



# **Cambridge International AS & A Level**

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**BUSINESS**

**9609/33**

Paper 3 Business Decision-Making

**May/June 2025**

**INSERT**

**1 hour 45 minutes**

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**INFORMATION**

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

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This document has **4** pages. Any blank pages are indicated.

## We Care Products (WCP)

WCP was started in 2015 in Australia by Aldin. He wanted to use his enterprise skills for the benefit of society. Aldin persuaded several of his friends and family to invest and WCP was set up as a private limited company. WCP manufactures toilet paper using sustainable resources. Aldin wants WCP to be a profitable company, selling its toilet paper in high income countries. Aldin also has important social objectives for WCP. WCP donates fifty percent of all profits after tax to its own charity that works in low-income countries to provide better toilets and improve sanitation.

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### External influences

Inflation has been rising and economic growth is slow in all the main countries where WCP sells its products. Governments in these countries have increased interest rates.

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There is increasing environmental awareness and higher income earners continue to buy ethically sourced and produced products.

### Marketing

All WCP sales of its toilet paper are currently made through its website. The toilet paper is sent directly to customers from distribution centres in the US, Europe and Australia.

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Customers have to order toilet paper in large quantities. WCP has a loyal customer base of ethically-minded customers who are prepared to pay premium prices for its toilet paper.

WCP's toilet paper is presented in distinctive packaging. The packaging is brightly coloured and recyclable, displaying the WCP company logo and its slogan 'We Care'. Effective customer relationship marketing ensures that customers are reminded to reorder toilet paper and are also kept up-to-date with the WCP charity's projects worldwide.

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Aldin wants to start selling WCP toilet paper in supermarkets in Europe. WCP need to decide on an appropriate integrated marketing plan to sell its toilet paper through supermarkets.

### Elasticities

Using sales figures from the last two years, Aldin has estimated the elasticity data for online sales of the WCP toilet paper product. These estimates are shown in Table 1.1.

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**Table 1.1 Elasticity data for online sales of WCP toilet paper**

	Elasticity values
Price elasticity of demand	-1.2
Income elasticity of demand	1.6
Promotional elasticity of demand	0.7

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### Possible takeover

Aldin is always considering ways to expand WCP. WCP has the opportunity to take over GC, a successful company based in the US that manufactures eco-friendly paper products. Aldin thinks that this takeover would be an effective way for WCP to increase its scale of operations. Aldin is trying to raise the finance for the \$8 million required to take over GC. He is considering raising this through long-term bank loans. However, WCP's Finance Director has suggested that they

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might convert WCP to a public limited company and raise the finance required through a share flotation. Table 1.2 shows extracts from WCP's financial statements.

**Table 1.2 Extracts from WCP's financial statements**

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	Year ending 30 April 2025 (\$m)	Year ending 30 April 2024 (\$m)
Revenue	21	17.5
Cost of sales	12	10
Operating profit	3	2
Profit for the year	1.5	1.5
	At 30 April 2025 (\$m)	At 30 April 2024 (\$m)
Non-current liabilities	10	8
Capital employed	16	15

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## Human resources

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Aldin supports creativity in WCP employees and rewards innovative ideas. All WCP employees have full-time permanent contracts and are paid above average salaries. Employee requests for flexi-time are granted whenever possible, as Aldin believes that work-life balance is important. Employees are offered relevant training to help develop their careers with promotion opportunities. Labour turnover is low and WCP has gained a reputation as an ethical employer.

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The human resources management (HRM) approach at GC is quite different to WCP. The aim of GC's approach is to minimise unit labour costs. Production line employees are paid the national minimum hourly wage and most have part-time or zero hours contracts. Team leaders on each production line are set daily targets and monitor employees' work to ensure these are achieved. Labour turnover is high and employees complain about boring jobs and low pay.

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If the takeover goes ahead, Aldin will consider whether to change the HRM approach at GC to be the same as the current HRM approach at WCP.

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