

Pearson Edexcel GCE

Business Studies

Advanced

Unit 4A: Making Business Decisions

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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.

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Evidence A

Rihanna and Pharrell's New Balance trainers are a UK success story



(Source: © The Metro
Pharrell is a big fan
of New Balance trainers)
(Picture: Getty)

How great it is to see 'Made in the UK' proudly displayed on New Balance 574 trainers. Their blunt nose, narrow heel, high instep and solid colouring are a throwback to the late 80s, which is probably why the US-owned brand is so popular right now.

Evidence that 574s are bang on-trend comes from the feet of Pharrell Williams and Rihanna; her choice of grey would have been met with approval from Luis Navarro, product manager at New Balance. In a 2009 interview he said: "Grey doesn't really stand out, so that it allows you to. We're not going to be the showy brand. We're going to be the brand that allows you to be you."



(Source: © The Metro
Rihanna wears her
New Balance court-side)
(Picture: Getty)

Where celebrities go, the public soon follows and Asos.com recently reported a 900% sales increase for 574s. New Balance is now the second most popular trainer brand on the site, behind Nike.

East Asia remains the base of production for many of the big trainer brands. Nike, for example, has 29 footwear factories in Vietnam, 18 in Indonesia and 13 in Korea.

New Balance has been making trainers in the UK since 1982. Currently there are 210 workers in Flimby, Cumbria, manufacturing around 28,000 pairs of trainers a week – the base is located in the beautiful Lake District and many of the workers have stayed loyal to the company since 1982.



(Source: © The Metro
New Balance 574s – Made in England)
(Picture: New Balance/supplied)

The brand's growth has been steady since becoming available to British buyers. By 1993 the factory was making 4,771 pairs a week, which increased to 7,403 by 1996 and to 9,787 by 1998.

Flimby now supplies 90% of New Balance's European market and the construction of a new 21,500 sq ft warehouse in the Lake District is a clear indication that the business expects the market to continue to expand.

(Source: adapted from: www.metro.co.uk
Tuesday 29 Apr 2014)

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Evidence B

In 1982, US-owned athletic products firm New Balance opened its first factory in Cumbria employing 40 people. It took on the premises that Clarks shoes had closed. When a larger, more modern factory in Flimby became available in 1991, New Balance relocated and has been designing and manufacturing its trainers there ever since. Part of the location decision is because the business typically sources from Europe: "We get better-quality leather from its tanneries," says the factory manager. "Making and developing the product on site gives us that responsiveness to the client. It's easier to visit a factory in Flimby than it is China."



(Source: Photo: Bloomberg © telegraph 2014)

Manager, Andy Okolowicz says the flexibility and co-operation of the loyal workforce is crucial: "They realise its tough out there, that we're in it together, and they feel safe here because we're not in it for the quick win. It's 200-plus people trying to survive." They have worked "incredibly hard as a factory" to compete with overseas manufacturers by introducing new technology including robotics.

Productivity has improved by 35% and the factory has cut lead times from "about three weeks to three days. Our ultimate aim is to cut, stitch, and make a pair of shoes in less than a day. Our staff turnover is also extremely low; we haven't had to lay anybody off for a long, long time."

Asked why he thinks New Balance maintains its UK factory when so many manufacturers have relocated overseas, Okolowicz singles out the craftsmanship: "You could import some of the products from China but that's not what it's about. We have years of experience."

(Source: adapted from *Director Magazine* March 2014)

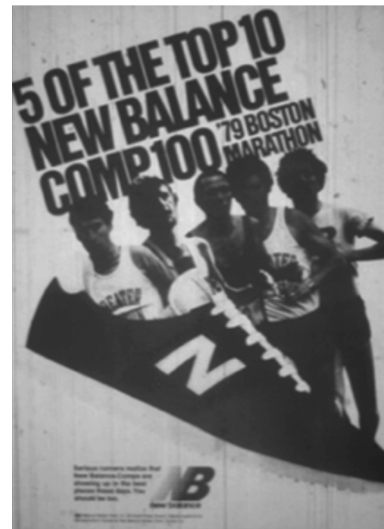
Evidence C

About New Balance

The New Balance 'mission' is to demonstrate responsible leadership, building global brands that athletes are proud to wear, associates are proud to create and communities are proud to host.

New Balance began in Boston (USA) in the early 1900s and has grown to become a leading global athletic products company. Today New Balance has a family of brands in its worldwide portfolio, including New Balance, Dunham, PF Flyers, Aravon, Warrior and Brine.

To ensure the best fitting, best performing shoes and apparel, we focus on improving our technology and production methods. A big part of that is maintaining five manufacturing facilities in the United States and one in United Kingdom. We have also remained committed to a core set of values that include integrity, teamwork and total customer satisfaction.



(Source: www.thosenbs.com)

(Source: adapted from <http://www.newbalance.co.uk/>)

Evidence D – Extract from New Balance UK accounts

Profit and Loss

	2013	2012
	(£)	(£)
Turnover	46 939 150	36 434 107
Cost of Sales	35 070 816	28 061 935
Gross Profit	11 868 334	8 372 172
Operating (Loss) Profit	1 057 688	(213 044)

Balance Sheet

Fixed Assets	2 046 711	1 851 727
Current Assets	27 901 319	20 014 948
Stock	12 137 301	8 611 341
Current Liabilities	27 173 413	13 913 126
Capital Employed	2 774 617	7 953 549

(Source: adapted from Financial Statements New Balance Athletic Shoes (UK) Limited December 2013)

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Evidence E

New Balance has installed 208 solar panels on its factory rooftop in Flimby, Cumbria. The solar panels will help New Balance to reduce its annual CO2 emissions by as much as 20 tonnes per year. These solar panels will also allow the company to sell back the extra power it generates. The revenue generated will provide the trainer manufacturer with an attractive, index-linked income for 20 years.



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(Source: adapted from www.solarpowerportal.co.uk 22 November 2013)

Evidence F

New Balance aiming for growth



New Balance hopes football and its Warrior brand will drive growth. The American group, which is expected to make as much as \$3 bn in 2013, has already secured a deal to supply the football kits for Liverpool FC.

The New Balance CEO explained the company's global expansion plans: "We are currently looking for locations for flagship stores in London, Paris, Barcelona and Berlin," said James Davis. The Royer group, who distributes the brand in Germany, explained that it had recently put in place measures to increase New Balance's visibility and sales. In Germany the brand is currently the sixth biggest player in its sector.

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New Balance has over 200 stores in the United States and 500 in Asia.

(Source: adapted from © 2014 FashionMag.com All rights reserved from 13 December 2012)

Evidence G

WORLD: Footwear market to reach \$211.5bn in 2018

According to Transparency Market Research the growth in the market for all footwear will be driven by Asia Pacific, set to enjoy 30.1% of global footwear revenues in 2018, followed by Europe with 21%.

Asia Pacific remains the point of focus for footwear manufacturers because of cheaper costs, as well as rising disposable incomes from a growing population. 5

Specifically, the athletic footwear market is expected to grow at 1.8% a year between 2011 and 2018 to \$84.4bn, helped by increased demand for innovative design and styles and celebrity endorsement.

The top five players in the footwear market are Nike, Adidas, Reebok, Puma and New Balance – together holding a 70% share of the market. 10

(Source: adapted from: http://www.just-style.com/news/footwear-market-to-reach-2115bn-in-2018_id118941.aspx 2 September 2013)

Evidence H

The latest mega brand to join the cricket equipment market is New Balance, which is using cricket to showcase its brand.

It has signed Dale Steyn, one of the top cricketers in the world, and has deals with a number of top English county teams to supply its footwear. 5

New Balance is focusing on the UK, Australian and South African markets, countries where the sport is popular. It is not entering the Indian market at this stage because it is considered too large. 10



South African cricket Dale Steyn
(Source: www.kloppers.co.za)

This is a big change in strategy. During the 1990s, New Balance ran an 'Endorsed by No One' campaign, believing that the behaviour of star athletes 'demonstrated attitudes and behaviours that we felt did not represent our brand'. 15

(Source: adapted from: <http://www.thedrum.com/opinion/2013/09/04/new-balance-may-have-signed-trott-and-steyn-it-destined-be-cricket-12th-man> 4 September 2013 – 4:06pm)