

# 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**

**Source Booklet**

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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. 5

*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*. 10

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



## 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.

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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.

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## 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:

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- 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 5
- 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. 10



## 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.

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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

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

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\*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.

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### 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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**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. 5

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. 10

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. 15

