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2

90845



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD
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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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Excellence

TOTAL

19

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Question one: Technology changes

A)

One cost for DT Airlines of not responding to changes in technology promptly is that since bookings can only be made online, their booking system (online) is the most important part of their business, as this is how DT airlines are making ticket sales, and therefore income as customers are purchasing flight tickets and this should lead to an increased profit for DT Airlines. But since DT Airlines technology system is not up to date and the website often crashes when the booking system becomes overloaded, this hinders ticket sales as due to the website crashing customers are no longer able to purchase their flight tickets. In addition to this DT Airlines may face negative publicity as customers would become frustrated that they can't book a flight ticket, and may change their mind and drive to the region they want to go to. Therefore having the website crash causes a loss in sales and a loss in income this then results in a loss in overall profit.

A benefit for DT Airlines of not responding to the changes in technology promptly is that since at the moment there are no other competitors that DT Airlines have to compete with this means DT Airlines has 100% of the market share. So not making the technology changes won't make too much of a difference for DT Airlines as if potential customers want to fly to a region in New Zealand from Whanganui they have no other options apart from DT Airlines. As DT Airlines is the only airline that flies to regional parts in New Zealand (this is their point of difference) therefore DT Airlines will not lose any sales, as the potential customers if in need would ring up or contact them in a different way to get the flight ticket.

B)

One possible solution to DT Airlines technology problem of the website crashing when customers try to book flights with the company when special deals are advertised is that DT Airlines can start designing a new website that would allow this not to happen. This would mean that DT Airlines website wouldn't crash anyway so therefore customers would be able to book flight tickets that are on special. And DT Airlines would no longer have any problems with their website and booking system. This leads to an increased income and an increased profit.

Another possible solution is that DT airlines could get a technology expert come in and have a look at their current website to figure out what the problem is with it and why it crashes. This would mean that David and his senior managers would know why the problem is happening and could adjust their deals to stop the booking system from crashing. Or they could just get the technology expert to fix the problem and this again will therefore mean that customers will be able to access the booking system and DT Airlines can be confident that the website will not crash. So therefore customers would be able to book flight tickets that are on special, and this will mean more tickets sales for DT Airlines, and this leads to an increased income and an increased profit.

I think that the second solution would be more effective as having an expert check it out and fix the problems that the website and booking system is experiencing means that it would take a lot less time than creating a whole new different website and this would mean that DT Airlines would have to find alternative ways of offering tickets to customers as at the moment customers can only book

tickets online so if the website is out of action until the new website gets done then there would be a major decrease in ticket sales (none) so the business would not be making any profit. Another reason why getting an expert to fix the problems the website is experiencing is that it should be a lot cheaper than getting a whole new website done. This means that DT Airlines will be saving funds and they could use these funds to expand other parts of their business, as well as getting their website fixed so it is available for customers to book tickets and the booking system doesn't crash. Therefore including saving funds from fixing the website (instead of creating a new one) and having a booking system completely fixed means that DT Airlines will be able to produce more sales and therefore have more income and make more of a profit. //

Question two: Problems arising from unethical business practise

A)

One problem arising for DT Airlines from its failure to respond to the unethical business practise of over-booking of seats on its flights is that DT Airlines have received a lot of negative publicity through social media. This is a problem for DT Airlines as negative publicity can get spread around easily especially on social media so many people may now know about the over-booking of seats and this may influence potential customers negatively as well, as they would not want to be ripped off "passengers missed their flight – despite having a valid ticket". Therefore this has led to a decrease in bookings and a decrease in bookings means that less people will be flying using DT Airlines so this leads to a decrease in income and results in a decrease in profit. //

B)

One solution to resolve the unethical business practise of overbooking of flights which DT Airlines is facing is firstly for David to accept that the over-booking of flights is un-ethical, and then he should respond to the negative publicity on social media. And let customers know that DT Airlines are looking into the problems that have caused the booking system to over book, whether it may be the overloading of the website and the website frequently crashing or a separate issue. And David should inform customers on updates and what they (DT Airlines) are doing to fix this issue. This will mean that customers and media are informed on what they are doing and they would not be any articles that social media has posted that is incorrect as DT Airlines will be the first to post about what they are doing, so therefore no fake claims can be made that could further reduce ticket sales (and therefore profit). //

Another solution to resolve the unethical business practise of overbooking of flights, is that David should apologize to certain customers that have complained and offer them some sort of discount or a free flight. Although in the short term this would decrease the profit and increases the expenses for DT Airlines as they would be giving away free flights to unhappy customers this would lift the moral of the customers and would then prove to customers that he is not unethical and he may not lose as much customers as he would have if he had done nothing. //

I think DT airlines should implement the first solution as customers will then be informed and DT Airlines will actually find out what the issue is and therefore they can fix the booking system. In

addition to this David could also use the second solution to offer discounts or free flights to the customers that could have been affected. //

M6

Question Three: The emergence of a new competitor

A)

DT Airlines will need to respond to the emergence of Econofare (the new competitor) as they create a real threat for DT Airlines because they will be taking away market share from them. And this will mean less sales for DT Airlines which means less income and results in less profit. This could also mean that if DT Airlines doesn't respond the emergence of their new competitor then DT airlines could go out of business as they would not be financial stable due to the loss of sales. Therefore DT Airlines needs to respond to the emergence of econofare to be able to be sustainable and keep operating in the future //

B)

A solution for DT Airlines could reduce their prices to make their flights cheap than the new competitor this would mean that more customers would still fly with DT Airlines as they are cheaper, therefore they would not lose too much market share. But by making the flights cheaper DT airlines still be making a lot less profit than before as some market share has been taken away and the ticket prices have gotten cheaper due to the new competitor. By making the ticket prices cheaper this would deal with the emergence of the new competitor as customers would still choose DT Airlines as they would be the cheapest. //

Another solution for DT Airlines is that DT Airlines could expand their business by upgrading their planes to make them faster and more comfortable and they could change their target market to rich people or old people. DT Airlines should to a cost benefit analysis to see if this idea would be profitable for them. This would mean that DT Airlines can focus on a particular group and appeal to them.

I think that the second solution would be more appriortiate for DT Airlines in the long-term as this target market would stick with them so they will have the same customers over and over again therefore this will generate more profit in the long-term although it is a cost for DT Airlines in the short term. //

M6

QUESTION ONE: TECHNOLOGY CHANGES

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.

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- (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.

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.

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

QUESTION TWO: PROBLEMS ARISING FROM UNETHICAL BUSINESS PRACTICE

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.

E7

- (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.

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QUESTION THREE: THE EMERGENCE OF A NEW COMPETITOR

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

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.

ASSESSOR'S
USE ONLY

- (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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available on the next page.

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QUESTION
NUMBER

176

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Write the question number(s) if applicable.

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ASSESSOR'S
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Write the question number(s) if applicable.

ASSESSOR'S
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QUESTION
NUMBER

90845

Excellence exemplar for 90845 – 2016		Total score: 19
Q	Grade score	Annotation
1	E7	The candidate has fully explained the costs and benefits of not responding to changes in technology promptly. Solutions have been fully explained, with links to the special deals which are causing the website to crash. Justifications are narrow, focusing on cost, hence E7.
2	M6	Fully explained solutions, with emphasis on short term vs long term in the second example. However, weak justification limits response to M6.
3	M6	Solutions have been fully explained, including business knowledge relating to target markets and cost benefit analysis. Short-term and long-term considerations are implied, but overall a weak justification, leading to M6.

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Excellence

TOTAL

21

ASSESSOR'S USE ONLY

QUESTION ONE: TECHNOLOGY CHANGES

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.

A potential cost would possibly be monetary. If DT wish to respond to changing technology, they would likely have to invest a large sum of money into relevant technology such as servers and improved bandwidth. As a result of this, DT would also need to take on new staff to manage the new technology. This means that the costs to DT would be large in the short term due to buying new equipment, but also more expensive in the long run with more people on the payroll.

A benefit would likely be more customers, and more repeat customers. If the DT website is difficult to use, then individuals are unlikely to want to use DT again as it's too much hassle to book. If the website is simply down and can't be accessed, then first time customers will simply go elsewhere as their first impression of DT shows that DT is unorganised.

second paragraph - last page

- (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.

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.

DT could purchase new assets such as improved servers; higher speed internet with greater bandwidth and a place to store and organise such assets (server room) in order to ensure maximum efficiency. This would solve the issue as improved bandwidth would allow for more connections to DT's servers, which in turn would be more reliable as they are stored and connected appropriately as to avoid issues. With this improvement to reliability, the website would be able to stay stable and fast for maximum accessibility to users.

Alternatively, DT could place greater focus on people as opposed to equipment, and hire IT staff to manage any website, database or generally any server related issues. Having knowledgeable staff would allow for any problems to be solved efficiently meaning less issues for the end user. This solution may even tie

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into the first as IT staff are able to introduce new and effective technologies to allow DT to run any online operations efficiently.

I believe the second solution would make the most sense for DT. Firstly, if DT bring in new technology, it may help for a while, but with no-one to manage it, their infrastructure would likely fall apart. Technology may also be purchased from a place of ignorance with no staff to make recommendations for IT equipment, so the second reason IT staff would be a better solution is that the solutions they propose and technology technologies they introduce would likely be far more beneficial for the business, as IT staff would make the most appropriate decisions.

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QUESTION TWO: PROBLEMS ARISING FROM UNETHICAL BUSINESS PRACTICE

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.

One large problem for DT would be the poor publicity resulting not only from the unethical behaviour, but also the poor response from the CEO. This clearly shows potential customers how little the company cares for their customers. Social media is a significant outlet for news and other social issues, and a poor response on social media would lead a lot of people away from DT. This would mean less business for DT in the long & short run, but also it would "also" likely cause permanent damage to the reputation of the business, making business deals harder as well as an ongoing reduction in profits with less people choosing a company as ~~unethic~~ labelled as unethical – such as DT.

ASSESSOR'S
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- (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.

One solution would be improvements to the DT website. David has stated that the crashing is a separate issue, this may be true, but the website should also prevent people from purchasing tickets after a threshold is reached. Doing so would prevent issues from occurring at the customer's end as they the amount of available tickets would closer reflect the truth to customers, preventing people from being misled, feeling tricked or overbuying tickets that have already been sold.

A second solution would be improved organisation within the business. This would involve both improved database technology as well as staff that are capable of managing it. This solution would solve problems from the business side-internally. Improved databasing would allow staff to know how many tickets have been sold and other such important details which would prevent tickets from being oversold. Depending on the databasing software used, sales and other stats may be projected more accurately. This would mean that

if DT would like to continue overselling, there would be a far smaller chance of getting caught, maximising profits.

Personally, I would say the second solution would be the better choice. Preventing issues from occurring internally would stop issues from arising to both consumers and the business. Simply updating and improving the quality of the site may still allow for customers to 'slip through the cracks'.

Secondly, improved databasing would allow for all kinds of data to be tracked accurately. Not only can this prevent issues for customers, but it also allows staff to track other information.

-> cont

QUESTION THREE: THE EMERGENCE OF A NEW COMPETITOR

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

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.

DT will need to respond quickly as the business has just suffered a severe P.R. backlash on social media. With many angry customers, people will be eager to go elsewhere for their flights, which is the perfect opportunity for *Econofare*. *Econofare* has already capitalised on the failure of its competitor reinforcing the idea to potential customers that DT is a poor choice. This essentially pushes customers from DT airlines, and as DT loses such a niche market, customers will have a few other options; this means more people would likely choose *Econofare* as DT is no longer a good option. Another factor that needs to be responded to would likely be price. The market DT and *Econofare* cater to is not particularly 'luxury' and many flights are domestic (short). This means many customers would be happy to fly cheaper, even if that means economy seating. If DT don't justify or lower their prices, customers will be pulled to *Econofare*.

- (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.

One major solution could be a rebranding of the business. DT has suffered such a huge blow to their public image, which *Econofare* has used to their advantage. Many people would lose trust for the business. If they were to rebrand, however, they may be able to regain trust as well as have some people possibly forget about the unethical behaviours associated with the old brand. This could provide DT with a new 'image' and allow them to essentially start over from a PR and marketing standpoint, allowing them to be more competitive with *Econofare*.

Another solution could be an adjustment to DT's pricing scheme. DT could perhaps attempt to improve the quality of their service to better justify their price versus *Econofare's*, or better yet, attempt

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to reduce pricing. Doing so would allow them to remain more competitive with the cheaper alternative, Econofare. It's potentially a viable strategy as their demographic isn't a luxury market; many customers are likely looking for cheap domestic flights. While ~~E~~ Econofare would have the PR advantage, their main selling point - price - would be made far less significant.

I believe the first solution would make by far the most sense for DT. It allows DT to start from an almost clean slate as they would likely wish to distance the business from the brand known for its unethical practices. Rebranding

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

QUESTION
NUMBER

2B

such as sales, but also percent ^{increases} in sales through seasons and promotions. This could help solve the CEO's issue with not wanting to introduce ~~an~~ a reward program until he sees interest, and it would generally help the marketing team do their job, improving appeal to customers.

3B

would not only improve public relations for the business, preventing (somewhat) a loss of customers in the long term, but it would also allow for DT to maintain the same pricing strategy. Lowering their prices to compete with Econofare would likely be unsustainable as their public image issue makes Econofare a more appealing option. This would mean DT would end up selling cheaper fares to fewer people causing serious issues to the company's profits and sustainability. Furthermore, they would likely need to cut costs for the second solution to be viable which could lead to staff cutbacks and herald in the death of DT.

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A A potential benefit of not responding to technological change could possibly be ease of organisation. If the business decides to introduce new technologies then the organisational structure of the business would likely have to change as new people to manage the technology are ~~been~~ brought in. With more people brought in, the businesses pay scheme would need changing to accommodate. All of these changes could effect the short term efficiency of the business as well as being costly to introduce. All this trouble may be saved, however, by simply sticking with old methods.

90845

Excellence exemplar for 90845 – 2016		Total score: 21
Q	Grade score	Annotation
1	M6	Full explanation of cost and benefit. Fully explained solutions, and good business knowledge shown. Has effectively used the stimulus. Not wholly focused on special deals being advertised, hence only M6.
2	E7	Very clear internal solutions fully explained to resolve the unethical business practice. Overbooking not likely to reoccur. An original response, with effective use of the stimulus material.
3	E8	Very good analysis and use of business language. Solutions are fully explained, and justification for the chosen option is detailed.