GradeMax

Write your name here

Surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Business Studies

International Advanced Level
Unit 3: Strategic Business Decisions

Wednesday 14 January 2015 – Morning
Time: 2 hours

Paper Reference
WBS03/01

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions in Section A and Section B.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question.*
- In your responses, you should take particular care with punctuation and grammar, as well as the clarity of your expression.
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ▶

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SECTION A

Answer ALL the questions in this section.

You should spend 60 minutes on this section.

Evidence A

The anything but ordinary Mr Smith

Paul Smith is the chief executive, principal shareholder and chief designer of the business that bears his name, *Paul Smith Ltd*. It is a global concern, trading in 82 countries, with 537 shops, including franchises. Paul Smith is more than just a fashion designer.

Since his first shop opened in Nottingham in 1970, *Paul Smith Ltd* has expanded to become a good example of British creativity, celebrated for its product design. This includes cars, stationery, textiles, rugs, cameras, and bicycles. The boutique shops, where vintage records and rare books sell alongside stripy socks and pinstriped suits, played a large part in producing sales revenue last year of £179m. As the Design Museum director Deyan Sudjic says, "Paul Smith has become the most successful British designer of the past 50 years."

(Source: adapted from http://howtospendit.ft.com/style/37203-the-anything-but-ordinary-mr-smith)

Evidence B

HELLO MY NAME IS PAUL SMITH

The Design Museum takes you into the world of fashion designer Paul Smith, a world of creation, inspiration, collaboration and beauty.

Celebrating his career to date and exploring future developments, the exhibition shows Paul Smith's influences and fashion designs. It explains the rise of this famous British business, which has become one of the leading fashion brands in the world.

Looking at the impressive scale of the *Paul Smith Ltd* global business operation, the exhibition draws on Paul Smith's personal archive, from the company's beginnings in Nottingham to its international prominence today. The exhibition shows how Paul Smith's thoughtful and creative ideas, together with an understanding of the roles of designer and retailer, have created the basis for the company's lasting success. It offers a unique insight into the magnificent mind of Paul Smith.

(Source: adapted from http://designmuseum.org/exhibitions/2013/paul-smith)

Evidence C

Paul Smith Ltd Business Strategy		
Positioning	**Target**	**Product Categories**
Premium	Men	Accessories
Core Business	Women	Bags
Clothing	Kids	Clothing
		Denim
		Fragrance
		Jewellery
		Shoes
		Swimwear
		Underwear & Lingerie

(Source: adapted from http://fashionbi.com/brands/paul-smith)

Evidence D

Information Pack for Applicants

For the post of Development Supervisor – Men's Shoes

Job Description:

JOB TITLE: Development Supervisor – Men's Shoes

REPORT TO: Design Director

DEPARTMENT: Shoes

1. JOB SUMMARY

To manage all aspects of Men's Shoes development process together with the Design Director and Design Room Manager working closely with the Design Team, the Technical Manager and the Production Department to help ensure a clear flow of information and to ensure that teams are updated on all product-related issues. 5

2. SPECIFIC RESPONSIBILITIES

2.1. Manage the critical path and timelines using a realistic assessment of required development and production lead times to achieve on-time product launches in conjunction with the Designers, Technical, Production and Wholesales Sales teams. 10

(Source: adapted from http://static.paulsmith.co.uk/files/development-supervisor-mens-shoes-5012-5013-1133.pdf)

1 (a) What is meant by the term sales revenue? (Evidence A, line 10)

(2)

(b) What is meant by the term positioning? (Evidence C)

(2)

(Total for Question 1 = 4 marks)

2 Explain how *Paul Smith Ltd* could have used Ansoff's Matrix to help the business increase its sales.

(Total for Question 2 = 6 marks)

3 Analyse the corporate strategy that has led to the success of *Paul Smith Ltd.*

(Total for Question 3 = 8 marks)

4 The job description (Evidence D) lists the management of the critical path as a specific responsibility of the Development Supervisor.

Assess the value of critical path analysis to a business such as *Paul Smith Ltd*.

(Total for Question 4 = 10 marks)

5 **'**Paul Smith is the chief executive, principal shareholder and chief designer of the business that bears his name, *Paul Smith Ltd*.' (Evidence A, lines 1 to 3)

Assess the potential conflict for Paul Smith between his various stakeholder roles.

(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS

SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence E

Paul Smith

Paul Smith Ltd.

Statement of comprehensive income for the year ending 30 June 2012

	2012	2011
	£'000	£'000
Revenue	**178 799**	171 620
Cost of sales	**(79 969)**	(75 927)
Gross profit	**98 830**	95 693
Other operating expenses	**(74 013)**	(68 306)
Operating profit	**24 817**	27 387
Investment revenues/finance income	**484**	437
Finance costs	**(448)**	(442)
Profit on ordinary activities before taxation	**24 853**	27 382
Tax on profit on ordinary activities	**(7 889)**	(9 093)
Profit for the financial year	**16 964**	18 289

(Source: adapted from Paul Smith Limited Annual report and accounts for the year ended 30 June 2012, as filed at Companies House, London)

Evidence F

Paul Smith Ltd.

Directors' report for the year ending 30 June 2012

Principal activities

The company's principal activity during the year was the design, supply, licensing, retail and wholesale of men's and women's clothing.

Results and dividends

The company's profit for the year after tax was £16 964 000 (2011 £18 289 000) Dividends of £4 587 000 have been paid in the year (2011 £309 000).

Review of business and future developments

The directors consider the result for the year to be satisfactory given the continuing challenges posed by the economic climate and the significant investments made by the group during the year. The company continued to grow total sales across the retail, wholesale and licensed businesses.

Wholesale sales increased year on year. The directors recognise the challenges facing many wholesale customers and expect this distribution channel to continue to be challenged in the coming year. The company has relocated to bigger premises in Paris, France, to further strengthen its representation in key European markets. Retail sales increased on a like for like basis.

The company will continue its strategy of shop openings in key markets where appropriate locations can be found. A new flagship shop in Albemarle Street in London will open in the forthcoming financial year.

Licensed income increased during the year with a notable improvement in revenues from Japan following the downturn in sales, which occurred after the tragedy of the earthquake in March 2011.

Following a significant investment in the new Head Office facilities in Nottingham, all office functions are now located on one site. Investment continues to be made on operational and financial systems to improve efficiency. In addition, further investment is planned on our internet infrastructure to support continued growth in sales.

(Source: adapted from Paul Smith Limited Annual report and accounts for the year ended 30 June 2012, as filed at Companies House, London)

Evidence G

***Paul Smith Ltd* plans fresh move into China**

British fashion brand *Paul Smith* plans to open a 5,000 sq ft store in Shanghai as part of its second attempt to succeed in the Chinese market, five years after losses forced it to cease trading in that country in 2007.

Under a new five-year joint venture with Hong Kong-based *ImagineX*, *Paul Smith Ltd* will open 24 stores in the next five years. The first store will open in Tianjin in September 2012. *ImagineX*, a sister company of Hong Kong's *Lane Crawford* department store that specialises in introducing western brands to China, will run the operation as a franchise.

(Source: adapted from http://www.ft.com/cms/s/0/e0f977ee-9dbb-11e1-9a9e-00144feabdc0.html#axzz2lBdFoM4x)

6 Assess the financial performance of *Paul Smith Ltd* from 2011 to 2012. (Evidence E)

(20)

(Total for Question 6 = 20 marks)

7 Evaluate *Paul Smith Ltd*'s growth strategy as described in Evidence F and Evidence G.

(20)

(Total for Question 7 = 20 marks)

TOTAL FOR SECTION B = 40 MARKS
TOTAL FOR PAPER = 80 MARKS

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