



A-level BUSINESS

Paper 2 Business 2

Sample assessment materials

Insert

Source A: SHEIN

Source B: Netflix

Source A: SHEIN

SHEIN is an online fashion retailer. It has nearly 10 000 employees, sells in over 150 countries and operates in over 20 languages.

SHEIN's annual revenue target for 2025 is \$58.5 billion, up from \$22.7 billion in 2022. That would exceed the existing combined sales of its main competitors, H&M and Zara.

The average price of an item sold by SHEIN is just £7.90. The company's website has over 600 000 items on sale. It adds 6 000 new items each day.

SHEIN has a lean production model. It only produces 100 to 200 pieces of any item when launched and responds with increased production only if demand justifies it. The company uses computer models to try and estimate future sales accurately and match production to demand more closely than its competitors. Through its on-demand production, SHEIN is able to consistently limit the amount of excess inventory to a level that is much lower than traditional retailers.

The company supports its suppliers with training and investment in advanced technology. SHEIN ships orders to its customers directly, mostly from one huge warehouse near Guangzhou in China. This means that deliveries to customers around the world are slower than those of some competitors who have warehouses in different countries.

The fast fashion business model that SHEIN adopts has been widely criticised. It has been suggested that 8% of global carbon emissions are produced by the fashion industry. Fast fashion businesses are also criticised for encouraging consumers to replace, rather than repair or reuse clothing. Fast fashion allows customers to buy cheap products which they then discard, before quickly buying something new. There have also been criticisms of conditions in some of SHEIN's suppliers' factories in China.

SHEIN has now decided to focus more on environmental sustainability. It states, "Our operations are guided by a sustainability mindset tackling waste and circularity at every stage". The company aims to optimise the efficiency of its processes to conserve water, energy and raw materials while minimising waste. In September 2022, as part of its sustainability approach, SHEIN committed to reducing absolute (total) greenhouse gas emissions by 25% by 2030, when those of the industry are predicted to rise by 45% by 2030.

SHEIN has strict quality standards. Its approach includes a quality-check process where products are examined when they arrive at the warehouse. Factors tested include tear-strength and whether the colour of an item will fade when washed. Departments within the business are treated as if they are customers as part of its quality assurance approach.

SHEIN's values for employees include being good team-players who work well in a collaborative environment.

If SHEIN was seeking to launch a new range of clothing in 2026, it might consider two new suppliers: Xpress and Reliont. Appendix A shows information on these suppliers. The expected orders for the product in the first year would total 2.4 million units.

Appendix A: Fictional information on two potential suppliers

	Xpress	Reliont
Location	Jiangsu, China	Braga, Portugal
Total annual current production (before SHEIN order) (million units)	12	36
Lead time (days)	9	15
Proportion of items produced with defects	2.43%	1.25%
Annual maximum possible output (million units)	15	50
Total annual CO2 emissions from manufacturing (kg)	50 000	65 000
Current number of customers (before SHEIN order)	10	2
Payment terms (days)	15	30

TURN OVER FOR SOURCE B

Source B: Netflix

Netflix is one of the world's leading entertainment services. It employs around 13 000 people. The company has over 430 million shares. It has never paid a dividend. It has more than 247 million paid memberships in over 190 countries. Members enjoy TV series, films and games across a wide variety of genres and in over 30 languages. Members can play, pause and resume watching Netflix's content as much as they want: anytime and anywhere. Netflix's competitors include Disney+, Amazon Prime, HBO and Paramount.

The use of advanced digital technology affects all aspects of Netflix's operations. For example, it:

- enables the smooth streaming of content
- adjusts the quality of the video for the platform it is viewed on
- enables the production of high-quality content
- enhances users' experience on the Netflix site through features such as efficient search functions and personalised recommendations of content.

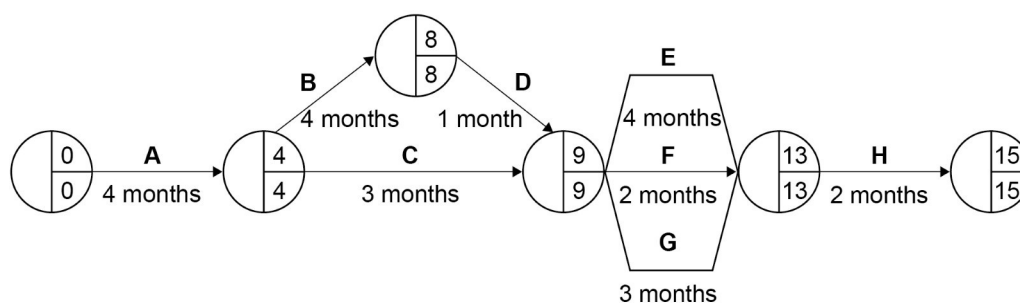
Netflix aims for diversity in its workforce. Its employees are paid top rates for what they do. Netflix claims it has a unique culture. Netflix's leaders highlight the importance of collaboration and creativity. 3% of Netflix employees work remotely compared to a national average of 14%. There are very few rules at the business because Netflix trusts employees to make the right choices. Employees are empowered and given the freedom to decide what to do and delegation is high but, in return, must take responsibility for their actions. The company expects employees to be high performers and excellent team players. Underperformers are asked to leave. For every significant decision, Netflix identifies an "informed captain of the ship". This person is an expert in their area and is responsible for listening to other people's views and then making a judgment call on the right way forward.

Appendix B shows a fictional network diagram with an example of a major new series that Netflix could launch.

In this example, if the series is released within 15 months, it will coincide with the peak viewing period, which could result in subscription revenue of approximately \$350 million in the first year. A financial assistant has provided an estimate of how any delay might reduce this year's income from subscriptions. A production director has also suggested that additional resources could be allocated to the project if necessary. If the series is successful, it may continue to be shown in future years and could lead to the development of a second season.

Source: information sourced from Netflix, 2024

Appendix B: A fictional network diagram for potential development of a new series (activity durations in months)

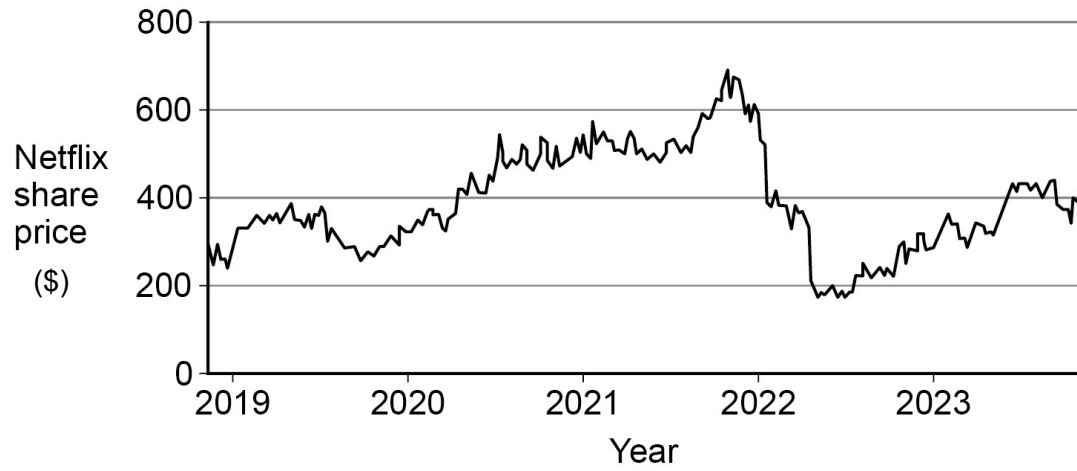


	Activity
A	Planning and financing
B	Market research
C	Scriptwriting
D	Casting
E	Filming
F	Pre-release promotion
G	Screen-testing
H	Post-production

Appendix C: Projected fictional impact of delays to the series development project

Length of delay after the 15 month launch target	Expected impact of the delay on this year's subscriptions revenue from this series
1 month	–10%
2 months	–20%
3 months	–30%
4 months	–45%
5 months	–55%
6 months	–70%

SOURCE B CONTINUES ON THE NEXT PAGE

Appendix D: Netflix share price 2019–2023 (\$)

END OF SOURCES

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