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91381



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## Level 3 Business Studies, 2016

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

9.30 a.m. Friday 25 November 2016  
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.

**You should attempt ALL the questions in this booklet.**

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.**

Merit

TOTAL

17

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## QUESTION ONE: QUALITY MANAGEMENT ISSUES

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Use the information in Resources A and B in the resource booklet, and in the box below, in addition to your business knowledge, to answer this question.

The *Kakapo Cheese Company* (KCC) is a New Zealand-based dairy processing company that has come under increased pressure from other domestic producers over the last few years.

As a result, KCC decided in 2013 to enter the Chinese market with a range of three cheeses. This has involved a massive investment in marketing and establishment of distribution networks. There has been rapid growth in the Chinese market, and KCC has had to employ additional new staff.

In 2016 the head office became aware of a growing number of dissatisfied customers from its Beijing market. Complaints have mostly been about the inconsistent quality of the product and lack of timely delivery. This is a concern for senior management, because profitability has recently become a problem, partly due to the substantial investment required to enter the Chinese market.

- (a) Fully explain the possible cause(s) and effect(s) of the customer dissatisfaction.

In your answer, include:

- factor(s) which may have caused the increase in customer dissatisfaction
- possible effect(s) of the dissatisfaction issue on other stakeholder(s) of the business, such as employees and investors, and consequently on the business.

The factors which have led to customer dissatisfaction are not one-off events, but rather a chain of contributing factors. The first is the additional new staff which KCC had had to take on. Resource B shows us that the new staff are "helping a little" but that there is a real lack of training. This would mean for the company that productivity would be poor, ~~and~~ producing less cheese in an increased time. This means that the flow on effect would be lack of timely delivery. The untrained employees also means that the quality of production decreases, ~~whereas~~ as they simply do not know how to carry out their job properly. They had 15 more hours lost in production due to mechanical breakdown than they

had planned this also contributes to lack of timely delivery. The effects of this dissatisfaction on employees is that it would demotivate them, because when the ~~product~~<sup>cheese</sup> that the employee's ~~are~~<sup>are</sup> producing is not accepted by consumers.

The CEO of KCC has been thinking about possible solutions to the issue of rising dissatisfaction amongst Beijing customers.

(b) Suggest TWO possible solutions to the issue.

(1) Implement quality controls //

(2) Put all existing employees through training, and also any new employees. //

(c) 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 is better than the other solution.

Implementing quality controls means that the quality of the cheese is maintained and controlled, so that only quality cheese goes out to the consumer. This includes quality checks, where the cheese is checked as it reaches the end of the production line, everything that does not meet the standard is discarded or rejected. The positive effect of this is that it would mean that the quality of the ~~product~~<sup>cheese</sup> should increase, so there is consistent quality. This would result in less dissatisfaction about inconsistent quality. Putting employees through training would mean they can learn the ~~cheese~~ //

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

product better and gain knowledge as to the dairy production industry. Training would result in better quality, more efficient employees, ~~thus~~ essentially - increasing productivity. This would then effect the timeliness of delivery in a positive way, as they are ~~more~~ better trained and can produce faster. It also means that quality increases meeting both consumer complaints.

The solution ~~that~~ I recommend is ~~unlike~~ to put all existing employees through training and also any new employees.

This is better than the other recommendation as it meets not only the customer complaint of inconsistent quality, but it also ~~increases~~ would help to increase the timeliness of delivery, through creating more efficient employees.

Another reason why it is better than the first solution is that it creates a long term solution. Training means that the employees of KCC become ~~learned~~ skilled in cheese production, and so this ~~now~~ means that they are ~~increased~~ positively changed for the long term, rather than just pulling up employees for making the cheese wrong, as would happen with quality checks.

Another reason that this is better is that it means that KCC does not waste as much product as they would with implementing quality checks. Quality checks means they ~~will~~ would discard any product ~~check~~ that does not meet the standard, and so training

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## QUESTION TWO: SUPPLY CHAIN ISSUES

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Use the information in Resources C, D, and E in the resource booklet, and in the box below, in addition to your business knowledge, to answer this question.

KCC is facing a major problem with inefficient delivery by the Beijing distribution company to the retailers who are selling KCC's cheese. Deliveries are sometimes late and / or mixed up with other firms' deliveries. Part-deliveries may be left for weeks in the distributor's warehouse before the staff of the distribution firm work out which retailer they were meant to be delivered to. This has been an ongoing issue over the past six months.

- (a) Fully explain the possible cause(s) and effect(s) of the issue that KCC is having with the distributor in Beijing.

In your answer, include:

- factor(s) which may have caused the issues with delivery
- possible effect(s) of the delivery issues on stakeholders of the business, such as customers, competitors, and shareholders.

Resource C outlines three ~~causes~~ challenges for the distribution industry in China which I think two of them, poor infrastructure and shortage of modern facilities are possible ~~causes~~ causes for these issues. With a poor transport network, it means that deliveries can take a lot longer than expected. A shortage of modern facilities for storing foodstuffs, especially perishables, means that the ~~product~~ cheese may not be shipped on time, ~~and~~ and the resources above indicates a lack of technology in the warehouse. This puts distribution down to human error which is much less reliable than proven technology. For customers, the effect of this issue is ~~very~~ large. They do not have assurance that the retailers will have the ~~the~~ KCC cheese in store when they want it. This means that they do/

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

may hold the KCC with a bad view, and consequently a bad reputation amongst consumers could spread, and they ~~may~~ would blame the KCC for it. The impact on competitors is that they would be able to gain more of a foothold in the market because they have ~~now~~ increased sales if the KCC cheese.

The CEO has two possible solutions to the delivery issue – KCC could either sell direct to its retailers, or could enter into a strategic alliance with a local Beijing distributor. Reduce cost dist.

(b) Evaluate the TWO possible solutions to the delivery problem.

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 is better than the other solution.

One positive effect of KCC selling direct to the <sup>retailer</sup> ~~business~~ is it would mean they do not have the problem with the ~~delivery~~ distribution company, as they could control all handling of the cheese themselves. This would mean they could directly <sup>implement</sup> ~~manage~~ <sup>quality measures</sup> ~~themselves~~ <sup>as they</sup> control the whole supply chain, up to it getting to the retailer. One positive effect of entering in to a strategic alliance with a Beijing distributor is they would already have the resources required in getting the cheese to the retailer. This could include perishable's storage space, delivery vehicles, appropriately trained staff. ~~This would mean that the KCC would not have to worry about the delivery issue and the quality of the cheese.~~ ~~Therefore I recommend the second solution of creating a strategic alliance with a local~~

Beijing distributor. It is better than ~~over~~ the solution of going direct to the retailer, as the cost of hiring staff, renting or buying appropriate storage space and setting up distribution themselves would be a much greater cost than entering into a strategic alliance.

Also, another reason it is better is that a local Beijing distribution company would ~~have~~ be experienced in the industry of distribution and would have ~~the~~ advice for KCC and ~~know~~ have local knowledge such as shortest delivery routes and good delivery truck and van dealers. Another reason it is a better solution is that they have increased resources to expand the business further, and as they can gain and nurture a relationship with the distributor so that they can successfully expand ~~to~~ together, and as they grow they do not have to cost of expanding warehouse and staff ~~and~~ as the distribution company would be able to do this if they build up that relationship, and so ~~the~~ KCC can successfully expand without ~~it~~ it being too costly.

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### QUESTION THREE: UNEXPECTED GLOBAL RISKS

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Use the information in Resources F, G, H, and I in the resource booklet, and in the box below, in addition to your business knowledge, to answer this question.

KCC sees the Beijing market as an opportunity to grow rapidly. While there had been growth, it had not been as high as expected.

- (a) Fully explain the possible cause(s) and effect(s) of the slow growth in demand for cheese in the Chinese market.

In your answer, include:

- factor(s) which may have caused the slow growth in demand
- possible effect(s) of the slow growth in demand on the business and stakeholder(s) of the business, such as employees, suppliers, and investors.

A factor which may have caused the ~~higher~~ slow growth in demand could have been the ~~China~~ Beijing market become more health conscious. This would mean that there is ~~not much more~~ less demand than expected, as ~~the~~ people would eat less cheese because of how it is bad for your health. Another reason is that articles like resource G could have been published and this discouraged consumers to eat as much cheese, causing the slow growth in demand. The impact on stakeholders is large. ~~As KCC~~ As KCC had expected high growth in demand, they would have planned for it, employing staff and getting better rates from suppliers through expected volume. As growth is much slower, this could result in some employees being put off, as they would have more staff than needed. It could result in the breaking down of relationships with suppliers, as they would have got



good pricing based off the high volumes they expected with high demand. Some suppliers may get annoyed with giving KCC these good prices and if KCC is not ~~able~~ going through

(b) Suggest TWO possible solutions to the slow growth in demand in the Chinese market.

- (1) Market the health benefits of cheese and market their values (including healthy living)
- (2) Consider launching additional dairy products such as Yoghurt

(c) Evaluate the TWO possible solutions to the slow growth in demand in the Chinese market:

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 is better than the other solution.

One positive effect of marketing the health benefits of cheese and marketing their company values, which includes healthy living, is that they would be able to show consumers how their product is actually good for your health, and as it is a company value, consumers would be able to see it as a good, beneficial product. ~~but just~~ One positive effect of launching additional dairy products is that then they would be able to increase company growth

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

While not having it as cheese, as information shows cheese is not good for health. ~~Therefore~~ I recommend marketing the health benefits and company values.

The 1st solution is better than the second as it provides a much more cost effective solution. To launch a new product, KCC would have to undergo considerable R&D and market research, have to increase their ~~costs~~ machinery and means of production, and they would have to ~~launch~~ launch a new brand (without cheese in it). Therefore solution 1 is a lot more cost effective solution, and while marketing does have costs, they are considerably less than what would be involved with solution 2. Also

Another reason is that by marketing their values, consumers would see them as an attractive, ~~transparent~~ transparent, honest company, and so would prefer them over competitors. This would result in greatly increased sales.

Another reason ~~for my recommendation~~ for my recommendation is that KCC is already ~~well~~ developed in the cheese

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Extra space if required.

Write the question number(s) if applicable.

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1a) and consumers are dissatisfied with ~~the product~~, employees may become ~~dissatisfied~~ demotivated as they ~~can~~ may ~~become~~ feel offended. This ~~means~~ means that ~~there~~ their productivity decreases, and then a recurring cycle occurs. The effect on investors is that they become unhappy with their investment, and they are not gaining return on the money they put in, meaning less ~~return~~ return on investment for them. The consequence for the business is decreased profitability. With dissatisfied customers, bad word of mouth could go around and so the businesses reputation could be effected in a negative way. This would result in lower sales and resulting decreased profits.

1c) is better in this way that it increases the quality of production and does not waste cheese in doing so. ~~But means they do not~~ Washing cheese would increase cost of sales relative to output, and decrease the profitability and so training ensures this does not happen.

2a) is not in store for consumers, as customers would go for an alternative brand. This could result in KCC customers ~~number~~ becoming accustomed to competitors brands and choosing them over KCC, even if KCC <sup>cheeses</sup> were in stock. For shareholders, this would mean that as sales decrease for KCC (un-reliable supply chain).

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Write the question number(s) if applicable.

QUESTION  
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resulting in customers choosing alternative brands, ~~decreasing~~ sales) There is less income to cover expenses and consequently reduced net profit for KCC, and in turn, shareholders would receive less dividends.

3a) the volume they ~~expected~~ forecasted, it may result in increased costs from suppliers. Investors would be less willing to invest in KCC as they ~~are~~ would not see it as a stable company with a worthwhile return on investment. Investors that already had their money in KCC would not be getting the desired return on investment.

3c) industry, and they would not have the industry knowledge or skills to operate efficiently in a different market. This would mean they would likely be lost against other competitors, who already have additional developed brands in that market. Therefore, it would just require a lot of extra capital to break in to a new market where they may as well persist in a mat market where they are still growing, but try to increase future growth.

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Merit exemplar for 91381 – 2016		Total score: 17
Q	Grade score	Annotation
1	E7	<p>In part (c) the candidate has fully explained both solutions – providing detail as to what the solution is and how it would improve the quality of the product to overcome the issue of customer dissatisfaction.</p> <p>In conclusion, the candidate compares both solutions and includes new information about the other issues that training could also solve – such as timeliness of deliveries – that implementing quality control would not solve. The candidate has also introduced the idea that training will not create as much waste as the solution of quality control, which could ultimately cost the business more and reduce profitability.</p>
2	M5	<p>In part (a) the candidate has not explained why poor infrastructure and a shortage of modern storage facilities has caused the business to have issues with the delivery of their cheese, and the impact of these causes has not been fully explained.</p> <p>The effect on stakeholders such as customers and shareholders has been fully explained. The candidate has made a statement about the effect, has given the reasoning behind this, and has explained how it would impact on the stakeholder.</p> <p>In part (b) both solutions were fully explained in context. The candidate has fully explained what the solutions are, why they would help solve the delivery problems, and what the impact of these solutions would be on the business.</p>
3	M5	<p>The candidate has fully explained only one cause of the slow growth in demand, and has fully explained the effect on investors.</p> <p>Solution One has been fully explained in context as to how it might solve the problem of slow growth in demand, i.e. "... marketing the health benefits of cheese ... they would be able to show consumers how their product is actually good for your health ... Another reason is that by marketing their values, consumers would see them as an attractive, transparent, honest company and so would prefer them to a competitor. This would result in greatly increased sales".</p>