

Pearson Edexcel International Advanced Level

Extra Assessment Material

Paper Reference **WBS13/01**

Business

International Advanced Level

Unit 3: Business decision and strategy

Source Booklet

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Sources for use with Section A

Extract A

***Aldi* Led by Three Core Values**

We are one of the world's fastest growing global discount grocery chains with over 10,000 stores in 18 countries. Our growth and success is due to our commitment to being efficient at every level – from store construction and distribution to the specific products we stock. Every aspect of our operations has been rethought and reinvented to maximise the quality of our products and savings for our customers. 5

Our long-term mission statement is focused on three core values:

- Consistency: Leads to reliability. We mean what we say. We are consistent in our dealings with people, product, price and all other aspects of our day-to-day professional life. 10
- Simplicity: Creates efficiency, clarity and clear orientation within our organisation and for our customers.
- Responsibility: Stands for our commitment towards our people, customers, partners and the environment. It also includes principles such as fairness, honesty, openness, service orientation and friendliness. 15

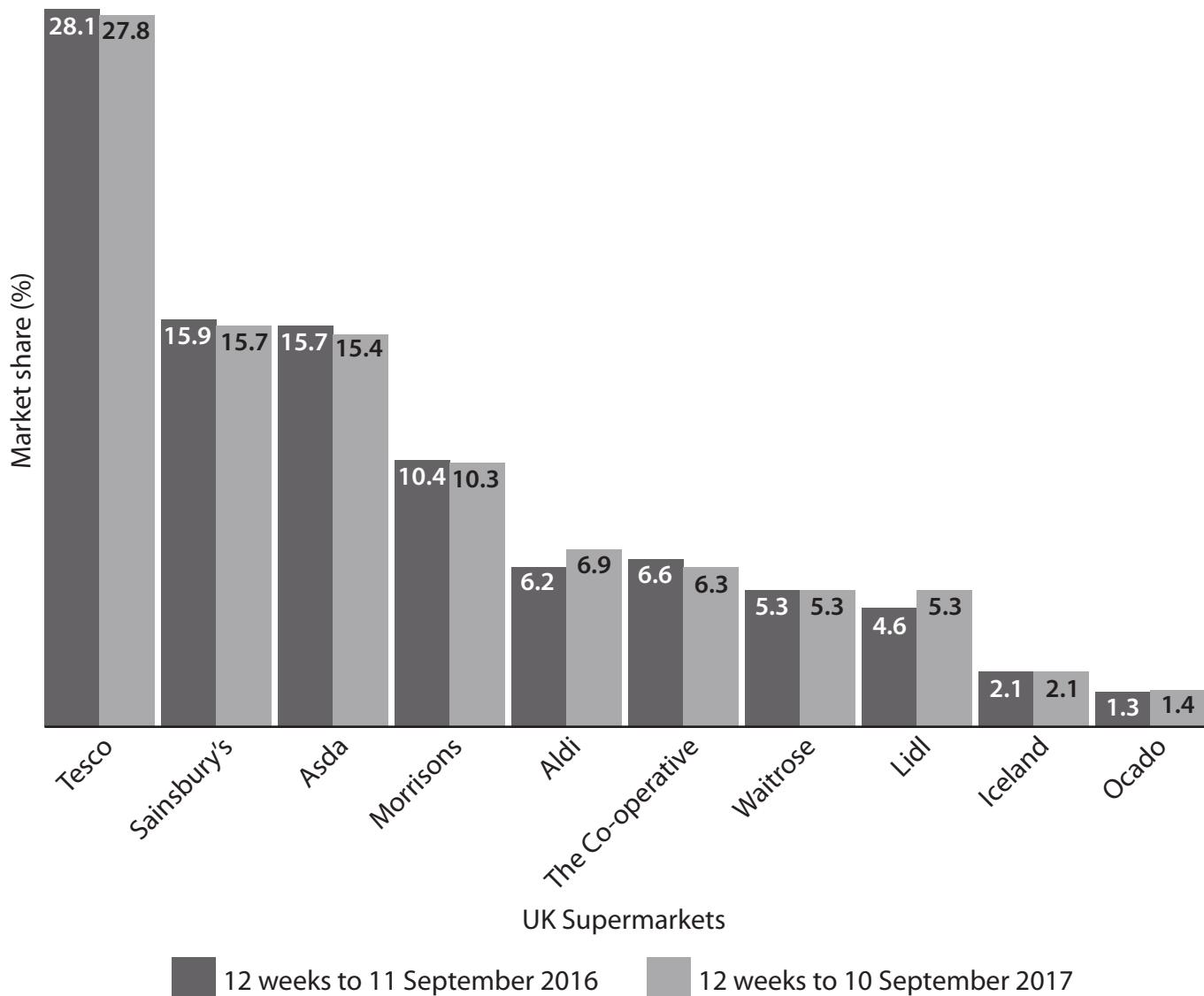
Extract B

Selected information from *Aldi Stores Limited* Statement of Financial Position (2016)

	31 Dec 2016 (£000)	31 Dec 2015 (£000)
Current assets	728 714	619 519
Current liabilities	1 218 893	1 387 741
Non-current liabilities	415 069	134
Capital employed	2 328 856	2 076 783

Extract C

UK Grocery market share data for September 2017



Together *Aldi* and *Lidl* now account for nearly £1 in every £8 spent in UK supermarkets – a decade ago this was only £1 in £25. In 2017 almost 63% of shoppers visited one of the two retailers, up from 58.5% in 2016.

Aldi claimed more than 1 million shoppers have switched to its stores, helping to double its sales and market share in less than four years. Despite the growth of the discounters, 98% of households still shopped in at least one of the traditional big four retailers (*Tesco*, *Sainsbury's*, *Asda* and *Morrisons*) over the same period.

5

Extract D

Aldi expansion plans in the UK – 700 and counting

Aldi has set out an ambitious plan to conquer the UK grocery market that could see it open up to eight stores in some towns.

Aldi currently has 700 stores in the UK. It is using its own money to finance a further £1bn investment over the next two years. This will expand its network of discount stores. 5 It will invest in new stores, upgrade some of its existing stores as well as building new distribution centres to support its growth in the south east of England.

"If you look at the population, we think not only could we have a store in every town and city, but one for every 25,000 to 30,000 people," said Matthew Barnes, the UK and Ireland chief executive of *Aldi*. 10

Aldi is on track to open more than one store a week and had set a target to reach 1,000 stores by 2022. However, Barnes said that the total could be closer to 1,300 by that date, and added: "I think there is massively more potential than that."

Last year *Aldi* reported a second consecutive year of falling profits after starting a price war. *Aldi* reported a 17% fall in profits to £211.3m in 2016, from £255.6m the year before, 15 despite sales increasing by 13.5% to £8.74bn.

Barnes said it would keep cutting prices to keep *Aldi* cheaper than other supermarkets such as *Asda*, *Sainsbury's*, *Tesco* and *Morrisons*, even if losses were "... an inevitable consequence, our approach has been based on our long-term strategy, not short-term profit." 20

Source for use with Section B

Extract E

P&G discount strategy rings alarm bells in 2018

Procter & Gamble (P&G), the consumer products multinational, has given warnings about its long-term profitability. It reported that its discounting strategy had reduced margins during the most recent quarter.

P&G announced quarterly profits that were higher than forecasts, which chief executive David Taylor said would keep the world's second-largest consumer group "on track to achieve our financial objectives for the year." 5

However, investors were unhappy with the company's pricing strategy. As a result, some sold shares which reduced *P&G*'s stock value by \$4bn. Shares in *P&G* fell by 2.7% to \$89.41. 10

P&G has been trying to improve sales and compete with smaller rivals such as *Dollar Shave Club* and *Harry's* in the market for grooming products. *P&G* has been losing market share for a decade, while sales have dropped for the past three years.

P&G has been cutting prices by up to 20% on core products such as Gillette razors to improve sales. This has raised questions about profitability for the consumer product company. 15

Ali Dibadj, an analyst with Bernstein said, "Competitive prices, coupled with talk of retailers holding less inventory, has made investors nervous about *P&G*, and the whole sector."

However, Nik Modi, a business analyst, said, "Our research shows that *P&G* increased its promotional activity in the December quarter. This has put pressure on rival household and personal products companies." *P&G*'s total sales in this market rose 2% in the quarter, against analyst expectations of 1.9%. 20

Nik Modi predicts razor sales to remain weak because consumers are shaving less, which will also put pressure on the sales of *Dollar Shave Club* and *Harry's*.

Sources for use with Section C

Extract F

Japan's labour shortage is reshaping how companies attract workers

Japan's working-age population peaked in 1995 at 87 million and is forecast to fall to 45 million by 2065. Businesses slow to respond to that demographic change have been most affected. Japanese companies are being forced to change how they attract and retain job seekers from an ever-shrinking labour pool. 5

Nationwide, there are 1.62 jobs available for every job seeker, the highest demand for labour in more than 44 years. The unemployment rate is 2.4%, a 25-year low.

Flexible working hours, personal benefits such as day care and even rent assistance are now being offered alongside salary by many Japanese businesses.

"It is not just about the money anymore," said Tsuyoshi Saso, a manager at *Interworks*, a nationwide recruitment site for jobs in manufacturing. "Employees also want to work in a positive work environment with good colleagues." 10

Extract G

Human resource problem at *Toyobo Co Ltd*

Toyobo Co Ltd, is a Japanese multinational that operates in a range of product areas. These include industrial materials, healthcare, textiles and plastics. The company seeks to become a manufacturer of highly innovative products, continuously creating new value by further developing new products. 5

Toyobo Co Ltd produces a specialist product called Cosmoshine. This is used for touch screen panels and flat-screen displays for smartphones and tablet PCs.

The company is struggling to meet demand for Cosmoshine and said it needs to increase its production but cannot fully staff the high-tech production line due to poor retention of highly skilled employees. 10