

Edexcel GCE

Business Studies

Advanced

Unit 4A: Making Business Decisions

January 2013 and June 2013

Paper Reference

6BS04/01

Pre-release material

To be opened on receipt

Advice to Centre Staff and Candidates

- Candidates are expected to be familiar with the evidence provided here for the Unit 4A question paper before entering the examination room.
- A copy of this pre-release material will be included in the question paper, together with some new evidence, which you should study carefully before answering the questions.
- Candidates will not be allowed to take copies of this pre-release material into the examination.

Turn over ►

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Evidence A

How Superdry quietly took over the fashion world

This week, SuperGroup, the company that owns streetwear label Superdry, has, yet again, proved itself the indestructible superhero on the high street. The retailer reported sales up 48% since April 2011, its pre-tax profits stood at £50.2m and its share price had City analysts yelling: “Buy, buy!”

Superdry was set up in 2003. Julian Dunkerton, who owns SuperGroup, already owned a brand named Cult Clothing that sold vintage-looking, skater-ish clothing and logo T-shirts to students in cities such as Cheltenham, Oxford, Birmingham and Edinburgh. One of the labels that Cult stocked was Bench – a skater brand known for its hoodies and T-shirts. When Bench’s founder and designer James Holder left, Dunkerton proposed working together and Superdry was born.

Since then the label has consistently outperformed the competition. It added 18 UK stores in 2010, taking the total to 60. A further 44 franchised stores were opened abroad last year alone, taking the total to 80. It is the label most likely to be worn by celebrities like David Beckham, Justin Bieber, Helena Christensen, Kristen Stewart and Ben Stiller. Indeed Superdry attracts celebrities all the way down the food chain to Cheryl Cole’s mate Derek Hough who are actually willing to pay for the clothes (a feat in itself in the celebrity world of “gifting”). Superdry is a modern sartorial phenomenon. And yet it still flies under the radar.



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(Source: adapted from Imogen Fox, www.guardian.co.uk, 14 July 2011)

Evidence B

Superdry’s Mission

Our Business

The strategy of the Group is to grow in the UK and internationally by focusing on the youth fashion market with affordable, premium quality clothing and accessories for both men and women. Our Retail Division operates owned outlets in the UK and Ireland and a developing internet offering, while the Wholesale Division sells to a growing number of distribution partners across the world. The core to our offering is Superdry branded clothing, designed by our in-house team and produced by a limited number of suppliers, known for their expertise in our product categories and who are able to meet our exacting standards and timescales.

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(Source: adapted from SuperGroup Plc Annual Report and Financial Statement 2010)

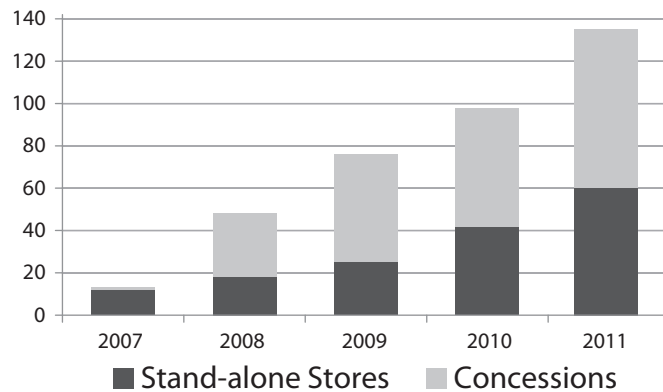
Expanding retail estate

> Retail store and Concession Map

concessions



stand-alone stores

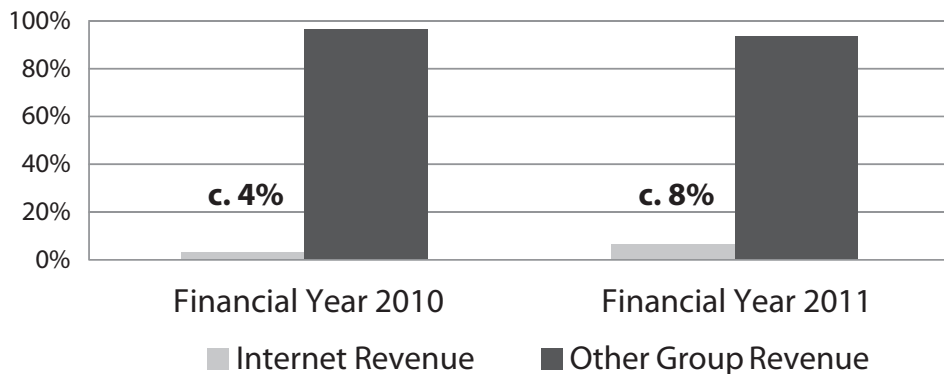


	2007	2008	2009	2010	2011
UK Stand-alone Stores	12	18	25	42	60
UK Concessions	1	30	51	56	75
Year-end square footage	58,254	88,939	126,704	211,680	306,571
Average Stand-alone store size	4,845	4,941	5,068	5,040	5,110

Internet growth

> Objective: 20% of Group revenue

Revenue as a percentage of Group Sales



> UK:

- To maximise UK revenue that supports UK retail roll-out without compromising brand equity.

> Overseas:

- To launch local language/currency websites to build brand awareness and complement franchise store roll-out.
- Participation from overseas websites increasing.

(Source: adapted from SuperGroup Plc – Preliminary Results for the year ended 1 May 2011)

Evidence D

SuperGroup's European expansion continues



Fashion retailer SuperGroup is planning further expansion in Europe after acquiring franchise distribution partner CNC. The group now plans to open a number of owned and franchised stores in the Benelux and France region, where CNC operates. CNC and its subsidiaries, Snow & Surf, CNC France and SD Retail Netherlands, is the leading global franchisee for the Group's popular Superdry brand. It currently manages 29 owned and sub-franchised stores and has a number of new outlets in the pipeline.

The deal will see CNC owner Luc Clément join SuperGroup as Head of European Franchising, and the senior managers at the acquired company are expected to play a key role in the new set-up. A SuperGroup statement claimed: "Luc, together with the CNC operational team, bring with them significant retail, wholesale and franchise expertise from which SuperGroup will benefit as it continues expanding into these markets". SuperGroup is paying €40m for CNC – Luc Clément will receive €7m in cash. The remainder of the consideration is payable in new shares: €21m at the current share price on completion and the balance of €12m at the share price in two instalments over the next three years.

Meanwhile its Superdry brand is now sold in more than 70 countries across Europe, Asia, Australia and the Americas. Commenting on today's announcement, CEO of SuperGroup Julian Dunkerton said: "The acquisition of CNC is a major step in our European growth strategy, allowing us to capture additional gross profit in four key territories, driving our franchise acceleration and opening the possibility of company owned, larger format stores in key shopping centres across Europe.

(Source: adapted from International supermarket news, 3 March 2011)

Evidence E

SuperGroup Plc Acquisition of European Franchise

4 February, 2011

SuperGroup Plc ('the Group or SuperGroup') is pleased to announce the acquisition of the entire issued share capital of its Benelux and France franchise and distribution partner, CNC.

The acquisition is of significance to the Group in capturing greater margins on growing sales within Belgium, the Netherlands, Luxembourg and France, accelerating its international franchise roll out and making possible the creation of owned larger format stores in key locations across Europe.

(Source: adapted from SuperGroup PLC website)

A unique and continually evolving brand

Constant and continued brand evolution at the heart of everything we do

2003

6 T-shirt Graphics



2011

400 + T-shirt Graphics



Core range

- T-shirts
- Polo
- Hoodies
- Outerwear

Immediate opportunities

- Womenswear
- Denim

Category development

- Luggage
- Fragrance
- Underwear

(Source: adapted from SuperGroup Plc – Preliminary Results for the year ended 1 May 2011)

Evidence G

Corporate Social Responsibility

The Group prides itself on maintaining high standards of integrity and honesty in carrying out its business activities. The Group expects the support of its managers, employees, suppliers and associates in pursuing these goals.

As a global retail clothing business, the Group acknowledges and takes seriously its role and responsibilities and aims to ensure that its suppliers and manufacturers comply with local and international legislation and adhere to international recognised standards of best practice in ethical trading. As such, the Group takes a 'hands-on' approach in being actively engaged in visits to all locations to ensure products are sourced from responsible business partners.

The Group has recently been accepted as a full member of SEDEX – the Supplier Ethical Data Exchange – a membership organisation for businesses committed to continuous improvement of the ethical performance of their supply chains. SEDEX focuses on four pillars: labour standards, health and safety, environment and business integrity.

Utilising the SEDEX system and tools, the Group is commencing a programme of activity to engage with its suppliers in the formal assessment and, where necessary, the improvement of its operations such that they meet a minimum set of acceptable standards.

The Group expects its suppliers to adopt and apply fair and ethical labour practices respecting the fundamental rights of their employees based on the principles and conventions of the International Labour Organisation as incorporated in the Ethical Trade Initiative Base Code. These include no forced employment, freedom of association, healthy and safe working conditions, no child labour, fair wages, reasonable working hours, no discrimination and no physical maltreatment.

(Source: adapted from SuperGroup Share offer prospectus 2010)

Evidence H

Balance Sheet extract

£m	2011	2010
Stock	52.3	21.1
Debtors	35.7	16.4
Cash	32.2	29.5
Total current assets	120.2	67.0
Borrowings	–	1.4
Creditors	42.7	22.6
Total current liabilities	42.7	24.0

(Source: adapted from SuperGroup Plc – Preliminary Results for the year ended 1 May 2011)

Evidence I

Superdry in £12m Austin Reed store deal



In a sign of the sartorial times and after 100 years in its current location, Austin Reed is to vacate its London flagship store in Regent Street to make way for Superdry, the hoodie and streetwear retailer, which sells clothes worn by the likes of David Beckham.

SuperGroup, owner of the Superdry label, paid £12m to take the lease over from Austin Reed, which is moving into an Aquascutum shop over the road.

The move marks another step in the regeneration of Regent Street. Burberry will today confirm plans to take over the Habitat and LK Bennett outlets on the road to create a global flagship store.

SuperGroup has been desperate to take a large store on the street. It recently missed out to US chain Hollister on a shop being vacated by National Geographic. A spokesperson said that the new Superdry store will be open towards the end of the financial year (2011–12).

(Source: adapted from *The Daily Telegraph*, 26 May 2011)