

90845R



Level 2 Business Studies, 2014

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

2.00 pm Tuesday 25 November 2014
Credits: Four

RESOURCE BOOKLET

Refer to this booklet to answer the questions for Business Studies 90845.

Check that this booklet has pages 2–4 in the correct order and that none of these pages is blank.

YOU MAY KEEP THIS BOOKLET AT THE END OF THE EXAMINATION.

RESOURCE A: CASE STUDY – CHIPS2GO

Chips2Go produces potato chips for the New Zealand snack market. *Chips2Go*'s CEO is Charles Crisp, who has consistently shown enterprising behaviour. Crisp is famous for taking risks with his snack flavours, such as "Banana and Sour Cream" and "Chocolate Fudge". Charles makes decisions based on experience and his own judgement, rather than carrying out market research on what customers would prefer. He rarely consults. This approach has frustrated some of *Chips2Go*'s senior managers, who feel left out of the decision-making process.

Chips2Go's value as a company of national importance to New Zealand is closely tied to the personality of Charles. He is very popular among the younger target market. However, *Chips2Go*'s market share (refer to Resource B) has been falling, because of a significant change in buyer behaviour due to increasing consumer awareness of the risks of consuming too much high-fat snack food, and to concerns that businesses should be more socially responsible. *Chips2Go*'s shareholders have asked Charles to follow and respond to global trends, such as consumer awareness and buyer behaviour, more quickly.

One long-term aim for Charles has been the creation of a potato chip with all the taste of regular chips, but with zero fat. However, to Charles's disappointment, the senior production manager has indicated that a zero-fat chip cannot be produced unless new technology is adopted.

Charles contacted *SuperSnax*, a competitor that has developed new technology – yet to be fully tested – to produce zero-fat chips, and proposed a merger, which occurred in 2013. The newly merged company is called *C2G-SuperSnax*. Charles has overall control, but day-to-day operations are carried out by the managers of both companies. Problems soon began to emerge. *SuperSnax*'s organisational culture and decision-making are very different to those of *Chips2Go*. *SuperSnax* prefers to conduct extensive market research, and its managers are always consulted before a final decision is made.

After a huge media campaign, the first zero-fat chips, called "Lite-Delight", were launched in early 2014. Feedback from customers via social media was very positive, and initial sales were impressive. However, one competitor, *Chip Away*, has complained that tests conducted on some packets of Lite-Delight reveal that the chips are not fat-free. *Chip Away* has conducted a social media campaign against *C2G-SuperSnax*, saying that the new snack is not fat-free, and that the "fat-free" claims are therefore unethical. Charles is furious, and has called an emergency meeting of the senior managers to discuss *C2G-SuperSnax*'s response if *Chip Away*'s complaint is found to be valid.

RESOURCE B: ARTICLE FROM SNACK ATTACK MAGAZINE (JANUARY 2013 ISSUE)

Snack producers beware! New global trends are impacting on sales of unhealthy snacks

Market research published today indicates that two of New Zealand's most famous snack producers, *Chips2Go* and *Crunchy Munchy*, are under threat of competition from newer, health-conscious producers. New global trends show that consumers are increasingly moving towards healthy snacks from new start-ups such as *Fat Free*, *SuperSnax*, and *Chip Away*. The two big companies are losing market share. Has Charles Crisp, New Zealand's most famous snack entrepreneur, lost his way?

Snack producer	Age of target market	Market share (%)		
		2011	2012	2013
Chips2Go	16–42	44	36	28
Crunchy Munchy	8–24	21	18	14
Fat Free	16–42	14	21	28
Chip Away	16–64	12	14	18
SuperSnax	40–80	9	11	12

RESOURCE C: COMPANY MEMO

Internal Memo

From: Production Manager of SuperSnax, Peter Tully
To: Production Manager at Chips2Go, Alan Simms
Date: 26 November 2013

Alan,

Some of our production workers are becoming frustrated and confused. Testing on the new "Lite-Delight" zero-fat chip is being delayed because we are waiting for Charles Crisp to visit our research department. We were told that Charles has to approve all new flavours for chips, and time is being wasted.

If we cannot get Charles to visit us, is there somebody else we can contact? We are behind schedule, and may have to launch this product without fully testing it so that we can meet Charles's deadline for release in 2014.

Regards,
 Peter

RESOURCE D: ADVERTISEMENT FOR “LITE-DELIGHT” CHIPS

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See: <http://food52.com/blog/8842-homemade-sweet-potato-chips>*