

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Pearson Edexcel
International
Advanced Level

Centre Number

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Candidate Number

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Thursday 21 May 2020

Afternoon (Time: 2 hours)

Paper Reference **WBS03/01**

Business Studies

International Advanced Level

Unit 3: Strategic Business Decisions

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions in Section A and Section B.
- Answer the questions in the spaces provided – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- In your responses, you should take particular care with punctuation and grammar, as well as the clarity of your expression.
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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SECTION A

Answer ALL the questions in this section.

You should spend 60 minutes on this section.

Evidence A

Swatch Group

The *Swatch Group* is a Swiss holding company. Its major markets include Europe, mainland China, Japan and the United States. It sells products in all price segments, from plastic *Swatch* watches to the high-end Breguet brand watches.

The activities of the *Swatch Group* are divided into two core business segments: Watches and Jewellery, and Electronic Systems. 5

The Watches and Jewellery segment includes the production and sale of branded watches, jewellery and watch movements.

The Electronic Systems segment includes the production and marketing of electronic components, including batteries and sports timing equipment. 10

The *Swatch Group* has more than 37,000 employees, in over 50 countries.

All figures in Swiss Francs (CHF)	2017	2018
Revenue	7.96bn	8.47bn
Profit for the year	733m	867m

Figure 1

(Source: adapted from <https://www.reuters.com/finance/stocks/company-profile/UHRN.S>
[https://uk.reuters.com/article/us-swatch-ch-results/
asian-slowdown-spoils-the-picture-for-swatch-group-idUKKCN1PP0IP](https://uk.reuters.com/article/us-swatch-ch-results/asian-slowdown-spoils-the-picture-for-swatch-group-idUKKCN1PP0IP)
<https://uk.reuters.com/article/us-swatch-results/swatch-signals-better-times-for-watch-industry-idUKKBN1FJOLD>)

Evidence B

Giving Back

The *Swatch Group* Environmental Policy focuses on conservation of the natural environment.

- In Peru, *Swatch* supports the Proyecto Sofia Mulanovich project for young people, which developed Peruvian surfing through a three-year programme that focuses on environmental protection, healthy living and fair play. 5
- During Expo 2015, *Swatch* supported The Treedom Project which aimed to make Africa greener by planting trees. The goal was to create benefits for the environment while supporting farmers who planted the trees.

(Source: adapted from <https://www.franchiseeurope.com/top-500/swatch/454/>)

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Evidence C

Swatch Group figures

All figures for year ending	December 2016	December 2017	December 2018
Average monthly revenue (CHF)	629m	663m	706m
Employees	35,700	35,400	37,100

Figure 2

(Source: adapted from http://www.fhs.swiss/eng/2017_02_16_01_Swatch_Group.html
http://www.fhs.swiss/eng/2018_02_15_01_Swatch_Group.html
https://www.fhs.swiss/eng/2019_02_14_01_Swatch_Group.html)

Evidence D

Training

The *Swatch Group* promotes vocational training at all levels. At the end of 2018, more than 700 people throughout the world were being trained by the *Swatch Group*. These are either apprentices learning watchmaking and related technical professions, or are students in the *Group's* six international customer service watchmaking schools. These schools are located in Miami, Kuala Lumpur, Shanghai, Hong Kong, Pforzheim and Manchester.

5

The *Swatch Group* trains its apprentices for 39 different occupations, each destined to work in a different role within the business. At the completion of training, almost all graduates accept jobs within the *Group*.

(Source: adapted from https://www.fhs.swiss/eng/2019_02_14_01_Swatch_Group.html)



1 (a) What is meant by the term profit for the year? (Evidence A, Figure 1, row 3)

(2)

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(b) What is meant by the term employees? (Evidence C, Figure 2, row 3)

(2)

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(Total for Question 1 = 4 marks)



2 Explain **one** possible corporate objective behind the policy in Evidence B.

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(Total for Question 2 = 6 marks)



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QUESTION 4 BEGINS ON THE NEXT PAGE.



4 Assess the impact on the *Swatch Group* of the changes in labour productivity between December 2016 and December 2018. (Evidence C)

(10)

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(Total for Question 4 = 10 marks)



5 Assess the extent to which the *Swatch Group* could be classified as having a 'role culture' as defined by Charles Handy. (Evidence D)

(12)

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(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS



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SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence E

Chief of Baselworld watch fair, René Kamm, quits after *Swatch* pull out of exhibition

René Kamm had faced criticism that trade fairs are losing relevance in the social media era.

The *MCH Group*, organisers of the Baselworld watch fair 2019, one of the most important events in the luxury goods calendar, has announced its chief executive has resigned. This follows the surprise withdrawal from next year's show of *Swatch Group*, its largest exhibitor. 5

The departure of René Kamm, boss of the *MCH Group*, follows severe criticism of Baselworld this week by Nick Hayek, *Swatch's* chief executive. He warned that traditional trade fairs were rapidly losing relevance.

Swatch's withdrawal raised questions about the long-term future of the watch fair in Basel, Switzerland, which dates from 1917. The number of exhibitors at this March's 2018 exhibition was 650, half the number of 2017, although visitor numbers held steady at around 106,000. 10

The Swiss watch industry has enjoyed a strong recovery since 2015 and 2016, when exports fell against the background of slow global economic growth, terrorist attacks in Europe, and a crackdown on 'gifting' in China. But as their fortunes improve, watchmakers are overhauling traditional wholesale distribution channels to use social media and sell directly to customers online. 15

Nick Hayek argued that annual trade fairs could not keep up with the pace of innovation. "You cannot just launch new products and innovations once a year. You must do it all the time," he told the *Financial Times*. 20

MCH Group said that it was overhauling its trade fair and events business to meet future requirements. It said it "deeply regrets" *Swatch's* decision, which it admitted would have a "major effect" on its 2019 results, but it would not prevent Baselworld from continuing.

(Source: adapted from © The Financial Times Limited 2019.)

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Evidence F

Shanghai's Peace Hotel

The Peace Hotel is a large building on Shanghai's historic waterfront. It is owned by *Jinjiang International*, China's biggest hotel operator.

In 2007, *Jinjiang International* formed a joint venture with the *Swatch Group* to develop the southern wing of the hotel. 5

The southern wing is now known as the *Swatch Art Peace Hotel* and has been transformed into a modern hotel and an art centre, with flagship retail stores for *Swatch Group* international-brand watches. There is a *Swatch Art Boutique*, and other points-of-sale for the *Swatch Group's* more prestigious brands, such as *Blancpain* and *Omega*.

Jinjiang International is the largest tourism business in China's biggest city and owns some of Shanghai's most historic hotels. 10



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6 Assess how contingency planning could have been used by the *MCH Group* to protect its Baselworld watch fair. (Evidence E)

(20)

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(Total for Question 6 = 20 marks)



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7 Evaluate the benefits to the *Swatch Group* of the joint venture with *Jinjiang International* for this project. (Evidence F)

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(Total for Question 7 = 20 marks)

TOTAL FOR SECTION B = 40 MARKS

TOTAL FOR PAPER = 80 MARKS



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