

Assessment Schedule – 2013

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

Evidence Statement

Q 1	Sample answers
(a)	<p><u>Explain ONE long-term consequence for <i>Frozen Clothing Ltd</i> if it remains focused on its traditional retail outlets</u></p> <p>A long-term consequence for <i>Frozen Clothing Ltd</i> would be loss of market share to competitors. This is because <i>Frozen Clothing Ltd</i> will lose customers to competitors who provide an online presence.</p> <p>Traditional retail outlets (shop front), can cost more to operate (due to greater overheads) than an online retail store. In the long term, this could affect <i>Frozen Clothing Ltd's</i> economic sustainability/profits.</p>
(b)	<p><u>Fully explain TWO causes of the sales problem (causes must link to technological developments)</u></p> <p><i>Factors:</i></p> <ul style="list-style-type: none"> • No website to enable customers to buy <i>Frozen Clothing Ltd's</i> clothes online. • No social media presence to build relationships with its online customers. • Overseas competitors have access to newer and better technology. • No smart phone applications to view clothes online. • No online advertising through social media or one-day deal sites. <p><i>Situation:</i></p> <ul style="list-style-type: none"> • <i>Frozen Clothing Ltd</i>, and in particular Bruce Long as the CEO, is still operating in a traditional bricks and mortar retail environment and has not kept pace with changing technology. <p><u>Fully explain how each cause has contributed to the problem</u></p> <p>If <i>Frozen Clothing Ltd</i> continues only to have traditional retail shops, then its sales will decrease. This is because its competitors have an online presence, which they use to sell their clothes (Explained). New Zealand consumers of clothes are choosing to make more of their purchases online (62%). This is partly because consumers are becoming familiar with internet technology. Online purchases can be cheaper (particularly if the product is sourced from overseas). Without a website to sell its clothes online, <i>Frozen Clothing Ltd</i> is not catering to customers' changing needs and wants. Customer loyalty will decline and sales will continue to fall (Fully explained).</p> <p>Having a social media presence such as Twitter, Facebook, or a blog means companies can interact with their online customers and can quickly meet their customers' expectations, which could lead to an increase in sales (Explained). This builds positive relationships with their customers. <i>Frozen Clothing Ltd</i> has no such presence and is failing to interact with this market, and hence is not maximising its sales (Fully explained).</p> <p>Bruce Long originally started <i>Frozen Clothing Ltd</i> as a solid bricks and mortar retail store. Thirty years ago there was no internet, so an online presence was not required (Explained). Businesses operate in a dynamic environment and Bruce has failed to keep <i>Frozen Clothing Ltd</i> up with new technology. As a result, <i>Frozen Clothing Ltd</i> has lost customer loyalty and market share, and sales have been decreasing (Fully explained).</p> <p>Overseas competitors have access to newer and better technology. This allows them to produce clothes more efficiently; they experience lower production costs, and therefore can sell their clothes for a lower price (Explained). Consumers may prefer to buy the cheaper overseas products, so <i>Frozen Clothing Ltd</i> may see a decrease in demand for their products, and therefore lower sales (Fully explained).</p>

(c) Provide TWO solutions to the problem

The better solution must relate to the specific causes discussed in Part (b). TWO appropriate solutions must be explained – a full explanation of how each solution would deal with the causes, and a justification of why one solution is better than the other to solve the problem.

Examples:

- *Frozen Clothing Ltd* needs to investigate setting up a website to sell its clothes online.
- *Frozen Clothing Ltd* needs to engage in social media and set up a Facebook or Twitter page.
- An IT specialist employed specifically for this task may be required.
- *Frozen Clothing Ltd* could outsource production overseas, or invest in new machinery.

Solution 1: If *Frozen Clothing Ltd* sets up a website, this would allow customers to buy clothes online from anywhere in the world and have them conveniently delivered to their home or work (Explained). Customers would find this easier and simpler than having to visit a physical retail outlet and find parking, etc. It may increase sales for *Frozen Clothing Ltd* (Fully explained).

Solution 2: *Frozen Clothing Ltd* needs to change how it approaches its customers, because with new technology the traditional retail clothing shop has become less effective. *Frozen Clothing Ltd* could promote its products through social media. It could set up a Facebook page to promote its website and products to online customers. It could offer internet-only deals to customers who “like” its web-page (Explained). The page could be used for feedback on its products from customers, which would allow *Frozen Clothing Ltd* to be more innovative in its product range and respond more quickly to customer requests (Fully explained).

Solution 3: *Frozen Clothing Ltd* could outsource production overseas, or invest in new machinery. This would enable them to produce more garments in less time, thus increasing productivity and reducing costs (Explained). This means that *Frozen Clothing Ltd* could lower their prices and compete with cheaper overseas products (Fully explained).

Justification

Setting up a website may be the better option than the other solution, because it can have a more significant impact on sales. *Frozen Clothing Ltd* could set up web pages in new markets (Australia), and reach more customers, thus increasing sales. The web page would effectively be its “shop front”, and this could be set up with minimal costs. Using social media will increase dialogue with customers, but may not lead to an increase in sales.

Having a web page would allow *Frozen Clothing Ltd* to effectively compete with its overseas competitors and continue to build the brand, increase sales, and improve profits for the long term, to make *Frozen Clothing Ltd* a financially stronger company (Justified).

Achievement				Achievement with Merit		Achievement with Excellence	
<ul style="list-style-type: none"> Explains long-term consequence. Explains how EACH of TWO factors, issues, or situations contributed to the decrease in sales. Identifies TWO appropriate solutions (to the causes identified). Explains how EACH of TWO solutions will deal with the causes. <p>(Answers will typically state relevant examples, business knowledge, and / or Māori business concepts.)</p>				<ul style="list-style-type: none"> Fully explains how EACH of the TWO factors, issues, or situations contributed to the decrease in sales. Fully explains how EACH of the TWO solutions will deal with the causes. <p>(Answers will typically include relevant examples, business knowledge, and / or Māori business concepts.)</p>		<p>The issue is discussed by:</p> <ul style="list-style-type: none"> fully explaining how EACH of the TWO solutions would deal with the causes <p><i>AND</i></p> <ul style="list-style-type: none"> providing a justification, with TWO reasons, why one solution would be better than the other. <p>(Answers will typically integrate relevant examples, business knowledge, and / or Māori business concepts into explanations.)</p>	
N1	N2	A3	A4	M5	M6	E7	E8
Very little achievement evidence.	Some achievement evidence.	Most achievement evidence.	Nearly all achievement evidence.	Some merit evidence.	Most merit evidence.	All points covered. One part may be weaker.	All points covered.

N0 = No response; no relevant evidence.

Q 2	Sample answers
(a)	<p><u>Explain why <i>Frozen Clothing Ltd</i> shareholders would be interested in the investment decision</u></p> <ul style="list-style-type: none"> • Shareholders are ultimately concerned about a return on their investment. They are concerned whether or not they will still receive a dividend pay-out (share of the profits) at the end of the financial year. • They would be concerned about the amount of money required in the rebuild which could be better spent on other areas of the business. • Shareholders may be concerned that if the store was closed, what that may do to the brand.
(b)	<p><u>Issues that have caused the investment problem</u></p> <p><i>Ongoing cost of having a retail outlet</i> If <i>Frozen Clothing Ltd</i> were to rebuild, it would need to spend income on ongoing costs (expenses) such as wages for the staff, increased insurance premiums from the earthquakes, and higher rates for the council. This will have a negative effect on cash flow (Explained). <i>Frozen Clothing Ltd</i> may be better not to rebuild and instead use the money to focus on online selling, or on improving the retail outlets in other main centres. This would reduce costs in the short term and improve the financial situation in the long term (Fully explained).</p> <p><i>Loss of sales due to customers leaving Christchurch</i> Customers have left Christchurch due to the earthquakes, resulting in reduced income for <i>Frozen Clothing Ltd</i> (Explained). With fewer customers and a lower customer base, there is less chance of improving the financial situation for <i>Frozen Clothing Ltd</i>, and the brand/customer loyalty declines. Long term, <i>Frozen Clothing Ltd</i> may fall into bankruptcy (Fully explained).</p> <p><i>Loss of sales due to customers buying online</i> Mass produced clothes can be made more cheaply overseas. This is because these countries have cheaper resource costs, eg wages. Globalisation has allowed an increased flow of these clothes into New Zealand at lower prices (Explained). <i>Frozen Clothing Ltd</i> cannot compete against these cheaper imported mass produced clothes, as its production costs are higher, eg energy and wages. The higher costs and lower sales have led to a decrease in sales and profits for <i>Frozen Clothing Ltd</i>. It may be better to close the Christchurch retail shop and focus on its other retail stores or an online presence (Fully explained).</p> <p>Others: Loss of sales due to customers in the Christchurch region not having money to spend. Increased costs have already put pressure on the company's margins.</p>
(c)	<p><u>Provide two possible solutions to the problem</u></p> <p>The better solution must relate to the specific causes discussed in Part (b). TWO appropriate solutions must be explained – a full explanation of how each solution would deal with the causes, and a justification of why one solution is better in the short term, and the possible consequences of not using the other solution in the long term.</p> <p>Solution 1: Close the store and abandon the idea of rebuilding.</p> <p>Solution 2: Keep the store open and rebuild.</p> <p>Solution 3: Temporarily close the store and relocate to another store in Christchurch.</p>

Fully Explain how each solution would deal with the causes

Close the store and abandon the idea of rebuilding

By closing the store and not rebuilding, *Frozen Clothing Ltd* would save money from not having to take out a loan (Explained). It would also save the company from paying out wages, insurance, rates, and other ongoing costs of maintaining a retail outlet in Christchurch in the future. This saving could be better spent on creating an online presence or upgrading its other retail outlets to increase its business in the future (Fully explained).

Keep the store open and rebuild

Frozen Clothing Ltd could decide to rebuild and use the chance to upgrade the store to make it more attractive to their consumers. New dressing rooms and display areas could be built, which could increase sales and profits (Explained). By keeping a physical outlet in Christchurch, the business would ensure that its regular customers are looked after, giving them the chance to come in and sample the range, as opposed to buying online. *Frozen Clothing Ltd* could also invest in its sales techniques to develop excellent customer service. This would further improve the brand reputation and customer loyalty in the long run (Fully explained).

Temporarily close the store and relocate to another store in Christchurch

By temporarily moving to a new store in Christchurch, *Frozen Clothing Ltd* would still have a shop-front presence. This would enable *Frozen Clothing Ltd* to maintain sales from existing customers (Explained). *Frozen Clothing Ltd* would be able to keep its business open, thus continuing to service its existing customer base, improving customer loyalty, and enhancing its long-term reputation (Fully explained).

Justify, with reasons, why one solution is better in the short term, and the possible consequences of not using the other solution in the long term

Sample answers:

Solution 1: Close the store and abandon the idea of rebuilding

Frozen Clothing Ltd would save money in the short term and instead use the money to focus on upgrading other stores or using it to develop an effective IT system with an online shopping feature. By not rebuilding, *Frozen Clothing Ltd* could shut the existing store and avoid paying any further wages, insurance, rates, and energy costs. It would also avoid interest charges on a loan. This would be attractive to the shareholders, as profits and dividend pay-outs should increase. However, in the long term, *Frozen Clothing Ltd* may miss out on the extensive rebuild in Christchurch, where the size of the city will actually increase, along with a rise in customers and sales. Brand loyalty may decline, as people will not have a chance to try on the clothes, and see no difference between *Frozen Clothing Ltd* and cheaper online competitors. This may affect the long-term financial performance of the company (Justified).

Solution 2: Keep the store open and rebuild

If *Frozen Clothing Ltd* were to rebuild at the existing site, it would be able to upgrade the store to make it more attractive to its customers. By having a physical presence, *Frozen Clothing Ltd* could provide a customer experience; customers would be able to come in and try on the clothes, which would allow *Frozen Clothing Ltd* to hone its customer service techniques and build customer relationships. This would result in increased sales and profits, and the ability to maintain and improve its customer loyalty. In the long term, the rebuild may mean incurring more debt, and the company would then be forced to keep paying high, ongoing costs such as insurance, power, wages, etc, making it uncompetitive with the cheaper overseas online clothing companies (Justified). It may also mean that *Frozen Clothing Ltd* will lack funds to develop an online presence in the long term (Justified).

Solution 3: Temporarily close the store and relocate to another store in Christchurch

If *Frozen Clothing Ltd* were to temporarily relocate its store, it would be able to maintain sales to its customers. *Frozen Clothing Ltd* could continue to operate its business. Relationships with current suppliers and customers could be maintained, as *Frozen Clothing Ltd* continues to purchase from current suppliers and sell to existing customers. This solution is better in the short term, as it provides *Frozen Clothing Ltd* with revenue. Product lines and existing customer base can be retained. In the long term, this option may mean incurring more debt and paying high ongoing costs, which means that *Frozen Clothing Ltd* will lack funds to develop an online presence (Justified).

Achievement				Achievement with Merit		Achievement with Excellence	
<ul style="list-style-type: none"> Explains why shareholders would be interested in the investment decision. Explains how EACH of TWO issues contributed to the investment problem. Identifies TWO appropriate solutions (to the causes identified). Explains how EACH of TWO solutions will deal with the cause(s). <p>(Answers will typically state relevant examples, business knowledge, and / or Māori business concepts.)</p>				<ul style="list-style-type: none"> Fully explains how EACH of TWO issues contributed to the investment problem. Fully explains how EACH of TWO solutions will deal with the causes. <p>(Answers will typically include relevant examples, business knowledge, and / or Māori business concepts.)</p>		<p>The issue is discussed by:</p> <ul style="list-style-type: none"> fully explaining how EACH of the TWO solutions would deal with the causes <p><i>AND</i></p> <ul style="list-style-type: none"> providing a justification why one solution would be better than the other in the short term, <i>AND</i> a possible consequence of not using the other solution in the long term. <p>(Answers will typically integrate relevant examples, business knowledge, and / or Māori business concepts into explanations.)</p>	
N1	N2	A3	A4	M5	M6	E7	E8
Very little achievement evidence.	Some achievement evidence.	Most achievement evidence.	Nearly all achievement evidence.	Some merit evidence.	Most merit evidence.	All points covered. One part may be weaker.	All points covered.

N0 = No response; no relevant evidence.

Q 3	Sample answers
(a)	<p><u>Fully explain the consequences of keeping Leon employed</u></p> <p>Productivity is the amount of output per unit of input. Leon's productivity will decline, as he is unmotivated and less will be achieved than previously (Explained). <i>Frozen Clothing Ltd's</i> overall output will be affected by Leon's behaviour, and profits could fall in the future (Fully explained).</p> <p>Leon's decline in productivity will influence the other employees, who will need to complete more work to make up for Leon's lack of effort (Explained). Leon is a poor role model, and his behaviour may mean that other employees become demotivated. Profits and sales could fall as a result (Fully explained).</p> <p>Leadership development is stalled at <i>Frozen Clothing Ltd</i> (Explained). Other younger, energetic managers do not get the chance to step up and show their skills. Leon would be unwilling to take on any extra leadership himself, so others in the business also suffer (Fully explained).</p>
(b)	<p><u>Provide two solutions to the problem</u></p> <ul style="list-style-type: none"> • Bruce to hold a meeting with Leon to improve his behaviour. • Leon dismissed from <i>Frozen Clothing Ltd</i> ("golden handshake"). • Leon to train up a replacement. • Relocate Leon to another section of <i>Frozen Clothing Ltd</i>. • Leadership training for Leon. • Incentives for Leon such as shares in the company. <p>Solution 1: As CEO, Bruce will need to schedule a meeting with Leon to discuss his poor work performance. Leon must be made aware of the decline in his motivation and how it is impacting on the other employees at <i>Frozen Clothing Ltd</i> (Explained). Goals could be set and a performance appraisal implemented to review and improve Leon's performance. If Leon does not improve his performance/productivity, then disciplinary action could be taken (Fully explained).</p> <p>Solution 2: Leon to be dismissed immediately from <i>Frozen Clothing Ltd</i>. Leon could be given notice to leave the company, based on his recent declining productivity (Explained). Bruce would need to be careful that he has enough evidence about Leon's poor performance – otherwise, <i>Frozen Clothing Ltd</i> may be taken to the Employment Court for unfair dismissal. If Leon left immediately, another enthusiastic manager could step in and improve the declining productivity at <i>Frozen Clothing Ltd</i> (Fully explained).</p> <p>Solution 3: Leon could be asked to train up another regional manager. This would be part of <i>Frozen Clothing Ltd's</i> succession policy. This would indicate to Leon that the firm is looking to the future, and perhaps to replace him (Explained). This extra responsibility for training may motivate Leon (Fully explained).</p> <p>Solution 4: Leon could be relocated to another section of <i>Frozen Clothing Ltd</i>. This would give Leon the opportunity to focus on something new, and could re-motivate him (Explained). This would provide a leadership path, and allow for leadership development for other employees to move into management (Fully explained).</p> <p><u>Justification, with reasons, why one solution is better than the other</u></p> <p><i>Example:</i></p> <p>Scheduling a meeting would be the best decision to deal with Leon to improve <i>Frozen Clothing Ltd's</i> overall employee culture. Once Leon has been made aware of his declining work performance, and the implementation of a performance appraisal is set in place, he should improve his attitude and behaviour. This should rub off on his employees, who will also become more motivated. This is a better solution than to dismiss Leon immediately, as Leon has been a faithful employee in the past. Bruce may also find it difficult to dismiss his friend when he has been with the company so long. Also, if Leon was to be dismissed, he may choose to take legal action, which may result in <i>Frozen Clothing Ltd</i> being fined for unfair dismissal.</p>

Achievement				Achievement with Merit		Achievement with Excellence	
<ul style="list-style-type: none"> Explains THREE consequences of keeping Leon employed. Identifies TWO appropriate solutions. Explains how EACH of TWO solutions will deal with the cause. <p>(Answers will typically state relevant examples, business knowledge, and / or Māori business concepts.)</p>				<ul style="list-style-type: none"> Fully explains the consequences of keeping Leon employed. Fully explains how EACH of TWO solutions would deal with the cause. <p>(Answers will typically include relevant examples, business knowledge, and / or Māori business concepts.)</p>		<p>The issue is discussed by:</p> <ul style="list-style-type: none"> fully explaining how EACH of TWO solutions would deal with the cause <p><i>AND</i></p> <ul style="list-style-type: none"> providing a justification, with TWO reasons, why one solution is more appropriate. <p>(Answers will typically integrate relevant examples, business knowledge, and / or Māori business concepts into explanations.)</p>	
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Judgement Statement

	Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
Score range	0 – 6	7 – 12	13 – 18	19 – 24