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91381



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD  
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SUPERVISOR'S USE ONLY

## Level 3 Business Studies, 2017

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

9.30 a.m. Friday 10 November 2017  
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.

There is **ONE** task in this booklet. You should attempt **ALL FOUR** parts of the task.

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**

**A4**

ASSESSOR'S USE ONLY

Use the information from the resource booklet and the boxes in this booklet, in addition to your business knowledge, to complete this task.

ASSESSOR'S  
USE ONLY

*Kete Kai* started in Auckland in 2011 with a simple idea – to supply a low-cost food box of natural ingredients and recipes for households, to allow them to home-cook and share great family meals.

The business founders placed a real focus on social sustainability, for their customers and for their employees. They worked hard to maintain good relationships.

Sales grew rapidly in the years up to 2016.

## TASK

- (a) Using Resources A and B, fully explain TWO possible causes of *Kete Kai*'s rapid sales growth to 2016.

One possible cause for *Kete Kai*'s rapid sales growth is their focus on maintaining good relationships w/ their customers. As shown in resource A, in 2011, roughly 35% of their customers were 'unhappy' ~~and~~ and 60% of their customers <sup>were</sup> ~~being~~ 'very happy.' However, compare this to 2016, 80% of people were 'very happy' and only 15% of people were unhappy with (w/) the product. A reason for this growth in customer satisfaction <sup>could be</sup> ~~is~~ that *Kete Kai* were listening to their customer's and how they wanted the product to be. This shows the effort put in by the company as well as their focus on social sustainability. This social sustainability is an example of *Pūtake*, a Māori business concept. It shows that their <sup>business</sup> origin or reason for being stems from wanting to make a socially sustaining company for both their staff and their customers.

Another possible reason is the falling unemployment mentioned in the summary points in Resource B. Due to more and more people being employed, it would be much easier to purchase a service like Kete Kai. Also, the general strain of having a job and working long hours would make it much harder for ~~customers~~ people to go to the supermarket <sup>(or buy their own food,</sup> giving a bigger need for a product like what Kete Kai offers. For people wanting to eat healthy but are too busy to buy their own food elsewhere, this is an ideal product. As customer satisfaction ~~went~~<sup>goes</sup> up and the rapid sales growth started, many more potential customers would sign up, attributing to the already rapid sales growth to 2016//

In 2016, *Kete Kai* made the decision to apply the same business model in Sydney, Australia. Investor interest was high, and *Kete Kai* raised sufficient capital to fund cash flow for the Sydney growth strategy.

- (b) Using Resources C and D, fully explain TWO possible effects on *Kete Kai* of its decision to expand into Sydney.

One possible effect of *Kete Kai*'s decision to expand into Sydney is their <sup>a</sup>Access to suppliers. As evidenced by Resource C, it is obviously much harder to source ingredients such as kumara and Puhā in Sydney. These key ingredients are apart of their Putake (origin), and by being unable to source these ingredients, they are losing what made ~~them~~ the business so unique and successful. Along with having trouble w/ accessing suppliers, *Kete Kai* will also have to spend more money on transport as the produce will now be coming from another country. After 6 months, this is already a costly decision for the company//

Another possible effect of the company's decision to expand is the language barrier between Australians and the Maori language. This is evidenced by Resource B D where the CEO of *Kete Kai*, ~~Ata~~ Mike Tamati mentions that "this expansion has difficult..." later stating that "the Maori <sup>language</sup> ~~range~~ branding... has not been a success in the Aussie market..." This is a major problem for *Kete Kai* as it//

Shows that the unique brand that caused a rapid sales growth for the company in NZ has not connected with the Australian market. This is most likely because there is a bigger Maori population in NZ as well as the fact that Maori are apart of New Zealand's history, whereas this is not the case for Australians. Mike Tamati may have to change some of his Tihanga (ways of doing business) in order for the company to succeed and flourish in another country.//



Kete Kai's first premises in Sydney were hired on a short-term basis. Once initial expansion problems had been overcome, Kete Kai decided it would need to purchase a larger Australian warehouse location to operate from in the long term. It looked at two possible solutions.

(c) Using Resource E, 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 would be a better solution for Kete Kai than the other option.

Option 1 -

One positive effect option 1 would have on the business would be that ~~is~~ it is close to La Perouse Market Gardens, a vegetable supplier. This would ~~be~~ <sup>have</sup> ~~an~~ <sup>an</sup> extremely positive effect on the business as it would eliminate the problems the company were having with sourcing ~~their~~ their key ingredients (mentioned in Resource C). It would also make it much easier to supply ~~ingredi~~ vegetables for their service by having a supplier so close. //

Option 2

One positive effect option 2 would have on the business would be ~~not~~ having the Bondi area so close as it is filled with New Zealanders. This would mean that Kete Kai would not have to change up their unique Maori branding too much as these New Zealanders would be most likely missing home. By marketing Kete Kai especially towards them at the start. //

of the marketing, it is likely that Kete Kai will be able to start selling successfully in the Australian market.

I would recommend going with option 1 rather than option 2. This is due to multiple reasons. The price of the warehouse is much cheaper ~~for~~ than the second option at \$1.7 million compared to \$2.5 million. The factory area space is much bigger at 300m<sup>2</sup> compared to 240m<sup>2</sup>. Although the office space is 20m<sup>2</sup> smaller, this is not really a worry as during the first ~~stg~~ stages of the expansion there will be no reason to bring many of the office workers over to Australia. If need be, it would be easy enough to expand the office space into the factory area. However, the biggest reason I would choose option 1 is ~~be~~ due to its nearby facilities. Being so close to a vegetable supplier has its obvious benefits and would be extremely beneficial to the company. By being located ~~so~~ close to Sydney Airport, Kete Kai could also ~~expand~~ potentially expand its product into having lunchboxes of ready made food being sold at cafes or stands in the airport. By also having it sold on the airplane, ~~it~~

Kete Kai's next step was to purchase a large-scale refrigeration unit, to be installed at the new location to keep meats, fruits, and vegetables fresh. The production manager has researched many models and has suggested two possible solutions to choose from.

(d) Using Resource F, 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 would be a better solution for Kete Kai than the other solution.

Solution A's possible effect it would have on the business is its average rate of return at 7.5%. This would have a positive effect on the business as it is a cheaper option than the 10.2% that Solution B offers and would be much cheaper in the long run.

Solution B's possible effect it would have on the business is the size of the fridge. Once sales start picking up in the Australian market, there will be much more ingredients coming and going with all needing refrigeration. The size of the fridge in solution B is much bigger and therefore will hold much more vegetables in the long run.

I would recommend Kete Kai goes with solution B. This is due to multiple reasons due to what the fridge offers and the ARR on the fridge itself. As mentioned above, the size of the fridge is much



bigger than solution A, which would mean it ~~was~~ would be much easier to hold a larger number of vegetables in. Although the average rate of return is higher than solution A at 10.2% compared to 7.5%, the payback period is longer, giving Kete Kai more time to ~~pay~~ pay the fridge off. Solution B offers 30 more months to pay off their fridge, however once Kete Kai's sales growth begins, it is <sup>much more</sup> ~~very much~~ likely that Kete Kai will pay off the fridge much sooner than its intended payback period.

~~The~~ This is why I would choose solution B over solution A. This is why I would recommend Kete Kai buys solution B, rather than solution A. //

A4

Extra space if required.

Write the question number(s) if applicable.

ASSESSOR'S  
USE ONLYQUESTION  
NUMBER

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\* Kete kai would be able to successfully market their product to new customers. Although option 2 does have the large expatriate NZ population, it is also close to Bondi Beach, where it is noted that there is a gym and shopping facilities. This would be problematic for Kete kai as both customers and potential customers could shop for food at the facilities already there instead of buying a 'low-cost food box'. The gym is also likely to sell & healthy food to eat after you have finished working out. These are the reasons as to why I would choose option 1. //

<b>Subject:</b>		<b>Level 3 Business Studies</b>	<b>Standard:</b>	<b>91381</b>	<b>Total score:</b>	<b>A4</b>
<b>Q</b>	<b>Grade score</b>	<b>Annotation</b>				
1	A4	<p><b>Part (a)</b> The candidate has explained two causes of rapid sales growth (many candidates simply stated the causes using information from the resources). This candidate has explained the causes, by providing examples, with reasons for increased customer satisfaction and the impact of falling unemployment.</p> <p><b>Part (b)</b> The candidate has explained two effects on the business of its expansion. Firstly, the impact of not being able to source key ingredients, and secondly, the effect of the language barrier. The second cause was given a weak explanation, as little evidence was provided for the impact on the actual business in Australia.</p> <p><b>Part (c)</b> The candidate has explained the effect of both solutions. However, there is not enough detail regarding the effect on the business, so this is not a Fully Explained answer. The recommendation does provide some additional information, and could have contributed to a higher grade if the candidate's responses to other parts of the task had included more detailed explanations.</p> <p><b>Part (d)</b> The candidate has provided weak explanations for each solution. The recommendation provides additional explanations. As a result, this answer can be evaluated holistically as a sound response.</p> <p>Overall, this candidate's response to the task is at Achievement level.</p>				