Cambridge (CIE) IGCSE Business
Paper 2 (Set A)
Case Study

OceanWave Kayaks (OWK)

OWK is a small business that manufactures and sells kayaks. It was started two years ago by Amira and Jonah, who are keen outdoor sports enthusiasts. They received a government grant of $10 000 to help with start-up costs and used their own savings plus a bank loan for the rest. They produced a detailed business plan that included market research and resource planning.

OWK operates from a rented workshop close to a busy tourist beach. The workshop has limited capacity and is nearly at full use in the summer. The business currently employs 12 workers: 8 are directly involved in production and 4 work in sales and administration. Employees are paid slightly above the legal minimum wage. Amira and Jonah use a **democratic leadership style** and encourage employees to suggest new ideas for designs and processes.

OWK's kayaks are handmade using lightweight materials, making them higher quality than most mass-produced competitors' products. However, this increases production costs and limits how many kayaks can be made each month. Demand for OWK's products is **seasonal**, with much higher sales in the summer tourist season. During quieter months, Amira and Jonah struggle with cash flow and consider offering discounts to attract more customers.

The kayaks are sold directly through OWK's own shop near the beach, as well as online through the company's website. Online sales have been growing, especially to customers outside the local area. Competitors include both cheaper mass-market kayak brands and large sports retailers. To remain competitive, OWK differentiates itself by quality, design, and customer service.

Amira and Jonah are concerned about OWK's environmental image. Some of their raw materials are plastic-based composites imported from overseas. Competitors increasingly advertise using "eco-friendly" or "locally sourced" materials. Amira and Jonah are considering switching to biodegradable materials, even though they are more expensive, to improve OWK's **ethical image** and appeal to environmentally conscious customers.

Looking ahead, OWK faces an important decision. Amira and Jonah are considering two options to expand the business:

1. Increase production of kayaks by investing in new equipment and hiring more workers.

2. Launch a kayak hire service for tourists, using the same beach location and online booking system.

Both options will increase OWK's fixed costs, so they must carefully consider which choice will lead to sustainable growth.

Appendix 1 – Extracts from OWK's business plan

Market research (based on sample of 200 potential customers):

- 75% said they would prefer kayaks made from more environmentally friendly materials
- 65% said they would be willing to pay a higher price for customised kayaks
- 40% wanted the option to hire kayaks instead of buying

Resources required:

- $40 000 to purchase new equipment
- Workshop rent: $2 500 per month
- Start-up supplies of raw materials: $8 000

Appendix 2 – Forecast data for OWK's expansion options

	Option 1: Expand kayak production	**Option 2: Start kayak hire service**
Expected monthly sales	150 kayaks	300 hires
Price per unit	$400 per kayak	$25 per hire
Variable cost per unit	$220	$5
Additional fixed costs per month	$15 000	$12 000
Forecast sales growth	Medium	High

Appendix 3 – Advertisement from a supplier

"We provide biodegradable materials suitable for kayak production. Using our products will reduce harm to the environment. Deliveries can be made weekly or monthly. Prices are higher than traditional plastic-based materials, but your customers will appreciate your commitment to sustainability."