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

Thursday 16 January 2025

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.

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SECTION A

Read Extracts A, B, C, D and E in the Source Booklet before answering Question 1.

Write your answers in the spaces provided.

1 (a) Using Extract A, calculate, to two decimal places, the gearing ratio for *Spotify* in June 2023. You are advised to show your working.

(4)

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(b) Using the data in Extract B, calculate, to two decimal places, the income elasticity of demand (YED) for *Spotify* in 2023. You are advised to show your working.

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(c) Using Extract C, discuss the possible usefulness for *Spotify* of using quantitative sales forecasting.

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(d) Assess whether *Spotify* will be able to successfully compete against *Amazon*'s Audible in the audiobook market.

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(e) Assess the effect on *Spotify*'s external stakeholders of the decision to increase its subscription prices.

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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.

Write your answer in the space provided.

2 Using PESTLE analysis, evaluate the extent to which legal factors are the most important influence on the success of *Dyson*.

(20)

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(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS

SECTION C

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

Write your answer in the space provided.

3 Evaluate the effect on employee/partner retention if *JLP* does not pay a bonus to its employees/partners in 2023.

(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 Booklet with the question paper.

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Sources for use with Section A

Extract A

Selected financial information for *Spotify* 30 September 2023

	30 Sept 2023 (€m)
Current liabilities	3 701
Non-current liabilities	1 752
Capital employed	3 891

Extract B

US average income and spending on *Spotify* 2022 and 2023

	2022 ($)	**2023 ($)**
Average US household annual income	67 521	69 372
Average US annual spending on *Spotify*	103	108

Extract C

Forecast figures v Actual figures for *Spotify* 2023

	2023 Forecast	**2023 Actual**
Monthly premium subscribers	224 million	226 million
Total revenue	€3.3m	€3.4m
Gross profit margin	26.0%	26.4%
Operating profit (loss)	(€45m)	€32m

Extract D

Spotify turns to audiobooks after podcast strategy fails

Spotify is increasing its investment into audiobooks* as the music streaming platform seeks out new growth areas to attract subscribers. This follows its unsuccessful $1bn expansion into podcasting.

Spotify will offer its premium subscribers in the UK and Australia up to 15 hours of audiobooks each month for no additional fee. Users will be able to access more than 150,000 titles, ranging from classics such as JRR Tolkien's Fellowship of the Ring to current bestsellers including Rebecca F Kuang's Yellowface.

Amazon's Audible is the market leader with two-thirds of the global audiobook market by revenue. *Spotify*'s entry into the audiobook market could represent a challenge to the dominant position of Audible.

Global revenue from audiobooks is predicted to rise from $4bn in 2021 to more than $9bn by 2026.

***** *a recording of a book or other work being read out loud*

Extract E

Spotify increases its price for the first time in the UK

The streaming service will charge users £10.99 a month for its premium service. This is an increase of £1 since it was launched. The business said it would increase the price of a family subscription by £1 a month to £17.99. Similar price rises apply to the US, Canada and 49 other countries. The price increases are expected to raise an additional $1bn in the first year.

It comes as there is growing pressure from record labels and artists about how much is paid to the industry from streaming. There are growing concerns that music generated by artificial intelligence represents a threat to musicians.

Spotify, with more than 200 million paying subscribers, said the price rise was being made to meet 'market demands'. *Spotify*'s rivals *Apple Music*, *YouTube Music* and *Amazon Music Unlimited* have all increased prices in the last year.

The price rises will be seen as a test of consumers' willingness to pay more for streaming and could be the start of further increases in the future.

Spotify said: "The market has continued to evolve since we launched. So that we can keep innovating, we are changing our prices across a number of markets around the world. These updates will help us continue to deliver value to customers and music artists on our platform."

Source for use with Section B

Extract F

Dyson alleges American rival copied its hair styler in £10m claim

The British business, founded by Sir James Dyson, has accused its American rival *SharkNinja* of infringing its patents with its £250 Shark FlexStyle hairdryer and styler.

Dyson has launched a UK High Court case against *SharkNinja*, accusing it of copying its hair styler, the Airwrap, in a claim valued at more than £10m.

In legal papers filed with the UK High Court, *Dyson* is seeking a judicial order to block sales of all air stylers and their attachments within the Shark FlexStyle range in the UK. It is demanding the destruction of all Shark FlexStyle inventory.

Dyson, which has moved its corporate headquarters to Singapore, told the UK court: "The estimated value of the claim exceeds £10 million."

The rivals are also battling in the US, Germany and France. *Dyson* told the US courts its development was "not easy, and it took many attempts to perfect the curling barrels featured on the *Dyson* Airwrap" as well as "years of research and development, engineering, design and substantial monetary and capital investment".

The two businesses have a history of legal disputes. In 2014, *Dyson* sued *SharkNinja* in a $200m (£163m) lawsuit over claims it had breached its patents for hand-held vacuum cleaners. Four years later, the claim was voluntarily dismissed and a judge said the two designs were clearly different.

In a separate case, *Dyson* won $16m in damages against *SharkNinja* from a Chicago court over false advertising claims after the US business claimed its vacuums were superior to those of the British business.

The Shark brand was launched in 2007 and since then its parent company has grown to make sales of £3bn in 2022. *Dyson*, founded in 1991, reported sales of £6.5bn in 2022.

Source for use with Section C

Extract G

Employee bonuses at risk

The *John Lewis Partnership* (*JLP*) is the largest employee-owned business in the UK. It owns 34 department stores and the Waitrose supermarket chain. In September 2023, Dame Sharon White, CEO of *JLP*, cast doubt over whether *JLP* employees, known as partners, would be paid a bonus this year. This came after the retailer admitted its return to making a profit would take longer than planned.

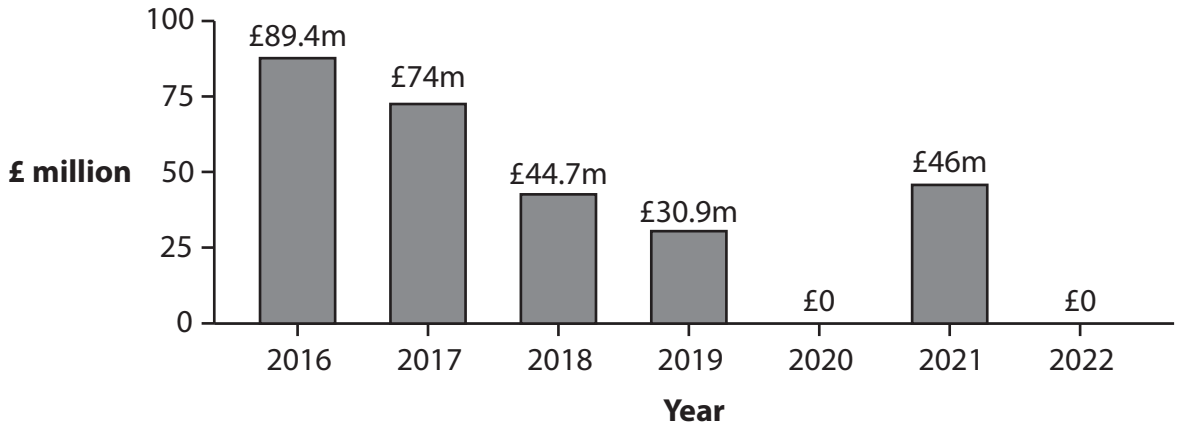
JLP said it would prioritise investments in its business rather than paying bonuses to its partners this year. Other rewards to its partners, including discounts, competitive pay rates, pension contributions, subsidised meals, flexible working and holiday pay would continue unchanged.

Dame Sharon White insisted that a decision had yet to be made about paying bonuses but said other things are more important. Dame Sharon said: "Our partners are the centre of the partnership and can hopefully see that right decisions are being made. If the roof of your house needs mending, everyone there would work together to get it fixed."

It raises the warning that partners, who are co-owners of the business, could miss out on an annual bonus for the third time in four years. Last year marked only the second time since 1953 that *JLP* did not pay out a bonus to partners. The first time was in 2020.

It came after *JLP* revealed another six months of losses and announced a delay to its plans, saying it no longer expected to return to sustainable profit by 2026.

Total Bonus Payments to Employees/Partners



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Acknowledgements

Extract A adapted from: https://s29.q4cdn.com/175625835/files/doc_financials/2023/q3/Shareholder-Deck-Q3-2023-FINAL.pdf

Extract B adapted from: https://www.bea.gov/data/income-saving/personal-income

Extract C adapted from: Spotify pivots to audiobooks after podcast strategy flops By James Warrington © Telegraph Media Group Limited, October 2023

Extract D adapted from: https://www.nme.com/news/music/spotify-increases-subscription-prices-in-uk-and-us-first-time-3472555

Extract E adapted from: Spotify increases price for the first time By James Titcomb © Telegraph Media Group Limited, July 2023

Extract F adapted from: Dyson alleges American rival copied its hair styler in £10m claim By Matthew Field © Telegraph Media Group Limited, September 2023

Extract G adapted from: John Lewis staff bonus at risk after Dame Sharon White delays turnaround By Hannah Boland © Telegraph Media Group Limited, September 2023