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91380



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Mana Tohu Mātauranga o Aotearoa  
New Zealand Qualifications Authority

## Level 3 Business Studies 2024

**91380 Demonstrate understanding of strategic response to external factors by a business that operates in a global context**

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of strategic response to external factors by a business that operates in a global context.	Demonstrate in-depth understanding of strategic response to external factors by a business that operates in a global context.	Demonstrate comprehensive understanding of strategic response to external factors by a business that operates in a global context.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

**There is ONE task in this booklet. You should attempt ALL FOUR parts of the task.**

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.

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**

## Page 1

### TASK

This task has FOUR parts, (a) to (d). Use the background information below, the supplementary information in the other boxes, and your business knowledge to complete this task. You may integrate any relevant Māori business concepts into your answers.

You should read the resource information in ALL of the boxes before beginning the task.

### BACKGROUND INFORMATION

*Neat Sip Botanicals* is located in the Bay of Plenty. Former pasture land has been developed into a garden that exemplifies the botanical story of the product produced, bottled, and served onsite. *Neat Sip Botanicals* have the vision of carefully crafting a botanical spirit in a sustainable and meaningful way.

Following on from the success of international non-alcoholic spirits such as *Seedlip*, *Lyre's*, and *CleanCo*, *Neat Sip Botanicals* have recently created a non-alcoholic spirit range featuring New Zealand native plants such as kawakawa, mānuka, and horopito. Traditionally, these plants were used by Māori for medicinal purposes. These native plants had all been successfully integrated into their existing beverage range, so they see this as a natural progression of their product line.

One of *Neat Sip Botanicals'* objectives is to support the local community. With this in mind, they make sure that they employ staff from within the local community and pay them the living wage. This is important in the small community they are located in, as it is a low-income area. *Neat Sip Botanicals* also donate traditional botanicals to the local marae, where they are used in the traditional manner.

### DEFINITIONS

#### Horopito

#### Kawakawa

#### Mānuka

Source: <https://www.eatnewzealand.nz/food-stories/kai-indigenous-maori-food-ingredients-1#>

You may choose either *Neat Sip Botanicals* or a New Zealand-registered business operating in a global context that you have studied in depth.

- (a) Evaluate a strategic response that the business has implemented, or could implement, to address societal expectations of EITHER cultural OR social sustainability.

- (i) State the strategic response, and explain why this is a business-wide reaction at multiple levels (at least TWO of size, scope, and timeframe).

B I U

Neat Sip Botanicals could hire a cultural advisor as a strategic response, in order to address societal expectations of cultural sustainability. Hiring a cultural advisor would be a business wide reaction on multiple levels. The whole business would be affected by the cultural advisor, including all employees and sectors of the business. The cultural advisor would be there to take groups of employees, teaching them cultural lessons about New Zealand history and Maori culture, and would especially be helping the management team, as well as all the leaders in Neat Sip Botanicals. Similarly, hiring a cultural advisor would not just be a short term option, but they would be part of Neat Sip Botanicals strategic plan going forward. They would not only help the company for a short period, but would be there in order to refresh the employees with cultural advice, as well as help them when they are stuck with what to do. Therefore, this strategic response is a business wide reaction in terms of size (all employees and areas of the business), and timeframe (long-term).

- (ii) Explain one positive impact of the strategic response.

B I U

One positive impact for Neat Sip Botanicals hiring a cultural advisor is that the employees would benefit greatly from learning more about Maori and New Zealand culture. Hiring a cultural advisor would allow the employees of Neat Sip Botanicals to enjoy their work more, as they have better understanding of the culture in the country and area they work in. This knowledge, specifically of Maori culture, would allow better relationships to form between the employees, as well as between the employees and the customers of Neat Sip Botanicals. Therefore, the employees of Neat Sip Botanicals will be more likely to enjoy working at the business, due to their high knowledge of Maori culture, which leads to better relationships built in every area of the business. This would help Neat Sip Botanicals to retain quality employees, as well as being an attracting place to work, which would mean they do not have to spend as much time and money on hiring new employees when needed. Therefore, productivity within the workplace would increase, and this would lead to increased revenue through more products being produced, or decreased expenses as the employees do their jobs faster. This then leads to a higher profit for Neat Sip Botanicals.

- (iii) Explain one negative impact of the strategic response.

B I U

One negative impact of hiring a cultural advisor for Neat Sip Botanicals is that there would be a large extra cost that comes with this. Neat Sip Botanicals would not only need to spend valuable money and time on finding a skilled cultural advisor, but would also need to pay the advisor at least the minimum wage, as they do to all their other employees. As a New Zealand based company, it is likely that Neat Sip Botanicals do not have huge amounts of cash to spend on a response such as this. The two major costs involved in hiring a cultural advisor would increase their expenses by a large amount, which therefore decreases their net profit, not just for the first year when they spend money to find a cultural advisor, but also in the years to come, when they must pay their wages too.

- (iv) Provide a justified conclusion, including any new information, as to the likely success of the strategic response.

B I U

Hiring a cultural advisor is likely to be a successful strategic response for Neat Sip Botanicals to address the societal expectations of cultural sustainability. While it will incur a reasonable cost immediately, as well as in the long term with wages, hiring a cultural advisor would bring long term benefits that far outweigh the costs. With more motivated employees who have better understanding of Maori culture - and therefore better relationships with each other and with customers - Neat Sip Botanicals is in a good place to increase productivity and therefore profit. Furthermore, the use of a cultural advisor would also be beneficial to Neat Sip Botanicals and their relationship with the community. High cultural understanding would put them in a better light as a company, and this would lead potential customers to see them as a trustworthy, high quality brand that they would like to purchase from. It would give Neat Sip Botanicals a point of difference in the market, and therefore, it would likely be a very successful strategic response to hire a cultural advisor.

Following the success of their non-alcoholic spirit range in New Zealand, *Neat Sip Botanicals* has decided to start

non-government agencies such as New Zealand Trade and Enterprise (Te Taurapa Tūhono) and ExportNZ.

Source: <https://www.just-drinks.com/news/us-non-alcoholic-spirits-market-set-to-hit-13m-by-2027-data/?cf-view>

You may choose either *Neat Sip Botanicals* or a New Zealand-registered business operating in a global context that you have studied in depth.

Identify one government or non-government agency that could support the business to enter a new market.

Chosen agency: NZTE (New Zealand Trade and Enterprise)

(b) (i) Explain one advantage of using this agency to understand the new market.

**B** *I* U

NZTE (New Zealand Trade and Enterprise) is a government agency that helps businesses enter new markets, supports new businesses, and offers help to businesses that reach out. One advantage for Neat Sip Botanicals using NZTE is that they will have someone available to help them understand the new market. Instead of attempting to learn about the non-alcoholic spirit market in the USA by themselves, Neat Sip Botanicals can use NZTE to help them gain an understanding of this new market. This will be very beneficial, as they will not need to worry about potentially misunderstanding the market, and will always have someone to consult before making decisions. This will reduce the risk of entering into the new market, and therefore be a very good idea for Neat Sip Botanicals.

(ii) Explain how this advantage could help the business successfully enter the new market.

**B** *I* U

Because Neat Sip Botanicals have the help of NZTE, who they will always be able to ask for advice, this will likely help them successfully enter into the new market in the USA. Entering into any new market is risky, especially if it is overseas and the culture is significantly different to the one the business is used to. The support of NZTE will help Neat Sip Botanicals to reduce that risk significantly, due to their high knowledge of overseas markets. Not only does NZTE know more about the market in the USA than Neat Sip Botanicals does, but they also have a plethora of other advice they will be willing to share with Neat Sip Botanicals. NZTE can share this information, and any cultural advice in regards to entering into the USA market, with Neat Sip Botanicals, putting them in a great position to enter seamlessly into the new market. Their advice will be very beneficial, and may help in the future if Neat Sip Botanicals ever decides to enter into another market. Therefore, having NZTE as a partner to ask for advice when entering into the market in the USA, will likely help Neat Sip Botanicals successfully enter into the new market.

### Non-alcoholic beer, wine, spirits sales surging in US

“Americans embracing alcohol-free options, sales up 31% from year ago.”

all major drinking holidays, especially the 4th of July and year-end celebrations’.

Source: <https://www.foxbusiness.com/markets/wine-spirits-non-alcoholic-beer-sales-surging-us>

In the boxes below, enter the details of a New Zealand-registered business you have studied that is operating in a global context and that has addressed, or could address, an increase in demand when operating in a global market.

**Do not use *Neat Sip Botanicals*.**

Name of New Zealand-registered business:

Icebreaker

Good(s) sold or service(s) provided:

Clothing, mostly made of merino wool.

(c) Evaluate a strategic response that the business has implemented, or could implement, to an increase in demand in global markets due to a change in consumer behaviour.

(i) State the strategic response, and explain why this is a business-wide reaction at multiple levels (at least TWO of size, scope, and timeframe).

**B I U**     

In order to meet increased demand in global markets due to a change in consumer behaviour, Icebreaker could open another new factory in China. At the moment, Icebreaker has one factory in Germany, and one in China, which is cheaper to operate. This strategic response is a business wide reaction on multiple levels. It would involve all employees, as some would be able to move to work in the new factory. Similarly, it would take all of Icebreakers management and leadership team to plan for the opening of this factory, working through all the logistics and finances. This would be a long term reaction for Icebreaker, as the factory would be in place for the foreseeable future, helping to boost Icebreaker's revenue.

(ii) Explain one positive effect the strategic response would have on the business.

**B I U**     

One positive effect the strategic response of opening another new factory in China would have on Icebreaker is that their production capacity would increase. By opening a new factory with all the same production abilities as their other factories, Icebreaker is increasing their ability to produce clothing products by a large amount. This would allow them to send more products to stores for them to sell, and then be purchased by consumers due to the increase in demand in global markets. This would lead to an increase in revenue for Icebreaker, as they will be selling more clothing items than previously, and therefore, this will increase their profitability.



(iii) Explain one negative effect the strategic response would have on the business.

B I U

One negative effect of opening another factory in China is that it would increase Icebreaker's costs. The initial cost of either hiring or purchasing land and a building would be huge, and they would also need equipment and machinery. On top of this, Icebreaker would need to hire many more staff, as well as bring in experienced staff from their other factories to oversee the production process. This would be a long term cost, and since Icebreaker pays their employees a very fair rate, it would not be cheap. These costs, along with any unforeseen expenses that can come with opening a new factory, will increase Icebreaker's expenses, and therefore have a negative effect on their profits.

(iv) Provide a justified conclusion, including any new information, as to the likely success of the strategic response.

B I U

In conclusion, the strategic response of Icebreaker opening another factory in China is likely to be very successful. While it does incur a large initial cost, as well as future costs in the form of more wages, this is likely to be outweighed by their increased ability to produce clothing. Since there is a global increase in demand for their clothing products, they are likely to all sell, and this will generate a profit in the long term (2+ years), due to the large initial cost. This is beneficial to Icebreaker, as they are a company that looks to the future, rather than just the here and now. Furthermore, Icebreaker is a large, global company, that has enough cash to handle these extra costs. It will not affect them too much to open a new factory. Finally, not only will this strategic response help them to meet consumer demands and also be profitable in the long term, but it will put the company in a good light. Icebreaker pays fair wages and supports their employees in many ways, ensuring they do not overwork and that their families are looked after. It is reported that the friends of Icebreaker workers in China are "jealous" of their jobs. By opening another factory in China, Icebreaker opens itself up to supporting another group of Chinese factory workers with a well paying job that is not demanding or unsafe. These responsible actions taken by Icebreaker will put the company in a good light, and increase their brand image, especially in China. Therefore, this is likely to increase the demand for their products, as people in this day and age do not just want the cheapest products, but look for companies that follow socially responsible and acceptable practices. This will increase their sales, and therefore their profits. In summary, this strategic response is very likely to be successful for Icebreaker.

Due to the large increase in demand within the US and the costs associated with exporting, *Neat Sip Botanicals* have decided to expand their operations by producing in the US. They will export the New Zealand native botanicals (kawakawa, mānuka, and horopito), but the non-alcoholic spirit will be produced in the US. This will also allow them to avoid the costs associated with trade barriers when exporting their product range to the US.

You may choose either *Neat Sip Botanicals* or a New Zealand-registered business operating in a global context that you have studied in depth.

(d) (i) Explain one threat that the business may encounter when operating in a new market.

B I U

One threat that Neat Sip Botanicals may encounter when operating in a new market (in the US) is competition from other global and local brands already operating there, which may include Seedlip, Lyre's and CleanCo. This is a very real and potentially dangerous threat that business face when operating in a new market. For Neat Sip Botanicals, these businesses may already be well established, and regular items on customers shopping lists. It will be very hard for Neat Sip Botanicals to enter into the non-alcoholic spirits market when they are a very new brand to the US - it won't be easy to be purchased above the already established brands. Therefore, competition from already established brands is a very real threat to Neat Sip Botanicals when operating in the new market of the US.

- (ii) Explain how this threat could impact the success of the business when trying to establish themselves in the market.

**B** *I* U     

The threat of competition from previously established non-alcoholic spirit brands in the US could impact the success of Neat Sip Botanicals when trying to establish themselves in the market. These companies will limit Neat Sip Botanicals ability to sell their products, as they won't be as well known, and even if people do purchase their drinks, they may prefer to have more familiar tasting products than the distinct New Zealand flavours Neat Sip Botanicals produces. This would impact the revenue that they earn, which would cause a decrease in profits. This means that Neat Sip Botanicals may not be able to keep producing as many, or even any products in the US, as it may not be worth it anymore, due to small sale numbers. The costs of operating in the US may be much higher than the revenue they receive, all due to the established non-alcoholic spirit brands in the US. Without any large marketing campaigns, or huge points of difference in their products, it will be very difficult for Neat Sip Botanicals to enter into the market and be able to compete with these companies. Therefore, this threat could very well impact the success of Neat Sip Botanicals when they try to establish themselves in the US market, potentially stopping them from producing spirits in the US.

## Excellence

**Subject:** Business Studies

**Standard:** 91380

**Total score:** 07

Task	Grade score	Marker commentary
One	E7	<p>The candidate suggested hiring a cultural advisor to meet societal expectations for cultural sustainability. However, the response lacked discussion on size and scope, only mentioning that the timeframe would be long term. There was a clear explanation of the positive and negative impacts of this strategic response.</p> <p>(a)</p>
		<p>The response identified NZTE's knowledge and expertise as beneficial for making informed decisions and reducing business risks (what).</p> <p>(b)</p> <p>The candidate fully explained an advantage of using their chosen agency, including NZTE's cultural understanding of overseas markets minimising risks (what) and providing a foundation for future expansion into other overseas markets, enhancing long-term growth potential (why).</p>
		<p>The response correctly identified opening a new factory in China as a business-wide strategic response, addressing its size (management and leadership involvement), scope (expanding production capacity), and timeframe (long-term investment, with the factory remaining operational for the foreseeable future). Positive and negative impacts of the strategic response were fully explained.</p> <p>(c)</p> <p>In their justified conclusion, the candidate argued that the initial start-up and wage costs would be outweighed by long-term profitability. Icebreaker's strong reputation for ethical business practices, including fair wages and good working conditions, aligns with changing consumer preferences for socially responsible brands. This enhances brand image, driving higher sales and profits (new information).</p>
		<p>The candidate identified the presence of well-established competitors with loyal customer bases as a significant threat (what).</p> <p>Their response fully explained that customers are less likely to purchase unfamiliar products, preferring those they already know and trust (what). This results in restricted sales, reducing revenue and profitability (why). Without strong marketing campaigns and a compelling point of difference, sales may remain low, potentially leading to the company withdrawing from the US market, due to insufficient demand and unsustainable operations (why).</p> <p>(d)</p>