

90845R



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD
KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

Level 2 Business Studies, 2016

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

2.00 p.m. Friday 25 November 2016
Credits: Four

RESOURCE BOOKLET

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

Check that this booklet has pages 2–3 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 – DT AIRLINES

Encouraged by the success of *Jetstar*, a young entrepreneur, David Tracy, created his own regional airline *DT Airlines*. In 2015, *DT Airlines* had four planes flying from Whanganui to other regions in New Zealand not serviced by *Jetstar* or the other major competitor, *Air New Zealand*. By offering services to regions not covered by its main competitors, *DT Airlines* was able to charge high prices. With oil prices falling and wage costs rising only slowly, profits at *DT Airlines* increased dramatically from 2015 to mid-2016.

DT Airlines' customers can only book flights online. Occasionally, *DT Airlines* will offer special deals. However, the booking system then becomes overloaded and at those times the website often crashes. With rapid changes in technology, David and his senior management team are looking into possible solutions to this issue. Although *DT Airlines* is regarded as an enterprising organisation, David, as CEO, is slow to take up new marketing and technological ideas – for example, *DT Airlines* has no customer loyalty programme, such as Airpoints or FlyBuys. David argues that new ideas need to show real value to customers before *DT Airlines* will invest large capital sums in new online services.

In October 2016, *DT Airlines* suffered a significant issue regarding ethical business practice. Over-booking of flight seats is a common practice for many airlines, as not all passengers turn up on time, or at all. During a recent busy Labour Day holiday, a number of passengers were unable to board their flights, due to over-booking. David responded to media interviews (Resource B), indicating that over-booking was not illegal. He also argued that over-booking was not due to *DT Airlines'* website frequently crashing. He maintained that this was a separate issue, which the company was trying to fix. Some news reports described the practice of over-booking as unethical. He was horrified to read social media comments from frustrated passengers who, despite having valid tickets, had been unable to board their planes. Bookings for *DT Airlines'* services have since fallen.

In November 2016, a further media report announced that given *DT Airlines'* success, a new budget airline called *Econofare* is going to be launched early next year, flying the same routes as *DT Airlines*. All new flight services in New Zealand need government approval, and David was surprised how quickly *Econofare* was able to obtain this. At the media launch, *Econofare's* CEO promised low fares and a more ethical approach to business, including no over-booking of flights. However, one of *Econofare's* first social media messages (Resource C) is, according to David, highly “unethical”. He is furious, and calls a meeting with his senior managers to discuss *DT Airlines'* possible response to this new competitor, who announced that their first flights will be offered in four months' time.

RESOURCE B: NEWSPAPER ARTICLE (EXTRACT)**Passengers left stranded after airline over-books seats**

25 October 2016

Fifteen passengers were left stranded yesterday after they turned up at the *DT Airlines* ticketing desk at Whanganui airport and were told that their flight was full. *DT Airlines* CEO David Tracy tried to calm the angry crowd. He pleaded that given the Labour Weekend holiday is a time when a lot of people travel, demand was unusually strong. In an interview, Mr Tracy argued that over-booking in the airline industry was common practice and not illegal, given that on many flights 5–10 per cent of passengers fail to turn up. He described yesterday as an “unlucky” day for *DT Airlines* and a small group of passengers.

RESOURCE C: SOCIAL MEDIA MESSAGE BY ECONOFARE

10 November, 2016

Welcome to Econofare. We will offer great fares, great service, and new competition on regional routes in New Zealand. We promise not to leave you behind – unlike one of our competitors :) who did on Labour Day.

