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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 25 May 2023

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

Write your answers in the spaces provided.

1 (a) Explain **one** reason why shareholders might be interested in the financial statements of *Lush*.

(4)

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(b) Using Extract B, calculate the total monthly contribution if *Lush* sells 3,300,000 bath soaps per month. You are advised to show your working.

(4)

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(c) Using Extract C, discuss the effects on *Lush*'s financial resources of its strategic decision not to use social media.

(8)

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(d) Assess whether employee share ownership might reduce labour turnover for a business such as *Lush*.

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(e) Assess the extent to which *Lush* considers its stakeholders when making business decisions.

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(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 Using Porter's five forces and the data in Extracts F and G, evaluate whether the threat of substitutes is the most important external influence on *Apple*.

(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 H in the Source Booklet before answering Question 3.

Write your answer in the space provided.

Hajoori wants to increase the market share for Sosyo in India. One way could be to offer more franchises to bottle and distribute the Sosyo drink.

3 Using the data in Extract H, evaluate whether franchising is the best way to increase Sosyo's market share in India.

(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

Lush promises to invest in UK stores after return to profit

Ethical UK high street retailer *Lush*, best known for its highly scented bath soaps and handmade cosmetics, returned to profitability in the financial year 2021–22.

The latest statement of comprehensive income for *Lush* showed a pre-tax profit of £29m during 2021–22 compared to a loss of £45m in the previous year. However, turnover was lower at £408.7m, down from £437.8m in the previous year.

Lush operates retail outlets in 48 countries and has manufacturing facilities in six countries. It plans to attract more customers by investing in larger outlets with services such as health spas and hairdressers.

The business made no dividend payments to its shareholders in 2022. "We have to invest money now. We need to refit our shops." said Mark Constantine, one of the co-founders of *Lush*.

The group continues its policy of charitable donations, with *Lush* raising funds of £6.3m for several charities.

Extract B

Selected cost and sales data for *Lush*'s bath soap department

Average variable cost per bath soap	£1.00
Average revenue per bath soap	£5.50
Average monthly sales of bath soap	3,300,000

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Extract C

***Lush* boss Mark Constantine happy to lose £10m after leaving social media**

Ethical beauty brand *Lush* is expected to lose £10m in sales after leaving four major social media platforms. *Lush*'s co-founder, Mark Constantine, shut its Facebook, Instagram, Snapchat and TikTok accounts. Its Facebook and Instagram accounts had 10.6 million followers.

Constantine said he had no choice and that it is a price he is willing to pay. He was concerned over research showing the negative impact of social media platforms on many teenage girls, key consumers for *Lush*.

"We've tightened up during the global health crisis, it won't destroy us. We will find new ways to connect with our customers as well as using the older tried and tested routes," he added.

Extract D

***Lush* has been 10% employee owned since 2017**

The employees of *Lush* and its ethics are at the heart of the business. In 2017, *Lush* shareholders gifted 10% of the company shares into the *Lush* Employee Benefit Trust (EBT). There are five Trustees who look after the trust on behalf of the employees.

The purpose of having an employee ownership scheme is to:

- protect our ethics
- ensure the independent ownership of the business
- maintain the bonus culture
- promote two-way inclusive communication
- give every *Lush* employee a voice.

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Extract E

We Believe – *Lush*'s guiding statement for 25 years

We believe in:

- making effective products from fresh, organic fruit and vegetables, the finest essential oils and safe synthetics
- making products by hand using little or no preservative or packaging, using only vegetarian ingredients, and telling you when they were made
- buying ingredients only from companies that do not test on animals
- happy people making happy soap, putting our faces on our products and making our mums proud
- our products being good value, that we should make a profit and that the customer is always right.

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Sources for use with Section B

Extract F

Global market share of smartwatches 2022

A smartwatch is a computer-based wristwatch that provides many other features besides timekeeping such as monitoring the heart rate and tracking physical activity. Increasing health awareness among consumers is a key factor driving the growth of the smartwatch market.

In 2022, the global smartwatch market is expected to grow from $56.15bn in 2021 to $60.14bn despite some supply chain issues. In 2026, the market is expected to reach $78.64bn. The market is dominated by *Apple*, a clear market leader ahead of other technology companies such as *Huawei* and *Samsung*.

Market share for smartwatches 2022

Company	Market share
Apple	33.5%
Huawei	8.4%
Samsung	8.0%
iMoo	5.1%
*Fitbit**	4.2%
*Google**	3.9%
Other	36.9%

*owned by *Alphabet*

Apple had strong growth in smartwatches, with a 13.3% increase in revenue to $14.7bn in the first quarter in 2022 compared to the same quarter in 2021. *Apple* said that two-thirds of *Apple* Watch purchasers were first-time buyers of a smartwatch.

Extract G

Google launches its Pixel Watch

After months of waiting, *Google* has finally confirmed that it will launch its first smartwatch later in 2022. The smartwatch will be called the Pixel Watch and will be in direct competition with the *Apple* watch.

Google did not reveal a price for the new smartwatch, but it said it would be a premium priced product when launched. The Pixel Watch will have the health and fitness tracking tools of *Fitbit*. *Google* acquired *Fitbit* for $2.1bn in 2019.

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Source for use with Section C

Extract H

India's oldest fizzy drink Sosyo plans to become a national brand

Sosyo is a leading cold drink brand in India. It was first launched in 1923 by *Hajoori*, an Indian family-run company, based in the western state of Gujarat. Just like Coca-Cola, Sosyo's formula is a secret, kept within the family for three generations. The carbonated fresh juice drink has a 29% market share in Gujarat and has earned the honour of being ranked as one of India's top 1,000 brands.

Sosyo is manufactured in 18 factories in India. *Hajoori*, that still owns Sosyo, has ambitious plans to more than double the number of factories and increase Sosyo's market share in India over the next five years. The drink is bottled and distributed across India by 16 franchises and it can be found in over 95,000 outlets in the country.

Sosyo is exported to countries such as UAE, Zambia, USA, UK, New Zealand, South Africa, Canada and Australia. The business is planning to set up bottling plants in some of these countries rather than export the finished drink.

The Sosyo brand has a very small social media presence with less than 5,000 followers on Instagram and 670 followers on Twitter.

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Acknowledgements

Extract A adapted from: https://www.ft.com/content/9e7782db-7521-4398-8098-383b0c2a7f8d

Extract B adapted from: https://weare.lush.com/numbers/

Extract C adapted from: https://www.cosmeticsbusiness.com/news/article_page/Lush_boss_Mark_Constantine_happy_to_lose_10m_after_quitting_social_media/180904

Extract D adapted from: https://weare.lush.com/lush-life/our-company/what-youre-part-of/

Extract E adapted from: https://weare.lush.com/lush-life/our-company/what-we-believe/

Extract F adapted from: https://www.globenewswire.com/news-release/2022/03/24/2409603/0/en/Smart-Watch-Global-Market-Report-2022.html and https://www.forbes.com/sites/johnkoetsier/2021/05/27/global-smartwatch-market-apple-34-huawei-8-samsung-8-fitbit-42/?sh=1fc6a13f66c7

Extract H adapted from: https://www.hajoori.com/about.php