

Paper Reference 9BS0/03
Pearson Edexcel Level 3 GCE

Business

Advanced

PAPER 3: Investigating business in a competitive environment

Thursday 6 June 2024 – Morning

Time: 2 hours

SOURCE BOOKLET

**DO NOT RETURN THIS BOOKLET WITH
THE QUESTION PAPER.**

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CONTEXT

- **This year the context is the clothing retail and manufacturing industries and the businesses operating in this market.**

RESEARCH

- **To prepare for this year's context, you should research:**
 - **Global clothing market trends: customer tastes and preferences; ethical considerations**
 - **Forms of businesses in the UK clothing markets: independents and multinationals**
 - **Global clothing manufacturing locations**
 - **Impact of global clothing multinationals**
 - **Financial performance, planning and decisions in the UK clothing retail market**
 - **Business growth and UK clothing retailers**
 - **Entrepreneurs and UK clothing retailers**
 - **Distribution methods used by UK clothing retailers**
- **You CANNOT take any of your research or investigation data carried out as part of the pre-release into the examination.**

CONTENTS

SECTION A

Pages 4–5: EXTRACT A

Pages 6–7: EXTRACT B

Pages 8–10: EXTRACT C

SECTION B

Pages 11–12: EXTRACT D

Page 13: EXTRACT E

Page 14: EXTRACT F

Page 15: EXTRACT G

Pages 16–17: SOURCES

SECTION A

Read the following extracts (A to C) before answering Question 1.

EXTRACT A

Vinted Ltd: A growing clothing business

Vinted Ltd was founded in Lithuania in 2008 by Milda Mitkute and Justas Janauskas, who remain major shareholders. It operates across Europe and the USA, and recently raised €250m in share capital to help fund expansion into new markets.

5

Vinted currently has 45 million users who buy and sell clothes on its platform. Sellers pay no fees until the items are sold and then Vinted receives a percentage of the selling price.

10

Vinted utilises several trends, such as affordable fashion, and the use of online channels. Vinted is part of the circular economy which describes how goods, such as clothing, are recycled and re-sold, helping to prolong usage in a sustainable way.

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EXTRACT A continued

In the future Vinted plans to make it easier for people to sell goods on the platform for charity. In the UK, charity shops are a significant channel for used goods, where people donate clothes to help organisations such as the British Heart Foundation, which sell them in physical stores to raise funds. Vinted is working to give sellers the option to sell for a charity of their choice.

20

EXTRACT B

Global fashion market trends in 2023

1. THE RISE OF RESALE CLOTHING

The secondhand clothing market will grow three times faster than the global clothing market overall.

Technology and online marketplaces are driving this trend, with 70% of customers saying it's easier now to shop secondhand than it was five years ago. With customer incomes squeezed, resale helps with affordability. 5

2. SUSTAINABILITY 10

Fast-fashion brands are sometimes criticised for the methods they use to manufacture and produce clothing, involving long global supply chains. 42% of global customers prefer to purchase eco-friendly and sustainable products. 15

3. BRICK-AND-MORTAR

22% of online returns are because products look different in reality when received by the customer. This expense is driving many fashion brands back into traditional retail. Customers want both online 20

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EXTRACT B continued

and offline sales channels: 50% of customers are likely to look at a product online and buy it in a physical store; 50% say they do the opposite: viewing products in-store and buying them online.

EXTRACT C

Clothes manufacturing in China

Value of textile exports (\$bn, 2020)

ASIA	China 275.76	Rest of Asia 87.89	Turkey 28.52	Europe 151.88	US 22.15	Africa less than 20	Australasia less than 10
				</			

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EXTRACT C continued

Previously clothing brands were attracted to China by a large labour force, low labour costs, clothing manufacturing technology, and high product quality. Factories concentrated in coastal port cities, also help with transportation. Fast-fashion brand Shein has its base in China. 5

Mango's chief executive, Toni Ruiz, said he was considering buying less from China. "What we're looking at is the extent to which all this global sourcing, developed over many years, might become more local," he said. 10

According to China's National Bureau of Statistics, the average factory wage doubled between 2013 and 2021. Products manufactured in China are not as competitive once shipping and transport costs are taken into account. An increasingly important consideration for retailers is traceability in the supply chain after years of widely reported labour abuses in China. 15 20

Many clothing brands are moving production to Turkey, which has a customs agreement with the

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EXTRACT C continued

European Union. Turkey also has a free trade agreement with the UK. Turkey has easy access to raw materials, such as cotton, as well as having a skilled workforce protected by strong labour laws. Hugo Boss and Zara already use Turkey as a production location.

25

SECTION B

Read the following extracts (D to G) before answering Question 2.

EXTRACT D

51 years of independent retail

Jonathan Trumbull Ltd was founded in 1971 in Norwich, by John and Roger Kingsley. John's son, David Kingsley, is still a director and manager and is one of 20 staff. Jonathan Trumbull Ltd owns three stores: Trumbull, a traditional men's clothing store; Ginger, a high-end women's fashion store; and Hatters, which focuses more on contemporary fashion. Estimated expansion costs for one of these stores ranges between £25 000 and £30 000. 5 10

Trumbull, Hatters, and Ginger offer a range of fashionable classic and casual wear, aimed at adult customers on a range of incomes. The business sells clothing from a variety of brands, including Armani, Tom Ford, and Moschino. 15

Jonathan Trumbull Ltd's website cost approximately £2 000 to set up. It stocks a wide variety of additional

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EXTRACT D continued

labels, including an extensive range of suits and formalwear, which may not appear in stores. Its IT-based stock system is managed by Swan Retail, which provides a fully integrated customer ordering, stock management and accounting system. Expansion of e-commerce could cost 30% more than the original set-up cost.

Norwich is the largest city in the East of England and is the main regional centre for shopping. It has regularly been voted one of the top five retail destinations in the UK.

EXTRACT E

Ginger reopens in its former shop

Ginger is part of the Jonathan Trumbull Ltd retail group, one of Norwich's longest-established businesses. It has moved back to its original premises in Timberhill, after a short spell being based in the Trumbull store in Norwich. 5

Beckie Kingsley is the store manager. She is the daughter of David Kingsley, a Jonathan Trumbull director, and is likely to be his successor. Beckie said: "When the building became available, we thought we would come back. It is lovely being back in Timberhill. It has a great community spirit, and it is full of thriving independent shops, including other fashion retailers. Everybody is willing to help each other out and we all share ideas. Timberhill is a beautiful street, near lovely green areas. Customers have welcomed us back." 10 15

EXTRACT F**Extract from Jonathan Trumbull Ltd's statement of financial position**

	2022	2021
FIXED ASSETS (£)	30 683	30 568
CURRENT ASSETS (£)		
Inventory (£)	639 340	687 560
Receivables (£)	13 518	45 171
Cash (£)	491 844	299 732
TOTAL CURRENT ASSETS (£)	1 144 702	1 032 463
CREDITORS DUE WITHIN 12 MONTHS (£)	345 824	417 974

Turn over

EXTRACT G

Competition for Jonathan Trumbull Ltd

In 2023, the multinational clothing retailer, Urban Outfitters, announced the opening of its store in Chantry Place, Norwich's biggest shopping mall. Urban Outfitters became the latest competitor to Jonathan Trumbull Ltd to open, after its planning application was approved by Norwich City Council. 5

Urban Outfitters began in 1970 in the USA, and now operates more than 200 stores in North America and Europe. Urban Outfitters sells a mix of on-trend women's and men's clothes, including shoes, hats, bags, and a collection of handpicked vintage clothing known as Urban Renewal. 10

Online sales increased by 150% in 2022, however Urban Outfitters is also opening new stores. Brick and mortar stores serve as a showroom for products and give customers the opportunity to touch and feel products. Its store layouts are more varied between locations than other retailers, based on stylish loft apartments, with features such as exposed ceilings and wooden floors. 15 20

SOURCES

EXTRACT A

Adapted from

<https://techcrunch.com/2021/05/11/vinted-raises-303m-for-its-2nd-hand-clothes-marketplace-used-by-45m-and-now-valued-at-4-5b>

EXTRACT B

Adapted from

<https://www.shopify.com/uk/enterprise/ecommerce-fashion-industry>

EXTRACT C

Adapted from OEC

Adapted from

<https://www.ft.com/content/0e23cf24-ed9c-4a0a-916c-7059d3795b93>

EXTRACT D

Adapted from

**<https://www.jonathantrumbull.co.uk/about-us-i2>
and interview with manager**

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SOURCES continued

EXTRACT E

Adapted from

<https://www.eveningnews24.co.uk/news/business/22321802.high-end-boutique-reopens-former-shop/>

EXTRACT F

Adapted from © Crown copyright

EXTRACT G

Adapted from

**<https://www.eveningnews24.co.uk/news/business/22318417.urban-outfitters-confirmed-new-shopping-mall-addition/>
and <https://marker.medium.com/urban-outfitters-knows-what-gen-z-wants-brick-and-mortar-stores-593c67406275>**