GradeMax

Pearson Edexcel International Advanced Level

Time 2 hours

Paper reference **WBS13/01**

Business

International Advanced Level
UNIT 3: Business decisions and strategy

Source Booklet

Do not return this Booklet with the question paper.

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Sources for use with Section A

Extract A

Bramwell Brown: weather clocks

Bramwell Brown's weather clocks have been putting wonder and fascination on walls all over the world. These hand-assembled weather clocks are unique. They tell the time and they forecast the weather from a barometric sensor inside the clock. The little mechanical clouds in the clock face move to show one of five forecasts, clouding over when it is going to rain and a sun appearing when the weather is improving.

Brother and sister Rob and Sarah Bramwell started *Bramwell Brown*. They trace their love of curious mechanical objects back to childhood. On Sunday afternoons their father would wind the grandfather clock and check the barometer to see what the weather would be that day.

"We looked everywhere for a mechanical barometer in an appealing design – but could not find one anywhere. So, we decided to design one at our kitchen table, building what was a very basic initial model," said Rob.

More technical versions followed and after several years of development, the first weather clock was launched in 2015. The clocks are available in two sizes with the option of four different coloured frames. Limited edition weather clocks are available but the number is restricted to just 250 clocks per design.



Extract B

Data for purchasing new production machinery for the limited edition weather clocks

Cost of initial investment: £150 000

	£
Additional profit in Year 1	22 500
Additional profit in Year 2	29 250
Additional profit in Year 3	38 250
Additional profit in Year 4	49 500
Additional profit in Year 5	64 350
Additional profit in Year 6	83 700
Total additional profit	**287 550**

Extract C

Selected financial data for *Bramwell Brown* April 2020

	£
Current assets:	
Inventory	111 446
Trade receivables	4 842
Cash	5 895
Current liabilities:	53 330
Net current assets:	68 853

Extract D

The *Bramwell Brown* Workshop

A *Bramwell Brown* weather clock has 150 parts that come from all over the world. These include the quartz clock mechanism from Germany and the frames from Yorkshire, UK. Every clock is produced using job production after a customer order is received. The clock is individually assembled with care and pride by extremely skilled employees in a workshop in Hampshire, UK. They personally sign and stamp a certificate that goes into its box. The weather clocks are so popular that there is a waiting list. 5

Extract E

***Bramwell Brown*'s design and intellectual property (IP)**

Ever since the initial design and product development we have protected our designs and intellectual property. We use a range of IP protection including patents, design rights, copyright and trademarks.

We have actively pursued registrations of our IP across many countries worldwide and will continue to do so in all future research and development work. *Bramwell Brown*, along with its investors, take very seriously the protection of the company's designs and inventions. We will work hard to ensure that any violations are effectively dealt with.

Sources for use with Section B

Extract F

Reimagine, redesign, reorganise: the *Starbucks* approach to strategic transformation

In June 2020, *Starbucks* reported a large decrease in its American sales. *Starbucks* announced a significant shift in strategy; the launch of a new service concept called *Starbucks* Pickup for an 'on-the-go' experience.

The company calls this a 'transformational phase' and a 'bridge to the future' that targets customers who simply want to pick up their drink and who prefer advance payment options. After ordering and paying on the *Starbucks* app, customers just look for their name on the status board when they arrive at the store and collect their order.

Starbucks is speeding up plans to roll out the new concept to help boost sales and to allow for mobile ordering. *Starbucks* has been testing the strategy at two *Starbucks* Pickup stores in Manhattan and Toronto. The company is also equipping employees with handheld point-of-sale devices to help increase speed of service in drive-throughs.

Kevin Johnson, President and CEO said, "Every step of the way, we have thoughtfully addressed the needs of *Starbucks*' stakeholders and are particularly proud of the industry-leading investments we have made to support our stores while creating a safe, familiar and convenient experience for our customers."

Starbucks shares are up more than 30% since a dip in March 2020 and increased by 6% after the announcement.

Extract G

***Starbucks* America results, June 2020**

	June 2020	June 2019
Store sales growth	-41%	7%
Change in the number of transactions	-53%	3%
Revenue	$2 805.5m	$4 681.1m
Operating income (loss)	-$404.9m	$1 018.7m
Operating margin	-14.4%	21.8%

Source for use with Section C

Extract H

***Spotify*'s growth**

When *Spotify* launched its music streaming service in some European countries on 7 October 2008, few people would have thought that this unknown Swedish-based start-up would eventually grow into the world's most popular music platform.

In 2008, music streaming was still in its infancy, accounting for a small fraction of global music revenues. Eventually, *Spotify*'s early entry into the music streaming market would be a move that would pay off. *Spotify* continues to be the market leader with a market share of 30% followed closely by *Apple Music* with 25% and *Amazon Music* with 12%.

As Figure 1 shows, *Spotify* did not grow quickly at the start. However, by 2013 the streaming pioneer had roughly 30 million monthly active users and 8 million premium subscribers. Monthly active users are listeners who are able to enjoy music for free but it includes advertisements. Premium users have access to music streaming with no advertisements included. Since then, *Spotify*'s numbers have continued to steadily grow, reaching 299 million monthly active users and 138 million premium subscribers by the end of June 2020.

Spotify went public two years ago and is currently valued at almost $50bn. For the three months ending 30 June 2020, it reported an operating loss of €167m on €1.89bn in revenue, most of which came from premium subscriptions.

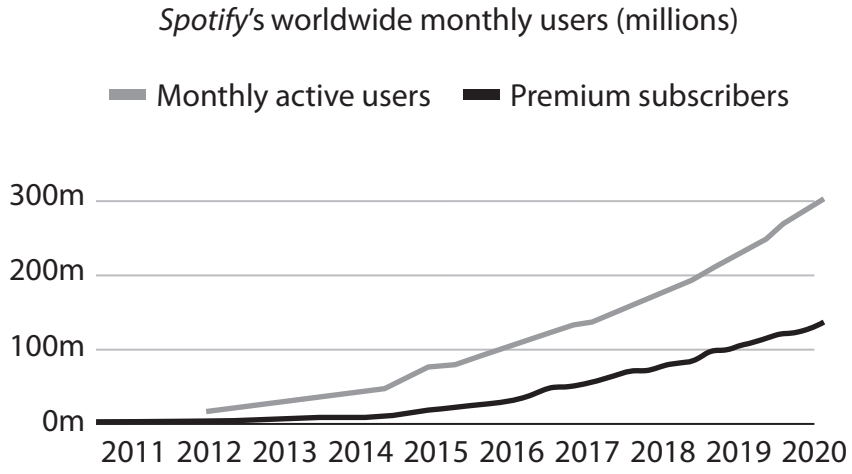

Figure 1

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Acknowledgements

Extract A adapted from: https://www.bramwellbrown.com/pages/about-us and https://www.bramwellbrown.com/collections/weather-clocks/products/weather-clock-small

Extract B adapted from**:** https://beta.companieshouse.gov.uk/company/08504514/filing-history

Extract C adapted from: interview with Rob Bramwell, co-founder of *Bramwell Brown*, August 2020

Extract D adapted from: https://www.bramwellbrown.com/pages/about-us

Extract E adapted from: https://www.bramwellbrown.com/pages/design-intellectual-property

Extract F adapted from: https://www.forbes.com/sites/johnkao/2020/06/17/reimagine-redesign-reorganize--the-starbucks-theorem-for-transformation/#196ad82df72a and https://www.businesswire.com/news/home/20200728005948/en/Starbucks-Reports-Q3-Fiscal-2020-Results

Extract G adapted from: https://www.businesswire.com/news/home/20200728005948/en/Starbucks-Reports-Q3-Fiscal-2020-Results

Extract H adapted from: https://www.statista.com/chart/15697/spotify-user-growth/

GradeMax

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

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.

Write your answers in the spaces provided.

1 (a) Using Extract B, calculate, to two decimal places, the average rate of return (ARR) for *Bramwell Brown* from investing in new production machinery. You are advised to show your working.

(4)

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(b) Using Extract C, calculate, to two decimal places, the current ratio for *Bramwell Brown* in April 2020. You are advised to show your working.

(4)

(c) Discuss the possible benefits for *Bramwell Brown* of using job production to manufacture its weather clocks.

(8)

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(d) Assess the potential difficulties for *Bramwell Brown* of protecting its intellectual property (IP) rights.

(12)

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(e) Assess the usefulness to *Bramwell Brown* of Porter's five forces model when analysing the market for weather clocks.

(12)

(Total for Question 1 = 40 marks)

TOTAL FOR SECTION A = 40 MARKS

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SECTION B

Read Extracts F and G in the Source Booklet before answering Question 2.

Write your answer in the space provided.

2 Evaluate the likely impact on *Starbucks'* stakeholders from the strategic decision to expand its *Starbucks* Pickup service.

(20)

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(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS

SECTION C

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

Write your answer in the space provided.

3 Evaluate whether organic growth is the best method for *Spotify* to use when planning for further expansion.

(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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