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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.

Merit

TOTAL 05

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 consumer behaviour change was that more people were shopping online instead of going in store. This can be a threat to CeeGee's economic sustainability as the shipping prices would increase and this would make it harder to keep cheap and affordable prices. It is also causing increase in rent price, a decline in sales and ^{an} overseas resource cost increase. This means that it is harder to make ~~profit~~ sales and make profit which means that this consumer behaviour change is a threat to CeeGee's economic sustainability.

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

Showrooming is when a customer can go into a store to see the item before buying it for a cheaper price online. This benefits the online retailer and the consumer as it allows the item to be cheaper for the consumer and gives them a greater reason to purchase the item. Showrooming could provide an opportunity for CeeGee's to develop its brand as they could open more showroom stores, like the one in South Island, and ~~increase~~ expand their brand. By having multiple showrooms, more customers will inspect the items and increase the chances of sales being made. This will develop their brand and also allow them to grow their name and start a new trend with other companies following their steps, creating competition.

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

Make their company fully online, so no money is wasted on a physical store. They could have a warehouse to store and package everything instead.

Have regular in store sales. ~~that~~ These sales would be for in ~~store~~ store purchases only.

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

By making their company an online shop with no physical store, CeeGees would save money as they would only have to ship products to one location (a warehouse) instead of sending it to multiple stores. This would save them money as they wouldn't need to buy or rent physical stores and the shipping cost would be cheaper. Since the consumer behaviour change is that they prefer to shop online, this helps the company save so much money.

Having regular in store sales would encourage people to go in store instead of online. This could change the consumer behaviour and allow the stores to be busier. This would attract even more customers as a busy store is usually a good store.

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

Turning their business into an online only shop is the best solution out of the two. The ~~first~~ first reason why it is better is that it saves so much more money. Without having to rent or buy a shop or stall, the company could save up so much money. This money could lead to diversification, where they could ~~expand~~ expand the different types of products that they sell. This would not only widen their target market but it will also increase the size of their company and potentially increase sales.

Another reason why it would be more successful is that it matches what the customers want. By meeting the customers needs, they are more likely to buy and look into your product. Since the trend is to shop online, making their main focus an online shop is definitely the smarter move.

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.

One reason that opening a new store in the South Island may be unsuccessful ~~is~~ that they have limited knowledge about the South Island. This means they don't know the customers needs and if they will use shadow roaming like the customers in the North Island. Assuming that customers in the South Island will be the same as the customers in the North Island is why it may be unsuccessful.

Another reason that it might be unsuccessful is that they do not have an established presence in the South Island. This means that not many people know about CeeGees in the South Island which could lead to less or even no customers. ~~and~~ This ~~it~~ would lead to no profit made and ~~price~~ that would prove the new store to be unsuccessful.

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

If opening a store in the South Island turned out to be unsuccessful, it would be an ineffective growth strategy. This would impact CeeGee's economic sustainability as they would lose lots of money. The cost of buying a store and shipping products to the South Island would be too much for it to be successful. ~~This~~ This ineffective growth strategy would cause the company to be in debt and they may even have to close it down to avoid further costs.

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

They could run a survey before they purchase it. This will allow them to research their target audience and make sure they can meet their needs.

They could promote their business in the South Island before purchasing. This would allow people to know their ~~brand~~ brand before they open.

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

By running a survey and finding information of the area and the target audience, CeeGees can gather that information and make sure that the store is in the right location and meet the customers needs. This will increase the chances of success as it allows the company to ~~or~~ meet the consumers needs.

By promoting their business and building up their company name, they can make sure they are known before they open. This will not only guarantee a few sales but it will help keep the company going until it is more popular, therefore making it a success.

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

Doing a survey and researching the area is the more effective solution. This is because it allows the company to ~~can~~ connect with the consumers and find out what their needs are. This can make the customers feel a bond with the company making them more likely to shop there.

The second reason is that researching the area allows the company to find out what's ~~popular~~ popular and needed in that community ~~and~~ so they can act accordingly and meet those needs. It also allows them to advertise the right things so they can attract more consumers.

In conclusion, doing a survey and researching the area is the more effective solution as it allows the company to find the customers needs and allows them to know their area. This makes it easier as they know what to sell and when to sell it.

Merit

Subject: Business Studies

Standard: 90845

Total score: 05

Q	Grade score	Marker commentary
One	M5	This response identified and explained the four solutions required. The candidate also analysed the impact and suggested flow-on effects for the first part of the task. While they attempted to do the same for the second part, their analysis was much weaker and did not include any attempts at addressing the flow-on effects.