

No part of the candidate's evidence in this exemplar material may be presented in an external assessment for the purpose of gaining an NZQA qualification or award.

SUPERVISOR'S USE ONLY

2

90845



Draw a cross through the box (X) if you have NOT written in this booklet

☐

+



Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 2 Business Studies 2024

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

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 parts of the task in this booklet.

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.

Do not write in the margins (// // // //). This area will be cut off when the booklet is marked.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

Achievement

TOTAL 03

TASK

This task has four parts, (a) to (d). Use the background information below, together with Resources A to D and your business knowledge, to complete this task. You may integrate any relevant Māori business concepts into your answers.

Background information

CeeGee's is a clothing store located in a city in the North Island which caters for 30- to 50-year-old professionals who work in the central business district. *CeeGee's* stocks a range of men's and women's business suits, shirts, and ties, which are made overseas and imported into New Zealand by sea freight. The suits are a common international design that can be found in many other countries.

The retail clothing industry is a competitive market with businesses experiencing declining sales, increasing rents, and increasing overseas resource costs, such as materials.

RESOURCE A: Consumer behaviour – Changes in retail since COVID-19

The streets were empty, as retailers flipped their open signs to closed on March 25, 2020.



the way customers are now shopping," says Greg Harford, chief executive of Retail NZ.

Source (adapted) and image: <https://www.stuff.co.nz/business/128082143/ghost-towns-closed-shops-and-online-shopping-boom-how-retail-has-changed-since-the-pandemic-began>



It has been two years since the pandemic began in New Zealand, and retail has completely changed.

Ryan Anderson/Stuff

RESOURCE B: Showrooming and changes in consumer behaviour

Showrooming is the practice of visiting physical retail stores to research merchandise

competitive prices offered for the same products compared with traditional retailers.

Source: <https://www.investopedia.com/terms/s/showrooming.asp#:~:text=The%20term%20showrooming%20refers%20to,online%20for%20a%20lower%20price>

RESOURCE C: New store closures – High-end fashion store closes its doors

A high-end fashion store closed its doors for good on Tuesday, tipped into receivership on

two years because they haven't done their research."

Source (adapted): www.nzherald.co.nz/business/topshop-closes-its-doors-days-early-after-selling-out-of-stock/UT3HAW3OWPPBMID4O7SQ76U3B4/

RESOURCE D: A business expansion opportunity?

As part of *CeeGee's* growth strategy, Carl, the store owner, and his investment partners are looking to expand the *CeeGee's* brand into other parts of New Zealand. An exciting, but urgent, opportunity to take over an existing lease in the South Island has presented itself, due to a store closure. They believe there will be significant customer growth, as more professionals are relocating from the North Island to find cheaper housing. Despite having limited knowledge of the South Island's retail market and no established presence, Carl believes that if the new store is operated in a similar manner to the North Island store, it will be a success.

Using the background information, Resources A and B on pages 2 and 3, and your business knowledge, answer the following questions.

- (a) (i) Why could changes in consumer behaviour be a threat to CeeGee's economic sustainability?

The change in customer behaviour is that more customers are buying products from online. This could be a threat to CeeGee's economic sustainability because people are likely to ~~buy products from CeeGee's store~~ buy from an online retailer at a cheaper price. This threatens CeeGee's economic sustainability because all of their customers are going to online retailers rather than buying from CeeGee's. This negatively impacts CeeGee's because a loss in customers and sales means that they will have a small ~~profit~~ amount of profit. This low profit margin puts CeeGee's at risk of the increasing rent prices and materials overseas resource prices. Therefore CeeGee's could not operate as normal because they would be economically unstable. If this continued, CeeGee's could run out of money to buy resources to make products ~~and~~ to sell ~~them~~ which would cause ~~them~~ CeeGee's to go bankrupt.

- (ii) How could showrooming provide an opportunity for CeeGee's to develop its brand?

Showrooming can give CeeGee's the ~~opportunity~~ opportunity to develop their brand by advertising their ~~suits~~ suits international design. Since CeeGee's suits are made from overseas ~~materials~~, CeeGee's has the opportunity to fill a gap in the market. Showrooming will allow CeeGee's to ~~advertise their international styled suits~~ to customers customers to try on ~~the~~ and inspect the international style of suits. This allows CeeGee's to display to customers the ~~uniqueness of their products~~ their different designs to customers which will set them apart from online competitors. Moreover, the advertisement of CeeGee's unique suits allows them to expand their brand as ~~a~~ more unique ~~and~~ than other retailers.

- (b) (i) Identify and explain TWO solutions CeeGee's could implement in response to the changes in consumer behaviour in the retail industry.

1). CeeGee's can create an online store in which they can sell and advertise their suits to online customers. This will allow CeeGee's to advertise their store and products online.

2). CeeGee's could implement a delivery system so that customers that want ~~to visit their store~~ can still be satisfied. Customers that have their products delivered online will ~~be~~ still be satisfied.

- (ii) How could EACH solution address the changes in consumer behaviour in the retail industry?

1). By creating an online store, CeeGee's will be able to reach out to ~~online shoppers~~ and advertise their brand to online shoppers. This addresses the change in consumer behaviour because it allows CeeGee's to have an online presence.

2). By implementing a delivery system, CeeGee's will be able to satisfy online ~~customers~~ customers that ~~like~~ like their products delivered to them. This will address the change in consumer behaviour because customers will still be able to not leave their home when ~~receiving their products~~ buying products from stores.

(iii) Justify, with TWO reasons, which solution would be more successful than the other.

Creating an online store would be better than implementing a delivery system because:

1) It allows customers to shop without leaving their homes. Many customers will choose not to leave their homes when shopping and having an online shop will allow them to stay at home and shop. However, if a delivery system was in place, customers would still have to leave their homes when shopping which may not work for some online shoppers.

2) Having an online store will meet all the demands of online shoppers. For example, ~~it~~ with an online shop can have a "click and collect" option. ~~and this can~~ By meeting all the needs of an online shopper, Leebee's will become more appealing to a wider range of customers which ~~the~~ will cause an increase in sales.

Using the background information, Resources C and D on page 3, and your business knowledge, answer the following questions.

- (c) (i) Explain TWO reasons why opening a new store in the South Island may prove to be unsuccessful as a growth strategy for CeeGee's.

1) Carl, the store owner, has limited knowledge on the South Islands market. Therefore opening a new store there is risky because ~~Carl~~ Carl doesn't know ~~the market~~ ^{what} the demand ~~for suits~~ what the demand is for suits in the South Island. Therefore, if there is no demand for suits in the South Island and they open a store, the number of sales may not be enough for CeeGee's to keep the store open.

2) Shoppers in the South Island didn't buy from the previous fashion store because it was too expensive. Therefore if CeeGee's opens a store in that location, shoppers may not buy from CeeGee's because they sell expensive suits. Therefore sales ~~may not be~~ ^{there} may not be enough sales to keep the store open.

(ii) How could an **ineffective** growth strategy impact CeeGee's economic sustainability?

An ineffective growth strategy, such as opening a store in the south island ~~where~~ that attracts no sales will cause CeeGee's to lose money. This will affect their economic sustainability.

For example, if CeeGee's did decide to open a store in the south island, sales may not come easily as ~~demand~~ the lack of demand and high prices may cause people not to buy from them. Therefore, if the store isn't making any money, CeeGee's will lose money if they try to keep it open as they would have to spend spare money from the other store. Therefore, it could ~~also~~ cause CeeGee's to become economically unstable and cause their stores to close down.

- (d) (i) Identify and explain TWO solutions that CeeGee's could implement to enable it to operate successfully in the South Island.

1) They could lower the price of their products to make their products more appealing to ~~the~~ people with less money, which can cause an increase in sales.

2) Researching the demand of different clothing items in the South Island to ensure that when they open their store, people will want to buy their products.

- (ii) How could EACH solution ensure that opening a new store in the South Island is a success?

1) lowering the price^{of high quality products} makes people more interested in ~~the~~ them. This could influence people to buy from CeeGee's even if the demand for the products is low to begin with.

2) Researching the demand for products before setting up a store will ensure that the demand for the products being sold in the store is high. This will lead to a high number of sales.

- (iii) Justify, with TWO reasons, which solution is likely to be more effective to implement than the other.

~~Research~~ Researching the demand of products in the south island before setting up the store is better than lowering the product price because

1) It won't cause the business to lose money. If CeeGee's were to lower the price of their products, it would mean that they would make less ~~profit~~ profit per sale. However researching the market won't have an effect on CeeGee's profit, because ~~CeeGee's will know~~ Researching the market before selling anything will ensure that the products being sold ~~with~~ sold can be sold ~~at a relatively high price~~ since there is a high demand for them. ~~This increases CeeGee's profit margin.~~

2) ~~Research~~ Researching the demand for products means that ~~then~~ CeeGee's can fill a place in the market and sell their products at a high ~~the~~ price. ~~Figuring out~~ Figuring out high demand products means that customers are likely to buy the product because of the demand. Therefore if CeeGee's researches high demanded products, they will be able to sell them at a ~~relatively~~ relatively high price, which increases CeeGee's profit margin.

Achievement

Subject: Business Studies

Standard: 90845

Total score: 03

Task	Grade score	Marker commentary
One	A3	The candidate provided all four of the solutions required, although one of them was weaker than the others. They explained, simply, each of the solutions. All questions were attempted, and the response demonstrated a basic understanding of how the business and other businesses have been impacted by Covid 19 and the move to shopping online. Their understanding and application of showrooming was poor.