Assessment schedule: Economics 90984 “Would You Like Fries with That?” How Production Decisions Are Made at McDonald’s Restaurants (NZ) Ltd

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| Evidence/Judgements for Achievement | Evidence/Judgements for Achievement with Merit | Evidence/Judgements for Achievement with Excellence |
| The student demonstrates understanding of data that relates to producer decisions.The student correctly calculates the percentage change in production, calculates productivity from their input and output data, and presents their data and information clearly; their table is accurately labelled and measures the firm’s productivity using natural, labour or capital inputs. The input and output figures match, either as dollar or number figures. The student explains the consequences for society of the production decisions.The student mentions some of the consequences and gives textbook-type answers for goals and for price and non-price competition, mostly using correct economic language.For example:ProductionThe production of the top 8 burgers increased by 3.62% from 2007 to 2008, and production of the top 8 burgers decreased by -1.98% from 2008 to 2009.Productivity of LabourThe productivity of labour involved in producing the top 8 burgers for 2008 is 47,915,640/8000 (approx.) = 5989.455 per person (annually), or 115.18 per week (approx).If the staff levels remained about the same for 2009, the productivity of labour involved in producing the top 8 burgers would be 5870.64 annually or 112.89 per week approximately. Commercial and non-commercial goalsThe consequences of profit maximisation for some members of society, e.g. franchisees that have to pay fees to the company is that they will look for ways to control/reduce the cost of labour and ways to reduce their other costs of production. Through business expansion, other smaller fast food businesses find it difficult to compete against the many McDonald’s restaurants and their advertising campaigns, or:One of the positive benefits of McDonald’s purchasing off NZ suppliers is the income this provides for other businesses and their employees. Franchising means many local business people run the restaurants, and they help out local junior sports teams, and other community events. Price and non-price strategies to increase sales and market shareThe consequence for some members of society is that they eat more fast food than they should. The value-picks pricing makes it easier for students to afford the products, and the combo deals appeal to many consumers.and/or:The Breakfast menu, M selections range, McCafe, and Lighter choices are designed to attract new consumers who have different tastes and preferences and the income to match. They also cater for more health conscious consumers who will only eat low fat products. and/or:The company uses strategies like sponsorship and branding with trademarks on the names of their products, such as the golden arches and the McDonald’s name. They use locations where there is maximum foot traffic. Packaging is used in attractive eye-catching colours. They used Sarah Ulmer and Hamish Carter to promote their new healthier products and get more consumers to buy their products.The above expected student responses are indicative only and relate to just part of what is required. | The student demonstrates in-depth understanding of data that relates to producer decisions, provides detailed explanations of the producer’s decisions, and uses their data to support their explanations. The student correctly calculates the percentage change in production, calculates and shows changes in productivity from their input and output data, presents their data and information clearly and explains whether this is an improvement or a worsening of productivity. The data in their table is accurately labelled and measures the firm’s productivity using natural, labour or capital inputs. The input and output figures match, either in dollar or number figures. The student explains in detail the consequences for society of the production decisions. The student mentions micro consequences and uses textbook-type answers for goals and for price and non-price competition, using correct economic language.For example:ProductionThe production of the top 8 burgers increased by 3.62% from 2007 to 2008, and production of the top 8 burgers decreased by -1.98% from 2008 to 2009.Productivity of Labour The productivity of labour involved in producing the top 8 burgers for 2008 is 47,915,640/8000 (approx.) = 5989.455 per person (annually), or 115.18 per week (approx).It is likely there were fewer staff employed in 2007, and they have hired more part-time or casual, on-call staff to help with the increase in demand and the increase in production from 2007 to 2008. If the staff levels remained about the same for 2009, the productivity of labour involved in producing the top 8 burgers would have worsened (5870.64 annually or 112.89 per week approx.), so it is most likely fewer part-time and casual, on call staff were used in 2009 to counteract the decline in sales due to a decrease in demand. Commercial and non-commercial goalsThe consequences to some members of society of the focus on profit maximisation; franchisees have to pay fees to the company and so use casual, on-call staff as one way of controlling the cost of labour. Through business expansion (franchising), other smaller takeaway businesses find it difficult to compete against the many McDonald’s restaurants, and their well-resourced advertising and marketing campaigns.One of the positive benefits of McDonald’s purchasing off NZ suppliers is the income this provides for other businesses and their employees. The franchising arrangement means many local business people run the restaurants and help out local junior sports teams and other community events. Price and non-price strategies to increase sales and market shareThe consequence for some members of society is that they eat more fast food than they should or they make poor food choices. The value-picks pricing makes it easier for students to afford the products, and the combo deals appeal to many consumers.The product variation (Breakfast menu, M selections range, McCafe, and Lighter choices) is designed to attract new consumers who have different tastes and preferences and the income to match. It also attracts the more health conscious consumers who will only eat low fat products.The product differentiation strategies like sponsorship are widely used by this company, and branding is huge with trademarks on the names of their products. They use locations where there is maximum foot traffic, like mall food courts, beside service stations, and in central city sites. Packaging is used in the most attractive eye-catching colours and adapted to the products they sell. They use paper, light card, and most of the materials can be recycled. They have promotions and deals with other businesses that offer McDonald’s vouchers or coupons. Advertising and marketing is huge. They used NZ sportspeople such as Sarah Ulmer and Hamish Carter to promote the Salads Plus and Lighter Choices.The above expected student responses are indicative only and relate to just part of what is required.  | The student demonstrates comprehensive understanding of data that relates to producer decisions, provides detailed explanations of the producer’s decisions, and integrates the data into detailed explanations of the producer’s decisions.All the explanations are integrated by being linked to the information. Not all this information need be quantitative. Some of the information may be qualitative, and either type can be used as a means of linking supporting data or information to the explanations of producer decisions.The student correctly calculates the percentage change in production, calculates and shows changes in productivity from their input and output data, presents their data and information clearly and explains whether this is an improvement or a worsening of productivity. The student uses supporting data or information to justify the explanations of production decisions in a cohesive manner. The data is accurately labelled and measures the firm’s productivity using natural, labour or capital inputs. The student explains in detail the consequences for society of the production decisions and integrates their explanations of the consequences for society with their explanations of production decisions. The student mentions micro consequences and uses textbook-type answers for goals and for price and non-price competition, and also gives a macro view of consequences, using appropriate economic language.The student provides a valid explanation of the payoffs and motives for McDonald’s non-commercial goals, how these have affected producer decisions, and their impact on productivity. The student also provides an explanation of McDonald’s non-price marketing strategies, linking these production decisions to the consequences for society and vice versa, for example; the effect of unhealthy eating on society also impacts on producers as shown by the decision to expand their product range with healthier menu options.For example:ProductionThe production of the top 8 burgers increased by 3.62% from 2007 to 2008, and production of the top 8 burgers decreased by -1.98% from 2008 to 2009. The increase in production from 2007 to 2008 is likely due to the NZ economy being in a healthier business cycle stage, and more disposable income could be spent on fast food. It is perhaps also due to a successful marketing campaign, but towards the end of 2008 and through 2009, the NZ economy was in a recession, so less disposable income was spent on fast food resulting in the negative figure or decreased production between 2008 and 2009.Productivity of Labour The productivity of labour involved in producing the top 8 burgers for 2008 is 47,915,640/8000 (approx.) = 5989.455 per person (annually), or 115.18 per week (approx).It is likely there were fewer staff employed in 2007, and they have hired more part-time or casual, on-call staff to help with the increase in demand from consumers that led to the increase in production from 2007 to 2008. The decision to use casual, on-call staff means that they do not have to carry the cost of labour during the quiet times and only use extra staff for the busy shifts. Time management strategies used in the production process like the cooking times (36 seconds for a regular patty and a minimum of 101 seconds for a Quarter Pounder patty) and assembling of each product are also closely monitored to maximise efficiency, and cover health issues.*If the staff levels remained about the same for 2009, the productivity of labour involved in producing the top 8 burgers would have worsened (5870.64 annually or 112.89 per week approx.), so it is most likely fewer part-time and casual, on-call staff were used in 2009 to counteract the decline in sales due to a decrease in demand, which was due to reduced disposable income.* Commercial and non-commercial goalsGoals are profit maximisation, sales maximisation, increased market share of the takeaways industry, and business expansion through selling more franchises. The consequences to some members of society are the focus on profit maximisation and the job uncertainty this creates; and the lack of set hours of employment. Hence personal income levels will fluctuate because franchisees have to pay fees to the company and so have to focus on profit margins. Other smaller takeaway businesses find it difficult to compete against the many McDonald’s restaurants that spring up everywhere, with their well-resourced advertising and marketing campaigns. Some of the non-commercial goals are corporate responsibility (purchasing from mainly NZ suppliers). Community goals include helping to set up the Ronald McDonald House charities, supporting Variety-The children’s Charity; Al Dunn-AUT Northland Scholarships; Radio Network special Christmas parties; Olympic Games, and junior sport. Environmental goals include the 3Rs-reduce, re-use, and recycle and supporting Clean up NZ week, And One of the positive benefits of McDonald’s purchasing off NZ suppliers is the income this provides for other businesses in the NZ economy and for the consumers who work in these businesses.The franchising arrangement means many local business people run the restaurants and help out local junior sports teams and at other community events. The AUT scholarships assist Māori from Northland to attain tertiary qualifications. The special Christmas parties are for disadvantaged and disabled children around NZ. The environmental goals encourage reducing waste and support the clean up of NZ campaign in September every year.Price and non-price strategies to increase sales and market shareThe pricing strategies include value picks – 6 items under $3 each, and combo deals. Non-price strategies include product variation (actual different products) including a Breakfast menu, M selections range, and McCafe to appeal to different tastes and preferences and income brackets, and lighter choices to try to capture the more health conscious consumers. Non-price strategies also include product differentiation (products that appear different) including community sponsorship, branding, promotions, location, packaging, advertising, service, and more innovative ones like buying a Happy Meal which includes a free toy, catering for children’s birthday parties, and promoting free range eggs being used in Christchurch and Dunedin restaurants. The consequences for some members of society is eating more fast food than they should or making poor food choices (choosing food with little nutritional value). Childhood obesity is a consequence as the value-picks pricing makes it easier for students to afford the products, and the combo deals appeal to many consumers who perceive they are getting more value for money. But for many consumers, McDonald’s provides consistent food items that they like, anywhere in the country, clean premises, and are open very early to very late providing food for many shift workers and party-goers.The above expected student responses are indicative only and relate to just part of what is required. |
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Final grades will be decided using professional judgement based on a holistic examination of the evidence provided against the criteria in the Achievement Standard.