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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

Wednesday 18 October 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) Using Extract B, calculate to two decimal places the return on capital employed (ROCE) for *Five Guys* in December 2021. You are advised to show your working.

(4)

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(b) Using Extract C, calculate to two decimal places the net present value for *Five Guys* from investing in a new milkshake machine over five years. You are advised to show your working.

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Extract A states that *Five Guys'* food production is organised differently from other fast-food burger outlets.

(c) Discuss the impact of this on its human resources.

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(d) Assess the likely effectiveness for *Five Guys* of using financial rewards to reduce labour turnover.

(12)

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Five Guys' new clothing merchandise can be classed as product development according to Ansoff's Matrix.

(e) Using Ansoff's Matrix, assess the possible benefits to *Five Guys* from launching its new clothing merchandise.

(12)

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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 Evaluate the likely advantages of *Air India* and *Vistara* merging.

(20)

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(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS

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SECTION C

Read Extracts H and I in the Source Booklet before answering Question 3.

Write your answer in the space provided.

3 Evaluate the extent to which there might be resistance to change at *Disney*.

(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

The *Five Guys'* family, freshness and customisation

Jerry and Janie Mitchell lived in Arlington, Virginia. In 1986 they gave their five sons a choice: start a business or go to college. The business route won and the family opened the first *Five Guys* – named after the five brothers.

To this day, the formula remains simple: 'Burgers and fries cooked to perfection' in keeping with Jerry's philosophy of 'To perfect and to serve.' The family is still very much involved in the business, meeting every Tuesday.

Five Guys is organised differently from other fast-food burger outlets. You will not find a freezer in any *Five Guys* restaurant because everything is cooked from fresh ingredients. Food is prepared every day for maximum freshness including hand cutting the potatoes. Employees do the cooking without timers and are trained to judge the food's readiness by sight, aroma and texture. In other fast-food outlets machines are used to cook the food and timers are relied on to indicate when the food is ready to serve.

The burgers, hotdogs and sandwiches come with up to 15 free toppings, giving 250,000 combinations to choose from. If you had one a day, it would take you 684 years to try them all and the milkshake machines give over 1,000 possible combinations.

Extract B

Selected financial data for *Five Guys* (UK and Europe) 31 December 2020 and 2021

	31 December 2021 (£m)	31 December 2020 (£m)
Revenue	237 298	164 206
Operating profit	50 865	21 210
Non-current liabilities	233 819	224 807
Total equity	6 650	32 879

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Extract C

Data for purchasing a new £10 000 milkshake machine for a *Five Guys* restaurant

Year	5% discount factor	Net cash flow	Discount cash flow
0	-	(£10 000)	(£10 000)
1	0.952	£5 000	£4 760
2	0.906	£5 000	£4 530
3	0.863	£5 000	£4 315
4	0.822	£5 000	£4 110
5	0.784	£5 000	£3 920

Extract D

How to Incentivise Your Crew

The fast-food industry is well known for its over 100% labour turnover levels. Many businesses are relying on employee incentive programmes to retain their workers.

One popular way is using mystery shoppers. A mystery shopper is a person employed to visit a shop or restaurant anonymously to assess the quality of the goods and services.

Five Guys uses mystery shoppers to assess the quality of its food and the customer services given by employees. The information gathered from mystery shoppers is used to create weekly, monthly and quarterly rewards programmes for its employees.

Five Guys rewards the top 200 restaurants every week. The weekly reward is anywhere from $900 to $1 300 per restaurant. The money is shared between the employees working in the restaurant when they were mystery shopped.

Molly Catalano, Director of Communications and Marketing at *Five Guys*, said, "We think that our success can be seen in the increasing mystery shopper scores over time, in the satisfaction of our employees and in our growth as a company. We have seen success in all three areas."

Five Guys is still expanding and has 1,600 locations in 19 countries across the world.

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Extract E

***Five Guys* launches merchandise collection**

Five Guys, known for its burgers, hot dogs and milkshakes, has launched the first of its clothing lines branded with the *Five Guys* logo in the UK.

The main item from the collection is the black and white embroidered unisex college jacket that pays tribute to Arlington, Virginia, where the brand was founded in 1986. This follows the current trend for American-styled clothing, which has seen college jackets feature in high street and designer collections during summer 2022.

Alongside the college jackets are the official *Five Guys* t-shirts, featured in red, black and white, branded sweatshirts and hoodies, baseball caps and red-and-white checked sports socks. There is even a lightweight rain jacket with the *Five Guys* logo.

Prices start from £10 for the socks to £75 for the college jacket. T-shirts cost £20 each, while sweatshirts are priced at £35 and hoodies at £45. All can be purchased at the *Five Guys* online store.

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Sources for use with Section B

Extract F

India's top five airlines winter season (October 2021 to March 2022)

Rank	Airline	Number of seats (millions)	Market share (%)
1	*IndiGo*	41.3	48.0%
2	*Air India*	8.2	9.5%
3	*Vistara*	6.3	7.3%
4	*Go First*	6.0	7.0%
5	*SpiceJet*	5.8	6.7%

Extract G

India's ruthless aviation sector prepares for consolidation

After years of fierce price competition between Indian airlines, the merger of *Air India* with *Vistara* will shake up the fast-growing industry. Subject to approval by the competition regulators, the horizontal merger is set for completion in March 2024.

The new business will be known as *Air India*. It will have 218 aircraft serving 38 international and 52 domestic routes. The merger will give *Air India* a much greater presence in major cities, doubling capacity in Delhi, its main base. It plans to overhaul existing aircraft and purchase new ones. Currently both airlines are unprofitable.

The deal will challenge the dominance of the country's biggest domestic flyer *IndiGo*. It controls India's domestic aviation market and analysts say it will be difficult to remove. "Even eating into 2% of *IndiGo*'s market share will call for a lot of aggressive market strategies," said Jitender Bhargava, a former executive director of *Air India*.

According to Indian Government estimates, India's civil aviation market is worth around $900m and is expected to grow to over $4bn by 2025. Experts suggest that *Air India* and *IndiGo* will expand to claim about half of India's international market which is currently dominated by foreign airline carriers.

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Sources for use with Section C

Extract H

Bob Iger's management sequel at *Disney*

In Hollywood, a superhero often returns; when an action film does well at the box office, the lead character gets at least one sequel. *Disney* extended this approach to the company's governance. It has removed Bob Chapek as its Chief Executive and has brought back his predecessor Bob Iger, who held the top job at *Disney* from 2005 to 2020.

Disney shares initially rose 9% in the hope that Iger will be more successful than Chapek. Share prices had fallen by 40% in 2022 with losses of $1.5bn in just three months at its streaming service Disney+ under the leadership of Chapek. At a meeting with employees announcing Iger's return he was met with cheers and applause. Iger responded by saying he thought he would cry.

During his 15-year term as *Disney* CEO, Iger oversaw its successful acquisitions of *Marvel* and *Pixar* and launched the Disney+ streaming service. Iger will serve for two years until a replacement is found and will set the strategic direction for renewed growth.

Susan Arnold, Chair of the *Disney* board, said, "The board has concluded that Bob Iger is uniquely situated to lead the company through this pivotal period."

Extract I

Iger begins shaking up *Disney* Organisational Structure

The next day, after his surprise return to *Disney* as CEO, Bob Iger sent a memo to his 220,000 employees saying, "Over the coming weeks, we will begin implementing organisational and operating changes within the company. There is a lot to do. Quickly."

The *Disney* boss faces a difficult task. He must restore morale at the company, particularly at its studio and streaming creative divisions.

"It is my intention to restructure things in a way that honours and respects creativity as the heart and soul of who we are. This is a time of enormous change and challenges in our industry, and our work will also focus on creating a more efficient and cost-effective structure," added Iger.

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Acknowledgements

Extract A adapted from: https://fiveguys.co.uk/about-us/

Extract B adapted from: https://find-and-update.company-information.service.gov.uk/company/08185191/filing-history

Extract C adapted from: https://www.cs-catering-equipment.co.uk/catalog/product/view/id/75881/s/taylor-430-counter-top-milkshake-machine/category/11928/

Extract D adapted from: https://www.qsrmagazine.com/human-resources/how-incentivize-your-crew

Extract E adapted from: https://fashionunited.uk/news/fashion/five-guys-launches-merchandise-collection/2022070763976

Extract F adapted from: https://www.msn.com/en-us/travel/news/what-the-air-india-vistara-merger-means-for-indian-cities/ar-AA14SaVN

Extract G adapted from: https://www.ft.com/content/8d611d4a-5989-480b-90cc-1223710a26d3

Extract H adapted from: https://www.ft.com/content/4439dd29-562a-4ce1-9062-6f35cf6fbe19#post-12b64f53-f199-42d1-8c31-095d20267156

Extract I adapted from: https://www.msn.com/en-us/money/companies/iger-begins-shaking-up-disney-organizational-structure/ar-AA14op0t