



A-level BUSINESS

Paper 1 Business 1

Sample assessment materials

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Source A: Gymshark Ltd

Source B: Apple's Vision Pro

Source A: Gymshark Ltd.

Ben Francis was 19 when he asked his parents if he could use their garage to start making gym clothes he had designed. Whilst studying business at university, Ben teamed up with a school friend, and the gymwear business Gymshark Ltd was born.

Ben used his £5-an-hour wage at Pizza Hut and £1000 savings to invest in equipment like a sewing machine. Ben taught himself to sew and went to bodybuilding events to raise brand awareness. In 2012, Ben dropped out of university to focus on the business full-time.

The Gymshark Ltd brand has become a hit with younger gym goers and is doing well in a highly competitive market. Its competitors include Nike, Adidas and Puma. Instead of using traditional advertising or selling in high street shops, Gymshark Ltd has grown by having athletes and social media 'influencers' wear its clothes on platforms like Instagram, TikTok, and Facebook. Ben is also well known and still shares his own fitness videos online to promote the brand. The company now has 18 million followers on social media.

Gymshark Ltd is a private limited company. In 2021, it raised £200 million by selling shares to a company called General Atlantic. This made Gymshark Ltd one of relatively few British businesses valued at over \$1 billion. Ben still owns a 70% stake in the company and has a clear vision of how he wants the business to develop. General Atlantic owns just over 20%. Managers at Gymshark Ltd own 10%. The funds were raised with the aim of expanding the business in North America, where Gymshark Ltd already makes a large part of its sales, and to grow the business rapidly in Asia. Ben has ambitious plans and wants to make the Gymshark Ltd brand the UK equivalent of Nike. The Nike brand was worth \$31 billion in 2023 globally; market research suggests that 43% of people who buy Nike sportswear would do so again.

In October 2022, Gymshark Ltd made a significant investment and opened its first physical store on Regent Street in London.

Source: information sourced from Gymshark, 2024

SOURCE A CONTINUES ON THE NEXT PAGE

Appendix A: Extracts from Gymshark Group Ltd's statement of financial position as at July 2024

	£000
Non-current assets	159 077
Inventory	74 210
Receivables	13 497
Cash	54 676
Payables due within a year	191 478
Other current liabilities	586
Non-current liabilities	102 920

Source: Companies House

Appendix B: UK clothing industry fictional financial information

Industry average current ratio = 1.4

Source: Analyst

Appendix C: Social networks by number of monthly active users globally, 2024

	Billions of users	Age range of highest proportion of users
Facebook	3.0	25–34
Instagram	2.0	25–34
TikTok	1.6	18–24

Source: Statista, 2024

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Source B: Apple's Vision Pro

In September 2023, Apple launched the Vision Pro in North America. Vision Pro is a virtual reality (VR) headset. Unlike rival headsets which require hand-held controllers, Vision Pro is controlled by hand movements, voice commands and eye tracking. Analysts estimated over \$8 billion had been spent developing Vision Pro over five years.

The Vision Pro may turn out to be one of Apple's lowest-selling products. Apple reportedly hoped to sell 3 million units in the first year. Some experts expected sales would be below 200,000 units in this period – lower than any of Apple's other major product launches. Others were more optimistic about Vision Pro's long-term sales. Apple set a high price of \$3499. This price was three times more expensive than Meta's competing headset, the Quest. Other issues with the product included a battery that lasted only two-hours and a headset that some users said was awkward to wear.

Apple was keen to release the Vision Pro because of strong competition, especially from Meta. Meta had been selling the Quest at a loss to increase its market share.

Steve Jobs, Apple's founder, once said that customers do not know what they want until Apple makes it.

Over 2 billion Apple devices are in use around the world. Apple also has:

- a huge database of information about current users of its products.
- a wide product portfolio including iPads, Mac computers, iPods, Apple TV, and the Apple watch.
- a trusted brand. In a 2021 survey, three times as many people said they would buy a headset from Apple compared to its closest competitor.

In 2023, Apple increased its dividend payments to about 15% of its yearly profits.

Source: Apple, 2024

SOURCE B CONTINUES ON THE NEXT PAGE

Appendix D: Selected financial data for Apple in 2021 and 2023

	2021 \$ millions	2023 \$ millions
Sales	365 817	394 328
Operating profit	108 949	125 344
Investment in new product development	21 914	29 915

Source: Apple, 2024

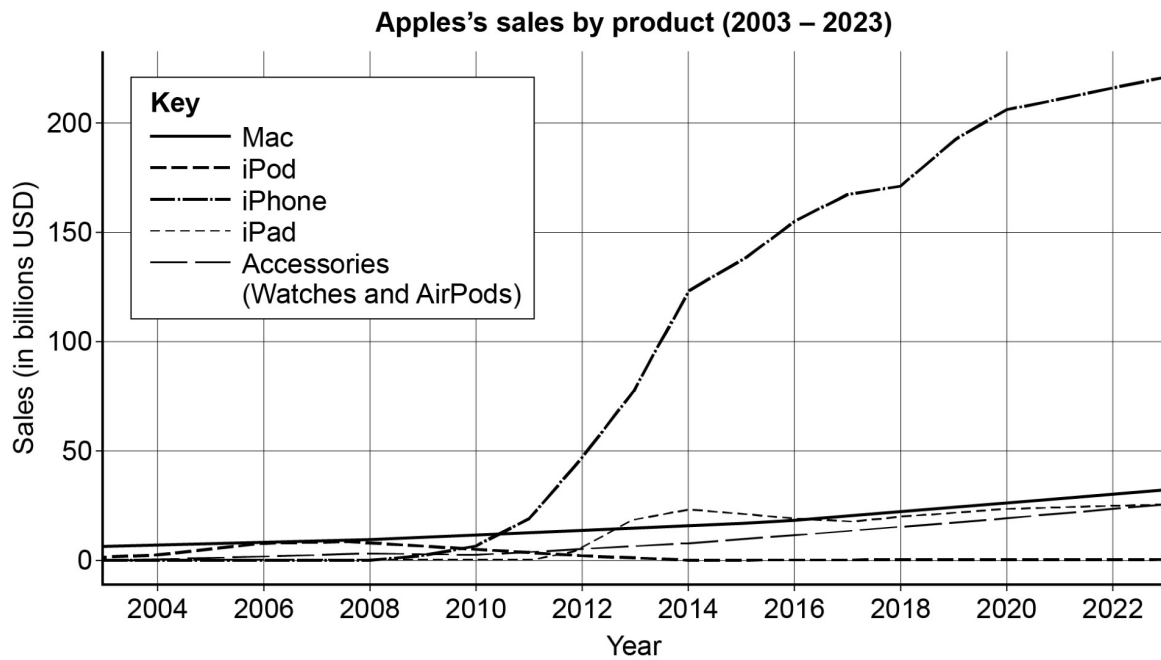
Appendix E: Apple share price**30 September 2021**

\$142.65

29 September 2023

\$171.21

Source: Apple

Appendix F: Apple sales by product, 2003 - 2023

Source: Apple

SOURCE B CONTINUES ON THE NEXT PAGE

Appendix G: Fictional market and financial data for launching Vision Pro in Region A and Region B

	Region A	Region B
Initial investment into the market (\$ million)	1 200	3 000
Market size 2025 (\$ million)	7 000	15 000
Market share (%)		10
Sales (\$ million)		1500
Return on investment into the market in 2025 (%)	14	?
Income elasticity of demand	Inelastic	Elastic
Forecast average annual income growth (2025 - 2030)(%)	2	4
Operating profit margin (%)		22

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