

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

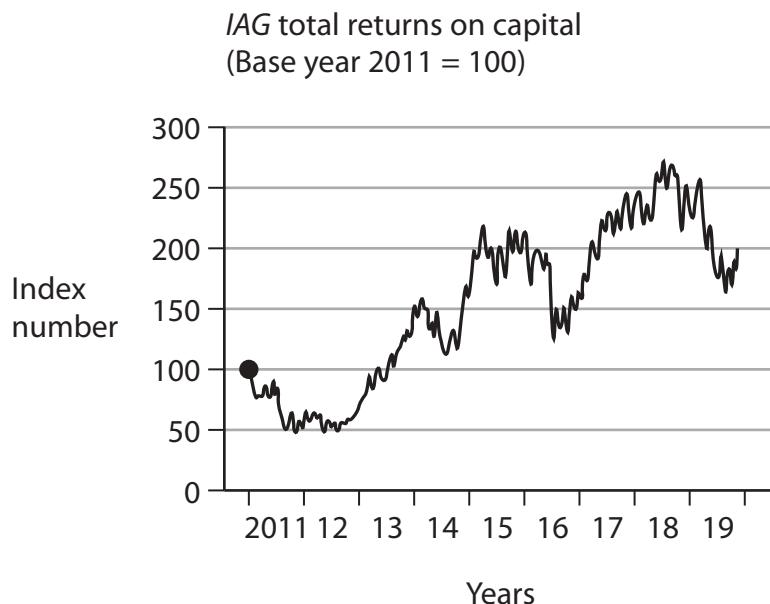
Extract A

British Airways: a cash cow

British Airways (BA) is the second largest airline in the UK and is part of a larger group of airlines. BA merged with *Iberia* in 2011 to create *International Consolidated Airlines Group (IAG)*, which has since taken over *Aer Lingus*, as well as *Vueling* and *Level*, two low-cost airlines.

5

Financially, IAG outperforms Europe's other big airlines. BA is the main reason for this. Its return on capital has grown and it provides the largest share of IAG's operating profits.



Extract B

Selected data for an *Airbus A350-1000* aircraft

Purchase price	\$366m
Average length of service	27 years
Average yearly net cash flow	\$30.5m
Average number of seats	380

Extract C

IAG buys Air Europa for €1bn

IAG is spending €1bn to buy *Air Europa*, another Spanish airline. *Air Europa* serves 69 destinations. *Air Europa* is the third largest Spanish airline after *Iberia* and *Vueling* – both of which are already owned by *IAG*.

In 2018, *Air Europa* made an operating profit of €100m. It had a revenue of €2.1bn from 11.8 million passengers. It serves many niche destinations in South America including Paraguay, Colombia and Iguazú on the border of Argentina and Brazil. 5

Extract D

Angry passengers as tens of thousands affected by *BA* systems failure

In August 2019, *BA* had many angry passengers as more than 500 flights were cancelled or delayed as a result of an IT systems failure. It affected the travel plans of tens of thousands of people with holiday and business plans travelling from London's Heathrow, Gatwick and City airports. This was not the first time *BA* has had IT failures. 5

In 2017, 75,000 passengers were stranded around the world when *BA* was forced to cancel more than 700 flights over three days due to IT systems failures. A data breach in 2018 affected 400,000 customers and led to a fine of £183m. *BA* claimed it regularly carries out detailed risk assessments of its IT systems and IT infrastructure. It is dependent on IT systems for many of its key business processes. 10

Extract E

BA to offset domestic flight emissions from 2020

BA will offset all domestic CO₂ flight emissions from 2020, after its owner IAG became the first airline group to commit to net zero-carbon flying by 2050. IAG is responsible for about 3% of global aviation's CO₂ emissions. Offsetting allows businesses to invest in environmental projects to balance out their own carbon footprints. 5

Chief executive of IAG, Willie Walsh, said that the company would reach the net zero-carbon target through offsetting but it already has a strong environmental policy that significantly reduces its environmental footprint by recycling and cutting waste from aircrafts.

Walsh said BA is replacing older, less fuel-efficient aircraft. He said the new *Airbus A350-1000*, which has just entered service on the transatlantic route to Toronto, would typically use 43 instead of 70 tonnes of jet fuel to carry a similar number of passengers. 10



Source for use with Section B

Extract F

Microsoft Japan four-day working week and productivity gains

For the month of August, *Microsoft Japan* trialled a new project called Work-Life Choice Challenge Summer 2019. It gave its 2,300 employees every Friday off in August without decreasing pay. The business said it also reduced the time spent in meetings by having a 30-minute limit and encouraging remote communication. 5

The shortened weeks led to more efficient meetings, happier employees and boosted productivity by an amazing 40%. As part of the programme, the company also subsidised family holidays for employees up to ¥100 000 (\$920).

"Work a short time, rest well and learn a lot," *Microsoft Japan* President and CEO Takuya Hirano said in a statement on *Microsoft Japan*'s website. "I want employees to think about and experience how they can achieve the same results with 20% less working time." 10

In addition to the increased productivity, employees took 25% less time off during the trial and electricity use was down 23% in the office with the additional day off per week. Employees printed 59% fewer pages of paper during the trial. The vast majority of employees – 92% – said they liked the shorter week. 15

Microsoft Japan's Work-Life Choice Challenge was a trial project and it is not known if these changes will be implemented in offices elsewhere in the world or on a longer-term basis. There are plans to repeat this challenge later in the year.

Sources for use with Section C

Extract G

Pandora hopes the overhaul of its brand will charm young buyers

Pandora's shops 'have become out of date', its brand 'a bit confused' and 'the business has been struggling for some time'. These judgments on the Danish jeweller, famous for its collectable silver bracelets and charms, come not from a rival business but from its own chief executive, Alexander Lacik. *Pandora* became the world's largest jewellery brand in volume terms relatively quickly and had few global rivals. In recent years sales have started to decline and its share price has fallen by two-thirds since 2016. 5

Lacik argues that the key to *Pandora*'s success is its charm bracelets, which account for about 70% of its sales and allow customers to collect and easily switch between different charms. Lacik says he wanted to keep the focus of its relaunch 'very narrow' and focus on its core products. He was unhappy with the business's efforts to expand into rings and other jewellery products. 10

Pandora is updating its physical and e-commerce stores. It is introducing new products including charms designed to target younger consumers, particularly teenage girls.

Pandora has launched a line called *Pandora Me* that consists of a bracelet, earrings and brooch that is customisable with dozens of mini charms. Other high-profile product launches will include Harry Potter branded jewellery and a range based on Disney's Frozen films. 15



Extract H

Selected data from *Pandora's 2018 Annual Report*

	2018 (DKKm)	2017 (DKKm)
Revenue	22 806	22 781
Gross profit	16 942	16 966
Operating profit	6 431	7 784
Profit for the financial year	5 045	5 768

Revenue by product	2018 (DKKm)	2017 (DKKm)	Growth (%)
Charms	12 126	12 920	-6%
Bracelets	4 393	3 965	11%
Rings	3 168	3 161	0%
Earrings	1 486	1 418	5%
Necklaces and pendants	1 633	1 317	24%

(DKK = Danish Krone)