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Level 2 Business Studies 2020

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

9.30 a.m. Friday 4 December 2020
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.

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

TOTAL

ASSESSOR'S USE ONLY

TASK

This task has four parts, (a) to (d). Use the information from Resources A to C, and your business knowledge, to complete each part. You may integrate any relevant Māori concept into your answers.

RESOURCE A: Case study

DEFINITION

A **vegan** is a strict vegetarian who consumes no food that comes from animals (such as meat, eggs, and dairy products) and who chooses not to use animal products (such as leather).

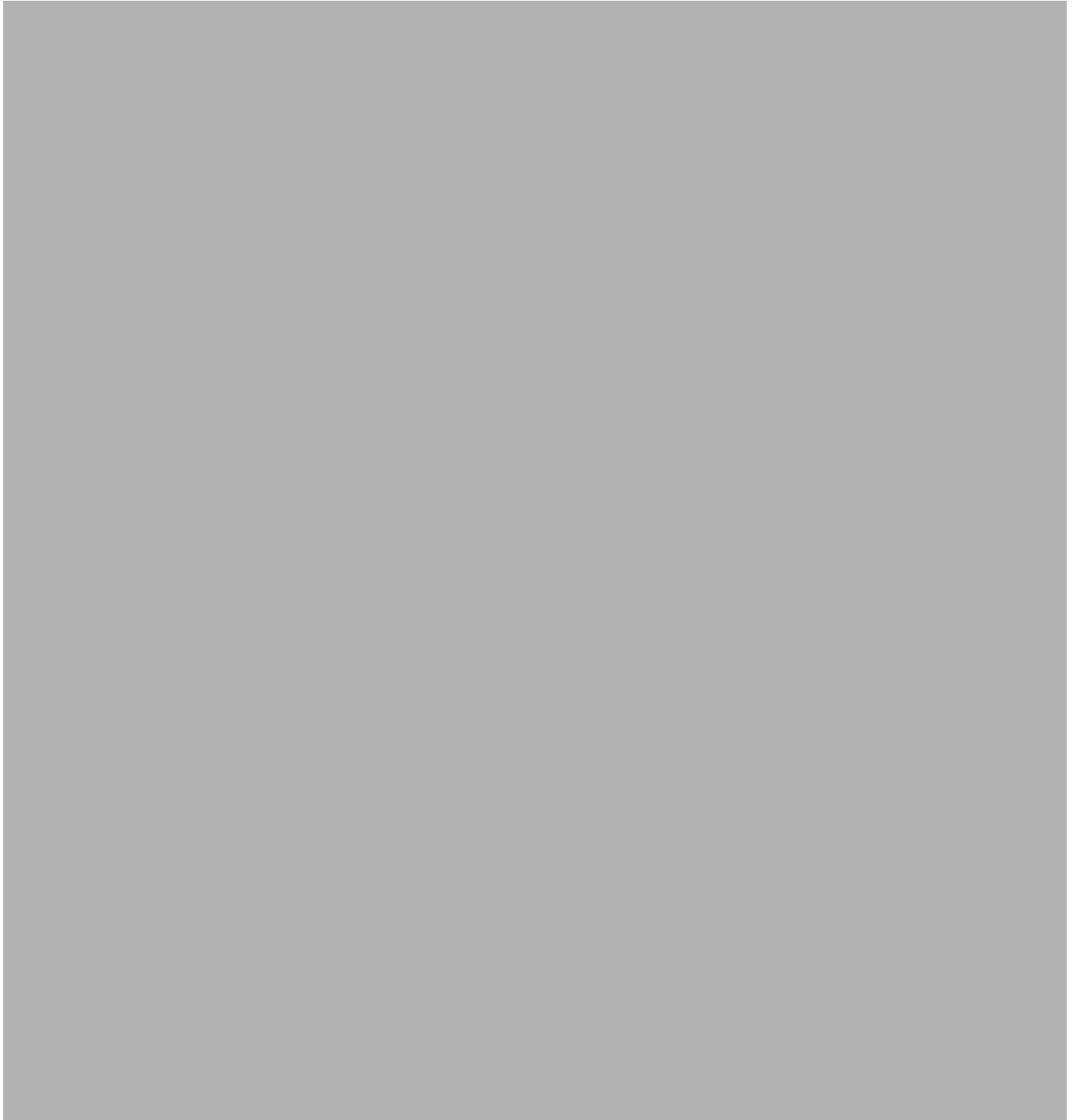
Vegan Power is a Wellington-based company employing 15 full-time staff at its factory and five fixed-term contractors who distribute *Vegan Power* products to fitness and sporting stores throughout New Zealand. The management team are passionate about their innovative line of food products for vegan endurance athletes, but they have limited experience in dealing with changing consumer behaviours – in particular with the impact of social media influencers on purchasing decisions.

Vegan Power began in the early 2010s, after a group of four students took part in a Business Studies course in Years 12 and 13. From the valuable experience and knowledge that they obtained from this programme, as a group they were keen to develop their own product range, including powder shakes, liquid gels, and solids, in a variety of flavours. All members of the group had similar interests in endurance multisport, and were looking for a competitive edge in endurance events lasting more than four hours. In addition, two of the group were keen food technicians (chefs) and had developed a series of food products in their home kitchens that they had trialled in competitive races.

At the time, there was a trend of sports athletes switching to plant-based diets to improve their athletic performance. From market research, the group determined there was a gap in the market for vegan food products for endurance athletes, and began making sample products for their friends who were vegan to test and provide feedback. The key feedback suggested that there was a need for vegan products that were easy to use during both training and races, affordable for middle-income earners and, most importantly, great-tasting and provided nutritional benefits to improve athletic performance during events. Based on this information, the group developed a line of vegan food products to suit this target market and produced a business plan to begin operations. *Vegan Power* as a company was born.

After the launch, the products were developed in a purpose-built commercial kitchen at home and were supplied to potential customers via word of mouth and display stands at endurance events. The business grew rapidly. Based on overwhelming customer demand, and with fitness stores keen to sell the product, the company expanded its operations to a small factory and employed 15 staff. This allowed the company to have sufficient capacity to up-scale and supply a variety of fitness stores in the Wellington region initially, and then across New Zealand. The potential to expand into overseas markets is now being considered by management.

From small beginnings, *Vegan Power* became a household name for endurance athletes who are vegan.

RESOURCE B: Impact of social media influencers on buying decisions

Source: <https://www.invespcro.com/blog/social-media-influencers>

At one of the major endurance events on the multisport calendar, a new vegan product range was introduced to the market by a new competitor, *Real Deal*. The product line was endorsed by social media influencer Regan “The Machine” Forest.

The power of these endorsements had a dramatic negative impact on monthly sales for *Vegan Power*, as customers switched to the *Real Deal* product range. Several fitness stores reduced their orders for *Vegan Power* products, and some chose to no longer stock the *Vegan Power* product range.

Though passionate about their product range, the relatively inexperienced management at *Vegan Power* are unsure how to address the declining monthly sales caused by the sudden dominance of *Real Deal* and the effect of social media influencers. Staff are concerned with the perceived lack of strategy and leadership to combat this threat. With declining sales and sustainability of *Vegan Power*, employee morale has reached an all-time low, with some staff looking for new jobs, in particular with the competitor, *Real Deal*.

- (a) Fully explain TWO ways in which a consumer may obtain information about *Vegan Power's* products, and how this information may influence their decision on whether to make a purchase.

- In your answer:

- explain the TWO strategies
- fully explain how each strategy would address the negative impact of the influencer's endorsement of the new competitor's product on *Vegan Power's* future sales and profits
- justify, with TWO reasons, why one strategy would be more successful than the other.

- In your answer, you should refer to employee motivation and an aspect of business sustainability.

- In your answer:

- explain TWO appropriate solutions
- fully explain how each solution would resolve problems arising from management's limited experience to address the threat of the new competitor
- justify, with TWO reasons, why one solution would be more effective than the other in the short term.

Extra space if required.
Write the question number(s) if applicable.

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