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2

90845



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD
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SUPERVISOR'S USE ONLY

Level 2 Business Studies, 2016

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

2.00 p.m. Friday 25 November 2016
Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Apply business knowledge to a critical problem(s) in a given large business context.	Apply in-depth business knowledge to a critical problem(s) in a given large business context.	Apply comprehensive business knowledge to a critical problem(s) in a given large 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 90845R 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.

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Achievement

TOTAL

9

ASSESSOR'S USE ONLY

QUESTION ONE: TECHNOLOGY CHANGESASSESSOR'S
USE ONLY

Use the information from Resource A, and your business knowledge, to answer this question.

DT Airlines' website can crash when the company advertises special deals on some flights. Through changes in technology, new solutions to this issue can be found, but David as CEO is slow to react to these changes.

- (a) Fully explain ONE cost and ONE benefit for *DT Airlines* of not responding to changes in technology promptly.

- (b) Discuss TWO solutions to *DT Airlines'* technology problem of the website crashing when customers try to book flights with the company when special deals are advertised.

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USE ONLY

In your answer:

- describe TWO possible solutions
- fully explain how EACH solution would solve the problem of the website crashing
- justify, with TWO reasons, why one solution would be more effective for *DT Airlines* to implement than the other.

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

Question one; A

One cost for DT Airlines of not responding to changes in technology promptly is that due to competing with competitors having a website that is unable to efficiently run when offering deals means that customers who are looking for a deal may instead move to the webpage of a competitor as they are offer a working system. When a customer is wanting to purchase something online they will most likely get agitated with a slow system or a system that often crashes and my instead search around for deals a lot for than stopping on DT Airlines webpage. While searching the customer may find the main competitor's page such as air New Zealand or Jetstar and decide to look into these airlines rather than wasting their time on a webpage that is faulty. If the customer goes with the competitor's deals then a potential income will be lost and potential brand awareness. If the website was effective and fast without crashes then the customer may tell their friends about the company increasing the customer base and potential income.

One benefit for DT Airlines of not responding to changes in technology promptly is that when the webpage crashes DT Airlines is able to check the bookings that have been made and insure that they have been made correctly, therefore by the time the website is up again, DT Airlines has had time to check and insure everything is going to plan. It is very often that when a website crashes it is due to the website being of high popularity, this could lead the customers to believe that DT Airlines has recently had an increase in popularity and the customer may wish to fly by DT Airlines more so that before as they believe it is the new cool Airline.

Question one: B

One potential solution for DT Airlines is to invest capital into insuring the asset will be able to handle the traffic of the sale. This will solve the problem of the website crashing as Insuring the website which is a large asset to the sales and income factor's of DT Airlines means that customers will be happier and visit the website more often. A second potential solution for DT Airlines is to have a telly marketing department that will take calls. This will solve the problem of the website crashing as if the website crashes having a telly marketing system that offers the same deals as the website was means that DT Airlines is still able to operate and sell without requiring shops that are located around New Zealand.

The solution of invest capital into insuring the asset will be able to handle the traffic of the sale, will be more effective for DT Airlines to implement as this will benefit the business as it will allow for more flights and seats to be sold. Even through there is a sale, the sale means that a flight that would normally struggle to sell out will in fact be able to sell most seats and the increased sales will make the income that would have been received without a sale and the income that wouldn't be, resulting in a increased income for the flights. This will also mean that when there is a special Deal the company is most likely going to earn a large income and help increase the Net Profit for their business meaning they are able to invest in another plane or upgrading the ones they presently have driving more customers to use their brand as the facilities are nice.

QUESTION TWO: PROBLEMS ARISING FROM UNETHICAL BUSINESS PRACTICEASSESSOR'S
USE ONLY

Use the information from Resources A and B, and your business knowledge, to answer this question.

David has tried to argue that the practice of over-booking flights is not illegal. However, it is widely viewed as unethical. Social media reaction to the Labour Day special offer from passengers who missed their flight – despite having a valid ticket – has led to negative publicity for *DT Airlines*, and bookings are falling.

- (a) Fully explain ONE problem arising for *DT Airlines* from its failure to respond to the unethical business practice of over-booking of seats on its flights.

- (b) Discuss TWO solutions to resolve the unethical business practice of the over-booking of flights which *DT Airlines* is facing.

In your answer:

- describe TWO possible solutions
- fully explain how EACH solution may resolve the unethical practice
- justify, with TWO reasons, which of the two solutions would be better for *DT Airlines* to implement to resolve the unethical practice.

ASSESSOR'S
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Question 2: A

One problem that has is arising for DT Airlines due to its failure to respond to the unethical business practice of over-booking of seats on its flights is that its bookings are falling. This is due to customers knowing that David Tracy and his airline do not have a problem with over booking customers, therefore customers are concerned that they two will be over-booked and loss their seat and no be refunded. This effects the business because it has resulted in a negative public brand that is known for the mistakes that it has refused to fix even though 15 customers were forced to miss their flight's which may have mean they then had other consequences. David Tracy's lack of compassion to the customers he had over-booked was another factor that lead to this problem as the public was able to see the problem of the company staying the same and not moving to solve the unethical practice. All of this adds up, therefore the fall in bookings should be of no shock for the company, the company should also understand that to change this factor they must take precautions //

Question 2: B

One possible solution to resolve the unethical business practice of over-booking is to offer refunds or the same flight to the customers who were left stranded, as they have paid for it. This will resolve the issue because the customers all had valid tickets and were forced to miss the flight even when they were present to take it. This will mean the business is able to make a small amends to the media and to the customers for the mistake made over the weekend of labour day. If the customers take the refund then they will be able to say that they have receive a form of justice for the unethical practice they had to endure. If the customers take the flight then they are able to go to the destination of original desire and can rate the company on their in-flight service rather than the misfortune of the over-booking. Another possible solution for DT Airlines is to change practice and no longer over-booking, with this they should also release statement apologising. This will resolve the issue because it means they are able to move on for the unethical practice and work towards building DT Airlines brand image back to what it was before 15 customers were left stranded. //

I believe that the solution of change practice and no longer over-booking, and the release of a statement apologising is the most effective with the case as the damage has been done and the brand image has been ruined in many lights. Having the incident published in the paper means that the unethical practice was made clear to the New Zealand public and the media was not positive. A reason that this solution is the best fit for the situation is that the potential customers and current customers are then made aware that DT Airlines has listen to their feedback and made a change that will benefit the customers as David Tracy had also expressed that most Airlines over-book. The statement means that they are able to fully explain what happen in the over-booking and how they are going to prevent this from happening again by offer a system that no longer includes over-booking. A statement also slows the customers that the business is sorry and looking to make a change for the customers. Another reason that this solution will be effective for the company is that the company is able to build it's brand image again, and move towards satisfying the customers and making the income and business they were before the over-booking of labour day. //

Question 3: a

DT Airlines will need to respond to the emergence of a new competitor because the new competitor Econofare because As their brand image has recently been made negative lost of customers will

QUESTION THREE: THE EMERGENCE OF A NEW COMPETITOR

Use the information from Resources A and C, and your business knowledge, to answer this question.

ASSESSOR'S
USE ONLY

The emergence of *Econofare* as a competitor to *DT Airlines* creates a real threat to *DT Airlines'* long-term economic sustainability.

- (a) Fully explain why *DT Airlines* will need to respond to the emergence of the new competitor.

- (b) Discuss TWO solutions which *DT Airlines* could implement to address the emergence of the new competitor.

In your answer:

- describe TWO possible solutions
- fully explain how EACH solution would deal with the emergence of the new competitor
- justify, with TWO reasons, which solution would be more appropriate for *DT Airlines* to implement, in order to remain sustainable in the long run.

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More space for this answer is
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chose a new business to fly with rather than a business that has been called out on a mistake and did not apologise sincerely but instead blamed it on the industry and how the industry works rather than owning up and explaining that they made a mistake. The competitor is playing on and using the mistake that DT Airlines made using it as a marketing campaign to express how they aren't like the others and do not wish to displease their customers. Econofare is also advertising that they are competitors in it's social media platform. As Econofare is using DT Airlines as an example of who they try to beat, it means that DT Airlines is unable to prove that they are still a good choice without action. Responding to the new competitor will show the customer base that they are still a good choice and that the company is not giving up.

Question 3: B

One possible solution to the emergence of a new competitor for DT Airlines is to lower prices to more competitive rate. This would deal with the competitor as customers who are looking for the cheapest price will consider their option and seriously consider flying through DT Airlines. Another possible solution is to insure that the brand image has been restored. This will deal with the new competitor because if the brand image is still negative it will be increasingly hard for DT Airlines to be able to compete with the competitor.

The solution that will help DT Airlines to respond to the new competitor is insure that the brand image is restored, this will allow the business to hopefully recover the former customers they once had. To do this they can incorporate the solutions expressed in question 2. The reason hat this solution will help the company is because customers will slowly trust the brand more and be able to rely on the brand if they are able to show they have made a difference for the benefit of the customers. Another reason that for this solution is that they can lower their prices after insuring the rand image is restored.

N2

Extra space if required.
Write the question number(s) if applicable.

ASSESSOR'S
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QUESTION
NUMBER

90845

Achievement exemplar for 90845 – 2016		Total score: 9
Q	Grade score	Annotation
1	A3	Some relevant explanation of the costs of not responding to changes in technology promptly. The suggested benefit was very weak. Solutions were explained, but not fully explained. How will the “investment of capital” solve the crashing of the website when special deals are advertised?
2	A4	Some explanation of the impact of the unethical business practice on branding has been given, but not developed. The solutions were not fully explained. No impacts or effects as to how the apology would resolve the unethical business practice. Will customers really believe that simply saying “Sorry” will work?
3	N2	Partial explanations. Some repetition of branding from Q2. No explanation of how cutting prices would allow DT Airlines to compete against Econofare.

2

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Achievement

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ASSESSOR'S
USE ONLY

1.

- (a) One cost of not responding to changes in technology promptly is that DT airlines could be losing customers due to the fact that the website keeps crashing which stops people from being able to purchase tickets which would negatively impact on revenue. One benefit is that they are not investing lots of capital into new technology which may in the short term increase revenue due to no further investments.
- (b) A solution to the website crashing could be to invest in upgrading the booking technology to help deal with website traffic more efficiently. This solution would solve the problem because it would be able to deal with the demand of internet traffic and lots of customers buying tickets because the only way to purchase tickets is online. Another solution would be to partner with a travel agency like Flight Centre and offer special deals as well as normal bookings. This would solve the problem because it would give customers another option to buy their tickets. This would put less strain on the booking software because not everyone would be buying tickets online and instead would be buying from a physical outlet. This solution would also cost less money. However I think the best option would be to invest a more powerful booking software. This is because with the growth of online shopping many customers would rather do most of their shopping online so having a reliable bookings software would vital to keep on with growing demands. It would also assure customers that what their buying into is reliable and a system they can trust would be beneficial to customer satisfaction. This solution would be more effective because many physical retailers and stores are closing down due to the ease of online shopping so having a reliable system would boost sales and everyone will be able to access a ticket.

A3

2.

- (a) One problem that DT Airlines is facing is a bad reputation for overbooking. Overbookings occur so that airlines can make the most amount of profit having the downside of this that although you are optimising profit you could have an incident like the Labour Day special offer where customers with a valid ticket aren't able to board. This will cause DT airlines to get a bad reputation and on top of the negative publicity this will be very hard to recover from.
- (b) A solution to this would be to formally apologise for the actions and offer a refund to all the customers that were unable to board their flight. This would resolve the unethical practice because formally apologising and promising to stop overbooking would restore a sense of customer trust and offering a refund would satisfy customers who felt like they were ripped off. Another option would be to use the Labour Day incident as a new marketing strategy by lowering air fares for a period of time and promising to forbid the policy of overbidding as a direct result of the Labour Day incident. This would resolve the issue by showing customer's honesty and insuring trust back to the customer. I believe this would be the best option because even though it has more risk it would give customers more incentive to book flights and would also enable customers who don't regularly fly with DT Airlines to fly with them. This would also resolve the unethical practice by rebuilding their reputation because it shows that they are putting the customer first by having lower air fares for a period of time.

A3

QUESTION THREE: THE EMERGENCE OF A NEW COMPETITORASSESSOR'S
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3.

(a) DT airlines will need to respond because Econofare are using DT's Labour Day incident as one of their marketing slogans "we promise never to leave you behind". This will negatively impact on DT because since Econofare have used that as their marketing slogan it will cause DT airlines to forever be associated with unethical practices and will give DT a bad reputation. They will need to respond because otherwise this may cause the public to have distrust towards DT which will negatively effect on sales and the businesses profitability. //

(b) DT Airlines could offer a loyalty system similar to Fly Buys and Airpoints. The more distance that customers travel on DT airlines throughout the period of a year they can be rewarding with discounts on airfares, a higher baggage allowance and can collect points which will be valued at \$1NZD. Each time they fly more points will be added which can be used for purchasing flights. This would help deal with the competitor because it will give customers an incentive to be loyal to one airline and to not switch. Another solution would be to do a merger with Econofare. This would help deal with the new competitor because there won't be one anymore. This will also cause fares to raise due to the lack of competition which will increase profit. However the best option would be to create a loyalty system. It will give customers an incentive to fly with DT and always fly with them due to the benefits it has to the customer. It will also keep them competitive and would nullify the unethical practices of the past. It would also be better because the process of a merger can take a long time and different companies have different standards and morals which can be hard for another business to adjust to. //

A4:

Extra space if required.
Write the question number(s) if applicable.

ASSESSOR'S
USE ONLY

QUESTION
NUMBER

90845

Achievement exemplar for 90845 – 2016		Total score: 10
Q	Grade score	Annotation
1	A3	Lack of business knowledge. Solutions are appropriate, but not fully explained.
2	A3	Some appropriate solutions, but not fully explained. Would the refund actually solve the unethical business practice? What would a formal apology look like? Would David have to visit the affected customers himself?
3	A4	Solutions are possible, although the idea of a merger seems unrealistic, given that Econofare has not yet started to trade. Mostly Achievement-level evidence, with responses describing possible impacts.