

ECONOMICS ECO1006Y1

INTERNAL ASSESSMENT ACTIVITY

ACHIEVEMENT STANDARD 90984 (VERSION 3) ECONOMICS 1.2

Demonstrate understanding of decisions a producer makes about production

Level 1, Internal assessment

5 credits

STUDENT INSTRUCTIONS

Overview

Achievement Standard 90984 requires you to demonstrate an understanding of decisions a producer makes about production. In particular, it requires you to identify, describe and explain producer decisions and to explain the consequences of these decisions for the producer and society. You must also use data and make reference to specific examples to support your answers.

You will be assessed on the extent to which your answers demonstrate in-depth and comprehensive understanding of production decisions made by McDonald's Restaurants (NZ) Ltd.

Conditions:

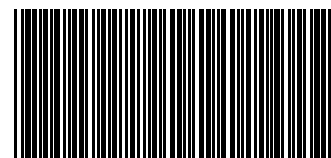
- This is an individual activity. It is 'open book' but the answers must be your own work.
- There is no time limit but it is expected that the tasks should take about five hours to complete.
- Resource materials have been provided to help you complete the tasks in this assessment. You may gather further valid information from other available sources if you choose.
- Plagiarism detection software may be used to check this is your own work.

You will need:

- pen and paper.

Supervisor requirements:

- Supervision is not required for this assessment.
- Upload your assessment to the ECO1006Y1 OTLE assessment dropbox when you have completed it.



ASSESSMENT CRITERIA

ACHIEVEMENT STANDARD 90984 (VERSION 3) ECONOMICS 1.2

Demonstrate understanding of decisions a producer makes about production

| Achievement | Achievement with Merit | Achievement with Excellence |
|---|--|---|
| Demonstrate understanding of decisions a producer makes about production. | Demonstrate in-depth understanding of decisions a producer makes about production. | Demonstrate comprehensive understanding of decisions a producer makes about production. |

SOURCE: NZQA

For **Achievement** you must:

- define, identify, describe or provide an explanation of production decisions
- identify, describe or provide an explanation of consequences of those decisions for the producer and/or society
- present data or information related to producer decisions.

For **Achievement with Merit** you must:

- provide a detailed explanation of production decisions
- provide a detailed explanation of the consequences of those decisions for the producer and/or society
- use data or information to support explanations of producer decisions.

For **Achievement with Excellence** you must:

- link detailed explanations of production decisions with detailed explanations of the consequences for the producer and/or society
- integrate supporting data or information into explanations of producer decisions.

ASSESSMENT RESOURCES

RESOURCE A

WHERE YOUR MONEY REALLY GOES

Nearly 80% of our restaurants in New Zealand are franchised by local business men and women. Of every dollar spent at a McDonald's restaurant in New Zealand, 90–95 cents stays right here in New Zealand.

Across the country, we employ 9,000 staff [in 2012], previously we employed more than 10,000 staff in 2011, up from just over 8,000 in 2008.

McDonald's proudly supports Kiwi farmers, bakers, growers, fisheries and food suppliers. In 2012, we spent more than \$180 million with New Zealand suppliers, in 2011 around \$147 million, and in 2008 this figure was just over \$120 million.

Here's a look at our shopping lists comparing 2009 with 2011 and 2012.

McDonald's sourced the following from New Zealand suppliers:

| Product | 2009 | 2011 | 2012 |
|---------------------------------|--------------------|--------------------|--------------------|
| Beef | 4.7 million kg | 4.8 million kg | 4.8 million kg |
| Chicken | 2.2 million kg | 2.4 million kg | 2.1 million kg |
| Lamb | - | - | 210,000 kg |
| Lettuce | 1.37 million kg | 1.45 million kg | 1.45 million kg |
| Tomatoes | 288,000 kg | 236,700 kg | 249,340 kg |
| Buns, rolls, bagels and muffins | 78 million | 84 million | 87 million |
| Milk | 1.5 million litres | 5.3 million litres | 5.3 million litres |
| Potatoes | 15 million kg | 18.8 million kg | 47.58 million kg |
| Cheese | 1 million kg | 1.3 million kg | 1.26 million kg |
| Eggs | 13 million | 12.8 million | 12.26 million |
| Hoki | 200,000 kg | 328,000 kg | 457,459 kg |

ASSESSMENT RESOURCES

McDonald's unique purchasing system, the relationships we share with our suppliers and consistency of product quality are among our top priorities. Additionally, New Zealand producers exported more than \$306 million worth of food to McDonald's restaurants around the world in 2011, which had increased to \$320 million in 2012, including the following:

| Product | 2011 | 2012 |
|--|----------------|-----------------|
| Cheese to 25 other McDonald's markets (Australia, Asia, South Africa, Middle East and South America) | 7.6 million kg | 10.5 million kg |
| Milk or milk products | 564,000 litres | 765,000 litres |
| French fries to Pacific Islands, the Middle East, South-East Asia and Australia | 20 million kg | 37 million kg |
| New Zealand beef (mostly to North America) | 21 million kg | 37 million kg |
| Chicken to the Pacific Islands | - | 98,000 kg |

<http://mcdonalds.co.nz/about-us/corporate-responsibility>

PRODUCTION FIGURES

Of our eight best selling burgers, we sold these quantities in the corresponding years:

- 2007: 46,241,971
- 2008: 47,915,640
- 2009: 46,965,170
- 2010: 46,002,970
- 2011: 51,302,339
- 2012: 56,332,966

The figures include the following burgers:

- Big Mac
- Cheeseburger
- Hamburger
- Quarter Pounder
- Boss Burger
- Kiwiburger
- McChicken
- Filet-O-Fish
- Serious Lamb Burger
- Chick 'n' Mc Cheese
- BBQ Bacon Cheeseburger

We aren't able to break these down any further unfortunately, as it's commercially sensitive, as well as quite a lengthy and manual process. As mentioned, this is an approximation and doesn't include burgers sold in conjunction with promotions or various other deals.

TIME MANAGEMENT IN PRODUCTION

Cooking

By the time our beef patties reach our restaurants, they have passed through 52 food safety and quality checks! Our beef patties are cooked to perfection in our restaurant kitchens for just the right amount of time – that's a minimum of 36 seconds for a regular patty and a minimum of 101 seconds for a Quarter Pounder patty! We use two-sided hotplates to cook the patties, so no extra fat is added during cooking.

Source: Kim Bartlett, Communications Consultant, McDonald's Restaurants (NZ) Ltd



ISTOCKPHOTO.COM



ISTOCKPHOTO.COM

RESOURCE B

McDonald's corporate responsibility statements about food

OUR FOOD – IT'S ALL ABOUT QUALITY

McDonald's serves a range of high quality foods that can be part of a balanced diet, with accurate and easy to understand nutrition information so our customers make informed menu choices. The wellbeing of our customers is our top priority, and we work with our employees, franchisees and suppliers to serve a balanced array of quality food products, provide a range of menu choices, and provide the information needed to make individual choices.

OUR NUTRITION JOURNEY

McDonald's has built its business by adapting to the changing needs of customers. We have made significant changes to our menu, the ingredients we use and the way we prepare food in our kitchens.

KEY MENU MILESTONES

Some key menu milestones are outlined below. These are just some of the ways McDonald's has evolved its menu to offer a wider range of choices to our customers.

2003

December – Happy Meal options were introduced with additional drink options including milk, water and fruit drink – all at no extra cost to the customer. Cereals were added to the breakfast menu.

2004

February – SaladsPlus menu was launched, offering a range of products each with less than nine grams of fat per average serve.

March – Fruit bags were introduced as an additional Happy Meal option, or as a separate snack item. This gave children even more choice, with two meal options (hamburger, apple bag and water; three McNuggets, apple bag and water) fitting within a third of a child's recommended daily intake for energy, total fat, saturated fat and sugars.

June – McDonald's announced it had changed to using a vegetable cooking oil with less than one per cent trans fat (which had been trialed in New Zealand restaurants since November 2003). This also significantly reduced the saturated fat content in the fries.

2005

May – The DeliChoices menu was launched, adding a range of freshly toasted deli-style rolls, some of which contained less than nine grams of fat per average serve.

2006

April – Sugar levels in burger buns were reduced by around 40 per cent.

November – McDonald’s voluntarily introduced nutrition information on most of its packaging to help customers make informed choices when they visit a restaurant. The labelling incorporates percentage daily intake information, based on Food Standards Australia New Zealand (FSANZ) requirements. Nutrition information was also introduced on the back of traymats. (McDonald’s prints around 15 million traymats each year.)

December – McDonald’s announced another major step forward for the health of New Zealanders with further changes to cooking oil, resulting in a blend that continues to be virtually trans fat free. The December oil change cost McDonald’s around \$1 million, and resulted in a total reduction of more than 725 tonnes of saturated fat or an 83 per cent reduction in saturated fats compared with early 2004.

The Lighter Choices brand was also introduced during 2006 – a range of lower-fat menu items.

2007

February – McDonald’s replaced Sprite® with the sugar free alternative Sprite Zero®. Together with the reduction of sugar in hamburger buns, this has taken more than 300 tonnes of sugar out of our supply chain. Lighter Choices combos were introduced with DeliChoices rolls. These combos have less than 10gms of fat per average serve.

March – McDonald’s launched an online nutrition calculator that includes detailed nutrition information and ingredient listings. McDonald’s launched the Pasta Zoo Happy Meal – a nutritious meal option for children containing less than five grams of saturated fat per serve, and no artificial colours and flavours. Pasta Zoo also fits within a third of a child’s recommended daily intake.

July – McDonald’s Made To Order cooking platform is launched, with food now freshly prepared once the customer has ordered.

November – Coke Zero® is rolled out in 44 restaurants (31 per cent of total restaurants), giving customers increased options for sugar-free drinks. (Restaurants need a certain type of machine to offer all three types of Coke® as well as other drink options. McDonald’s aims to roll out Coke Zero® nationally as restaurants upgrade their machines.) McDonald’s restructured its pricing in 2007 to provide bottled water as part of regular combos at 20 cents less than soft drink alternatives.

2008

February – McDonald’s launches a new ‘cooked in a canola oil blend’ symbol to the packaging of menu items cooked in oil to visually inform customers these products are cooked in a blend of canola and sunflower oil which is virtually trans fat free.

March – McDonald’s celebrates more chicken choices for customers with the introduction of new crispy or seared, 100% chicken breast fillets. The seared option provides a lower-fat alternative to deep fried chicken.

ASSESSMENT RESOURCES

May – McDonald’s announces that all espresso coffee served at McDonald’s and McCafé will be purchased from Rainforest Alliance Certified™ farms. This means that McDonald’s 64 million cups of espresso coffee served each year will be made from coffee beans purchased from farms that have been certified on the basis that beans are grown sustainably, in a way that benefits the farmers and their families’ welfare.

2009

January – McDonald’s includes Pump® Mini New Zealand Spring Water on its rotating Value Picks menu, providing good value to customers choosing water as their beverage option. McDonald’s announces that all filter coffee is also now sourced from Rainforest Alliance Certified™ farms. The switch to certified filter coffee as well as espresso coffee means McDonald’s is now the largest retailer of sustainable coffee in New Zealand, serving around six million cups of coffee per year.

February – McDonald’s launches a new range of DeliChoices chicken wraps, each available with seared chicken (skinless, seared on a hotplate rather than deep fried, lower-fat alternative), premium salad and a soft tortilla. The wraps replace McDonald’s DeliChoices rolls, and two are now included on McDonald’s Lighter Choices menu (Sweet Chilli and Classic, each item contains less than 9 grams of fat per average serve).

June – A nutritious new Happy Meal choice is introduced, the seared Chicken Snack Wrap. On its own, the seared Chicken Snack Wrap contains less than eight grams of fat per average serve and is high in protein. When ordered with Pump mini water and apple slices, the seared Chicken Snack Wrap Happy Meal is a low-fat, high-protein children’s meal option that contains less than a third of the recommended dietary intake (RDI) of energy, total fat, saturated fat and sodium for children aged four to seven years. The seared Chicken Snack Wrap replaces McDonald’s Pasta Zoo option.

2012

August – McDonald’s expands menu with 100% NZ lamb products, following two years of product development endorsed by Beef + Lamb New Zealand as McDonald’s continues to expand the quick service restaurant industry. 160 of McDonald’s restaurants nationwide will offer two lamb products – The Serious Lamb Burger and the Lamb Snack Wrap.

The Serious Lamb burger is McDonald’s largest ever burger featuring a patty of succulent 100% New Zealand lamb seasoned with rosemary, oregano and garlic, plus egg, beetroot, lettuce and creamy aioli on a new five inch wheatgerm bun. As it is McDonald’s biggest burger, it is served in a paper wrap.

The Lamb Snack Wrap includes a half patty of succulent 100% New Zealand lamb, lettuce and creamy aioli, all in a soft tortilla wrap.

McDonalds has also recently introduced the Value Picks and Loose Change Menus with a range of items under \$3 each.

Source: <http://mcdonalds.co.nz/about-us/corporate-responsibility/our-food>

RESOURCE C

MCDONALD'S CORPORATE RESPONSIBILITY STATEMENTS ABOUT THE ENVIRONMENT

ENVIRONMENT: OUR APPROACH

Our approach to the environment is evolving with the changing needs for environmental sensitivity. The 3Rs – reduce, re-use, recycle – have always been a part of our approach to helping the environment but we know there's more to it than that. That's why McDonald's Corporation globally are teaming up with key environmental organisations to integrate environmental sustainability into all our business practices.

ENVIRONMENT: OUR OBJECTIVES

Our key environmental objectives are to:

- make the environment a consideration in everything we do
- provide environmental leadership, training and education for our suppliers
- seek programmes and partnerships that promote positive, environmental outcomes
- ensure that we comply with all environmental laws and regulations
- ensure that all staff are aware of their responsibilities and accountable for their actions
- review and improve our environmental performance.

ENVIRONMENT: OUR ACTIONS

We're committed to making a difference by putting our environmental objectives into action. Our environmental efforts are focused on four key areas where we know we can make the most impact.

ENERGY

We're implementing innovative new strategies to reduce the energy consumption in our restaurants across New Zealand.

Electricity and gas: we're improving energy efficiency by trialling new equipment that uses less energy.

WATER

We're making vital changes to improve our water usage and water waste in all our restaurants.

All our restaurants built since 1999 are fitted with water flow control devices, reducing water consumption.

Water meters to monitor our usage so we can review and improve it.

Grease arresters and additional screens to remove large amounts of grease and solids from entering our waste water.

ASSESSMENT RESOURCES

WASTE

We're taking action to make sure all our materials and products are managed to minimise their environmental impact.

Our cups, burger and salad boxes are recyclable.

We're working towards a compostable and recyclable waste stream.

We're using our packaging, car park signage and restaurant rubbish bins to remind customers not to litter.

SUPPLY CHAIN

We're encouraging and supporting our suppliers to reduce production waste and raw material usage, and to increase the use of recycled and biodegradable materials.

We've integrated environmental performance into supply chain reporting processes.

Our suppliers work actively with us on key environmental projects including waste management and packaging.

ENVIRONMENT: OUR PROGRAMMES

We're involved in corporate environmental sustainability through our involvement in a range of key environmental initiatives and programmes.

NEW ZEALAND PACKAGING ACCORD

McDonald's is a signatory to the New Zealand Packaging Accord, which is a voluntary initiative developed in 2004 to help reduce wasteful packaging. McDonald's focus is around recycling packaging, reducing unnecessary packaging, waste minimisation and litter.

For more information and to view progress reports, visit the Packaging Accord website: http://www.packaging.org.nz/council/council_accord.php

KEEP NEW ZEALAND BEAUTIFUL

McDonald's and Keep New Zealand Beautiful:
<http://mcdonalds.co.nz/about-us/corporate-responsibility>

EARTH HOUR 2009

McDonald's signed up to the first national Earth Hour in New Zealand, which was held on 28 March 2009. Earth Hour aims to raise awareness of climate change issues, and to help play our part, McDonald's restaurants around the country turned off our iconic Golden Arches and unnecessary restaurant lighting for that hour.

Source: <http://mcdonalds.co.nz/about-us/corporate-responsibility/our-environment>

ASSESSMENT ACTIVITY

ECONOMICS

CONTEXT/SETTING

This activity requires you to examine some of the decisions made by McDonald's (the hamburger and fast food producers) on productivity and resource use. It also requires you to examine the consequences of these decisions for McDonald's and society, and to provide data and information to support these explanations.

For this activity you may use data and information provided in Resources A, B and C and/or research and use your own data, which could relate to any local McDonald's restaurant. Sources include:

- customer services phone/fax: 09 5394303
- website: <http://mcdonalds.co.nz>

Other websites you might find useful for further research:

- Food Industry Group-McDonald's Case Study:
www.fig.org.nz/articles-detail.php?acticle_id=24&type=case_studies
- Media page for further articles released by McDonald's:
<http://mcdonalds.co.nz/about-us/media>
- McDonald's expands menu with 100% New Zealand lamb products
www.scoop.co.nz/stories/BU1208/S00433/mcdonalds-expands-menu-with-100-nz-lamb-products.htm

TASK

Create a report that explains how McDonald's manages its factors of production at a national level or at the local restaurant level, linking all explanations to the information you have collected.

Your answers should cover all of the bullet points in Questions 1, 2 and 3:

1. PRODUCTIVITY

McDonald's has made a number of changes to its production processes over the last few years which have resulted in **productivity** changes.

Demonstrate your understanding about **decisions that relate to productivity**. In your answer you should:

- use the space on the next page to create a table of **productivity data** that you will analyse
- identify and describe **changes or trends relating to productivity**
- **explain in detail** the **reasons** for any changes or trends that you identify in productivity, especially those that reflect decisions made by production managers
- **explain in detail** the **effects** of these decisions and changes on McDonald's business and staff
- provide evidence for your answer with data and supporting information.

2. COMMERCIAL GOALS

McDonald's has employed a range of strategies to promote consumption of their products in the New Zealand market, including making changes to their **products and menus**.

Demonstrate a comprehensive understanding of the production decisions made by McDonald's Restaurants by analysing the **effects of these decisions** on **McDonald's**.

In your answer, you should:

- identify and explain **changes in products and menus** used
- **fully explain** the **reasons** for these changes in products and menus used
- **fully explain** the **consequences** for McDonald's that result from these production decisions
- provide **evidence** for your answer with data and supporting information.

ACKNOWLEDGEMENTS

Every effort has been made to acknowledge and contact copyright holders. Te Aho o Te Kura Pounamu apologises for any omissions and welcomes more accurate information.

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Information obtained from McDonald's website, <http://mcdonalds.co.nz/> , accessed 19 April 2013. Extract only.

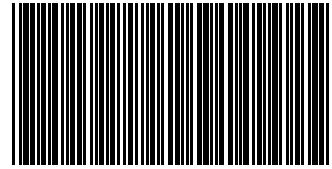
Information on production figures supplied by Kim Bartlett, Communications Consultant, McDonald's Restaurants (NZ) Ltd, 2013.

Photos

istockphoto, McDonalds big mac value meal, 15944875. Editorial use only.

istockphoto, McDonalds happy meal box, 15885103. Editorial use only.

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