

**Pearson Edexcel International Advanced Level**

**Wednesday 10 January 2024**

Morning (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

#### ***Patagonia's mission statement***

"We're in business to save our home planet."

Staying true to our core values during 50 years in business has helped us create a business we are proud to run and work for. To stay in business for at least 50 more years, we must defend the place we all call home.

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*Patagonia* grew out of a small American business that made tools for climbers. Mountain climbing is still at the centre of this worldwide business that makes clothes for climbing as well as for skiing, snowboarding, surfing, fishing, mountain biking and running.

*Patagonia* is known for its supply chain transparency. We have implemented fair labour practices throughout our supply chain. This includes paying fair wages to over 75,000 clothing factory employees, providing safe working conditions and ensuring environmental responsibility in 67 factories, farms and mills.

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### Extract B

#### ***Patagonia's use of recycled materials in clothing***

*Patagonia* started making fleece jackets from recycled plastic bottles in 1993 and in 1996 was an early adopter of organic cotton.

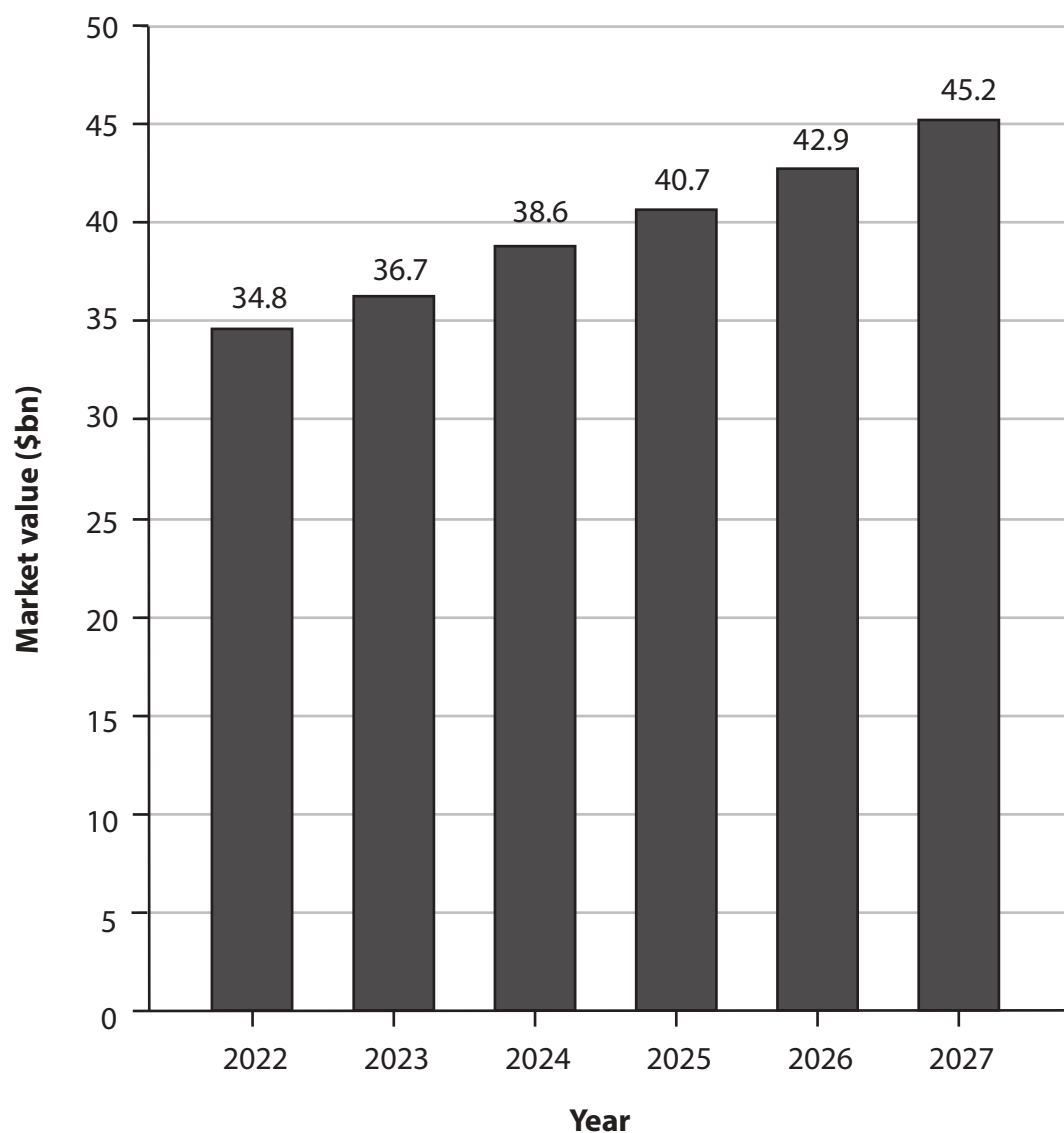
Recycled materials are used by *Patagonia* in a variety of clothing including coats, running tops and yoga leggings.

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Year	Percentage (%) of recycled materials used by <i>Patagonia</i>
2015	24
2016	26
2017	29
2018	35
2019	31
2020	65
2021	66
2022	72

## Extract C

### Forecast worldwide value (\$bn) for the outdoor clothing market 2022–2027



The growth in the number of people participating in physical activities worldwide is acting as a force for growth in this market.

The outdoor clothing market is highly competitive. The major key global businesses present in the market include *Columbia Sportswear*, *Patagonia*, *The North Face*, *Canada Goose*, *Salomon* and *Jack Wolfskin*.

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## Extract D

### Yvon Chouinard: *Patagonia's* CEO

Yvon Chouinard never wanted to start a business. He hated the way businesses had treated the environment for the sake of profits.

With *Patagonia*, Chouinard created an outdoor clothing business model based on selling fewer products. For 50 years, *Patagonia* has been at the cutting edge of sustainability and social responsibility. Its outdoor clothing comes with a lifetime guarantee. It encourages its customers to repair and reuse items rather than just discard them. 5

Because of Chouinard's transformative leadership, *Patagonia* is a brand associated with quality and the highest environmentally-friendly standards. *Patagonia* employees talk about Chouinard with a devotion that suggests they view him as a somewhat unpredictable genius. 10

Customers are more loyal than ever, building *Patagonia* into a business Chouinard never expected to lead.

## Extract E

### *Patagonia's* profits to help tackle the climate crisis

Future profits, expected to be around \$100m per year, will be used to tackle the climate crisis. Since 1985 *Patagonia* has donated 1% of sales to the preservation and restoration of the environment, awarding more than \$89m to environmental groups.

*Patagonia's* 83-year-old billionaire founder Yvon Chouinard, said in an open letter to stakeholder groups, "Earth is now our only shareholder. Instead of extracting value from nature and transforming it into wealth for investors, we'll use the wealth *Patagonia* creates to protect the source of all wealth." 5

*Patagonia's* move comes as more companies shift towards balancing the financial benefit of shareholders against the interests of employees, customers and the environment. 10



Extract F

**CEOs forced to change decades of forecasting habits**

Top *IKEA* executive Jesper Brodin, from the Swedish furniture group says he misses the old days when the world seemed relatively stable, when trends were predictable and these could be used to prepare reliable multi-year business plans.

"The risks, the uncertainty, everything that used to be in a risk management strategy is happening. We laugh about the time when we were doing one-year budgets, and how we would be right or wrong by 0.3%," he said. 5

CEOs across the world are struggling to make sense of confusing economic signals. The worst predictions of economic crisis and energy shortages from last year have not happened but it feels uniquely hard to predict the path ahead at the moment. 10

*IKEA*, for instance, has changed its approach. Instead of setting out specific goals for the year, it has a range of scenarios and contingency plans to give the business flexibility as the outlook changes. It means acknowledging that widely different outcomes are possible. "It is teaching us agility in how we operate," said Brodin.

A year ago, *IKEA* expected customers to reduce spending because of high energy bills and mortgage rates. This did not happen. Meanwhile, supply chain disruptions improved more quickly than anticipated, leaving the group with more inventory and, in turn, the need to lower the prices of some of its furniture products. 15

For *IKEA*, input costs are the most difficult to forecast. Although transport costs have fallen Brodin did not expect that greater demand for wood to burn as fuel would make this material more expensive. "We are celebrating that things are going in the right direction," said Brodin, "but we have no way of accurately predicting what is going to happen in 6–12 months." 20

## Sources for use with Section C

### Extract G

#### ASOS launches survival plan

The UK-based online fashion retailer, which has seen its shares slump by as much as 80% in the past year, has launched a major cost-cutting strategy in a fight to prevent losses.

Under plans by its chief executive, ASOS will reduce the amount of products it stocks, cut spending and reduce investment in robotic warehouses in the US. ASOS admitted that it had become too dependent on discounts and promotions and is planning to reduce these.

The plan followed reports that ASOS was facing a cash shortage as it hurried to agree new lending with banks. Its debt totalled £153m, compared with a cash balance of £200m a year earlier.

ASOS said it was expecting the clothing market to decline over the next year.

### Extract H

#### A selection of financial data for ASOS

	<b>2022</b>	<b>2021</b>
	<b>(£m)</b>	<b>(£m)</b>
Revenue	3 936.5	3 910.5
Gross profit	1 717.5	1 776.4
(Loss)/profit for the year	(30.8)	128.4
Current assets	1 554.0	1 559.7
Inventories	1 078.4	807.1
Current liabilities	1 040.0	998.0
Non-current liabilities	942.0	852.5
Capital employed	1 956.9	1 886.5