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3

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.

Excellence

TOTAL

E7

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

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.

Resource A shows that the ~~number~~ percentage of very happy customers of *Kete Kai* increased every year while the percentage of unhappy customers decreased. Resource B shows a growth in consumer confidence following a dip in early-2015. Summary points of resource B is that unemployment rates were falling, which means more of the population were employed and generated income. Along with this, Mortgage interest rates were also low, which gave the population a better financial position. This leads me to explain the first possible cause of *Kete Kai's* rapid sales growth to 2016. The falling unemployment rate and consistently low mortgage interest rates meant that New Zealand families were financially stable enough to be a potential customer of *Kete Kai*. Falling unemployment meant that more members of families had jobs and could support the family, making them financially capable of purchasing the food box from *Kete Kai*.

Kai to home-cook family meals. Therefore, with unemployment rate falling, it means sales of Kete Kai would be increasing, ~~as shown in~~.

This is one possible cause of Kete Kai's rapid sales growth. Another possible cause is the customer satisfaction, which is a result of Kete Kai's focus on social sustainability.

Resource A shows that customer satisfaction percentages grew every year. Satisfied customers means loyal and regular customers who will continue to purchase Kete Kai's product, as well as spreading the word to the friends and families of the satisfied customers. Kete Kai focuses on maintaining good relationships with customers and their employees which leaves a positive brand image. The focus on satisfying customers means that Kete Kai keep customers, while gaining new ones through a positive brand image and word of mouth through existing satisfied customers. Therefore, the customer satisfaction focus of Kete Kai, and its social sustainability focus is a possible cause of the company's rapid sales growth ^{upto} ~~in~~ 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.

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

Kete Kai's decision to expand to Sydney can have positive or negative effects on the business. Considering Resources C & D, they indicate that the effects of the decision are primarily negative on the business. One possible effect is that the business will have trouble importing raw materials from New Zealand, as explained in Resource C. These resources include Kumara and Puha, which are more common in New Zealand than they are in Australia. The effect of *Kete Kai*'s decision to expand into Sydney means that there are increased costs for the business to transport goods from New Zealand to Sydney. This means added costs of airfare's, shipping, land transport. As well as tariffs, which means that the raw materials such as Kumara and Puha can be taxed and again cost the business. The economy of Australia is also unpredictable and already different. It may be possible that the prices of groceries and recipes are cheaper at Australian super-markets when compared to New Zealand Super Markets. This may mean that there is no great difference in costs for customers between grocery shopping or purchasing a food box from *Kete Kai*. Therefore the Transportation costs, //

tariffs and economy difference mean that one effect on the expansion to Sydney decision is financial hardship. The business will be making less profit because its expenses have increased in relation to extra transportation costs, tariffs and economy difference will affect sales which means less income. Another possible effect of Kete-Kai's decision to expand to Sydney is that ~~the number of sales~~ production may be limited by trading blocs. Trading blocs means that the amount of Kumera, Puha and other resources that need to be shipped from NZ are limited. This means that only a maximum quantity of resources can be transported at a time. This means that only a certain number of products are being produced in Sydney. The ~~number of~~ maximum number of products allowed may be insufficient to cover the expenses and operation costs. There will not be enough sales, through a lack of product. This results in insufficient income and therefore insufficient revenue to keep the business afloat and operable. Both possible effects have been ~~explained~~ and both ~~have negative impacts~~ outline negative impacts on the business. Which suggest that the ~~de~~ investment capital decision to ~~move~~ to expand to Sydney was not plausible//

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.

Resource E shows 2 different business locations, each having its flaws and strengths for the business. The positive effect of choosing option One is that it costs less than option 2, \$1.7 million vs \$2.5 million. ~~Other~~ This means that it will cost the business less and save money, \$800,000 that could be used in other areas to improve the business. Option 2's positive effect is that it is nearby the Bondi Area, which ~~means~~ consists of a large number of expatriate New Zealanders. This means that more sales are possible because the population is familiar with the New Zealand Native food options in the *Kete Kai* food box, as well as the Māori language branding. The name, "*Kete Kai*" will appeal ~~the~~^{to} the New Zealand expatriates as it gives them food from "home". Therefore one positive effect of option 2 is that sales will increase because of the large expatriate New Zealand population. Who will purchase the food box from *Kete Kai* because the pop-//

relation in that area are familiar with it and it may ~~give them sentiment~~ represent sentimental value of 'home' to the expatriates. The solution that I recommend is option 1, the warehouse on Military Road. I recommend this option to Kete Kai because it is significantly cheaper than option 2. Other benefits and advantages of option 1 is that it utilises the option of 'clustering' which means locating the business as close as possible to the different parts of the supply chain. This includes raw materials → Manufacturer → Distributor → Product → Consumer. By choosing option 1, the business will be located near the airport, as well as La Perouse Market Gardens, a vegetable supplier. This means that raw materials from New Zealand can be easily transported from the Sydney Airport to the warehouse. This minimises transportation costs and time delay because the warehouse is situated near the Airport which serves as a distributor from Raw Materials and supplier to the Warehouse/Manufacturing. Therefore option 1 saves time and money for the business because it is clustered with a distributor and another vegetable supplier. By clustering with the vegetable supplier, both businesses are in mutual benefit because customers will come to the same area for similar product and therefore each business *//

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.

Resource F shows two fridges that Kete Kai are considering to purchase but they need to make a choice. One positive effect of Solution A is that it has a shorter payback period. This means that the revenue it generates ~~to~~ will cover the cost of the investment of the fridge in 4 years and 6 months. This means that it breaks-even at 4 years and 6 months and provides revenue to the company from there-on. One positive effect of Solution B is that it is larger and has a higher percentage for Average rate of return. This means that over the 7 year payback period, although it is a longer period than Solution A, the percentage for rate of return is greater. This means that the revenue it generates per annum is greater than the revenue generated per annum by ~~option 2~~ Solution A. payback period only shows the time taken for the investment to cover its investment cost and doesn't regard the revenue generated after the payback period. Average rate of return calculates the

percentage of revenue generated per annum.

In this case, money generated is more important for Kete Kai than the ~~pay off~~ pay back period-time. Because the fridge stores produce, solution B can store more produce which means A generates more revenue than ~~of~~ solution A.

~~Both the~~ I recommend that Kete Kai choose solution B over solution A, this is because solution B is larger and can hold more produce and also has a greater average return rate than solution A. This means more revenue is generated by solution B per annum than solution A. This gives the business more revenue to operate in the short-term and medium-term as the fridge will pay itself off in 7 years through normal operation and accumulation of revenue. Solution B is a better option because of the principle, money is worth more now than it ~~does~~ is in the future. Solution B provides a greater percentage of revenue over its payback period than solution A, which means more money sooner rather than later. This upholds the principle of money being worth more now than it is in the future. Therefore solution B is the recommended option because it is larger and can hold more produce as well as providing a greater average rate of return percentage. This in turn, generates "more revenue for the company per annum and in the long term."

Extra space if required.

Write the question number(s) if applicable.

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C *will attract the other businesses customers. This creates greater brand exposure for Kete Kai as well as potential new customers. This increases sales and therefore income and profit.

The vegetable supplier can also be a supplier to Kete Kai if they have the right vegetables and produce that ~~is~~ the food-box of Kete Kai contains. Another positive effect of choosing option 1 is that the factory area is larger than option 2's, 300m^2 vs 240m^2 . This means a larger area and more room for machinery and production of food boxes. This increases productivity because more work and production can be accompanied in the larger factory area. Therefore option 1 of choosing the Military Road factory is a better ~~option~~ solution for Kete Kai than option 2. This is because it is cheaper, utilises clustering, which saves money and time, potentially increasing sales and exposure. Also has a bigger factory space which increases productivity. By choosing option 1, the owner of Kete Kai will be showing Rangatiratanga. A Maori business concept that means Mike Tamati, CEO of Kete Kai, is showing leadership and authority. This is because Mike will be making big decisions of where to locate the factory with-

Extra space if required.

Write the question number(s) if applicable.

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- great confidence. It will show his leadership
& authority as he leads the business of
Kete Kai to a new location and endeavours
to succeed in Sydney. //

Subject:		Level 3 Business Studies	Standard:	91381	Total score:	E7
Q	Grade score	Annotation				
1	E7	Part (a) The candidate has fully explained two causes of rapid sales growth. They have used the information in the resource material and their own business knowledge to provide two fully explained answers. The relationship between falling unemployment and increased customer satisfaction in increasing the sales of the business is clearly and succinctly explained. Part (b) Both effects of the expansion have been fully explained, with numerous repercussions for the business from issues with importing raw materials from New Zealand provided and explained thoroughly. The second example provides a weaker effect; however, holistically the explanations provide a comprehensive answer. Part (c) The candidate has fully explained the effects of each solution by holistically analysing the recommendation. The additional material provided with the recommended solution delivers a sound justification. For example, discussing the positive impact on the supply chain of locating close to the airport and the effect on the business and on customers, and the benefits of the larger factory size and the potential to increase productivity. Part (d) The candidate has provided two fully explained effects of each solution. For example, the actual effect on the business of the shorter payback period and the higher rate of return are fully explained. The justification of the recommendation provides some additional evidence, but not to the depth or detail required to gain the higher Excellence grade. Overall, this is an Excellence-level response to the task.				