www.dynamicpapers.com

Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/42**

Paper 4 Business Strategy **October/November 2023**

1 hour 15 minutes

3406468135

You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.

INFORMATION

- The total mark for this paper is 40.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **4** pages. Any blank pages are indicated.

© UCLES 2023

www.dynamicpapers.com

Fashion Letter (FL)

Jane Irfan used to be a senior manager for a high-street clothing retailer, but her role was made redundant in 2014. She set up FL in 2015 as an online clothing retailer. Her aim was to create an intrapreneurial, dynamic, low-cost clothing retailer. Jane decided on the following mission statement for FL.

'To empower customers by empowering employees within our dynamic corporate culture.'

FL's customers access the business through an app and they pay a subscription fee to FL each month. The app links to all the main social media services. Based on each customer's profile and online activity, one item of clothing is chosen each month by FL's artificial intelligence (AI) system. The item of clothing is then sent, by post, to the customer.

Timeline of FL

2015	FL set up as a private limited company with $5 m of equity provided by a venture capitalist. Jane hires the employees (see **Appendix 1**). All FL employees use home working.
2016	FL launches the app. $2 m is spent on digital promotion. An international media organisation names FL one of the top 10 most innovative businesses.
2017–2020	FL pursues a strategy of rapid growth (see **Appendix 2**).
2021	FL uses external finance to takeover GY, a failing clothing manufacturer (see **Appendix 3**).
2022	FL is criticised in media reports which claim the business uses unethical working practices in the factories it acquired from the takeover of GY. Jane responds by launching an internal audit of FL (see **Appendix 4**).

Developing a strategy to launch a new product

FL's board of directors think that the business is too narrowly focused. It has asked Jane to develop a strategy of diversification. Jane believes it is time for FL to challenge its existing strategies.

Jane has recruited a new Director of Strategy who has experience of using a blue ocean strategy approach.

© UCLES 2023

www.dynamicpapers.com

Appendix 1: FL's employees in 2015

- Six software developers with experience of working for global software businesses, such as Google.
- A Marketing Director who previously worked for a large national supermarket chain.
- A Finance Director who has limited experience but graduated from a top university.

Appendix 2: FL's rapid growth between 2017 and 2020

	2017	2020
Subscription fee revenue	$2 m	$200 m
Profit margin	–2%	3%
Number of employees	12	240
Market share (online fashion market)	0.2%	4%
Number of direct competitors offering a subscription service	0	5

Appendix 3: Extract from a 2021 newspaper article about FL's takeover of GY

GY has been a clothing manufacturer for over 80 years, supplying many well-known high street clothing retailers. GY owns a number of factories based in low-cost countries. However, the rise of online retailers that require a fast turnaround of designs and low profit margins has put pressure on GY.

FL, one of the success stories of the last few years, has made a takeover bid for GY.

FL will significantly increase its gearing by taking over GY, but the opportunity to manufacture its own products may give FL a competitive advantage.

Appendix 4: Extract from FL's internal audit in 2022

Strengths	• Intrapreneurial leadership team • Well-known brand name in online fashion market • Low-cost manufacturing
Weaknesses	• High gearing ratio • Weak management control of HR strategy in factories
Opportunities	• To sell FL manufactured products through other retailers • To offer different subscription products
Threats	• Established retailers are entering the fashion subscription market • Bad publicity about its factories

Answer **both** questions.

1 Evaluate the impact of FL's corporate culture on the success of the business between 2015 and 2022. [20]

2 Advise Jane on whether blue ocean strategy is the most useful approach as she attempts to diversify the business. [20]

© UCLES 2023

www.dynamicpapers.com

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.

© UCLES 2023