. 15

Senior vice-president, Oswaldo Nardinelli, said, 'Increasing consumer demand for healthier food and drink is driving more manufacturers in Latin America to turn to *Tate & Lyle* for help in lowering calories, sugar and fat. In 2017, there has been a 32% increase in the launch of products that have a health and wellbeing claim.'

Acknowledgements

Extract A adapted from:
<https://www.livemint.com/Money/c4g3Sb1nIhMwvtX7vHgPsL/Deteriorating-health-of-Indias-labourintensive-sectors.html>

Extract B adapted from: <https://economictimes.indiatimes.com/gem-spinners-india-ltd/balancesheet/companyid-10337.cms>

Extract C adapted from: <https://www.firstpost.com/tech/news-analysis/lava-launches-z91-smartphone-with-5-7-inch-display-facial-recognition-and-fingerprint-shortcuts-at-rs-9999-in-india-4409721.html>

Extract D adapted from: <https://www.lusakatimes.com/2017/11/06/zamtel-implements-new-business-remodelling-concept-improve-operations/>

Extract E adapted from: <https://www.foodbev.com/news/tate-lyle-expands-its-food-application-laboratory-in-mexico-city/>

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