

Pearson Edexcel International Advanced Level

Time 2 hours

Paper
reference

WBS13/01

Business

International Advanced Level

UNIT 3: Business decisions and strategy

Source Booklet

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Sources for use with Section A

Extract A

Bramwell Brown: weather clocks

Bramwell Brown's weather clocks have been putting wonder and fascination on walls all over the world. These hand-assembled weather clocks are unique. They tell the time and they forecast the weather from a barometric sensor inside the clock. The little mechanical clouds in the clock face move to show one of five forecasts, clouding over when it is going to rain and a sun appearing when the weather is improving.

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Brother and sister Rob and Sarah Bramwell started *Bramwell Brown*. They trace their love of curious mechanical objects back to childhood. On Sunday afternoons their father would wind the grandfather clock and check the barometer to see what the weather would be that day.

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"We looked everywhere for a mechanical barometer in an appealing design – but could not find one anywhere. So, we decided to design one at our kitchen table, building what was a very basic initial model," said Rob.

More technical versions followed and after several years of development, the first weather clock was launched in 2015. The clocks are available in two sizes with the option of four different coloured frames. Limited edition weather clocks are available but the number is restricted to just 250 clocks per design.

15



Extract B

Data for purchasing new production machinery for the limited edition weather clocks

Cost of initial investment: £150 000

| | £ |
|--------------------------------|----------------|
| Additional profit in Year 1 | 22 500 |
| Additional profit in Year 2 | 29 250 |
| Additional profit in Year 3 | 38 250 |
| Additional profit in Year 4 | 49 500 |
| Additional profit in Year 5 | 64 350 |
| Additional profit in Year 6 | 83 700 |
| Total additional profit | 287 550 |

Extract C

Selected financial data for *Bramwell Brown* April 2020

| | £ |
|-----------------------------|---------|
| Current assets: | |
| Inventory | 111 446 |
| Trade receivables | 4 842 |
| Cash | 5 895 |
| Current liabilities: | 53 330 |
| Net current assets: | 68 853 |

Extract D

The *Bramwell Brown* Workshop

A *Bramwell Brown* weather clock has 150 parts that come from all over the world. These include the quartz clock mechanism from Germany and the frames from Yorkshire, UK. Every clock is produced using job production after a customer order is received. The clock is individually assembled with care and pride by extremely skilled employees in a workshop in Hampshire, UK. They personally sign and stamp a certificate that goes into its box. The weather clocks are so popular that there is a waiting list.

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Extract E

Bramwell Brown's design and intellectual property (IP)

Ever since the initial design and product development we have protected our designs and intellectual property. We use a range of IP protection including patents, design rights, copyright and trademarks.

We have actively pursued registrations of our IP across many countries worldwide and will continue to do so in all future research and development work. *Bramwell Brown*, along with its investors, take very seriously the protection of the company's designs and inventions. We will work hard to ensure that any violations are effectively dealt with.

5



Sources for use with Section B

Extract F

Reimagine, redesign, reorganise: the *Starbucks* approach to strategic transformation

In June 2020, *Starbucks* reported a large decrease in its American sales. *Starbucks* announced a significant shift in strategy; the launch of a new service concept called *Starbucks Pickup* for an 'on-the-go' experience.

The company calls this a 'transformational phase' and a 'bridge to the future' that targets customers who simply want to pick up their drink and who prefer advance payment options. After ordering and paying on the *Starbucks* app, customers just look for their name on the status board when they arrive at the store and collect their order. 5

Starbucks is speeding up plans to roll out the new concept to help boost sales and to allow for mobile ordering. *Starbucks* has been testing the strategy at two *Starbucks Pickup* stores in Manhattan and Toronto. The company is also equipping employees with handheld point-of-sale devices to help increase speed of service in drive-throughs. 10

Kevin Johnson, President and CEO said, "Every step of the way, we have thoughtfully addressed the needs of *Starbucks*' stakeholders and are particularly proud of the industry-leading investments we have made to support our stores while creating a safe, familiar and convenient experience for our customers." 15

Starbucks shares are up more than 30% since a dip in March 2020 and increased by 6% after the announcement.

Extract G

Starbucks America results, June 2020

| | June 2020 | June 2019 |
|--------------------------------------|------------|------------|
| Store sales growth | -41% | 7% |
| Change in the number of transactions | -53% | 3% |
| Revenue | \$2 805.5m | \$4 681.1m |
| Operating income (loss) | -\$404.9m | \$1 018.7m |
| Operating margin | -14.4% | 21.8% |

Extract H

Spotify's growth

When *Spotify* launched its music streaming service in some European countries on 7 October 2008, few people would have thought that this unknown Swedish-based start-up would eventually grow into the world's most popular music platform.

In 2008, music streaming was still in its infancy, accounting for a small fraction of global music revenues. Eventually, *Spotify's* early entry into the music streaming market would be a move that would pay off. *Spotify* continues to be the market leader with a market share of 30% followed closely by *Apple Music* with 25% and *Amazon Music* with 12%.

As Figure 1 shows, *Spotify* did not grow quickly at the start. However, by 2013 the streaming pioneer had roughly 30 million monthly active users and 8 million premium subscribers. Monthly active users are listeners who are able to enjoy music for free but it includes advertisements. Premium users have access to music streaming with no advertisements included. Since then, *Spotify's* numbers have continued to steadily grow, reaching 299 million monthly active users and 138 million premium subscribers by the end of June 2020.

Spotify went public two years ago and is currently valued at almost \$50bn. For the three months ending 30 June 2020, it reported an operating loss of €167m on €1.89bn in revenue, most of which came from premium subscriptions.

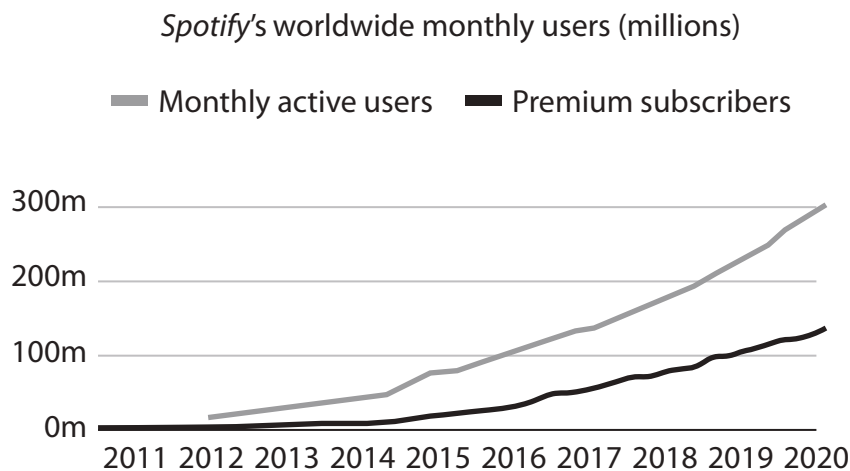


Figure 1