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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.

Excellence

TOTAL 07

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TASK

This task has four parts, (a) to (d). Use the information in the boxes below, the additional information from Resources A to D (right), and your business knowledge, to complete each part. 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 that 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 INDEX

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

The streets were empty, as retailers flipped their

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.

RESOURCE B: Showrooming and changes in consumer behaviour

Showrooming is the practice of visiting physical



traditional retailers.

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

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

A high-end fashion store closed its doors for



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

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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.

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

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

B *I* U

Changes in consumer behaviour like increasing online sales and more frequent showrooming could be a threat to CeeGee's economic sustainability as now, more people are going to other online retailers for the products they want to purchase. As mentioned about how showrooming has become more frequent, and more so with higher priced items, CeeGee's products that cater to the ages of 30-50 years old means that these consumers would likely be earning relatively more than other adults. This leads to them potentially being the ideal customer for CeeGee's products, however, as these consumers go and inspect the products for themselves, they then often would look up online for the same product from a different online retailer, resulting in them purchasing online for likely a cheaper price than the price in CeeGee's. This is a threat to CeeGee's economic sustainability as their sales will likely decrease and continue to decrease as more and more people turn to online shopping. This as a result will lead to less revenue and likely less profit each week, month, and year. In the long term, this decrease in sales will mean less variety of products to sell as they wouldn't have the funds, ultimately hurting the business economically in the long term.

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

B *I* U

Showrooming could provide an opportunity for CeeGee's to develop its brand if they focus more of their financial resources on developing a good website and lowering the prices of their products to the cheapest on the online market, but still gaining maximal profit from their products. As showrooming allows for consumers to inspect particularly higher priced items like business suits, shirts, and ties, these being products that CeeGee's sell, by being the best online retailer in terms of the prices of their products, and in conjunction with the recent increase of online shopping with smartphones and mobile devices, this would mean that CeeGee's would have the opportunity to greatly develop its brand as by having that online presence of being the cheapest online retailer, CeeGee's would ultimately be able to make more profit in the long term as their total sales would likely increase, therefore leading to more total consumers and having more publicity as a brand since more people would have purchased from them, and also more people would simply know about their brand.

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

B *I* U

As mentioned earlier, the first potential solution CeeGee's could implement in response to the changes in consumer behaviour in the retail industry could be to focus their financial resources on developing an effective website and also lowering the prices of their products to then become the cheapest online retailer on the online market. By developing their online presence and becoming the most trusted online retailer and "best" in terms of prices from a consumers perspective, CeeGee's would ultimately be more likely to generate revenue through increased sales as more members of the public who are interested in the products CeeGee's sell, even if they live far from their shop like in the South Island, these consumers would be more inclined to save money and purchase through the cheapest online retailer, in this case being CeeGee's, than spending much more at a local, traditional retailer.

Another solution CeeGee's could implement in response to the changes in consumer behaviour in the retail industry could be to decrease the variety of products they provide, and then focussing on selling the products that are more unique, or in other words the products that less, or even no other online retailers provide. Particularly due to the fact the consumers will nearly always nowadays look up online the price of the product they're wanting to purchase, if CeeGee's focussed on selling these products that less and then focussing on selling the products that are more unique, or in other words the products that less, or even no other online retailers provide. Particularly due to the fact the consumers will nearly always nowadays look up online the price of the product they're wanting to purchase, if CeeGee's focussed on selling these products that less businesses provide, it will further enable them to develop their brand as their will be less competition or potentially even no competition with other business in the products they sell, therefore meaning they will always be able to set the price for these products as there is no one else to compete with in the online market as they'll be the only provider.

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

B *I* U     

The first solution of focussing their financial resources on developing an effective website and also lowering the prices of their products to then become the cheapest online retailer on the online market would address the changes in consumer behaviour in the retail industry because it would help CeeGee's adapt to this increase in online shopping with this rise in technology usage. As now more and more consumers are going to online shopping, by enabling customers to access your business and brand through an online source, rather than only in store, the changes in consumer behaviour would now have been catered for as CeeGee's would now have a much more developed online presence, leading to more publicity, and now likely more customers.

The second solution of decreasing the variety of products they provide, and then focussing on selling the products that less other online retailers provide for cheaper prices would address the changes in consumer behaviour in the retail industry because it would mean that when a consumer finds a product they would like to purchase, the first they'd do would be to search that product up online and find out how much it would cost from other online retailers. With this large surge in technology and online shopping, the products that CeeGee's could provide, these being the more unique products that have less competition, consumers who find a product they like and then search it up would then find themselves with limited online retailers to purchase it from. When these products happen to be the same products that CeeGee's sell, they will nearly always be the cheapest provider of these products, meaning the consumer would much more likely purchase online from their business, therefore addressing the recent changes in consumer behaviour.

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

B *I* U     

The first solution of focussing their financial resources on developing an effective website and also lowering the prices of their products to then become the cheapest online retailer on the online market would likely be more successful for the business than the second solution of limiting their products and selling them for less. The first reason is because it would likely be a much more economically sustainable approach in the long term as with the current rise of technology in usage of smartphones and other mobile devices, and recent surging increase in online shopping, by focussing their resources on the implementation of the solution of developing an easy to use, effective website, it would very much be a great way to adapt to these changes in consumer behaviour as their online presence and publicity as a business and a brand would increase as more consumers from around the country would be able to access the products that CeeGee's sell. This eased ability to access CeeGees' products would ultimately help the business particularly in the long term as an increasingly amount of new customers would appear each year as more and more people purchase and speak of the business, resulting in a consistent increase in sales, enabling CeeGee's to be more financially and economically stable, whilst developing their business whether that's expanding their location and being able to stock more items, or widening the variety of products they sell, appealing to an even wider target market than before.

The second reason why the first solution of focussing their financial resources on developing an effective website and also lowering the prices of their products to then become the cheapest online retailer on the online market would likely be more successful for the business than the second solution of limiting their products and selling them for less is because of its adaptation to the modern world and being a valid method in approach to the potential changes in the future. Particularly in the past 4 or so years, the world has seen one of the fastest changes in types of technology ever with many new devices, apps, and resources being invented that are changing the lives of people in modern society. Especially since the Covid outbreak, by CeeGee's developing a good effective website that is adapted to the trends and actions of the people from their ideal target market, it would enable them as a business to cater to the needs of the modern world, whilst also setting a solid base and structure to future develop to the technological changes that are likely to come several years from now. By doing this, it would greatly help CeeGees' confidence in being a financially stable business moving forward as they won't have that fear of losing customers that would lead to decreasing sales since they would be able to more confidently make decisions, ultimately resulting in a more stable rate of sales, enabling them to generate more profit now, and most importantly, be able to adapt to the changes that technology presents as they continue to develop as a business.

Using the background information, Resources C and D, and your own 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.

B *I* U

The first reason why opening a new store in the South Island may prove to be unsuccessful as a growth strategy for CeeGee's is simply because Carl and his investment partners that are part of CeeGee's growth strategy have limited knowledge of the South Island's retail market and them as a business having no established presence as mentioned in Resource D. Assuming their current store in the North Island has existed for at least several years, the business has had time to establish its presence in that part of New Zealand and the residents around there would know about the store and likely be the ones purchasing from it. However, by opening up a new store in the South Island, the new costs that present like rent and wages would be very high risk as the people residing down there have no knowledge of the business and could ultimately lead to them closing down relatively soon just like the high-end fashion store mentioned in Resource C.

The second reason why opening a new store in the South Island may prove to be unsuccessful as a growth strategy for CeeGee's is that it doesn't adapt to the current trends and changes that are happening among consumers. As mentioned in Resource C, many shoppers seem to wander by stores without paying any attention to what they sell, or even when they do, it's often too expensive. With this knowledge, expanding their business to the South Island wouldn't be a successful growth strategy as the consumers they would rely on would be passer-bys that walk in and purchase in store, which is becoming increasingly less and less each year.

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

B *I* U

An ineffective growth strategy like expanding to a new unknown location would impact CeeGees' economic sustainability negatively as now, they would have many more new arising costs in running and maintaining this new store. These costs could be employing staff as they now would need the funds to pay them fairly, as well as rent for the location, and providing even more stock to provide to the potential needs of the consumers from the new location. If this growth strategy proves to be unsuccessful, it would ultimately result in hefty costs for CeeGee's, likely decreasing their net profit as a business and potentially would soon lead to wage cutting, increased prices, and even closing down soon after.

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

B *I* U

A solution they could implement to successfully operate in the South Island could be to priorly advertise their opening as a business whether that's online or on billboards as it would help generate some interest to the business and help give CeeGee's a better idea of the market down in the South Island and would allow them to have a more "grand" opening as residents will be excited to see what the new store would have to offer.

Another solution could be to do some prior research on the new location they're expanding to, finding out information like age demographics, and common interests among the residents. This would help CeeGee's as they'd be more prepared in opening their new store since they'd be more prepared in selling adequate products to the needs of the residents.

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

B *I* U     

The solution of advertisement would ensure that the opening of the new store would be a success as they'd be more confident in that they'd have interest in their business when opening and would most likely be able to establish a presence in the community before opening. This would help them make sales early on and set them up well moving forward.

The other solution of doing research on the location would help in a similar way as they'd now be more prepared and be able to provide suitable products to the likely needs of the people residing in this new store location.

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

B *I* U     

The first solution would be more effective than the other because it would initially help boost their presence among this new community and generate more "hype" when they open. This would set them up well for the future as they'd have established their spot among the other shops, being of appeal to the residents of this new location.

Another reason is that the residents of this new location would know about the store before they open, meaning they can anticipate what they might sell and further generate interest in the new shop.

Excellence

Subject: Business Studies

Standard: 90845

Total score: 07

Task	Grade score	Marker commentary
One	E7	The candidate identified and explained in depth two of the four required solutions. Their responses to the earlier parts of the task were in greater detail and demonstrated knowledge of the impacts the solutions would have. Flow-on effects were well analysed and explored. The candidate attempted to explain the two solutions in the later parts of the task, but these were weaker and did not fully explore the impacts their solutions would have.