GradeMax

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel
International
Advanced Level

Centre Number | Candidate Number

Monday 20 January 2020

Afternoon (Time: 2 hours) | Paper Reference **WBS13/01**

Business

International Advanced Level
Unit 3: Business decisions and strategy

You must have:
Source Booklet (enclosed)

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 Sections A, B and C.
- 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.*
- 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

Read Extracts A – E in the Source Booklet before answering Question 1.

1 (a) Using Extract A, calculate, to 2 decimal places, the gross profit margin for *Burberry* in the year to March 2018. You are advised to show your working.

(4)

(b) Explain **one** likely difficulty for *Burberry* when changing its established culture and brand identity.

(4)

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(c) Using the data in Extracts B and C, discuss the importance of change in the senior leadership for *Burberry*'s success.

(8)

(d) Assess the extent to which the external technological environment will help with *Burberry*'s growth in China. (Extract D)

(12)

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Extract E outlines *Burberry*'s strategic decisions to stop destroying unsold luxury goods and no longer using real fur in any of its products.

(e) Assess the possible trade-offs between profit and ethics from *Burberry*'s strategic decisions.

(12)

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(Total for Question 1 = 40 marks)

TOTAL FOR SECTION A = 40 MARKS

SECTION B

Read Extract F in the Source Booklet before answering Question 2.

Tata Motors wants to increase the number of Nano cars sold. It could focus on expanding the dealership network in rural areas or a relaunch of the Nano as a premium car. Extract F shows financial and non-financial information for *Tata Motors* regarding these two options.

2 Using the data in Extract F and appropriate calculations, evaluate which is the best option for *Tata Motors*.

(20)

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(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS

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SECTION C

Read Extract G in the Source Booklet before answering Question 3.

3 Evaluate the extent to which succession planning can reduce risk for a business such as *Alibaba*.

(20)

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

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Source Booklet

Do not return this Source Booklet with the question paper.

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Sources for use with Section A

Extract A

Selected figures from *Burberry*'s Statement of Comprehensive Income, 31 March 2018

	£m
Revenue	2 732.8
Cost of sales	835.4
Gross profit	1 897.4
Net operating expenses	1 487.1
Operating profit	410.3

Extract B

All change at *Burberry Group plc*

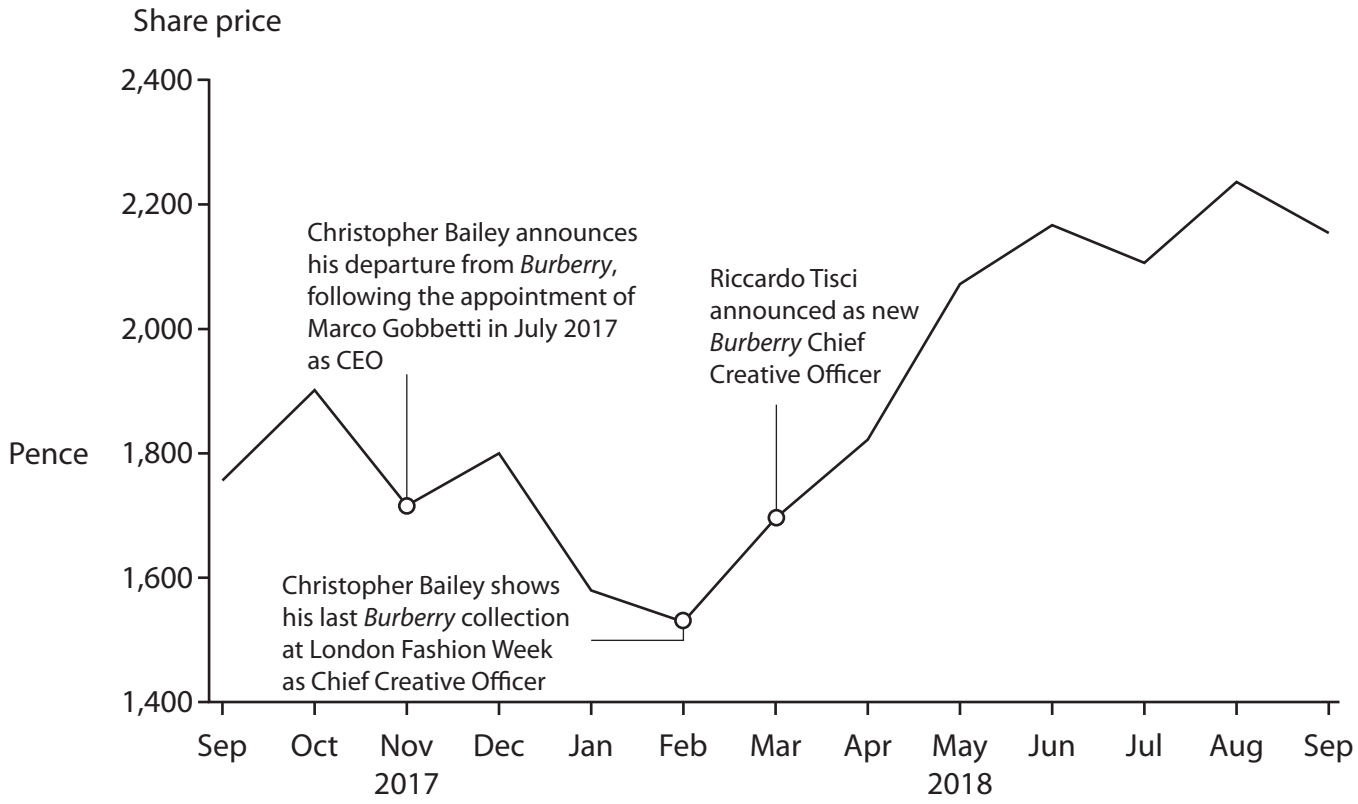
Burberry is a 162-year-old British luxury fashion house with its headquarters in London and has a market capitalisation of £8.3bn. It sells trench coats, outerwear, fashion accessories, fragrances, sunglasses and cosmetics.

Growth slowed after Christopher Bailey became its Chief Executive Officer (CEO) in 2014. Profits dropped and the shareholders lost confidence in him. In July 2017 Marco Gobbetti replaced Bailey as CEO. Christopher Bailey then became the Chief Creative Officer until his resignation in November 2017. This was followed in March 2018 by the appointment of a new Chief Creative Officer, Riccardo Tisci.

As expected, Tisci has shaken things up at one of Britain's best-loved brands. He has already changed the brand's iconic logo. The red, black and beige pattern that has been the brand's most recognisable trademark for over 20 years has now been altered into a more contemporary stripe. The rebranding indicated a major change for the British luxury brand.

Extract C

Can Riccardo Tisci reinvent *Burberry*?



Source: Thomson Reuters
© *FT*

Extract D

***Burberry*'s digital presence**

As one of the first businesses to use technology, we have an outstanding digital reach with over 51 million followers globally, across 13 platforms and 11 languages. Our *Burberry* app, now available in 33 countries, is our customers' gateway to the world of *Burberry*. Customers can explore and buy from the new collections while managing all their orders in one place. 5

In China, over 80% of online shopping is done on a smartphone or tablet. *Burberry* customers can now book in-store or online appointments with a salesperson via WeChat, China's number one multipurpose social media mobile application.

Extract E

***Burberry* to stop burning unsold inventory**

Burberry came under severe criticism in July 2018 when it admitted to destroying £28.6m of unsold luxury goods in a year to prevent them being sold at below market prices and devaluing the brand. *Burberry*, whose coats sell for more than £2 500 and handbags sell for £1 500, said it would stop this practice and expand efforts to reuse, repair, donate or recycle its unwanted products and work to develop new sustainable materials.

Burberry also said it would follow the likes of *Gucci* and the leader for ethical fashion, *Stella McCartney*, in removing real fur from its ranges.

"Modern luxury means being socially and environmentally responsible. This belief is core to us at Burberry and key to our long-term success," said CEO Marco Gobbetti.

This has come at a time when customer attention to sustainability has increased, with 66% of global consumers willing to pay more for sustainable goods.

Source for use with Section B

Extract F

***Tata Motors'* tiny Nano proves large distraction**

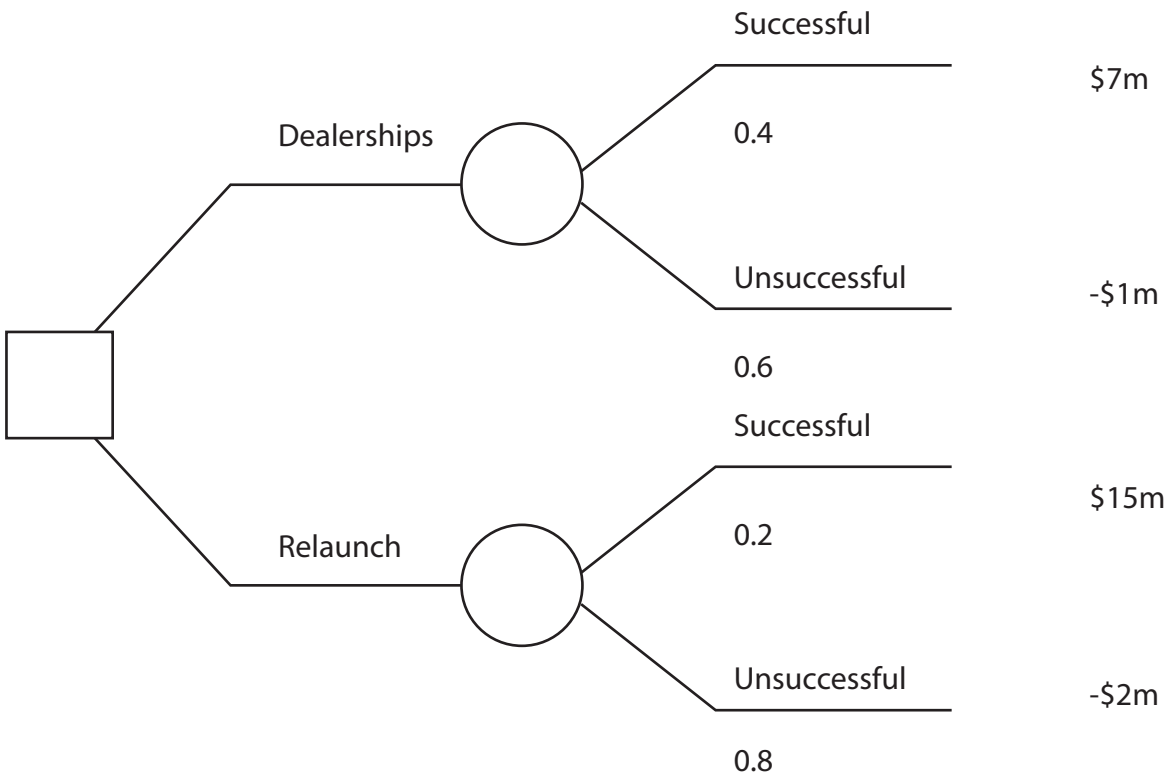
A decade on from the high-profile launch of *Tata Motors'* Nano, it sold just 94 units in December 2017, compared with an original prediction that monthly sales would be 20,000 — and eventually reach 500,000 annually. Sales of the vehicle once advertised as the group's new cash cow have been consistently poor, with production problems delaying the sale of Nano cars by a year. The Nano was also affected by *Tata Motors'* failure to establish a strong dealership network in rural areas, home to the majority of the car's target customers.

"Stopping the sales of the Nano would do a lot of good for *Tata Motors'* share price," says analyst Arya Sen. Adding, "the Nano's biggest failure was the advertising in India. For many Indians, owning a car is a status symbol, and so cars have to be advertised in a premium way. Instead, *Tata Motors* advertised the Nano as being affordable and economical, which gave a poor image to the car."

But *Tata Motors'* chief executive Guenther Butschek says no decision has been taken on the vehicle's fate, with the Indian group still keen to include a small vehicle in its product range, which is favoured by some drivers for its practicality in India's congested cities.

Decision Tree for the Nano

Decision Tree for the Nano



Source for use with Section C

Extract G

Jack Ma Confirms *Alibaba* Reshuffle and Succession Plan

Chinese e-commerce giant *Alibaba* has confirmed Jack Ma's plan to step down as chairman. He will be replaced as chairman by the current CEO, Daniel Zhang, in September 2019.

Rumours of the retirement of the 54-year-old Ma appeared late last week. The announcement did not affect the company's share price. *Alibaba* is one of the few Chinese companies to have made clear succession plans and it has already delegated some significant responsibilities amongst its existing professional management.

Ma, who co-founded the company 19 years ago and has become China's best-known businessman, will ensure an orderly handover. He will continue on the board of directors until 2020. He remains a lifetime member of the 36-member *Alibaba Partnership*, which nominates company directors.

"One thing I can promise everyone is this: *Alibaba* was never about Jack Ma, but Jack Ma will forever belong to *Alibaba*," he said in a letter to staff and shareholders.

In less than two decades of existence, *Alibaba* has transformed many Chinese industries. In recent years, *Alibaba* has become a major investor in entertainment and media, which it regards both as a source of future profits and as a means of making its trading platforms more effective.

In recent weeks, *Alibaba* vice chairman Joe Tsai has dismissed worries that the China-US trade war will badly affect the company. *Alibaba* has also become the 'shop window' for numerous foreign businesses wanting to sell in the huge, but regulated, Chinese markets.

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Acknowledgements

Extract A adapted from https://www.burberryplc.com/content/dam/burberry/corporate/Investors/Results_Reports/2018/Burberry_AnnualReport_FY17-18.pdf

Extract B adapted from https://www.standard.co.uk/fashion/burberry-check-london-fashion-week-2018-riccardo-tisci-a3938136.html and https://www.ft.com/content/98de0ab6-bce4-11e8-94b2-17176fbf93f5

Extract C adapted from https://www.ft.com/content/98de0ab6-bce4-11e8-94b2-17176fbf93f5

Extract D adapted from https://www.burberryplc.com/content/dam/burberry/corporate/Investors/Results_Reports/2018/Burberry_AnnualReport_FY17-18.pdf

Extract E adapted from https://www.reuters.com/article/us-burberry-strategy/burberry-ends-bonfire-of-the-luxuries-use-of-real-fur-in-social-shift-idUSKCN1LM0MU?feedType=RSS&feedName=businessNews

Extract F adapted from Tata Motors looks to move beyond expensive Nano failure, by Simon Mundy © The Financial Times Limited 2018

Extract G adapted from https://variety.com/2018/biz/asia/jack-ma-confirms-alibaba-exit-plan-1202934453/

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