

Business Management

Pre-released statement: EcoLoop Ltd

HL/SL

Instructions to candidates

Pre-released statement required for higher level paper 1 and standard level paper 1 business management examinations.

This statement notifies candidates of the topics and terminology not in the *Business Management guide* that will be used in the case study in the mock exam. Candidates are to spend a maximum of five hours researching these topics and learning the terminology.

Topics in this statement could build on those contained in the syllabus. The primary aim is to assess candidates' knowledge of important contemporary business topics that could not have been anticipated when the guide was written.

The case study for this practice paper relates to:

- Circular fashion resale platforms
- Sustainable consumer goods
- Zero-waste home and body products

Candidates are expected to have some basic familiarity with these topics, rather than comprehensive or exhaustive knowledge.

Additional terminology that candidates may want to know about includes:

- Circular fashion
- Resale marketplace
- Authentication (of second-hand goods)
- Zero-waste products
- Refillable packaging
- Subscription box service
- Refill stations
- Ethical suppliers
- Loyalty programmes
- Digital platform business model
- Eco-impact data

The following page contains the first two paragraphs of the case study. Candidates should familiarise themselves with the context of the case study before completing the practice paper. Candidates will be given the full version of the case study in the examination, including these paragraphs and bullet points on the next page.

Companies, products, or individuals named in this case study are fictitious and any similarities with actual entities are purely coincidental.

EcoLoop Ltd. (EL)

EcoLoop Ltd. (EL) is a European start-up founded in 2018 by entrepreneurs Sofia Hansen and Mateo Ruiz. Based in Copenhagen, EL began as a small circular fashion resale platform, enabling customers to buy and sell pre-owned clothing through a mobile application. Each listed item is verified for quality and authenticity before resale, with EL earning commission on every transaction.

Sofia and Mateo's mission is to make sustainable consumption the norm rather than the exception. *EL*'s vision statement is 'to build a trusted brand that encourages consumers to reduce waste, extend the life of clothing, and support eco-friendly lifestyles.' In 2021, EL expanded into zero-waste home and body products, such as refillable cleaning solutions and personal care items packaged in glass or aluminium containers. These are sold online and through refill stations in selected European cities.

EL has grown quickly, achieving average revenue growth of 25% per year between 2019 and 2023. Profitability, however, has been inconsistent. Although gross profit margins stand at 32%, the net profit margin is just 4%, below industry averages. High marketing costs, logistics expenses and investment in technology platforms have all limited profitability.

Ownership of *EL* is split between the founders, who retain 40% of shares, and institutional investors, who contributed €20 million of venture capital in 2022 in exchange for 60% ownership. These investors expect *EL* to scale rapidly, particularly in new European and Asian markets. They have pressed management to introduce new revenue streams such as subscription boxes of zero-waste products and premium membership plans offering free delivery and loyalty rewards. Sofia argues that reinvesting profits in platform development and customer acquisition is essential for long-term survival, while Mateo worries about the pressure to generate short-term financial returns for investors.

EL currently employs 160 permanent staff and 40 part-time workers across software development, logistics, marketing and customer support. Hybrid working arrangements are offered to office-based staff, while warehouse employees are based in Germany and Spain. The company invests in induction training that includes an environmental awareness and sustainability session, followed by on-the-job training in customer service and logistics systems. New staff are allocated to jobs within functions such as sales, administration, finance, marketing and production, where they meet their colleagues, manager and are shown around their department. Cross-department collaboration where employees work on projects together is common.

Despite these efforts, staff turnover in the logistics division has been higher than expected. Exit interviews suggest that while employees value gym membership and pension contributions, employees feel under pressure during seasonal demand spikes and see limited career progression. Mateo has suggested providing the opportunity to move around departments such as between logistics, customer support and marketing might improve employee engagement, but Sofia believes that more is needed to retain staff.

EL's brand is positioned around sustainability, convenience and trust. Its marketing mix has developed over time:

- Resale fashion products are priced by sellers, with EL taking commission.
- Zero-waste goods use cost-plus pricing to reflect fluctuating supplier and transport costs.
- Subscription boxes of zero-waste items are being piloted at €25 per month.

Promotion relies heavily on social media campaigns, influencer partnerships and educational blogs about sustainable living. Recent market research suggests strong loyalty among younger consumers, but competition is increasing from global resale platforms and retailers that have added sustainable product

lines. A debate has emerged within the marketing department about whether EL should focus more on loyalty programmes and direct email campaigns, or continue to prioritise large-scale social media advertising.

Corporate social responsibility (CSR) is central to EL's brand identity. The company produces annual impact reports that estimate the carbon emissions saved by customers through resale fashion and zero-waste purchases. These reports are used in marketing campaigns to differentiate EL from competitors. In addition, the company donates 2% of profits to NGOs working on textile recycling and ocean clean-up projects. While some investors question the financial wisdom of these donations, Sofia insists CSR strengthens long-term trust in the brand.

Operations are managed through leased warehouses in Germany and Spain, where resale items are inspected and zero-waste goods are stocked. IoT (Internet of Things) sensors have recently been introduced to monitor storage conditions and improve energy efficiency. Suppliers of zero-waste products are mainly small European manufacturers but rising input costs have made products more expensive. Delays have also occurred when smaller suppliers struggled to meet spikes in demand. Some board members argue that acquiring a manufacturer could reduce reliance on suppliers, but others believe EL should remain focused on distribution and digital services. There are also potential plans to move warehouses to other countries where costs are lower, but so far discussions on this suggestion have not moved forward.

At a recent board meeting, two major proposals for growth were considered. The first was to expand the subscription box service across all European markets within 12 months. Supporters argued this would provide predictable recurring revenue and strengthen loyalty. Critics warned that scaling the logistics and customer service required could reduce profit margins further.

The second proposal was to enter the Asian market, beginning with Japan and South Korea, where resale fashion and zero-waste lifestyles are gaining popularity. This would require either partnerships with local firms or establishing a subsidiary. Potential benefits include access to a large, growing customer base and favourable attitudes toward sustainable living. Risks include cultural differences, strict regulations and high initial investment costs.

The board remains divided, and the institutional investors have demanded a clear decision. Employees are uncertain about the future direction of the business and how expansion might affect their roles. Sofia emphasises that EL must remain focused on its mission of sustainability, while Mateo believes financial performance must improve to maintain investor confidence.