

90845R



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

Level 2 Business Studies, 2013

**90845 Apply business knowledge to a critical problem(s)
in a given large business context**

2.00 pm Monday 25 November 2013
Credits: Four

RESOURCE BOOKLET

Refer to this booklet to answer the questions for Business Studies 90845.

Check that this booklet has pages 2–4 in the correct order and that none of these pages is blank.

YOU MAY KEEP THIS BOOKLET AT THE END OF THE EXAMINATION.

RESOURCE A: CASE STUDY – FROZEN CLOTHING LTD

Frozen Clothing Ltd is a fashion company that has been manufacturing and selling clothes in retail stores for over 40 years. It has a large factory in the South Island, and has retail outlets in the main centres throughout New Zealand. *Frozen Clothing Ltd* specialises in mass-market, affordable, trendy clothes for both males and females. Bruce Long started the company, which now has over 150 people working in the business. Some of these employees have worked for Bruce since it started.

Frozen Clothing Ltd has been a successful company, but recently, various factors have threatened the continuation of the business. Costs have increased, and sales are decreasing. The cost of raw materials has increased by up to 30%, but Bruce has been reluctant to increase prices, due to the tough economic climate. Energy costs, insurance, and changes to the minimum wage have put pressure on the company's margins. *Frozen Clothing Ltd* has lost market share to retailers selling cheaper, imported clothes. Customers have been enticed by overseas websites offering free delivery and a larger range of clothing.

Frozen Clothing Ltd is faced with intensifying international competition and an accelerating pace of change. Bruce is very much a traditional businessman and has not kept up with the latest technology and developments that are now evident in the retail environment.

Shareholders are getting concerned that their shares are worth less than they were last year, and some are beginning to sell their shares, especially as there has been no reassurance from Bruce that they will receive a dividend this year.

Another issue for *Frozen Clothing Ltd* is that its retail outlet in Christchurch was partially damaged in the recent earthquakes and needs extensive repairs. Although the business is still operating, sales and profits have decreased considerably as residents leave the area or have less income to spend. *Frozen Clothing Ltd* must investigate whether it is worth spending money on rebuilding the shop, or closing it completely. This would allow it to focus on its other outlets and avoid paying ongoing costs such as wages, rates, and insurance, which have all considerably increased since the earthquakes. However, not having an outlet in Christchurch may cause long-term issues for *Frozen Clothing Ltd* when the city is buoyant again.

Due to the recession and a lack of current job openings, there is a very stable workforce at *Frozen Clothing Ltd*. Many of the staff have taken on extra responsibilities and training to ensure their jobs are safe. This has resulted in a good number of managers and potential managers who are keen to be promoted. Bruce is fortunate to have a culture that is based on motivation and hard work.

RESOURCE B: NEWSPAPER ARTICLE**Kiwis fork out \$3.19b on online shopping**

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online by 21 per cent of shoppers.

RESOURCE C: NEWSPAPER ARTICLE**US stores entice Kiwi shoppers**

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without currency conversions.