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 17 June 2015 – Afternoon
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 questions in this section.

You should spend 60 minutes on this section.

Evidence A

Which? Annual Review 2012/2013



Consumers' Association, trading as *Which?*, publishes magazines and offers consumer services in the UK. Another business within the group is responsible for publishing the magazine *Right Choice* in India.

Which? is completely independent, receives no government funding and does not accept advertising. It carries out charitable work, which is solely funded from its trading activities. Expanding its commercial operations is essential if *Which?* is to increase its activities in benefiting consumers.

(Source: adapted from http://www.staticwhich.co.uk/documents/pdf/annual-report-2012-2013-339801.pdf)

Evidence B

Which? Annual report financials 2009–2010, 25 October 2010

Our mission statement is 'to make individuals as powerful as the organisations they have to deal with in their daily lives'. Our new strategy targets five main objectives for the next five years. Funding this work solely through revenue from our products brings us independence but it also means that we must deliver for our customers. Over the next five years we aim to:

- Achieve positive change for the UK consumer
- Be the trusted voice of UK consumers
- Significantly grow income
- Strengthen the subscription business
- Develop the organisation we need to deliver success.

Peter Vicary-Smith, Chief Executive

(Source: adapted from http://www.staticwhich.co.uk/documents/pdf/annual-report-2009-2010-233892.pdf)

Evidence C

Core business

A key factor in our recent success within our core UK subscription business has been the expansion of products and services offered across a variety of mediums. We have increased the number of specialist magazines, widened our helpdesk services and expanded our online content. Within the last year, we also launched an iPhone app for reviews and our iPad and Android apps allow *Which?* to be read on a tablet.

This wider product offering has proved very popular and subscriptions over the last ten years have increased consistently. By June 2013 subscriptions stood at 1,416,000, that is 34,000 (2.5%) higher than June 2012 and represents a new all-time record. Although revenue growth is extremely important, it is also essential that accompanying costs are kept under control. Delivering on both of these objectives meant that a record £18.4m was donated to the charity.

(Source: adapted from http://www.staticwhich.co.uk/documents/pdf/annual-report-2012-2013-339801.pdf)

Evidence D

New businesses

Our core business has been very strong in recent years, but we know that to make further big steps in expanding our charitable work, we will need to succeed in our new businesses. Therefore in recent years, we have been focused on sectors where we can build on both the expertise developed in our core UK business and the very strong *Which?* brand that we have developed. In India, where we publish the *Right Choice* consumer magazine, 2012/13 was a very encouraging year, delivering an 800% increase in subscribers to close the year on over 24,000.

(Source: adapted from http://www.staticwhich.co.uk/documents/pdf/annual-report-2012-2013-339801.pdf)

Evidence E

Principal risks and uncertainties

The *Which?* brand is our biggest asset and ensuring that it remains strong is critical to our success. Maintaining the reputation of our brand is vital, especially when we enter new markets and sectors. We have a risk team to monitor how the brand is used and tried-and-tested review processes to minimise our risk. We also adopt a robust legal approach to protect our brand where necessary. As the Group generates the majority of its income from subscriptions, it is vulnerable to market changes.

(Source: adapted from http://www.staticwhich.co.uk/documents/pdf/annual-report-financials-2012-2-2013-339757.pdf)

1 (a) What is meant by the term mission statement? (Evidence B, line 1)

(2)

(b) What is meant by the term brand? (Evidence D, line 5)

(2)

(Total for Question 1 = 4 marks)

2 Explain why *Which?* needs to have the strategy outlined in Evidence B.

(Total for Question 2 = 6 marks)

3 Analyse how the launch of *Right Choice* in India might lead to company growth.

(Total for Question 3 = 8 marks)

4 Business growth is a key element of *Which?*'s corporate strategy.

Assess the extent to which technology could help *Which?*'s business growth.

(10)

(Total for Question 4 = 10 marks)

5 Evidence E outlines *Which?*'s awareness of the need for contingency planning.

Assess the importance of contingency planning for a business such as *Which?*.

(12)

(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 F

***Which?* Limited statement of comprehensive income**

	2009/10	2010/11	2011/12	2012/13
	£'000	£'000	£'000	£'000
Revenue	69 879	74 478	78 421	83 660
Cost of sales	(42 481)	(42 164)	(43 463)	(83 806)
Gross profit/(loss)				
Gross profit margin				

***Subscribers in the UK**	1,226,000	1,331,000	1,382,000	1,416,000

*'Subscribers' are customers who purchase *Which?* magazines.

(Source: adapted from *Which?* Financial Statements)

Evidence G



Financial Overview for the year ended 30 June 2012

Achieving growth of the *Right Choice* magazine in India has been difficult. However, a recent change in our marketing approach and focusing our activity in Mumbai has given us hope for the future.

Expenditure

Total expenditure of £77.6 m was £5.5 m higher than 2010/11. This was due to an increase in cost of sales relating to the higher revenue, further investment in new products and services, and building our organisational capability.

During the course of the year we invested £3.9 m in our new businesses. This investment involved further development of our *Right Choice* magazine in India, including the creation of a digital platform. We have also increased the capacity of our mortgage advice business, allowing us to expand the service to a wider audience.

(Source: adapted from http://www.staticwhich.co.uk/documents/pdf/annuar-report-financials-2011-12-307076.pdf)

Evidence H

UK's consumer champion *Which?* announces the arrival of its consumer magazine *Right Choice* in Hyderabad



Reflecting the ethos of its parent organisation, *Right Choice* is designed to be a completely independent and unbiased magazine that is primarily supported by subscription and sales on news stands. When faced with clever advertising and overwhelming choices, *Right Choice* provides consumers with the information to choose better and safer products at competitive rates.

With the Indian market undergoing a significant transformation in the past 15 years, Indian consumers are facing the dilemma of too much choice. Decision making has become a complex process, whether it is buying a brand of masala or buying a car, often leaving the buyer confused.

Every month *Right Choice* conducts independent and rigorous tests on a range of products and services. Televisions, mobile phones, mixer grinders, shampoos and travel sites are all measured against criteria such as durability, energy efficiency and reliability, so that *Right Choice* can bring to the buyers an unbiased guide backed by expert buying advice.

(Source: adapted from http://www.reachouthyderabad.com/newsmaker/hw349.htm)

Evidence I

***Right Choice*'s statement of comprehensive income**

	2009/10	2010/11	2011/12	2012/13
	£'000	£'000	£'000	£'000
Revenue	9	20	17	136
Cost of sales	(1 341)	(1 275)	(1 083)	(2 444)

***Subscribers in India**			3,000	24,000

*'Subscribers' are customers who purchase *Right Choice* magazines.

(Source: adapted from *Which?* Financial Statements)

6 Using Evidence F, evaluate the extent to which profitability can be used to assess the performance of *Which?* between 2009 and 2013.

(20)

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(Total for Question 6 = 20 marks)

7 Evaluate the corporate strategy behind the launch of *Right Choice* onto the market in India.

(20)

(Total for Question 7 = 20 marks)

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

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