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3

91381



NEW ZEALAND QUALIFICATIONS AUTHORITY
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SUPERVISOR'S USE ONLY

Level 3 Business Studies, 2016

91381 Apply business knowledge to address a complex problem(s) in a given global business context

9.30 a.m. Friday 25 November 2016
Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Apply business knowledge to address a complex problem(s) in a given global business context.	Apply in-depth business knowledge to address a complex problem(s) in a given global business context.	Apply comprehensive business knowledge to address a complex problem(s) in a given global business context.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

You should attempt ALL the questions in this booklet.

Pull out Resource Booklet 91381R from the centre of this booklet.

Refer to relevant business knowledge and/or Māori business concepts in your answers.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–12 in the correct order and that none of these pages is blank.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

Achievement

TOTAL

11

ASSESSOR'S USE ONLY

QUESTION ONE: QUALITY MANAGEMENT ISSUES

ASSESSOR'S
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Use the information in Resources A and B in the resource booklet, and in the box below, in addition to your business knowledge, to answer this question.

The Kakapo Cheese Company (KCC) is a New Zealand-based dairy processing company that has come under increased pressure from other domestic producers over the last few years.

As a result, KCC decided in 2013 to enter the Chinese market with a range of three cheeses. This has involved a massive investment in marketing and establishment of distribution networks. There has been rapid growth in the Chinese market, and KCC has had to employ additional new staff.

In 2016 the head office became aware of a growing number of dissatisfied customers from its Beijing market. Complaints have mostly been about the inconsistent quality of the product and lack of timely delivery. This is a concern for senior management, because profitability has recently become a problem, partly due to the substantial investment required to enter the Chinese market.

(a) Fully explain the possible cause(s) and effect(s) of the customer dissatisfaction.

In your answer, include:

- factor(s) which may have caused the increase in customer dissatisfaction
- possible effect(s) of the dissatisfaction issue on other stakeholder(s) of the business, such as employees and investors, and consequently on the business.

The Kakapo Cheese Company (KCC) ~~business~~ have been faced with an increased amount of customer dissatisfaction which can be due to a number of factors. Firstly, in resource A, it is seen that a large number of mechanical breakdowns occurred which ~~was~~ lost up to 15 more hours of production than KCC anticipated. This means that there is a low quality level of the businesses machinery and therefore could possibly be resulting in a low quality product being produced. In resource B, we are informed that KCC has experienced problems involving the ~~&~~ training level of the staff they are employing which also could contribute to the increased amount of customer dissatisfaction because it would mean that employees ~~lack training~~ ^{wouldn't have} the knowledge required to produce a high quality dairy product.

The ~~se~~ ^{investors} issues of customer dissatisfaction could result in the ~~shareholders~~ of the business losing money because the business will not be making a large profit due to their poor quality products and unhappy customers.

continued.

The CEO of KCC has been thinking about possible solutions to the issue of rising dissatisfaction amongst Beijing customers.

(b) Suggest TWO possible solutions to the issue.

(1) Implement Quality Assurance within the business.

(2) Use Quality Circles of employees in KCC.

(c) Evaluate BOTH possible solutions.

In your answer:

- fully explain ONE positive effect that EACH solution would have on the business
- state the solution you recommend
- justify your recommendation by explaining why it is better than the other solution.

By implementing Quality Assurance into KCC, the business will be positively affected because the employees who are involved in the production of the product will need to create quality checks for different stages during production to ensure that the final product is made to a high standard. This would mean that everyone (employees) would be involved and feel as though it is their responsibility and that they want to be involved in producing good quality products for KCC's success. However, by using quality circles in KCC

More space for this answer is available on the next page.

employees from 4

small groups of different parts of the business would be able to meet to discuss the issues surrounding quality which are present in each of their areas. This would mean that meetings would be scheduled and employees from each part of the business would need to be at these meetings so that an overall view of the businesses quality issues can be gained. I would recommend that KCC implement Quality Assurance because it is a process which involves all employees and motivates them to do better. I would favour this over quality circles because it doesn't involve scheduling meetings and ~~commune~~ makes everybody involved in KCC motivated to do better so that they can see KCC increase their product quality and succeed. //

A4

QUESTION TWO: SUPPLY CHAIN ISSUES

ASSESSOR'S
USE ONLY

Use the information in Resources C, D, and E in the resource booklet, and in the box below, in addition to your business knowledge, to answer this question.

KCC is facing a major problem with inefficient delivery by the Beijing distribution company to the retailers who are selling KCC's cheese. Deliveries are sometimes late and / or mixed up with other firms' deliveries. Part-deliveries may be left for weeks in the distributor's warehouse before the staff of the distribution firm work out which retailer they were meant to be delivered to. This has been an ongoing issue over the past six months.

- (a) Fully explain the possible cause(s) and effect(s) of the issue that KCC is having with the distributor in Beijing.

In your answer, include:

- factor(s) which may have caused the issues with delivery
- possible effect(s) of the delivery issues on stakeholders of the business, such as customers, competitors, and shareholders.

The issues that KCC are experiencing with their distributor in Beijing are discussed in Resource C, D and E. Resource C states that issues surrounding a poor infrastructure within Beijing can cause issues surrounding road use and so this would be contributing to the inefficient transport issues facing KCC. Also found in the Resources provided is the idea that KCC use an indirect marketing channel (product goes to a ^{wholesaler and} retailer before to the consumer) and so this shows that the way that KCC chooses to distribute their product does contribute to the inefficient delivery. These factors have a negative effect on the stakeholders of the business because the product is not being efficiently distributed. The customers, as a result, could be receiving expired or close to expiring product as well as possibly not

More space for this answer is available on the next page.

even being able to find the product in stores because of late deliveries. The competitors would therefore be able to increase their sales because KCC wouldn't have on time deliveries so the retailer could not want to stock their products anymore and find a new cheese company to retail. As a result, share holders continued.

The CEO has two possible solutions to the delivery issue -- KCC could either sell direct to its retailers, or could enter into a strategic alliance with a local Beijing distributor.

(b) Evaluate the TWO possible solutions to the delivery problem.

In your answer:

- fully explain ONE positive effect that each solution would have on the business
- state the solution you recommend
- justify your recommendation by explaining why it is better than the other solution.

The idea of KCC selling directly to the retailer would be a good idea because it would mean that the business can be sure that deliveries of product are on time and reliable instead of leaving that up to a distributor and having to rely on them. This would mean that KCC ~~would~~ would be responsible for this themselves.

By KCC entering into a strategic alliance with the Beijing distributor, the business would be able to be sure that the products are safe and going to be more likely to be delivered on time and safely because they would have an advantage over other businesses who don't have a strategic alliance with the distributor. I would recommend that KCC sell direct to the retailer because then it is ^{more} direct marketing channel and as a result the business would be able to take responsibility for the products being delivered to the retailer.

It is a benefit to the business for them to know that their products are going to be safely delivered to the retailers which would make the retailer want to stock the product again. Therefore an increased profit for KCE.

A3

QUESTION THREE: UNEXPECTED GLOBAL RISKS

ASSESSOR'S
USE ONLY

Use the information in Resources F, G, H, and I in the resource booklet, and in the box below, in addition to your business knowledge, to answer this question.

KCC sees the Beijing market as an opportunity to grow rapidly. While there had been growth, it had not been as high as expected.

- (a) Fully explain the possible cause(s) and effect(s) of the slow growth in demand for cheese in the Chinese market.

In your answer, include:

- factor(s) which may have caused the slow growth in demand
- possible effect(s) of the slow growth in demand on the business and stakeholder(s) of the business, such as employees, suppliers, and investors.

The resources provided give us an idea as to why the cheese demand in China isn't as anticipated for KCC. It can be seen that ~~the~~ between 2013 and 2016 (July to January), China's gross domestic product decreased by 0.8%. This means that because of the decrease of funds, Chinese people could have stopped buying luxury food items, such as cheese, and began to buy ~~not~~ only what they need. Resulting in a decrease in cheese sales. Also, Chinese people are beginning to become aware of the health risks of eating foods high in fat and salt, such as cheese which also links to its decrease in sales. This slow growth demand for KCC would negatively affect everyone involved in the business. The employees wouldn't have as much work at KCC because they don't have a high cheese demand. The suppliers would also be affected because with KCC not needing to produce a lot of product that means that they don't need a large amount of resources from the suppliers. Finally, the investors

and business would be negatively affected because they would not be making a large amount of sales and therefore they wouldn't have a large amount of profit either, resulting in a low success for the business.

(b) Suggest TWO possible solutions to the slow growth in demand in the Chinese market.

(1) Lower the fat/salt content of the cheese to make it more appealing.

(2) Try to lower the price of the cheese by using cheaper resources.

(c) Evaluate the TWO possible solutions to the slow growth in demand in the Chinese market:
In your answer:

- fully explain ONE positive effect that each solution would have on the business
- state the solution you recommend
- justify your recommendation by explaining why it is better than the other solution.

By lowering the fat/salt content of the cheese this would positively affect the business because they would make their product more appealing to health conscious people. This would most likely also involve the product to become more successful. Alternatively, KCC would reduce the price of their product by finding cheaper resources so that the production of the product is cheaper. This would mean that the cheese could be cheaper, and KCC could still make a profit. I would recommend that KCC try to lower the

More space for this answer is available on the next page.

fat and salt content of their product because this way the business is more likely to make sales because their product is healthier which would also give them an advantage over competitors too. This is a good idea because it means that the consumers would probably pay more for a healthier option meaning KCC would not need to lower their prices.

Extra space if required.

Write the question number(s) if applicable.

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USE ONLYQUESTION
NUMBER

1A customers will go looking for alternative products which are of a higher quality, resulting in a decrease of sales and profit. Employees will also be affected because if the business isn't making a ^{large} profit, then ^{KCC} they will need to reduce the amount of employees because they won't be needing to make as much profit. Overall, as a result of poor quality management within KCC, the business won't be able to make a large profit and therefore won't be successful.

2A would decrease their profit because they aren't making as many sales due to their late and unreliable distributor. This would mean that ~~the~~ ^{the} KCC would be beaten by competitors and could result in bankruptcy, therefore the business having to close due to lack of profit.

Achievement exemplar for 91381 – 2016		Total score: 11
Q	Grade score	Annotation
1	A4	<p>In part (a) the candidate has explained two causes of customer dissatisfaction, but did not fully explain the impact on the customer or why this has caused an increase in customer dissatisfaction.</p> <p>Holistically, the candidate has explained an effect on the business, but has not explained the effect on the stakeholders, such as employees and investors.</p> <p>In part (c) the candidate has explained both solutions, providing detail as to what the solutions are and how they would improve the quality of the product to overcome the issue of customer dissatisfaction.</p>
2	A3	<p>In part (a) the candidate has only explained one cause; the second cause was stated with no explanation. One effect of the delivery issues was explained for competitors.</p> <p>In part (b) there was some explanation of the positive effect of a direct marketing channel: "... can be sure that deliveries of product arrive on time, and reliable instead of leaving that up to a distributor and having to rely on them", but the positive effect of a strategic alliance was not explained.</p>
3	A4	<p>The candidate has explained two causes of the slow growth in demand, and has explained the effect on employees and the business. The effect on suppliers and investors was not explained.</p> <p>Solution One was explained: a lower fat/ salt content of the cheese will make it "more appealing to health-conscious consumers ... which would most likely make sales ... because their products are healthier, which would also give an advantage over competitors".</p> <p>Solution Two was not explained in context as to how this solution might solve the problem of slow growth in demand.</p>