

The logo for EZY BUSINESS, featuring the word 'EZY' in white inside an orange circle, followed by the word 'BUSINESS' in orange capital letters.

## Review of the Business News of 2018/19

Inside is a collection of the year's biggest and most interesting stories from the corporate world as selected by the team at EzyBusiness.

We have selected stories that apply some of the core theories and models across the AQA and EDEXCEL specification of the A-level business course.

The news review is also supported by a series of exam-style questions to help prepare you for your exams in the summer!

**For a regular summary of the business news, visit [www.ezyeducation.co.uk](http://www.ezyeducation.co.uk) and follow the Weekly 5 blog posts.**

## Sky's "Whistle-to-Whistle" Ban



There has long been an unhealthy affinity between live sport and gambling in the UK. For most of us, the face and voice of the English actor Ray Winstone is more familiar than that of the pundits and presenters that feature on the live games. The stats tell the story - 95% of all football matches broadcast on commercial TV in the UK feature at least one in-play betting commercial.

In response to this, the pay-TV giant Sky announced in November 2018 that they will be cracking down on the frequency of TV betting ads during live sporting action. From the next football season (2019-20), restrictions will be introduced to limit the number of betting ads per break to just one.

They also plan to introduce a feature that allows individuals to self-exclude themselves from seeing any promotional material related to betting across multiple platforms if they decide to opt-in to the idea.

This move has been warmly received by politicians, industry experts and is likely to help the 430,000 problem gamblers in the UK. Sky have acknowledged that they will be taking a revenue hit from this advertising move.

### Exam Application - CSR

Define and explain the term CSR.

With reference to CSR, explain the benefits Sky may enjoy by introducing these advertising rules in the UK.

What tier of Carroll's CSR Pyramid is this move likely to reinforce for Sky?

Do you agree with the view that businesses in the gambling industry are "underregulated"?

## The Digital Banking Revolution



Traditional Jobs Lost	6,240
Digital Jobs Created	8,240
Net Impact on Jobs	+ 2,000

In 2018, Lloyds Banking Group announced a dramatic shake-up in the composition of its UK workforce. The UK's biggest commercial lender announced that it would be reorganising the structure of the business to reflect changing habits in that way that we bank.

The lender is looking to capitalise on the growth of online banking and the marketing potential that it brings the company. The plan is for just over 6,000 traditional banking jobs in high street branches to be culled and 8,000 new jobs to be created in the lender's expanding online division.

The lender has announced that 75% of the staff in existing roles will be retained as part of a £3bn recruitment and training drive to ensure the business has the right level of expertise. There is particular emphasis on the recruitment and training of data scientists to mine the big data that online banking collects.

### Exam Application – Strategic Change

In reference to the PESTLE framework, what type of external force has influenced the structural change in Lloyds?

Why might some workers resist the initial changes that are planned?

Why is it important for managers to clearly communicate change within a business to stakeholders when implementing a new strategy?

## Holidays Are...Not Coming



In the run up to the Christmas holidays, the UK commercial network ITV made investors feel slightly nervous about the future ahead after the release of their third quarter results. The alarm bells really started to chime specifically after their warning that advertising revenues might dip below expectations.

For a commercial TV network advertising revenue is the traditional means by which the bulk of revenue is sourced from. This is because TV shows can pool together a rather dynamic pool of customers into one place to be effectively targeted by colourful, vibrant and well-constructed ads. This is why it is a key metric of commercial success.

In the third quarter results the firm announced that advertising revenues have grown by 2% year-on-year to the end of September. Sounds good? Well the firm then later warned that they expect advertising revenues to remain broadly flat when the results from Q4 are taken into account.

Why is this surprising? The TV network traditionally brings in strong advertising revenues during the fourth quarter due to the momentum of the Christmas period. However, bosses at the firm believe that “economic uncertainty” is expected to cause revenue to flatline in a traditionally strong seasonal period for the firm.

Did this damning prophecy come true? Well the company’s full year results for 2018 show that total advertising revenue increased by 1% compared to 2017, with a 36% increase in online advertising revenues. However, spot advertising (TV) fell overall suggesting that the effectiveness of advertising through TV shows is dwindling.

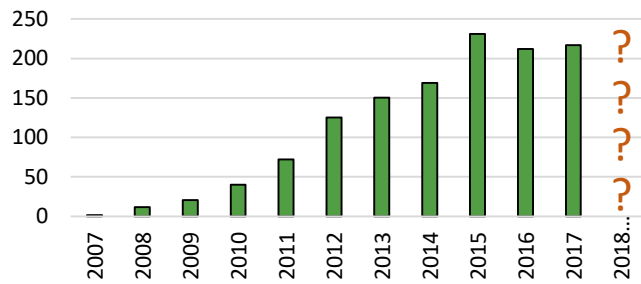
### Exam Application - Forecasting

Define and explain the term ‘seasonality’ in reference to a company’s sales performance.

Explain how ITV might be currently using sensitivity analysis to interrogate their Q4 financial forecasting.

## Apple’s Grand Illusion

iPhone Units Sold Worldwide (Millions of Units Sold)



Another interesting story regarding the way in which firms report their results came from the tech. giant Apple in the back-end of 2018. The firm announced that it would be making a change to how it measures business performance per quarter in the future.

The firm took investors by surprise by announcing that they would be omitting the quarter-by-quarter figures for the number of product units sold in each of its trading updates.

On the day of this announcement, shares for the company traded 7% lower as investors were worried at what this move suggested about the future performance of Apple’s signature product.

Despite the technological reach and product portfolio of the Silicon Valley based firm, in the first quarter of 2019, 62% of the revenues generated by the firm stem from iPhone sales.

Even though the firm’s services division is generating greater levels of revenue by the quarter, the firm is still worryingly reliant upon iPhone sales to power growth. Many believe that this move could be implemented to prevent tangible evidence of the iPhone’s decline being put under the spotlight.

Strategists at Apple defended this move by stating that this sales measure is “less relevant today than in the past” with consumers buying accessories and services around the iPhone and not just the phone itself.

### Exam Application – Business Performance

What are some of the limitations of relying too heavily on financial metrics to report business performance and track progress?

Are there any examples of a more balanced approach to measuring business performance that Apple can rely on?



## Pepsi Comes to the Crunch



In 2018, the global food and drinks manufacturer PepsiCo added another product string to its bow. The firm launched a rather somewhat surprising takeover bid to secure the Lincolnshire based crisp brand Pipers.

The quaint British crisp maker was only founded in 2004 and employs currently just 75 people from the local community.

The giant retailer already owns some of the most established crisp brands in UK stores such as Walkers Crisps and Doritos. However, the firm seems keen on adding to its portfolio to take advantage of the £1.5bn crisp market in the UK (largest in Europe).

### Exam Application – Business Growth

Discuss the impact on Pipers crisp manufacturers, of having a small market share.

What type of business growth for the company PepsiCo does this describe?

Why might a company such as PepsiCo look to expand in the UK via takeover deals instead of internal investment?

What are some of the dangers of a large business building an extensive portfolio of products and brands?

## Flybe's Turbulence



2018/19 has been a turbulent time for the airline industry as a whole but one of the biggest casualties has been Flybe. The airline is the largest European independent regional airline and in 2018 released a series of profit warnings. In one report, the firm stated that full-year losses would amount to £22m partly due to a collapse in revenues. The company's shares are now valued at a quarter of their September value.

The airline did seek to soften the blow to investors by presenting a series of strategic proposals to help rescue the financial viability of the firm. Amongst these proposals was the confirmation that the firm are considering the potential sale of the business to the right parties.

The firm has since suspended the trade of its shares so that a takeover bid by Virgin Atlantic can be approved. As and when the deal is approved, Flybe will be rebranded as Virgin Atlantic and will operate independently from the consortium's other airline business interests. It is likely that putting itself up for sale will need to be supported by further capacity and cost-saving measures.

### Exam Application – External Environment

The management team of the airline cited three central reasons for the drop in performance. In each of the following cases, explain why and how this has negatively impacted the airline.

Impact from Sterling Weakness?



Impact from Higher Oil Prices?



Impact of Expanding into New Longer-Haul Routes?



## Our Survey Says



Performance Score (%)	
LizEarle.com	Rohan.co.uk
94%	93%
SportsDirect.com	Homebase.co.uk
61%	55%

A survey carried out in 2018 by consumer group firm Which? revealed that Homebase currently operates the worst e-commerce site according to British shoppers experiences.

The firm asked 10,000 shoppers to rate their most recent experiences (last 6 months) with some of the biggest retailers in the country. They were asked further questions about product range, price and delivery options.

The results were then recorded and compiled and it was found that Homebase received the unwanted title of receiving the worst satisfaction score amongst shoppers.

### Exam Application – E-commerce Platforms

What type of market research does this describe?

In reference to a firm's corporate objectives, what does building an e-commerce platform allow a business to achieve?

What are some of the challenges of building and maintaining an e-commerce platform?

## Let The Music Play



Speculation and scrutiny over Spotify's growth strategy has intensified as a result of the firm's IPO at the start of 2018. Therefore, it came as welcome news to investors that the music streaming service has made the move to roll-out its service across 13 territories in the Middle East, as well as India. By doing so, this will raise the number of markets the firm operates in to just shy of 80.

You might wonder why this has taken so long for Spotify to expand into these regions, given that on paper, this will help the firm tap into a potentially lucrative market of up to two billion people. However, the firm faces three major challenges whenever it launches its service into a new region.

Firstly, the company needs to secure the rights and licenses from record labels to stream and distribute the music to users. From experience, Spotify know this can be quite an expensive, time exhaustive and untidy process.

Following on from that, the firm needs to source the advertising revenue to help subsidise the expenditure on acquiring the music rights. This is because only a fraction of these new users will sign up to the premium version of the service.

Finally the firm needs to contend with local competition from other streaming firms that have a solid customer base. These firms have a localised advantage of having a better understanding of the market.

### Exam Application – Global Business

Explain why these regions represents a strong market opportunity for a technological firm like Spotify to exploit.

Explain why it is important for the firm to invest significantly in offering localised content for this region.

Explain why it is important for a large firm to understand the local customs and culture of any new region they are expanding into.

## Relocation Relocation



In November 2018, Amazon announced the results of its 14-month competitive search for a second headquarters this week to compliment there main base in Seattle.

The bidding process invited cities from all across North America to pitch a persuasive case to encourage the firm to invest \$5bn and create 55,000 jobs in the surrounding city. In total 238 bidding cities began to offer financial incentives such as tax breaks to lure the firm in.

Amazon have announced that “HQ2” will be split between Virginia and New York because of the developed nature of these US cities. It is expected that the firm will receive \$2bn in tax benefits.

However, the narrative in this story has since changed as the firm has reneged on its decision to build a HQ in New York. This is because there was an intense backlash from various stakeholder groups in the Queens borough of New York to this anticipated move. Much of this criticism revolved around the ease at which borough funds were being diverted to Amazon, but have been blocked for investment purposes into critical infrastructure for a number of years.

### Exam Application – Business Growth

What location aspects are companies like Amazon looking for when expanding into another city?

Discuss the impact that this decision could have on surrounding businesses and the level of enterprise in these two US cities.

To what extent do you agree with the view that the borough of Queens would benefit more from infrastructure investment than Amazon’s business influence?

## Food Glorious Food



Every now and then there is a quirky business story you come across which raises a wry smile and you almost cannot believe it really is true. To emphasis this point, consider this story from December 2018.

The European Court of Justice (Supreme Court of the EU) made the decision to reject a copyright case from a Dutch food producer in the most bizarre of cases.

The company made the somewhat bold claim that it created a unique brand of spreadable cream cheese, in which a rival firm was threatening to infringe its copyright. However, the claim was not made on the basis of the look, feel or functionality of the spread, but on the taste of the spread. The company believed that the taste of this spread was unique to the firm and therefore should be defined as the company’s intellectual property and required protection from other firms.

The European Court eventually ruled that the taste of a product is subjective to individual tastes and varies from person to person and therefore cannot be protected under European copyright law.

### Exam Application – Protecting Innovation

Define the term ‘intellectual property’.

Explain how patents and copyright laws can help encourage innovation within an industry.

Assess some of the dangers of providing firms with wide-ranging protection over their intellectual property.

To what extent do you agree with the view that innovation is the most effective use of a firm’s funds?

## Too Large, Too Small, Just Right



The business year of 2018/19 has seen IKEA introduce a series of business innovations. One of which relates to the firm's evolution of store formats. The firm announced a planned move to introduce a format of store that could be integrated into existing shopping centres. This will help offer convenience and flexibility to those that wish to browse for the future rather than purchase for the present. These stores will be referred to as "Touchpoints" and will operate as planning studios for design-conscious customers.

This planned move comes ahead of a previous announcement two weeks ago where the firm announced that from 2019 the firm would begin to roll-out small city centre stores in selected urban regions. These stores would, on paper, allow customers to browse through the catalogue offerings of IKEA and discuss home renovation plans with staff ahead of purchase.

The firm has recognised that a hybrid model of stores is required if the firm is to continue to grow at the pace witnessed in the past. However, one challenge the firm needs to be able to overcome in the future is strengthening its online platform. This will enable customers to visit small convenient and less congested stores to sample designs and then order the items when ready.

IKEA's business model is still heavily skewed towards the 21 large out-of-town stores with 85% of the firm's total revenue deriving from sales in these types of stores.

### Exam Application – Strategic Change

Discuss why this move by IKEA to adapt its store formats is an example of a firm responding to changes in the external environment.

Discuss why the firm may run into problems by trying to adapt the successful business model of IKEA into smaller stores.

## Apple's Supplier Problems



The Apple iPhone is one of the most instantly recognised consumer products ever produced. Up to the release of the iPhone X in 2017 the firm had sold 1.2 billion iPhones since June 2007. This earns the firm almost 80% of all the profit made on smartphones sales in the entire market.

However, the production process that manufactures the components and assembles the final product is a complex one. The globalised reach of the iPhone supply chain spans far and wide and this increases the challenges that face those in charge of managing this process.

The reason why all of this is so relevant is that it is rumoured that one of Apple's biggest and most strategically important suppliers Foxconn, is planning a series of cost-cutting procedures which could threaten to disrupt the supply chain of the firm.

Detailed in the reports are the plans that the component supplier will make cost savings of £2.3bn and some of those reduced expenses will affect the iPhone operations department.

In response to this, investors became a tad nervous surrounding holdings of Apple stock on Wall Street, amid the fear that orders for iPhones would dry up in the not too distant future.

### Exam Application – Operations Management

List and explain the main influences on a business when it comes to choosing its suppliers.

Explain how firms can use an Enterprise Resource Planning (ERP) system to manage and review complex supply chains.



## Le Cost Killer's Downfall



The story of Carlos Ghosn's ugly demise as the chief of the Renault-Nissan-Mitsubishi alliance has gripped the business world this year.

It is not an exaggeration to say that Ghosn had been one of the most high profile chief executives in the world for all the right reasons and has been responsible for the turnaround of some of the biggest car brands in the world.

His journey towards becoming a business titan gained traction in 1996, when the Brazilian joined the South American arm of the carmaker Renault. At that period of time this division was recording annual loss after annual loss. Something drastic needed to be implemented. Mr Ghosn took a ruthless cost cutting approach to the business: cutting jobs, reducing capacity and shutting down loss-making factories. This cost-cutting drive resulted in the company returning to profitability and Ghosn himself earned the nickname 'Le Cost Killer' in recognition of the success of his turnaround plan.

Three years later, Ghosn was called upon once again by the powers at be at Renault, as the carmaker took a 40% stake in another struggling carmaker, Nissan. The question was could 'Le Cost Killer' repeat his stellar performance of three years ago? Well the answer was a resounding yes. The carmaker returned to profitability and managed to regain control of its debts (which were previously unsustainable).

The success of these two projects rewarded him with wide acclaim and recognition from all corners of the industry. 'Le Cost Killer' became one of the saviours of the global car industry. His promotion as Chief Executive and Chairman of both carmakers led the firms down a strategic alliance with another famous car brand Mitsubishi.

However, this story does not end well after news broke that Ghosn had under-reported his income over the past 5 years, as well as recklessly using company assets to fund his lavish lifestyle such as purchasing luxury homes.

This has put the corporate governance structure of the alliance under intense scrutiny and raised question marks once again over the transparency that surrounds the activities of very powerful and influential people within a company.

### Exam Application – Corporate Governance

Define and explain the term corporate governance.

Discuss why a company that is perceived to have "bad" corporate governance can suffer reputational damage.

## WHSmith Franchise Deal



The story of WHSmith's rise from a small humble news vendor in 1792 to a global retailer in books, magazines and travel services is quite extraordinary. The company now has 1,400 stores situated all across the globe with an employment base of 14,000 people.

Buoyed by a booming travel business, the British retailer continues to show no signs of slowing down this week as it revealed its latest expansion plan to develop its brand in the South East Asian market. Now the firm already operates in six countries within that region, but the business will venture into the Hong Kong market with the help of a local strategic partner called the King Power Group.

WHSmith have wisely chosen a firm that is extremely well connected and established in the Hong Kong market and has almost four decades worth of experience to draw upon in the travel business market. This strategic partnership will work on a similar basis to a classic franchise agreement. The brand and ideas created by WHSmith will be applied, carried and sold under the King Power name.

### Exam Application – Global Business Strategies

Define and explain the term 'franchising'.

Explain why a growing business would choose franchising as an appropriate strategy to expand into a new international market over opening its own stores.

What advantages does a franchisor earn from granting a franchise to a franchisee?

What type of strategy would the 'franchising model' come under in Bartlett and Ghoshal's International Strategies Matrix?



## Lost in Translation



This year Italian fashion label Dolce & Gabbana (D&G) suffered a major PR disaster when one of the firm's Instagram marketing campaigns in China went viral for all the wrong reasons.

The luxury label released an advertising campaign to promote the brand ahead of its anticipated fashion show in Shanghai. The campaign was attacked for making a series of disrespectful remarks to Chinese culture and included videos of models from China consuming traditional western meals such as pizza with chop sticks. The reaction on social media was feverous and prompted angry responses from the public, celebrities, as well as the Chinese media and authorities.

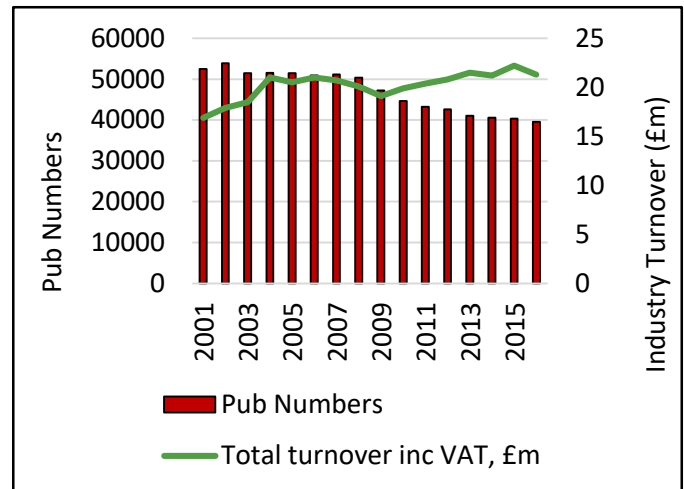
The firm retracted this campaign from social media immediately and cancelled the planned fashion show in China. The firm has admitted that the tone of the promotion was wrong and apologised for any offence that had been caused.

### Exam Application – Marketing

Discuss some of the reasons why firms need to deploy a global marketing strategy when promoting a brand in an international market.

What type of global marketing strategy would D&G gain the greatest benefit from using when promoting their label in international markets?

## Last Orders



The ONS produced a rather sobering report on the changing dynamics and structure of the UK pub industry.

The report shows that since 2008, 11,000 pubs have closed down in the UK as cash conscious consumers feel the pinch and have retreated away from wining and dining, towards more settled home comforts.

Despite the 25% drop in actual UK pub numbers to 39,000, some of the other performance metrics in the industry point towards a stronger sector for those chains that have survived the worst of the Financial Crisis.

For instance, turnover from these remaining chains has remained steady in real terms and as a result employment numbers have remained strong too. The industry now employs 6% more people than in 2008, despite the fact that there are 11,000 fewer pubs open.

This is a curious change in the industry and perhaps reflects the changing demands and priorities of British pub-goers from drink to food.

### Exam Application – External Environment

Discuss how social change has hurt the weakest pub chains but benefitted the strongest pub chains.

The ONS report that 70% of those employed in the pub industry are paid below the UK National Living Wage. Assess the impact that a political manoeuvre to force all firms to pay the national Living Wage will have on UK pub chains and the industry itself.

## General Motors in Reverse



Cast your mind back to 2016 and you might remember the slogan ‘Make America Great Again’. This was the campaign slogan slapped from pillar to post across America to help muster support for Donald Trump’s victorious head-to-head presidential campaign against Hillary Clinton.

The origins of the phrase are deep-rooted in US politics since the 1980s, but the message from Trump was crystal clear. He promised to do everything he could to support traditional American manufacturing industries situated within his core support base – Middle America.

Therefore, it would come as a bit of a blow to the President to see the largest American car manufacturer General Motors, announce its plans to execute a \$6bn cost-cutting programme across its global operations starting from next year.

The firm announced that eight factories in total would be shut down (5 within the US) and 14,000 jobs (4,000 in the US) would be lost as a result of this decision. The car producer cited the strategic pressure to move from producing traditional SUV and trucks to focusing on electric and self-driving cars.

The US President reacted in typical brash style by threatening to cut all government ties with General Motors including withdrawing US federal subsidy support for producing electric vehicles.

### Exam Application – Business Growth

Discuss the benefits associated with a firm deciding to pursue a retrenchment strategy over a growth strategy.

With reference to PESTLE and a demand and supply diagram, highlight the impact that a complete withdrawal of government subsidies will have on electric car production for the firm.

## First Come First Served



The Competition and Markets Authority (CMA) has taken long-awaited action against the online ticket reseller Viagogo, one of the leading ticket resellers in the UK.

The crime was that the firm had created an online platform that did not do enough to protect consumers from extortionate resale prices, as well as mis-informing consumers about the details of the ticketed events. These charges labelled against the firm will come as no surprise to some music and sports fans who believe that companies such as Viagogo have been operating well-below acceptable industry standards for some time now.

- Warning customers about the risk of purchasing tickets.
- Informing customers about the specific seating details in relation to the venue.
- Informing customers about the details of the ticket sellers.
- Ensuring that no mis-leading details about tickets are distributed on the site.
- Simplifying the refunding process.
- Increasing the level of due diligence of sellers in the marketplace.

The firm will not face a specific financial penalty, but will be forced to change their own business practices in accordance with the ruling of the CMA by early 2019.

The firm itself has embraced the rulings by claiming that “the agreement provides even greater transparency for consumers”. This leads markets to think that managers at Viagogo think this will improve customer perception about the firm and the industry as a whole.

The industry has for a long time been tainted with a toxic image for its perceived contempt for sports and music fans by failing to provide consumers with the most relevant and accurate information about sellers.

### Exam Application – Competition Policy

Explain why competition laws enforced by the CMA in the UK are put in place on businesses.

Explain how this CMA ruling can actually help Viagogo improve its own performance levels.

## Fast Fashion



Have you ever wondered how Primark can make money from selling a t-shirt at £3? Well, if so, it seems you are not the only one.

A host of clothing retailers such as Primark came under heavy scrutiny from MPs in relation to the business ethics of contributing to the wave of “fast fashion” trends in the UK.

Fast Fashion is the industry term used to describe the frequent consumption of cheap clothing from firms. These clothing items are either disposed of or never worn again. Ethical questions surround the sustainability of this trend as well as the approach of making and delivering products that are so cheap to the market without exploiting workers or suppliers.

Primark have defended their practices in response to these ethical probes and suggest that it is the specific low-cost business model that it has developed which generates pricing power over competitors.

### Exam Application – Ethical Responsibilities

The management team at Primark outlined a series of reasons that enable the company to deliver low prices to their consumers without raising ethical concerns. For each of the reasons that follow explain why that is the case.



**Small Advertising Campaigns**



**Reduced Stock Holdings**



**Simple Clothing Designs**

## The Long Black Friday



Friday the 29<sup>th</sup> November was that time again for retailers and shoppers where prices were slashed from each and every direction across some of the most popular goods stacked on shelves.

Compared to last year, the results from this year’s discount extravaganza did not stack up quite as favourably. A growing trend was that despite shoppers buying a greater volume of goods in total, the value of these transactions was driven lower. This resulted in the value of total spending to fall 12% on last year.

However, one area that did witness a jump on last year’s figures was the preference for consumers to opt for the online purchasing channel. Online transactions grew by 47%, whilst at the same time footfall in UK shops fell by 7%. This comes despite the fact that online sales only attribute to 15% of total retail sales across the year in the UK.

Even traditional high street names such as John Lewis did not waste the opportunity to take advantage of the surrounding spending splurge. Their sales grew by 4% during the Black Friday trading week.

### Exam Application – Marketing

Discuss how traditional retailers can justify cutting profit margins significantly during the peak festive period.

To what extent do you agree with the view that the ‘price’ of a product is the biggest influence on a firm’s marketing mix?



## Mike Ashley's Retail Empire



Over the last 12 months the British business titan Mike Ashley has been busy adding to his large high street portfolio with a series of surprising business takeover deals of struggling high street brands. Many commentators and politicians have questioned the motives of Ashley as he continues to build more high street capital to strengthen his bid to overhaul the business rates system and combat high and rising rent prices.

In 2018 he was grilled for three solid hours in front of MPs on the Business Select Committee to defend some of his comments in relation to the acquisition of House of Fraser, as well as his opinion on the reasons for the deteriorating health of the British high-street.

The multi-billionaire made his fortune by amassing a retail empire of traditional British brands. The portfolio of stores that he has been able to acquire in recent years has been fuelled by the success story of Sports Direct and the economic base that has provided him with.

In 2018, he saved House of Fraser and its 59 stores by buying the company for £90m with a commitment to turn the brand into the "Harrods of the High Street". At the time of takeover he announced a plan to keep all of these stores open, protecting 16,000 jobs, but he now claims that his plans are being scuppered by the changing competitive landscape, the evolution of consumer tastes and high rents and business rates.

The greatest worry that Mike Ashley has is that the business model that he has historically relied upon - beefing up the stock offerings in large brick and mortar stores for competitive prices compared to luxury brands available elsewhere - is starting to show severe signs of strain.

In response to this fear, he has tried to apply pressure to the Treasury to re-adjust business rates to reflect the trend in commercial property prices outside of London and a 20% online sales tax to encourage more firms to invest in improving their physical store offerings.

### Exam Application – External Environment

Discuss how a traditional retailer such as Sports Direct has suffered from changing fashion tastes and preferences as a result of the prominent use of social media.

Assess the impact that a 20% online sales tax on businesses that make less than 80% of their total revenue from physical sales stores, will affect the health of the UK high street.

## Culture of Hugging



Is it ever acceptable to hug a colleague at work? This is a question that many have asked themselves after 200 Ted Baker employees signed a petition to raise concerns about the "awkward hugging policy" that is reportedly in place at the company.

The murmurings of discontent surfaced with a handful of employees claiming the fashion company's founder Ray Kelvin, has made them feel uncomfortable with his rather unorthodox approach of giving unwanted hugs and shoulder rubs compared to the business tradition of handshakes.

The company has defended their founder and claimed that whilst this may be an unusual approach for a large company to take when greeting their staff members the "hugs have become a part of the culture, but are not insisted upon". They have added further that the founder adopts this approach to all active stakeholders in the business such as shareholders, investors, suppliers, partners, colleagues and customers.

This is another bump in the road for the company as it added fuel to the investment fire on the stock market by continuing the selling pressure on Ted Baker shares. The firm's share price has fallen by 40% as a result of the challenging retail climate.

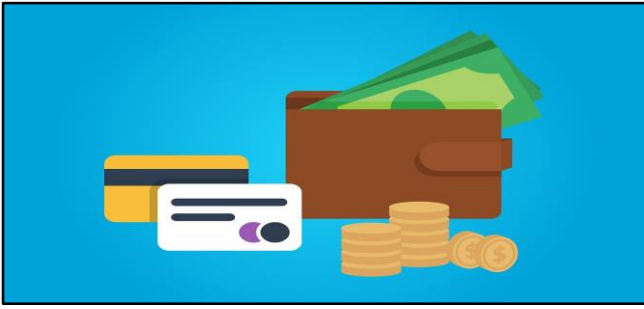
On 4 March 2019, following an internal independent committee investigation, it was announced that Kelvin had resigned and would be leaving Ted Baker with immediate effect. He resigned from his roles as chief executive and a director of the company and left by saying "Difficult though this decision is, given that Ted Baker has been my life and soul for over 30 years, I've decided that the right thing to do is to step away from Ted and allow the business to focus on being the outstanding brand it is so it can face 2019 with fresh energy and renewed spirit."

### Exam Application – Managing People (HR)

Discuss the importance of a business HR policy in relation to developing strong employer-employee relations.

Why is it important for businesses to establish the right corporate culture in their workplace?

## Sooner the Better



A government report released by the Business Select Committee looked at the payment practices of large businesses to smaller suppliers amidst the complaints that some larger businesses are deliberately making late payments to improve their own cash flow position.

This report has gained political traction because of the collapse of the outsourcing construction firm Carillion in the last year. The firm gained a toxic reputation for delaying their payments to their suppliers to hide the true nature of their finances.

The report suggested that a 30-day threshold should be set to prevent businesses delaying payments any further. If this deadline is missed then the firms in question will be reprimanded with a fine and possibly further repercussions on repeat violations.

This is a really important issue because small businesses do not have the financial reserves and cash flow position to absorb late payments and therefore it can cause these businesses to fail. It is estimated that by eliminating these late payments, it could potentially save 50,000 small businesses.

### Exam Application – Efficiency Ratios (Finance)

Define and explain the two efficiency ratios which can be calculated to measure and monitor the frequency of payments coming in to and out of a business.

What impact would a 30-day payment deadline have on those respective efficiency ratios from the point of view of a small supplier?

What impact would a 30-day payment deadline have on those respective efficiency ratios from the point of view of a large business buying supplies from smaller businesses?

## Thomas Cook's Woes



2018 was a tough year for the travel firm Thomas Cook. The firm attracted unwanted attention from investors after the release of its 2018 full year results.

The results publication outlined the underlying weakness that has been inhibiting the travel firm for the past year. The firm has released a series of profit warnings due to financial complications, social changes and environmental changes.

The week after the publication of the firm's annual result, shares in the travel firm fell in value by 60% in the short space of a week to a six-year low. This left the firm's market value (value of total shares of the company) standing at just £363m.

Why such an intense sell-off from investors? The firm has become tied up in some complicated financial arrangements with creditors and this has left the net debt figure of the company standing at £389m (borrowing value now larger than the value of the company). This means on a proportional basis the firm's debt position is becoming higher and more unsustainable.

### Exam Application – Liquidity Ratios (Finance)

How do we calculate the gearing ratio of a firm?

In reference to events at Thomas Cook, explain why the gearing ratio is important.

How can a firm improve their gearing position?

## Huawei's 5G Backlash



The Chinese company Huawei has been at the centre of one of the biggest business stories of 2019 so far. This story is in development and has gained significant traction over the last couple of months because of the simmering tensions growing between themselves and the authorities that govern many of the developed countries across the world.

For anyone that hasn't heard of Huawei, they are a Chinese telecommunications company that manufacture mobile phone accessories and equipment. The firm is one of the leading smartphone manufacturers in the world and is now only behind Samsung on the global market share stakes.

However, it is the firm's role in the development of company/country telecommunication networks such as Wi-Fi networks where the company has drawn criticism from all sides. This is because of the company's alleged close political ties with the Chinese Government and the threat this may pose to national security.

Businesses and authorities have become increasingly concerned with the influence and power that firms like Huawei command. In the UK, many companies have grown alarmed with Huawei's involvement in the construction of the future 5G network and in some countries around the world the company has been banned on the grounds of a threat to national security.

### Exam Application – Strategic Change

In reference to the PESTLE framework, discuss the impact that accusations like those faced by Huawei can have on the reputation and performance of a business.

Explain how political backlashes can influence the strategic direction a company decides to pursue.

## Apple's Gaming Innovation



Many businesses operating in the tech. sector surprisingly wait for Apple to unveil a new product in lavish and dramatic style before they decide to enter the market. The logic is that Apple excite and wet the appetite for consumers all over the world due to their strong brand loyalty.

It is reported that Apple have begun discussing the feasibility of building an online streaming service with a series of high-profile game developers. This platform will follow in the footsteps of Amazon and Netflix's recent streaming success and open the firm up to the fast growing and lucrative gaming market.

The service will reportedly provide a catalogue of new content for users to choose from, in return for a competitive subscription fee. Once users have subscribed to this service they will have free reign over all of these titles with no complimentary console or additional hardware required.

This move from Apple is hardly surprising given the fact that digital revenues now account for three quarters of the total entertainment sales figures in the UK. If you also throw into the mix the declining sales performance of the iPhone, it may be the case that Apple are looking at alternative revenue streams to help diversify their business and please investors.

### Exam Application – Business Models

In relation to Ansoff's Matrix, identify and discuss the type of strategy that Apple are pursuing by creating an online streaming service.

In relation to Greiner's Growth Model, identify the crisis point that the company are attempting to overcome with the launch of new business ventures such as this one.



## Ethics of Fast Food



For many businesses, the importance of responding in words and actions to the impending challenges that climate change presents are likely to represent some of the toughest growth barriers for firms to overcome.

Pressure continues to intensify on some of the largest firms in the fast food industry to take swift action on climate change. The pressure has arisen from an unusual source, a group of investors. The group drew upon recent environmental research to suggest to firms in the \$600bn industry that standards need to be improved and firms need to carry greater responsibility by "enacting meaningful policies and targets" in relation to carbon emissions, water use, deforestation and animal welfare.

The coalition of investors have deliberately targeted some of the biggest chains in the world including McDonald's, Pizza Hut and KFC to help set a precedent for the rest of the industry to reduce their own ecological footprint within and across agricultural supply chains.

However, the firm McDonald's have already responded with claims that they are industry trailblazers for addressing climate change issues by introducing a new carbon targets initiative.

### Exam Application – CSR

Suggest why it is important for firms to set 'SMART' objectives and targets when enacting new environmental policies.

In light of a company's CSR responsibilities, identify how enacting meaningful environmental policies can improve the performance of the firm.

## Fortnite Update



Epic Games, the company behind the smash-hit video game Fortnite, made a significant change to the way in which users can collect in-game items using the in-game currency V-Bucks.

The change concerns the design of the mystery loot boxes which cost £7.99 to purchase. Previously these boxes were purchased and gamers had to wait until opening the box to find out what was inside. However, in some countries, attention was drawn to the fact that this could potentially be construed as a form of gambling and as a result these boxes became unavailable in those countries. The company has reacted to this and have now redesigned the boxes so that users can see what is inside before purchasing.

### Exam Application – Global Business

Discuss why it is important for firms that operate on a global scale to research and respect the different legal standards associated with each market.

## Serving Their Way Out of Trouble



Employees	68,000
Countries	40
2018 Revenue	£2.7bn
2018 Net Debt	£650m

The mounting piles of debt on the financial accounts of the public services and construction based company, Interserve, reared its ghastly head with a mighty vengeance in 2019, stinging shareholders that have held an active stake in the business for a considerable period of time.

The contractor provides a vast array of public services on the behalf of the government such as running large construction projects and providing local healthcare and cleaning services to people and businesses. This is seen as a cost-effective approach to delivering projects on-time and providing services with the required expertise demanded. However, the recent demise of competitor, Carillion, has put these types of companies and their binding agreements with the government under the spotlight.

Over the years the firm has become saddled with debt – rising to over £600m in the most recent trading update. How is this possible? The firm blames high-profile project cancellations and delayed construction contracts for the shortfall in cash, prompting the need to turn to external financial assistance to plug the accompanying financial blackhole. The firm’s business model is slanted so much towards government contracts that it is the channel for 70% of the company’s turnover. The firm’s share price has collapsed in the last year from over 100p a share to just 13p a share, whilst the value of the firm on the market has fallen drastically from £500m to just £17m.

The firm announced a rescue plan to cut its debt by 55% to £275m. This plan comes in the form of a debt-for-equity swap. This just means that creditors (lenders) agree to cancel certain debt repayments that Interserve are due to pay in exchange for the acquisition of new equity (shares). This strengthens the balance sheet position of the firm, whilst providing creditors with a more sustainable approach to managing the debt collection from borrowers.

However, in March 2019, existing shareholders rejected this finance arrangement because of the fact that they stand to lose significantly from this as their shareholdings will be diluted to just 5%. Instead the company has appointed administrators in a pre-arranged agreement with administrators EY. This means EY will help sell the company’s assets to another owner to avoid a Carillion-style collapse.

### Exam Application – Business Forms

With this information in mind, discuss the form of business that Interserve represents.

Discuss some of the approaches that Interserve can use in the future to prevent cash flow problems arising again.

In light of recent events, discuss some of the pros and cons of the government outsourcing public services to other companies.

## Are the Wheels Coming Off?



Since 2016 the business news agenda has been crammed full of Brexit related content detailing the intricacies of the UK’s decision to vote to leave the European Union. One headline story has been Nissan’s decision to renege on its business pledge to proceed with manufacturing the fourth generation of X-Trail car models in their 7,000 worker strong Sunderland plant.

Back in 2016, when the referendum result was announced, many large multinational corporations raised fears that they may have to reassess production locations and cancel investment decisions in light of the uncertain future trading framework between the UK and the EU.

The Japanese car manufacturer bucked this trend and placed its firm faith behind the resilience of the UK economy after this decision. They committed to building the new X-Trail model in the UK which would create almost 750 jobs. Many believe that the government played a key role in the firm making this decision by providing support grants of almost £60m.

In January 2019, Nissan announced that it would not be proceeding with this decision and would be making the cars in its existing Japanese plants instead of the UK. Even though the firm cited a series of explanations behind this move, most of which related to the deteriorating health of the car industry, many saw this as a sign of a company that could not commit to an investment decision in an uncertain economic climate.

Interestingly, this move also seemed to coincide with the first full week of the EU-Japan trade deal coming into force. Some say that Japanese firms have used the UK’s free and frictionless access to the EU’s single market in order to reach a customer base of 500 million. However, with the new standalone trade agreement with the EU this might not necessarily be the case anymore.

### Exam Application – Trade

Define and explain the following terms in relation to a global business:

Exports

Imports

International Trade

In reference to the PESTLE framework, discuss why it is important for firms in the car industry to establish a supply chain that has minimal exposure to trade frictions and barriers.

## Taming the Beast



Trademark and copyright battles are commonplace in business, especially in crammed and competitive markets such as the food and drinks industry. The company Monster Beverages lost out on its trademark battle against a small US pizza parlour called Monsta Pizza. The row emerged over the striking similarity that exists between the names of the two companies in the food and drinks market.

The US beverage company, that is behind some of the most popular brands of energy drinks on the high-street, claimed that the pizza parlour has been driving sales from the use of the term 'Monsta' in its name and accompanying promotional material. This might sound like school playground stuff, but the drinks giant claimed that its customer base has built up an association with the term 'Monster' and therefore might be led to believe there was some business link between the two. The small pizza parlour defended the use of the name on the basis that it is derived from the fact that it cooks its pizzas in large ovens in the shape of a green monster. This has become synonymous with the firm at local events and stalls.

The energy drinks firm appealed to the Intellectual Property Office (IPO) to look into this matter and the bid was roundly rebutted by both the IPO and the US Court of Appeal. However, this has led the small pizza firm with spiralling legal costs and lost business focus which have likely affected the bottom line of the business.

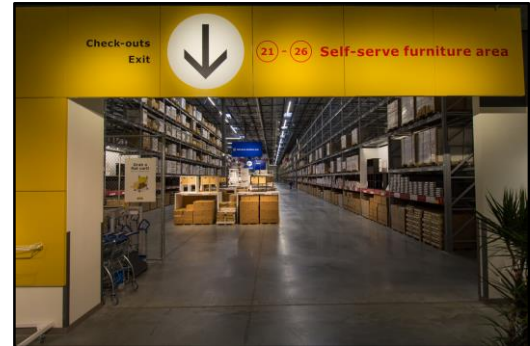
### Exam Application – Protecting Innovation

Discuss the technical difference between a trademark and a copyright.

Discuss the grounds by which a product, idea or slogan can be trademarked.

With reference to Porter's Five Forces Model, discuss how protecting intellectual property can strengthen a firm's position in the market.

## DIY SOS



The Swedish furniture manufacturer Ikea announced its latest innovative move to provide credit flexibility to customers.

The firm has announced that it will offer some customers the option to lease some of their furniture sets temporarily rather than purchasing these items permanently. This scheme being piloted by the firm in some countries enables customers to rent, look after and then pass on the furniture set after their lease has expired.

This business decision provides customers with greater flexibility over the terms at which they consume the company's furniture, but it can also help the firm improve its own ecological footprint and increase the sustainability of its own business model.

This added business flexibility being extended from Ikea to their customers fits in nicely with the cyclical refurbishment plans of most household owners and is an idea that is likely to be replicated across other firms in the sector if it proves a hit with customers.

### Exam Application – Financial Ratios

Discuss how this leasing option is likely to affect each of the following ratios for Ikea:

Stock Turnover

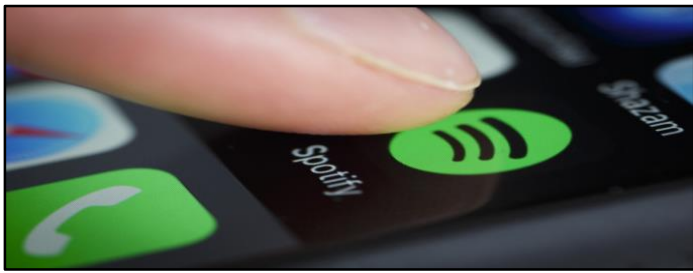
Receivables Days

Gearing Ratio

In relation to Bowman's Strategic Clock, discuss how this move is likely to affect the firm's strategic position within this model.



## “Netflix of Audio”



In recent years, a lot of media fixation has been drawn towards the changing way that people watch and consume TV programs and films. The rapid rise of streaming behemoths such as Netflix and Amazon has dramatically reconstructed people’s viewing habits and raised their expectations of what they demand from the latest TV drama or sitcom that they are about to become immersed in.

This consumption change is not mutually exclusive to the TV market – the way people consume and listen to music and audio programmes is dramatically shifting too. For instance, 2018 was nicknamed by some as the “Year of the Podcast”. This is because it is estimated that six million people in the UK listen to at least one podcast every single week – a 57% increase on 2016’s figure. Many media companies and TV programs have or are in the process of releasing brand new podcasts to move in line with the direction of the market and provide follow-up content for their programs.

The Swedish firm Spotify announced its acquisition of Gimlet Media and Anchor, both of which have developed significant platforms in which podcasts are published on. This brings the firm’s spending on podcast-related investments to almost \$500m. In its latest quarterly earnings report, the firm announced it had just turned over its first quarterly profit with positive cash flows. So the question is, just why would such a prominent music streaming service commit to this sort of external investment in times of rising profit? Could this disrupt the firm’s profit momentum?

First and foremost, one of the significant barriers to growth and profit that the firm has to contend with over the years has been the pernicky and costly process of negotiating license agreements with record labels. This has meant the firm has burnt through investors’ cash far quicker than they would ordinarily like. Podcasts create a relatively quick and easy way of generating a following and a tangible return.

Secondly, it is hoped that the existing software and algorithms that Spotify use to create suggested and personalised music playlists for users can be transferred to user’s podcast libraries. If this can be achieved it will provide the firm with a strong competitive advantage over rival firms such as Apple Music and Tidal.

Finally, podcasts provide Spotify with the leverage to generate and build higher advertising revenues. According to industry analysts, two thirds of podcast listeners in the UK are estimated to be in the 16-34 age bracket, with advertising revenues generated from this age bracket to reach \$2.5bn by 2020. The provision of a podcast platform may help the firm attract and retain a younger audience with the average duration spent on the Spotify platform increasing due to the extensive length of podcasts in comparison to the stream of Drake’s latest single.

### Exam Application – Ansoff’s Matrix

In relation to Ansoff’s Matrix, identify and discuss the type of strategy that Spotify are pursuing by introducing a podcast platform to its existing service.

## “Lights Out and Away They Go!”



In any line of a business the margins between success and failure are wafer thin and this particularly extends to high-level sport.

On March the 19th, the Formula 1 season kicked off in its traditional season-opening location - under the bask of the late Australian summer sun in Melbourne. This is the first official glimpse that F1 fans will get of this season’s cars in competitive race action. However, many of these cars have been under development and modification for a number of years in anticipation of changes in the sport.

For instance, this season, teams are having to contend with regulatory changes that are attempting to make races tighter and more exciting for fans. This includes replacing power units and redesigning the cars to reduce the aerodynamic effects of cars driving in the slipstream. The technical director of Mercedes (the team that has won the championship for the past 5 years) commented that “regulation changes are both an opportunity and threat”.

In addition to this, F1 is a very competitive sport when it comes to managing the commercial side of the sport. As the sport grows bigger and more influential in emerging markets so does the challenge associated with the management of construction teams. This year’s F1 calendar will be largest and longest F1 calendar ever assembled spanning 21 countries across 5 continents over 9 months. This represents an organisational challenge more than anything, particular when it comes to car part logistics. The end goal for any team involved in F1 is to be able to give enough back to the fans, whilst maintaining track success.

### Exam Application – PESTLE

In groups, use the PESTLE framework to assess the threats and opportunities that are associated for any construction team in the sport of F1 in the coming season.

## Buying For Time



The struggling department chain Debenhams has been through the business ringer in the last few years. In February 2019 the firm managed to secure an initial cash injection of £40m to provide the company with the financial security and crucial time to open up further discussions with their creditors regarding the long-term survival of the high street chain.

The firm has been through a turbulent time as of late and last year alone warned investors three times about significant profit falls. This alarmed investors and added to their suspicions that the future outlook for traditional British high-street chains looks increasingly bleak.

Like many retail firms the sticking point is the ongoing cost of rent associated with operating and maintaining a physical store, as well as the rising living wage, online competition and changing consumer habits. The firm has begun its extensive retrenchment proposal to close stores – 20 of which this year – to buy itself more time to develop a more sustainable long-term financing model.

In reaction to this news, the Debenhams Chief Executive has attempted to quash any doubters in Debenhams revival plan by adding “The support of our lenders for our turnaround plan is important to underpin a comprehensive solution that will take account of the interests of all stakeholders and deliver a sustainable and profitable future”.

Mike Ashley, who has a 30% stake in the firm, has begun to put forward solutions to the Debenhams financial debacle. He has proposed providing the firm with a £150m interest-free loan in exchange for further control of the firm and to prevent the firm having to enter into a debt-to-equity swap to manage debts of £200m.

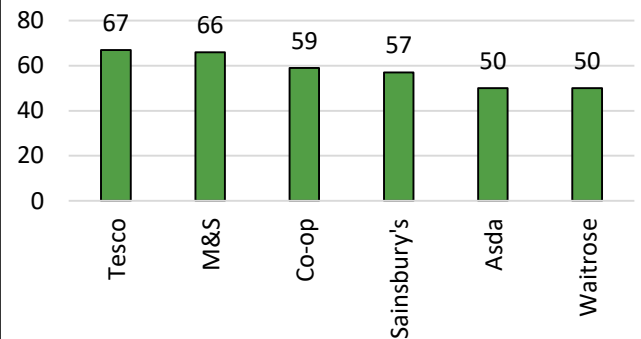
### Exam Application – Finance

Assess the effects of Debenhams using a debt-to-equity swap to manage its debt burden.

Discuss how a £150m loan would affect the company’s main liquidity ratios.

## Root of the Palm Oil Problem

Percentage of products sold that contain 100% traceable palm oil sources (%)



Palm oil is the vastly consumed but highly controversial vegetable oil that is used in a surprisingly high number of products in supermarkets. It is controversial because of the damage that extracting and sourcing palm oil has on the local ecosystem. Sourcing the vegetable oil has resulted in significant areas of natural forests being cleared in South East Asia, threatening the local environment and natural wildlife.

Campaign groups and environmentalists have targeted large supermarket chains for their decision to stock shelves from top to bottom with products that contain traces of palm oil. As a result, firms are making a conscious effort to stop using palm oil and refocus their efforts on sourcing products without this ingredient.

However, this is easier said than done, and research has been produced to summarise the slow progress that is being made by UK supermarket chains. The graph above shows the percentage of products stocked by supermarket chains that contained palm oil that can be completely traced i.e. can be traced back to a single certified supplier. As you can see, the results are mixed and certainly more work is going to have to be put in by all industry stakeholders to contribute to the sustainable production of palm oil.

### Exam Application – Finance

Assess the relative benefits and costs of a large supermarket chain differentiating itself from the rest of the market by switching entirely to palm oil free products.

Discuss why Elkington’s Triple Bottom Line model is an effective approach towards measuring business performance in light of ethical customer concerns.

## Doing the Hakka



The political backlash against Huawei and its role in building the infrastructure of the 5G network has resulted in a reaction from the firm. The Chinese technology giant Huawei, attempted to re-establish its business relationship with the New Zealand authorities by using a clever marketing trick.

The firm has faced a backlash from governments around the world for its historical connections with the Chinese government and what the company's true motives are. The firm has been banned by many countries, including New Zealand, from constructing the latest 5G iteration of the mobile phone network on the grounds of national security concerns.

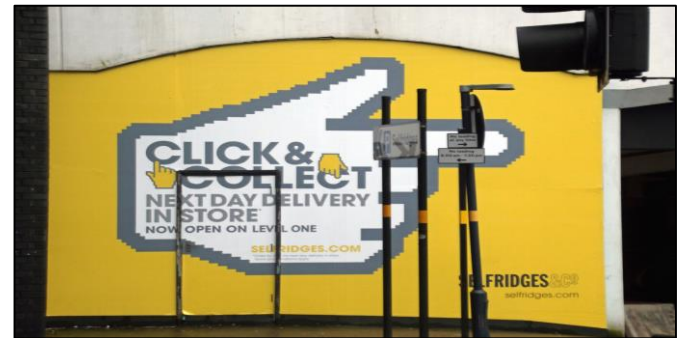
The firm in itself has attempted to use marketing and the country's love and passion of the sport of rugby to relinquish the relationship. The advert published from pillar to post consists of the use of the slogan "5G without Huawei is like rugby without New Zealand".

The reaction to the advert has been mixed with some seeing this as a quirky marketing intervention, whilst others have suggested that this is a gimmick and more formal and structured measures need to be taken to address the concerns that the country has over Huawei's growing influence on the country's telecommunications infrastructure.

### Exam Application – Branding

Evaluate the importance of branding in helping businesses such as Huawei enter and expand into new international markets.

## Rise of Click and Collect



The dreaded moment that comes from ordering a parcel only for it to be delivered during a time of the day when nobody is home is a source of frustration that is not lost on many online shoppers around the UK. However, where there is a problem there is often a business solution just around the corner.

Click & Collect is the popular and now widely-used delivery service by firms to build increased levels of convenience around consumers' online purchases. If you haven't used this service before then it is highly recommended – it involves the firm delivering the product to a nearby establishment, allowing customers the flexibility to pick up their parcel on their way home or during a free day. Not only does this increase customer satisfaction but it also increases the efficiency of the wider supply chain and allows delivery drivers with the opportunity to fit in more deliveries during their day.

These powerful benefits help explain why the UK Click & Collect market is expected to reach £10bn by 2023 – a 46% growth rate in the sector. Multichannel retailers are also using Click & Collect services to encourage consumers into their stores and make "impulse purchases" to combat falling footfall in traditional highstreets and shopping centres.

### Exam Application – Marketing

Discuss how retailers that focus traditionally on physical stores can extract benefits from the trend of online shopping.

Do you agree with the view that consumer habits are easier to predict than other changes in the market.



## M&S and Ocado Tie-Up



Since 1884, the retailer Marks and Spencer (M&S) has been a household name on the UK high-street. It has nearly 1,000 stores located across the UK and stocks a wide range of products to cater for the daily consumer demands of UK shoppers such as clothes, home and furniture goods, flowers and cosmetic products.

M&S, in recent years, has invested significantly in developing its groceries division to consolidate its position in the grocery sector. The firm generates over half its revenues from food related products and this perhaps explains why 600 of M&S's UK stores specialise in food products only.

For a lot of grocery shoppers, M&S represents a high-end convenience brand that allows them to top up their weekly shopping basket with added essentials – the average basket price is just £13.

Crippling conditions across the UK high-street in 2018 has continued to affect established brands like M&S and forced the company to evolve their quintessential business model. The firm recognises that it needs to radically overhaul its approach to online shopping and innovate the business's product line to become relevant again in a market crammed with specialist firms.

The business is in the middle of a restructuring plan which it says is a necessary step taken to move a third of the company's sales online by 2022 and in the process result in fewer stores in better locations.

The firm announced its next strategic move to achieve this SMART objective – a joint venture deal with the retail division of Ocado. M&S will purchase 50% of the full-service online supermarket for £750m. M&S are hoping that the experience and expertise that Ocado can bring in relation to online shopping can boost the firm's e-commerce profile in the market.

Some stakeholders are not happy though. Investors will have to stump up the cash to finance this deal with a lower dividend pay-out of 40% to boot. Many shareholders struggle to see how the firm will be able to make this deal work when it would appear that Ocado is predominantly used for people carrying out their full weekly shop rather than occasional top-ups - the average shopping basket at Ocado for customers is £100.

### Exam Application – Business Growth

Describe the difference between a takeover deal and a joint venture.

Discuss why this move by M&S may actually damage the reputation of the brand with the firm's traditional high-end customer base.

## BritBox – Success or Flop?



Is television as influential, popular and relevant as it used to be? You can imagine this is a question that the executives at every major broadcaster in the UK has been contemplating over the last few years.

Why is this the case? Take Christmas Day for example, this was once heralded as the bastion day for TV companies as a good consolidated audience was guaranteed at the end of a long day of festive celebrations. In 2001, a new episode of *Only Fools and Horses* was watched by 20m people across the UK on BBC One. Fast forward to 2018 and the most watched TV show on this day across the UK was Michael McIntyre's *Big Christmas Show* with just 6.1 million viewers. Viewers are slowly drifting away from traditional mainstream TV content towards more progressive, fast-paced and trendy content provided by streaming services such as Netflix and Amazon.

What do companies like the BBC and ITV need to do to make their programme content more accessible and relevant bearing in mind the current market conditions? The Head of the BBC and ITV announced this week that talks were at a progressive stage in regards to a "best of British" streaming service. This would rival Netflix and slow the rate at which the viewership of some of their most popular programmes are declining at.

The details are pretty thin on the ground at this stage but the plan is for this service to operate alongside the companies separate catch-up platforms. The content will see the launch of new and exclusive titles, as well as providing a back catalogue of some of the corporations most loved shows.

### Exam Application – Business Diversification

Describe the benefits that a streaming service can help provide a commercial station like ITV with the means to replace traditional TV advertising revenue channels.

Describe the challenges that will have to be overcome to integrate the stakeholder interests of a commercial TV network and a publicly funded TV network.



## Superdry Supercharged



In March 2019, Julian Dunkerton, former director and co-founder of Superdry, stood down from the company's board and launched a scathing attack on the company for its "misguided strategy". It would appear this directorship casualty is the tip of the iceberg when it comes to some of the problems in the clothing retailer. The firm announced in 2018 that pre-tax profits have fallen by more than £10m and the share price of the firm has fallen by more than 70% in the past trading year.

To understand Mr Dunkerton's motives, we need to revisit the story of Superdry's rise up the high-street league table, which in itself, is an interesting and quite unique one.

In 1985, the firm's founders Ian Hibbs and Julian Dunkerton ran a small niche market stall in Cheltenham under the trading name of Cult Clothing. The success of this stall catapulted the firm into a position where it could begin trading at a larger scale. The firm began to replicate its Cheltenham market success in many university cities exploiting the young vibrant population within those areas.

In 2003, the founders of the company began to question how much further they could take this business proposition. They then entered into a partnership with a designer that has previously developed clothing items for the British clothing brand Bench. All partners involved agreed a fresh approach needed to be taken and the company was rebranded under the title Superdry.

The firm began to specialise in trendy but smart clothing with a Japanese branding twist. This gave the firm a unique look to stand out from the rest of the crowded fashion market and appealed to under 30s. The firm began to expand at a rapid rate transcending a small British brand into a global marketplace.

Mr Dunkerton may feel that the company has begun to lose its way in the market and the brand is no longer fresh, relevant and cool. The co-founder wants to come back to the business to launch a revival plan to bring the company back to its old successful roots. However, he is going to have to prove to shareholders that this revival plan is credible and deliver similar levels of success as it once did.

### Exam Application – Seasonality

Describe the implications that seasonal variations in business performance has on the sales forecasts that firms construct.

## Help to Buy Scheme



**Lender Provides Mortgage 75%**

**Government Grants Loan 20%**

**Buyer Makes Deposit 5%**

The UK Government has come under scrutiny for its potential involvement in indirectly helping the housebuilding firm Persimmon report record profits of £1bn in 2018. This represents a 13% rise in profits from 2017 and is part of a consolidated period of rising business performance for the firm.

In 2013, the Government launched a scheme called "Help To Buy" which aims to provide financial support to first-time buyers to get on the property ladder in the midst of rising house prices. The government commits to covering up to 20% of the cost of a newly built home via a loan and in return this means that buyers need to fork out 5% of the house value for a cash deposit, with the rest being secured by a mortgage provided by a commercial lender.

How successful has this scheme been? The government claim that almost 500,000 UK homes have been bought under the terms of this scheme and therefore first-time buyers are being fast tracked onto the housing ladder. The scheme has been extended until 2023.

However, despite these positive statistics many believe that this scheme has distorted the housing market. The scheme has essentially subsidised the business models of housebuilding firms such as Persimmon with some warning that it represents the "crack cocaine of the building industry". The argument is that the government scheme has channelled more demand to the homes that Persimmon build and this has pushed up house prices and increased the profit that the firm receives from each house sold. It is estimated that since the scheme came into fruition in 2013, Persimmon's profit per house sold has tripled.

The housebuilding firm has already come under fire with its large payouts of £2.2bn to shareholders, as well as the decision to pay the former chief executive a financial package worth £75m.

### Exam Application – SWOT Analysis

Using a demand and supply diagram, show the impact that this scheme is being accused of having on the prices of UK new-builds.

Perform a SWOT analysis on Persimmon's current business position.

## Shop Price Squeeze



UK consumers are battling the highest level of shop price inflation in six years according to data published by the BRC.

To recap, inflation describes the average change in prices for the most popular goods and services over a period of time. If this is positive it means prices are rising on average; prices on average are falling if the inflation rate turns negative.

Specifically, year-on-year food inflation edged up to 1.6% in February as unused stock and discounts carried over from the festive period began to end.

Many believe the cost pressures being built up across the supply chain reflect the effects of a weaker pound and rising fuel prices.

### Exam Application – Economic Threats

Using the information above, explain the concept of the 'Law of Demand'.

Explain how a weaker pound contributes to rising supermarket prices.

In reference to your answer above, discuss why it is important for a business to know the elasticity value of their products when making the decision over whether to pass on extra costs to consumers.

## Nike's PR Disaster



The week beginning the 25<sup>th</sup> of February was a tough one for the sportswear giant Nike. The firm suffered two rather embarrassing incidents which damaged the firm's finances, reputation and credibility in the market as the leading sportswear company.

Firstly, the firm suffered an embarrassing moment on the Friday during a high-profile college basketball game in the US. One of the most promising talents in the league, Zion Williamson, slipped and sprained his knee after his trainers split in half after just 33 seconds of the game. The star was wearing a particular brand of Nike basketball shoes during the match and this attracted a lot of unwanted attention and coverage towards the company and the quality of its products. The firm's market capitalisation was hit by \$1.2bn as a result.

In the same week the firm suffered a major hitch in its attempt to commercialise the first self-tying trainer. The Nike Adapt BB is the latest innovative product released by the firm that allows the wearer to lace their shoes via an app. Unfortunately for the company, after the first batch were sold, the firm ran into software problems on the accompanying app and it resulted in frustrated buyers not being able to tie up their brand new \$350 trainers!

### Exam Application – Quality Control

Explain the term 'market capitalisation' and describe why it is used as a measure of the value of a business.

Discuss the impact that bad quality control procedures can have on a business like Nike.

## Gordon Bennett



The UK high-street has been under siege for the last 5 years with many household names and brands disappearing from shopper's eyes at an alarming rate. The latest department store to run into mounting financial problems is Bennetts.

Bennetts is a traditional department store that sells everything from clothes to homeware products and even makes room for a small tearoom in the corner of their stores. The store is often defined as being the "world's oldest department store" and the 285-year old business is feeling the effects of the brewing cocktail of problems in the retail landscape such as falling consumer confidence, online competition and rising business rates.

The store is seen as a quaint reminder of Britain's high-street heritage and serves as a physical reminder of just how far the UK high-street store has evolved over the years and what potentially could be lost if financial help is not secured.

In February, the store launched a crowdfunding platform to help raise the money required to save the firm. The firm managed to raise just over £10,000 in the short space of a month from its loyal customer base. However, it requires a target of £450,000 to save the business from folding completely.

The firm has confirmed that if the appropriate money can be raised this will enable it to put into action a credible rescue plan to relaunch trading performance, restructure costs and upgrade the shopping experience for their customers.

### Exam Application – Sources of Finance

Assess the option of crowdfunding as an appropriate source of finance for Bennetts.

Explain the other possible funding options that are available to Bennetts to help reach its target.

## Apprenticeship Downturn



In June 2015, the UK Government announced plans to revive apprenticeship numbers by attempting to re-define the value of an apprenticeship in comparison to a bachelor's degree qualification.

The plan was introduced to try and give apprenticeships an equal legal standing with degrees to encourage individuals to consider more carefully their career possibilities after leaving school. In addition to this proposal, the Government attempted to introduce an apprenticeship levy on large businesses, which they could only claim back when investing in training programmes for their employees.

These changes were made so that apprenticeship numbers by 2020 would increase by 3 million. Are the Government on track to hit this target? The latest figures published this week suggest that this target is unlikely to be met. In 2017, the number of new apprenticeship starts during that year stood at approximately 504,000, but last year this figure dropped by a quarter to 375,000.

The apprentice levy itself is being ignored by many larger businesses with £2bn being left unclaimed in the government's pot. The results would point to the fact that many larger businesses are closing their existing apprenticeship schemes altogether and viewing this policy change as an extra tax imposed on their business.

### Exam Application – Human Resources (HR)

Describe why smaller businesses may shy away from using apprenticeship schemes.

Evaluate the benefits and costs of a company providing on-the-job or off-the-job training.

Assess the importance to manufacturing businesses of having highly skilled, trained and motivated staff.



## Any Publicity is Good Publicity



2018 was a year of bumper results for the much loved bakery chain Greggs. Sales broke through the £1bn barrier for the first time in the company's history. The firm credited the sales boost to their new vegan sausage roll which increased exposure to the company even for casual customers.

In case you missed it, the chain confirmed that they would make a vegan version of their best-selling product to tap into the growing trend of individuals adopting the vegan lifestyle choice during January (Veganuary). Love or loathe the decision the firm made, it grabbed headlines all over the country and raised the company's brand profile with customers. The firm even poked fun at some of the "negative" reaction by running an advertising campaign in the style of Apple when they launch a new product.

This is all part of a wider strategic path taken by the firm to diversify and move away from being just a bakery business. The firm has also been committing to introducing a healthier menu in-store, as well as moving into the evening food market.

### Exam Application – Economic Threats

Some commentators say that Greggs is a "recession-proof" business. Discuss what that means and why it enables the firm to prepare and plan more effectively.

Assess the consequences for UK chains such as Greggs of changing consumer tastes towards healthier food items.

## Jenner Mania!



Kylie Jenner by Numbers

Age	21
Age of first TV show	10
Year of Business Start	2015
Business Start-Up Costs	\$250k
Net Worth	\$1bn
Instagram Followers	128.6m

We cover all sorts of business stories on the Weekly 5, including those that relate to the Kardashians!

The American business magazine Forbes published their 2019 ranking of the richest and most successful self-made female entrepreneurs. The list ranked businesswomen on a scale based on their net wealth (the combined value of the assets they own) as well as plotting their route to amassing this fortune via an index score between 0 and 10.

Coming out on top with a fortune of \$1bn was the reality TV star and model, Kylie Jenner. She is the youngest self-made billionaire ever recorded, trumping the achievements of business titans such as Bill Gates and Jeff Bezos. The star amassed this fortune primarily through the launch of her own cosmetics company which has gained significant exposure via her large social media following.

### Exam Application – Entrepreneurship

Define and explain the term 'entrepreneur'.

Explain the basic content of a business plan and why it is important for an entrepreneur to produce.

Discuss and explain some of the barriers that entrepreneurs are likely to face.



## Jumia New York Listing

**JUMIA** 



Jumia announced it would become the first African company to be listed on the New York Stock Exchange in March 2019.

Jumia is an e-commerce company that mirrors the retail business model of Amazon and Alibaba. The firm sells everything from popular electronic products to providing hospitality services such as hotel bookings.

Why does this all matter? Well this will be seen as a tangible shred of evidence of the development progress that the African continent as a whole has made on the international business stage. The company is valued at \$1bn and has four million active consumers on its site.

What is the logic of this move? Africa represents an untapped business opportunity many retail giants have yet to conquer due to technological, social and political obstacles. However, Jumia has proved to investors that this type of business model can thrive in Africa. The firm is using its broad customer appeal as leverage to acquire the financial capital that it needs for the company to expand and diversify even further. Many would argue that an online retailer such as this one, given where it is geographically located, is hampered by the undeveloped technological infrastructure across African countries. The network of supply chains across the continent is weak and inefficient and customers do not have the financial independence to shop online as frequently as other customers in North America and Europe.

The company is hoping that it can capture the African market before these MNCs do, but to do that the firm needs to overcome some of the financial, logistical and operational challenges it faces.

### Exam Application – Business Forms

Define and explain the term 'business liability'.

Discuss the difference between a public and private company.

To what extent do you agree with the view that a company should become public to raise the necessary funds required to raise sufficient financial capital for expansion?

## The John Lewis Bonus Ball



Even great British brands like John Lewis cannot escape the dark cloud hovering over the UK's high street. The John-Lewis Partnership has been struggling for the past couple of years due to its lack of commercial focus and confusing brand message.

The firm, which is owned by its employees (partners), announced that their annual profits for 2018 have fallen by 45% and the instant result of this is that the bonus paid out to its employees will fall by 2 percentage points to 3% - the lowest level since the 1950s. Now most people would be quite happy with a 3% annual pay rise, but for a company that richly rewards their employees with a generous share of profits this is an indication of the troubles that the Partnership has experienced and what may just lie ahead.

One area of John Lewis's business model that has come under fire relates to its business slogan "never knowingly undersold". This is an assurance by the firm to match the prices offered by rival firms on the high street for the products they sell. This is a nice marketing guarantee to help reassure customers about John Lewis's prices, but in a retail environment where discounting has gone into overdrive this has seen the firm corner itself into real problems.

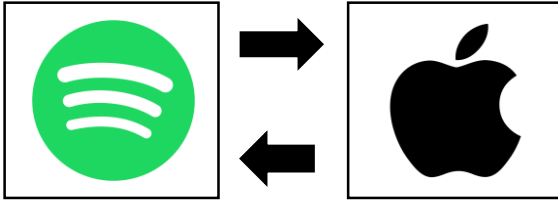
However, the other challenges the firm faces are challenges that all large retail chains face as the transition from physical shopping to online shopping shows no sign of relenting. The firm needs to cope with the challenges of operating stores that try to be all things all people and be agile enough to respond to the creative demands of shoppers in the 21st century.

### Exam Application – Motivational Theories

Describe how the ownership structure of the John-Lewis Partnership can help motivate staff.

Drawing upon the business literature of motivational theories, discuss which mainstream theories supports this scheme in raising motivation levels.

## Apple-Spotify Conflict



It is fair to say that Apple and Spotify have never been the best of friends. Spotify emerged on the scene in 2006, providing a platform for casual music fans to stream some of their favourite tracks. Over time, the company has gained popularity and business traction amassing 207 million active users along the way, of which 87 million are subscribed to the premium service the firm offers.

Apple has always seen the potential in users being able to stream their favourite tunes on their phones, and as technology has progressed, it has opened the market potential up even more. Apple has therefore integrated its existing iTunes service with a new service called Apple Music. This is essentially Apple's take on Spotify's streaming offering and as a result they have pitched the service at the same price as Spotify. Apple Music is the most popular music streaming service in the US but still lags behind Spotify in the global stakes.

The war between the two rivals relates to Apple's 30% fee charge on any related purchases made through the company's app store. Unlike with android, the app store is exclusive to Apple related products and therefore if a company like Spotify wishes to release an app that can be carried across Apple's software it needs to be listed on the Apple Store. However, the company imposes a charge and other restrictions on any company that wishes to use the app store as an indirect commercial platform for users to access their own services.

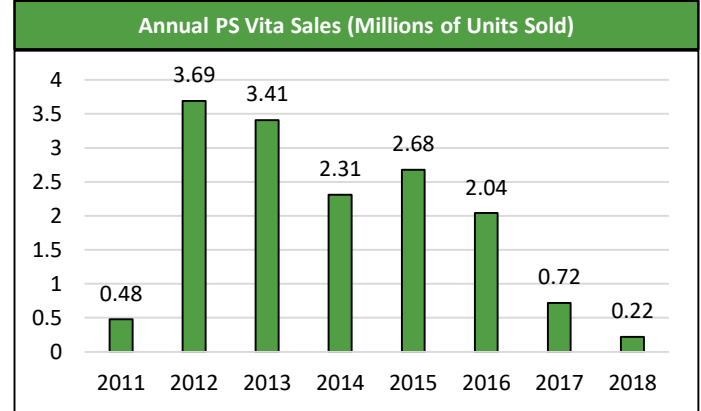
The official complaint from Spotify is not over the fee itself but the application of the fee to undermine Spotify's business model. The Swedish firm has accused Apple of "titling the playing field to disadvantage competitors" by stifling innovation and limiting choice by disadvantaging app developers such as themselves. The 30% fee is applied to the revenue that Spotify makes through its paid subscriptions on the Apple platform. Spotify has warned that this is a tactic that may force them to raise their subscription prices to restore margins. The Swedish firm has filed an anti-trust complaint to the European Union (EU) to investigate this matter further.

### Exam Application – Competitive Markets

Define and explain the term 'monopoly'.

In relation to Porter's Five Forces Model, discuss how Apple's monopolisation of the app store affects the competition and rivalry between app-developers.

## End of the PS Vita



The electronics giant Sony announced its decision to end production of its signature handheld games console, the PS Vita. Production of this device will end in 2019, to allow the firm to focus on developing new titles and features for the PS4.

The device, the first of its kind launched by Sony in 2011, has been haemorrhaging sales for the last few years now as the device struggles to compete with more innovative alternatives on the market such as the Nintendo Switch console.

To put this into perspective, the company is predicted to have sold close to 16 million devices around the world over eight years, whilst the Nintendo Switch console has already sold close to 35 million units, just two years after its launch.

The Nintendo Switch allows gamers to play games on-the-move on a handheld device and then continue their gaming experience on a larger screen from the comfort of their home when they return. This streamlined gaming approach has been received well by customers in the market and provides users with flexibility to adapt to their environment.

The firm has also had to contend with smartphone manufacturers getting in on the act. Pokémon Go! was a monster hit for smart phone users and has certainly changed the dynamics of the gaming market with phones, tablets and other non-specialist devices to run and power a gaming experience.

### Exam Application – Product Life Cycle

Explain why the sales story of the PS Vita is a perfect illustration of the Product Life Cycle in action.

Discuss the value a company like Sony can generate from focusing on its established products ahead of developing new business ideas and products.

Discuss how companies like Sony are hurt by operating in dynamic markets.

## Quality Never Goes Out of Style



March 2019 as an important milestone in the history books for Levi Strauss (what you and I refer to as Levi's) as the firm has come full circle and released its stock back onto the public markets.

The American company is one of the most iconic brands in the world. Go back to the ancient days of the 1970s and you would struggle to find a young adult that did not own a pair of the 166 year-old company's stone-washed jeans or jackets. Levi's became a fashion powerhouse and a marketing phenomenon with celebrity cameos regularly featuring in its advertising campaigns and materials. The company's revenue shot through the roof and it became immediately clear that financial restrictions from its private company structure would hold back its growth potential. The company decided to go public and float in 1971.

However, as the firm grew larger and more investors became exposed to Levi shares, the scrutiny on the firm grew. The pressure to release regular quarterly earnings results encouraged short-termism within the business and created a divergence away from the firm's long-term strategy. The founding family of the business decided to take the firm back into private hands in 1985 to shield the company's corporate results from the public to avoid forensic style scrutiny.

On the 21<sup>st</sup> of March the firm became a public company once again as it looks to secure the financial capital required to combat challenges from online retailers and navigate around the changing trends in the fashion market. The firm floated 36.7m shares at an initial price of \$17 per share on its first day of trading. The firm is looking to revive its own fashion fortunes after four consecutive years of falling demand in denim clothing sales around the world by adapting its business model away from over-the-counter sales towards online sales.

### Exam Application – Business Forms

Calculate the initial market capitalisation of Levi's after the first day of public trading.

In reference to the shareholder concept, discuss how short-termism within a business can disrupt a company's performance and strategy.

## Ford's Electric Investment Surge



Until 2012, "One Ford" was the famous slogan associated with the American car giant Ford. This slogan was chosen to reflect the company's global strategy to sell a universal car model with a consistent brand image, whilst maintaining a commitment internally to integrate and unify the carmaker's operation plants.

However, since then, the motor company has attempted to alter its marketing DNA and follow in the footsteps of MNCs like Nike and McDonalds which have adapted and crafted a brand image around their slogan. The main slogan used since 2012 has been "Go Further" to help launch new vehicles into existing markets around the world.

The relevance of this is that the carmaker has announced that it is planning to expand its production of all types of electric vehicles after witnessing significant market change. In 2017, a record number of 1.1 million electric vehicles were sold and this is projected to increase to 30 million in 2030. The big market opportunity to tap into will be China – it will become the largest electric vehicle market in the world – accounting for 50% of the entire market.

The company is investing just shy of \$1bn of increasing its existing capacity at its main Michigan car plant. This will complement the firm's long-term strategy to commit \$11bn to establish an electric vehicle model line-up of 40 by 2022.



### Exam Application – Capacity Utilisation

Discuss the impact that this investment is likely to have on Ford's capacity utilisation rate at its Michigan plant.

Using the framework from Ansoff's Matrix, discuss what type of strategy the carmaker is pursuing with this investment into developing electric vehicles.

## JD Acquisition Afoot

### Terms of Acquisition Deal

JD Sports	Footasylum
	
Founded in 1981	Founded in 2005
610 UK Stores	70 UK Stores
32,125 Employees	2,270 Employees
£3.2bn Revenue	£200m Revenue

In March this year the UK sports-fashion retail company JD Sports has agreed to purchase the remaining shares in Footasylum, the company that specialises in selling branded footwear, for £90m after purchasing an 8% stake in the firm at the start of the year.

JD represents a rare breed amongst UK retailers over the last few years with sales rising by 30% thanks to the growing 'athleisure' fashion trend in the UK. This is the fashion trend associated with purchasing clothes that are designed for a gym workout or any other casual setting.

There is no doubt that branded trainers fit nicely into the overall strategic direction of JD and the athleisure fashion trends, but the deal may actually turn out to be more complementary than what the deal appears on paper.

Footasylum was founded in 2005 by the co-founder of JD and the other co-founder was most recently the CEO of Footasylum. This means the operational and strategic synergies the company can source from this move are likely to be significant.

### Exam Application – Mergers

What type of business growth would this deal be contribute to for JD Sports?

Define the term 'economies of scale' and explain how acquisition deals such as this can help drive down unit costs for JD.

## A Dress for all Seasons

# Bonmarché

Shares in clothing retailer Bonmarché collapsed by 14% in March after the firm released an eerily familiar profit warning, the third in six months.

The firm that specialises in selling low priced women's clothing items, forecasted that their annual loss up to March would widen by at least 25% to £6m. Investors are becoming all too accustomed to UK retailers warning about the deteriorating retail trading environment. The chief executive of the company stated that trading conditions at the firm were worse than that of the financial crisis 2008-09.

The firm blamed the unusually mild weather during the third and fourth quarter of 2018 for its subdued trading performance. This resulted in the firm building up idle stock which then had to be sold-off in large chunks at heavily discounted rates.

The firm did however provide some hope for investors as the company revealed they have adapted their business model to reduce stock levels by 40% compared to last year to prevent a repeat of the same problems.

### Exam Application – Stock Control

Define each of the following terms in relation to stock control systems

Inventories

Work-In-Progress

Finished Goods

Describe how a firm can use an inventory control chart to maintain stock levels.

Assess the benefits of a firm using a Just-In-Time production system. Could this production model be applied to Bonmarché's business model?



## Digging a Hole for Themselves



The confectionary company Cadbury's landed themselves in a bit of hot water during Easter after their seasonal marketing campaign backfired and was eventually taken offline.

The firm always invests heavily in promotion around Easter time to promote its latest range of egg delicacies, but this year has been forced to retract one of its advertising campaigns from circulation after it was claimed that it encouraged children to "break the law".

The campaign was titled 'Cadbury's Treasure Island' and it encouraged children to go out and explore their local area by digging in certain archaeological hotspots in the UK. The campaign was engineered to place a marketing spin on the traditional Easter Egg hunts that children up and down the country participate in around this time of year.

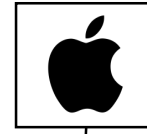
However, the backlash the company received came from aggrieved archaeologists who claimed that this campaign was "intensely stupid" as it would encourage individuals to dig on sites and grounds that are protected without any permission. This could see many children and families break the law and face possible prosecution.

Cadbury's has now taken the page down on their website and has pledged that in the future they will focus on directing families to museums and exhibits rather than finding their own artefacts.



### Exam Application – Marketing

To what extent do you agree with the view that marketing campaigns that go wrong can actually help raise awareness of the brand?

## Apple's Tech Transformation



### What did Apple announce?

	<b>Apple TV</b>	Supported by the Apple TV+ app to stream exclusive TV content directly to individual's devices.
	<b>Apple Arcade</b>	Cloud-based gaming platform which will roll out 100 titles to 150 different countries.
	<b>Apple Card</b>	Credit card that can be linked to any apple device and does not charge late fees.
	<b>Apple News</b>	Supported by the Apple News+ app to create a news platform that features over 300 magazine titles at a cost of \$9.99.

Apple has been taking all of the business headlines after unveiling a series of new services for Apple device users during an event with a star-studded cast list.

In typical slick and striking fashion, the tech giant Apple and its CEO Tim Cook took to the stage at the company's world famous Californian-based HQ. The firm announced to the world that this week marks a significant turning point for the company in diversifying away from relying on physical device sales.

Back in 2007, the company jumped to stratospheric heights both commercially and reputationally with the launch of the company's smartphone. Over 1.2bn iPhones have sold worldwide since then and this has helped the company report record revenues of \$266bn in the financial year of 2018. Approximately 80% of this revenue is derived directly from iPhone sales.

The problem for Apple has always been if and when 'peak iPhone' season comes around, how would the company plug the financial holes left from sluggish device demand? The announcements have attempted to reassure stakeholders in the company that the firm is looking to adopt an aggressive stance in their pursuit of growth in the services division.

The announcement of lifestyle add-on apps and services such as gaming, TV and credit card services seems to conform to the underlying trend – the average iPhone upgrade cycle is extending. Therefore, the firm needs to find ways of continuing to make money from those devices already in circulation.

### Exam Application – Business Models

In reference to Ansoff's Matrix, discuss what type of strategy Apple is attempting to pursue with the launch of its new credit card service.

In reference to Porter's Five Forces Model, discuss some of the content and distribution challenges that Apple will face with its move into the TV streaming market.

## Shell's Renewables Revolution



Fifth largest company in the world based on revenues

In 2018, it acquired the UK energy provider First Utility

Royal Dutch Shell is one of the largest oil and gas companies in the world. It is highly profitable and turned over a revenue of \$388.4bn in 2018. Its business reach and influence in this sector is profound and far-reaching. Part of the reason for this is that the firm has control over every single stage of the oil and gas supply chain that it operates in: it explores, refines, produces, transports, distributes and trades these energy supplies on a daily basis. This requires a massive operational effort to produce close to 4 million barrels of oil a day and to maintain supply chain efficiency across 44,000 service stations in 70 countries.

However, the firm is also increasing its exposure to the renewables sector, with market trends pointing towards a downturn in the use of crude oil in the future. According to many industry experts, oil use for cars will peak in the mid-2020s with over 300 million electric vehicles projected to be on the road by 2040. The wider demand for oil will also begin to fall from 2040. This perhaps explains why Shell is aiming to be the world's largest electricity company by 2030. This will allow the firm to take an active stake in the power sector, as well as oil and gas.

In 2018, the Anglo-Dutch energy firm acquired the largest UK energy supplier outside of the traditional "big six", First Utility. This company has now been rebranded Shell Energy and the firm has committed to supplying electricity only from renewable energy sources. Alongside that pledge, the firm has also committed to put a unit of renewable electricity into the UK grid for every unit of electricity that Shell's customers use.

Shell is in a unique position where it has the operational scale to be able to diversify into new sectors. A good example of this is the commitment of investing \$2bn a year into installing a series of electric vehicle charging points at its existing service station infrastructure. The Chief Executive of the company believes that is it important for the firm to focus its efforts on decarbonising its business model by saying "Shell started out as an oil company, then we got into gas, now we're more gas than oil, we're getting into power and one day I think power has the potential to be our biggest business and we've the potential to be the biggest power business globally."

### Exam Application – Strategic Change

In reference to the PESTLE framework, discuss why it is important for Shell to diversify their business model in this way.

## Uber Gears Up For Takeover Deal

### Terms of Acquisition Deal

Uber

Founded in 2009

3 Million Uber Drivers

Operates in 785 Cities

\$3.1bn Deal

Careem

Founded in 2012

1 Million Careem Drivers

Operates in 90 Cities

Careem will operate as a subsidiary of Uber

The ride-hailing app Uber formally announced its planned takeover bid of rival firm Careem. Both companies represent an innovative twist on traditional taxi and delivery services in major cities and towns. The business model of the two firms is simple - customers connect to their driver via the app and arrange and pay for the service automatically. This raises efficiency on all levels, helps drive down average fare costs in the area and fits neatly into the 2019 lifestyle of individuals and families.

Uber is an established brand in many of the world's major cities, but the platform itself has attracted a lot of unwanted attention from regulators due to its persistent boardroom battles and corporate governance issues, as well as its rivalry against the traditional taxi firms in the industry.

Careem has a high-profile reputation in the Middle East, Asia and parts of Africa. The firm was valued at \$1bn in 2016 to become one of the most valuable start-up companies in the middle east region. Despite the areas it operates in containing high levels of inequality within society, they also represent areas of high growth potential for successful start-up companies of this nature.

It is widely tipped that Uber will make the decision to list its shares on the US stock market to become a public company later on this year. Some predict that valuation could be as large as \$120bn. If so, this would be the largest company flotation on the US stock market.

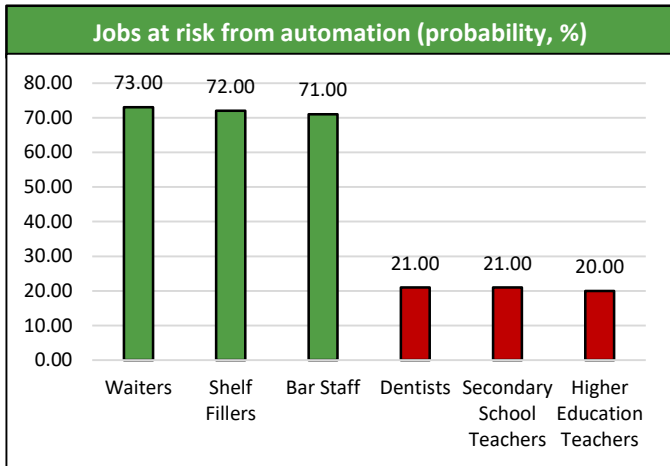
Therefore, acquisitions such as this one help remove the threat of smaller competitors in lucrative segments of the market and provide the firm with the local expertise and infrastructure to thrive in different regions around the world.

### Exam Application – External Growth

Discuss the merits of taking over smaller competitors to grow ahead of investing to expand the business's current operations.

To what extent do you agree with the view that a company should become public to raise the necessary funds required to raise sufficient financial capital for expansion?

## Automation – Opportunity or Threat?



The Office for National Statistics (ONS) published data in relation to the risk of job loss from the increased presence of AI in the workplace at the end of March.

Job automation is the term used to describe how the output from traditional manual roles carried out by humans can be replicated by the presence of computer programs and algorithms.

The ONS based its probability projections on the study of 20 million people and the roles, responsibilities and qualities that were required to carry out those jobs effectively. The model used by the ONS attached probability estimates associated with the risk of job loss in different occupations as a direct result of automation.

It was hardly surprising to see that the occupations with the highest risk estimate attached were low-skilled and repetitive jobs. Occupations that were not deemed high-risk were those jobs that required a level of sophistication and skill, that technology is not currently adapted to execute.

### Exam Application – Strategic Change

Explain how digital technology can support the operational departments of a business and ultimately improve its efficiency.

Discuss the appropriate steps that a business should take in managing and training staff when integrating new technology into the business.

## Feeling the Effects of Mother Nature



The insurance market Lloyd's of London announced its annual results for 2018 and it did not make pretty reading. It announced a £1bn loss, which follows swiftly off the back of a £2bn annual loss in 2017.

Now it is important to stress that Lloyd's of London represents an insurance market and not a specific company. This is because a series of parliamentary acts have been passed to ensure that Lloyd's is a corporate body that represents a marketplace. Within this marketplace are a series of insurance members who underwrite the insurance contracts for various different purposes. These members are either separate insurance firms or private individuals.

The insurance market is a traditionally risky market for firms and customers. From an insurance company's point of view the risk posed from natural disasters can be severe and upset the financial accounts of a good trading year at any moment. 2018, was a year in which there was a high frequency of natural disasters, storms and hurricanes that hit certain parts of the world.

### Exam Application – External Growth

Discuss and explain the procedures involved in scenario planning for a business.

Analyse some of the risk mitigation plans that a market like Lloyd's would have to consider before underwriting and enforcing insurance contracts.

## Flying Without Wings



This year has been an incredibly turbulent one for the UK's largest regional airline, Flybe. On the 3<sup>rd</sup> of April, UK holiday-goers and commercial travellers woke up to the unwelcome news that they would be battling against severe delays, and in some unfortunate cases, last-minute cancellations from some of the country's busiest airport hubs.

The regional carrier announced that 5% of its UK flight services had been disrupted by a chronic shortage of available pilots, in what was being defined by some as a HR disaster for the airline.

The Exeter based firm has been under intense financial and operational pressure in the last six months, after a series of profit warnings were announced by the company's board following overtrading problems in 2017.

The company has since pursued an exit strategy with a consortium of firms, led by Sir Richard Branson's Virgin Atlantic brand. Under the terms of the recent £2.8m deal, the consortium pledged to purchase the company's existing assets, operations and brand name, but at a fire sale price. This was because the firm revealed plans to strip back its current business model and begin to find a way of returning the bottom line of the business to a much healthier position. This involved reducing the number of services the airline operates and to concentrate its flight offerings in a smaller pool of UK airports.

The firm therefore has had to defend itself against an inevitable backlash on social media. Affected travellers have complained that the company's retrenchment plan was the catalyst for all of this disruption.

Flybe has responded quickly by listing a host of challenges which have contributed to this problem such as business seasonality, pilots' end of leave year, the Easter holidays and the complexities of base restructuring.

### Exam Application – Strategic Change

In reference to staff planning, discuss the distinction between scientific decision making and intuitive decision making.

Explain how and why businesses can use a retrenchment plan to revive business profitability.

Discuss how overtrading can negatively impact the cash flow position of a business.

## Sharing the Hybrid Secret



The Japanese carmaker Toyota announced that it would make 24,000 licensed patents, surrounding the development of their hybrid vehicles, available to the wider marketplace until 2030. The altruistic pledge by the carmaker caught the market by surprise on Wednesday when they announced that these developed patents would be made available on a royalty-free basis (no regular payments were required by other firms). The firm also offered to chuck in specialised technical support alongside, to assist integrating this hybrid technology into another business's operations line.

A hybrid vehicle is a vehicle that supports both traditional car engines and an electric motor. The number of hybrid vehicles is expected to rise sharply as electric vehicles, and their accompanying infrastructure, become more appealing to the mass market. Many see the hybrid vehicle as a viable option for sceptical consumers to begin bravely switching away from conventional combustion engines towards embracing further electrification of the industry.

The company has a glorified past of delivering innovative vehicles in this market. In 1997, the Toyota Prius was the first global hybrid vehicle to be produced. Many of these patents relate to the success of the model of car which has been purchased 13 million times over across the world.

So the big question is what do Toyota gain from making such a bold strategic move? Well it is important to understand that Toyota do not currently sell an electric vehicle in their existing car range. Now for anyone that has closely followed the business fortunes of Tesla in recent years knows, it is extremely difficult to master the production of an affordable electric car capable of appealing to the mass market. If Toyota are to commit to cracking the electric vehicles market it needs more time.

Therefore, to minimise cash flow disruption to its existing business it needs to keep relatable markets such as the hybrid one alive and kicking. One way to do that is to make it easier for other firms to stake a claim and develop reliable, fuel efficient and low-cost hybrid vehicles. It may be a risk for the firm, but when you consider upcoming market trends, it is the lesser of the two evils.

### Exam Application – Technological Change

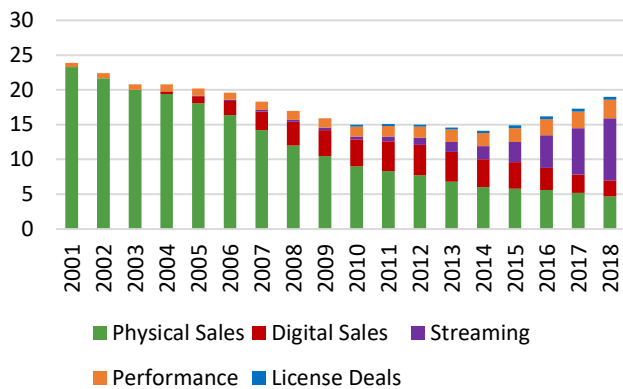
Define and explain the term 'patent' in the context of technology used to manufacture hybrid vehicles.

To what extent do you agree with the view that patents actually stifle innovation in the industry in the long-term.



## The Music Industry Cranks the Volume Up

Global Recorded Music Industry Revenues 2001-2018 (\$bn)



In April this year, the International Music Industry Body (IFMB) produced strengthening evidence of the dynamic shift taking place in the consumption patterns of music fans all around the world.

The global music industry reported its fourth consecutive year of growth in revenues of 10% in 2018, despite the sinking sales figures from traditional consumption channels of physical and digital formats.

This has coincided with a near 35% growth in revenues from popular streaming platforms such as Spotify and Apple Music. The insatiable appetite of fans of popular artists such as Drake, BTS and Ed Sheeran has contributed to 47% of all the revenues recorded in the music industry belonging to streaming platforms. Music fans can now use these platforms to instantly stream the latest hits direct onto their devices without having to pay a single penny in return.

To reflect these market changes, record labels and artists are having to become more dynamic, flexible and creative in the way they produce, write, distribute and perform songs. Paid streaming platforms are becoming immersed in many of the world's fastest growing markets offering both an opportunity and a threat to those recognised artists.

Small local artists are now using the infrastructure provided by streaming platforms as leverage to build a significant following to develop global appeal to establish more lucrative music ventures in the future.

Music fans in the 21st century are able to broaden their music tastes beyond the recycled songs at the top charts to discover fresh music released by artists that are tailored to match their tastes. The investment that has flooded into streaming platforms has enabled them to develop sophisticated taste algorithms that automatically create playlists for users based on their suspected listening preferences. Music fans are now discovering music on-the-go and, if the numbers are anything to go by, are absolutely loving it.

### Exam Application – PESTLE

Using the PESTLE framework, what two external influences have shaped the current strategy of artists, record labels and companies in the music industry.

In relation to the the music industry, describe two pull factors which may encourage music streaming platforms to expand into a new international market.

## Spurs Finally on the Move



The 3<sup>rd</sup> of April witnessed the start of a new era for the football club Tottenham Hotspur, as the North London club made its long-awaited but highly anticipated move into their new 62,000 multi-purpose stadium.

The stadium was constructed on the demolished site of the old White Hart Lane stadium and boasts an impressive range of ground facilities such as the longest drinks bar in Europe and a retractable pitch for the club to take advantage of commercial and sponsorship interests outside of football.

The second largest football stadium in England was budgeted to cost in the region of £400m and to be ready for the start of the 2018-19 Premier League season. However, the club experienced a host of structural, technical and financial problems which resulted in the stadium running eight months behind schedule and costs spiralling up to the region of £1bn. The plan required to finance the stadium build has been carefully constructed through the club's own commercial revenues, as well external support from banks.

### Exam Application – Investment Appraisal

How does a business calculate the payback period of a project?

What market factors are likely to influence the payback period of the construction of the stadium?

Discuss why this infrastructure project provides evidence against using network diagrams to help plan and manage the completion of projects on time.

## Planet Earth Goes Global



In April the BBC announced a £300m deal to grant the US pay-tv channel Discovery the rights to broadcast the back catalogue of the public broadcaster's natural history and wildlife programmes from 2020.

The BBC have received global acclaim for capturing some of the most breath-taking footage ever shot of the natural world in its purest form, alongside the polished presentation style of National Treasure Sir David Attenborough and his dulcet tones.

This is estimated to be the largest license agreement sold by the BBC to an international broadcaster and represents an efficient source of revenue for the cash-strapped TV network.

The merits of the deal from Discovery's point of view is all centred around assembling a content portfolio for the launch of its own streaming service. The US firm is facing a battle in breaking into and establishing itself as a significant player in the TV-streaming market.

### Exam Application – Global Business

Evaluate the effectiveness of a business using licensing agreements ahead of alternative measures to monetise its content internationally.

## Navigating Through the Fog of Uncertainty



First Quarter Profits	▼ 21%
First Quarter Orders	▼ 19%
First Quarter Cash Flow	▼ 21%
First Quarter Net Profit	▼ 13%
All Figures Against Q1 2018	

In the last year the reputation of the world's largest commercial aircraft maker, Boeing, has taken a dramatic hit. The boss of the company tried to provide some reassurance and guidance to company investors, amidst the fallout from two fatal air disasters involving its latest aircraft model. The company has opened up an internal investigation to identify the technical cause of the crashes in Indonesia and Ethiopia.

The plane in question here is the Boeing 737 Max 8, the most recent model of aircraft the company has manufactured. The company has produced and sold 317 of these planes so far and another 5,000 were on the order and production line waiting list. However, in the immediate aftermath of the second crash in Ethiopia, the company made the decision to ground its entire 737 Max fleet under the pressure of a collection of influential aviation authorities.

The results of the investigation picked up a technical issue with the aircraft that manifested itself in the plane's new anti-stalling software (this ensures that the plane does not nosedive upon take-off). The company revealed efforts to fix this piece of software, as well as provide an upgraded training package to all affected pilots.

In the meantime, the US firm has had to contend with a series of order cancellations which has dramatically affected its production schedule. The aircraft manufacturer has cut production delivery numbers from 52 a week to just 42. This has had financial repercussions for the firm as much of the expenditure on supplies and production infrastructure cannot be recovered.

The company has also divulged for the first time some of the financial consequences of the fallout from the crashes. It acknowledges that the production schedule changes will amount to a \$1bn "disruption charge", but held back on publicising its latest set of profit forecasts in light of future uncertainties i.e. Will production numbers ever recover? Will the company face any future regulatory penalties? How much will it cost to continue to roll-out new training packages?

### Exam Application – Distribution

In reference to Boeing, explain the difference between fixed, variable and sunk costs.

Discuss and explain the importance of quality control measures that a company like Boeing needs to put in place to ensure there are zero defects.

Discuss why this story provides an example of a limitation of producing financial forecasts.

## The Guardian's Profit Turnaround

# The Guardian

UK Daily Average Circulation	2000	13.6 million
	2019	7.6 million
Guardian's Average Circulation	2000	401,560
	2019	141,160

Since the first newspaper publication in the 17th century, print journalism has been used as a prominent vehicle for journalists to report and comment on the latest news at a local, national and global level. The accelerated growth of this industry through the 1900s reflected a wider convenience craving of consumers for a concise summary of the day's events all encapsulated within the palm of their hands. As the circulation increased, so did the scale of the industry and commercialisation of the newspaper trade led to a whole host of new titles being formed.

The newspaper industry has had to weather a series of market changes over the last century. The arrival of commercial radio and rolling 24-hour TV new stations has increased the media choices available to the public and diluted the readership numbers of some of Fleet Street's finest bodies of journalistic work. The rise in the popularity of digital media and social media has only accelerated the decline of the industry.

The Guardian has been one of many victims of this market change – declining circulation, results in declining advertising revenue and this results in job cuts and a shrinking publishing scale. In the year 2015/16, the newspaper recorded an operating loss of close to £60m, with the closure of hundreds of journalist and editorial positions.

In 2019, the paper announced wafer-thin operating profits of just £0.8m, to symbolise more than anything, the fightback from a mainstay in the newspaper trade. Like any struggling business outfit, a significant cost-cutting procedure was undertaken to increase efficiency and re-discover strategic focus. Another key feature, is that under the leadership of a new Editor-In-Chief recognised the need for change and attempted to diversify the business away from a declining industry to a booming one. As a by-product of this, digital revenues have increased to 55% of total revenues, whilst traditional print revenues have fallen by 19 percentage points to just 43% of total revenues.

### Exam Application – Market Change

To 1 decimal place, calculate the percentage change in the average daily circulation for UK newspapers between 2000 and 2019.

To 1 decimal place, calculate the proportion of daily newspapers sold in 2019 relate to The Guardian.

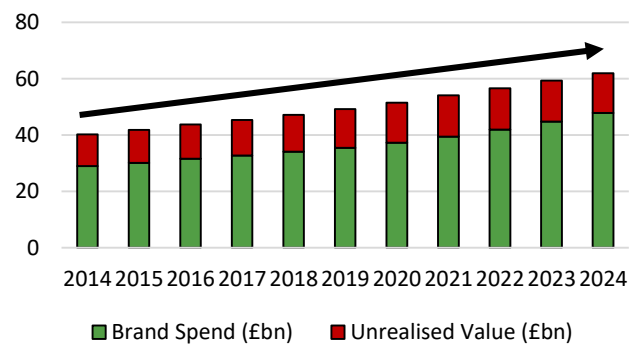
Analyse how two elements of the marketing mix for The Guardian newspaper may change as the company moves its focus away from print to digital publications.

## Global Sports Sponsorship Patterns



### UK Brand Spend on Sports Sponsorship by Sector

Sector	Share of Spend (%)
Financial Services	19
Automotive	14
Airline	13
Gambling	12
Alcohol	9
Soft Drinks	7
Other	26



Research produced by the sports marketing agency, Two Circles, reported the growth in business investment into sports teams, franchises and leagues. The agency reported that brand spend on sports sponsorship will grow to approximately £35bn by 2019, and this trend is projected to continue up to the year 2024, when brand spending is forecast to rise to £48bn.

Interestingly though, the report also attempts to establish the untapped potential that exists in those existing sports sponsorship deals. The agency's methodology attempts to measure the unrealised value in sponsorship deals due to the traditional marketing approaches still being used by broadcast and tournament partners.

The business rationale for investing to become a sponsor, is that it will expose the company's brand to the millions of avid sports fans around the world. This provides a potential lucrative "back-door" marketing route to a company's appealing target market. However, as more people frequent social media there is a growing pressure from TV broadcasters and sports teams to reflect this in the way they display their sponsored materials and posts. It is estimated that sponsorship assets are likely to grow in value by £15bn if the recipients of the sponsorship business upgrade the way in which they package and sell their sponsorships.



### Exam Application – Market Change

In reference to Carroll's CSR pyramid, explain how sports sponsorship deals can support the growth of the business and the market awareness of its brand.



## The Deal's Off!

### Blocked Merger Details

	
Founded in 1949	Founded in 1869
633 UK Stores	1,415 UK Stores
165,000 Employees	186,900 Employees
15.5% Market Share	16.9% Market Share

In 2018, the second and third largest supermarket chains stunned the business world with a proposed £12bn merger deal to create the UK's largest supermarket chain on a market share basis. The move came as a surprise to many because of the tribal instincts which exist in this fiercely competitive market – many shoppers have their 'go-to brand' to visit when carrying out their weekly shop. Would this merger deal see the disappearance of one of the most iconic brands on the UK high street?

In May the UK's main competition watchdog, the Competition and Markets Authority (CMA), announced that the merger would not be allowed to go ahead on the grounds of protecting competition, product/service quality and prices. The combined group would have had a market share of 31.4% and a combined store count of 2,800 stores across the UK. This would result in approximately one in every three pounds spent on grocery shopping will belong to this grocery group.

The blocked merger has significantly impacted the bottom line of Sainsbury's profits. Like-for-like sales growth fell by 1.1% over the traditionally strong festive quarter (Q4 2018). To the year ending in March, profits before tax fell by 42%. The failed merger is expected to cost the firm £46m in administrative costs.

### Exam Application – Competitive Markets

Using Porter's Five Forces Model, discuss how a merger of this nature is likely to affect the five competitive forces in the industry.

## Starbucks Employee Perks



In the US in 2014, the global coffee chain Starbucks, launched an academic partnership with Arizona State University. Through this partnership, the company has helped fund and support 18,000 employees obtain a Bachelor's qualification via the University's online degree programme.

**Starbucks Employees = 291,000**

The company has most recently announced that it will begin rolling this programme out to eligible employees in the UK. However, only a handful of employees will currently qualify for this programme due to the criteria enforced by Starbucks and the University.

The individuals concerned must have worked for at least 3 consecutive months on a full-time basis in a company-owned store. Those that do qualify, will receive free tuition for the first phase of 40 different online courses starting from October. The courses will be accessible via an online platform and the structure of the course will feature recorded learning materials to ensure that workers can fit their studies around their working commitments, as well as their lifestyle. The course will also have a personal touch installed via the appointment upon enrolling of individual coaches and academic advisors to support them through their studies.

The company hopes that by offering employees the opportunity of free tuition it will reduce the opportunity cost associated with working at the company, as well as help improve employee retention rates within the business.

### Exam Application – Human Resources

Discuss the HR benefits that Starbucks may receive from offering programmes such as this to their employees.

Discuss and explain which of the main motivational theories this type of offered programme would conform to.



## The Unicorn Renaissance

	<b>Founded in 2009</b>
	<b>Uses Only Plant Based Products</b>
	<b>Available in 50 Countries</b>
	<b>2018 Global Sales Revenue = \$50m</b>
	<b>Stock Market Value = \$3.8bn</b>

If you have kept a close eye on some of the latest business stories of the last year, then I'm sure you would of stumbled across the term 'IPO' many times. This is because there are a significant number of influential privately owned companies that are looking to transition from the private funding structure of Silicon Valley towards some of the vast public funding opportunities presented by the stock exchange.

Firms such as Uber, Spotify, Pinterest and Airbnb are defined as tech unicorns in the world of business jargon. This is a light hearted term commonly used to refer to companies with a valuation of at least \$1bn. The funding for these firms comes exclusively from private investor groups. The name is a reference to the mythical surroundings of a unicorn and is meant to reflect the fact that these types of firms are very rarely seen.

However, like any business growth story, firms reach a natural crisis point where their private funding structure restricts the firm from being able to hit their optimistic growth ambitions. Therefore, the funding benefits from going public offset the associated costs of having to publicise a quarterly earnings report to shareholders. This is where the term 'IPO' becomes relevant.

This is a shorthand business acronym to describe a company's Initial Public Offering of its shares to the market. This is where firms announce that they are going to go public and allow any investor to buy shares in the company that will now float on the stock exchange.

The LA-based food company Beyond Meat, is the latest business to make the full transition from private to public. The company focuses on producing plant-based substitute products for some of the most traditional meat dishes consumed such as burgers and sausages. These products immediately appeal to the growing number of vegetarians and vegans across the world (1.6m in the UK), as well as those consumers that have grave environmental concerns about the world's ecological sustainability.

The expected direction of travel in the food market has been recognised by international investors; as the launch of the company's shares on the US stock exchange resulted in astronomical results. The firm's shares rose in value by 163% to \$65 after the first day of trading, and resulted in the company being valued at \$3.8bn.

### Exam Application – Business Basics

To 1 decimal place, calculate the approximate number of shares that were issued on the company's first day of trading.

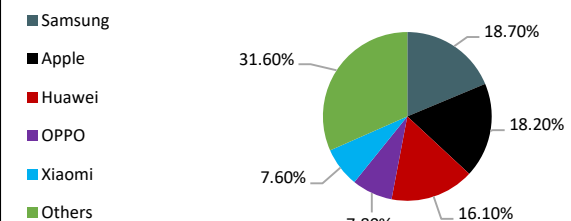
To what extent do you agree with the view that business profitability should always come before a business considers some of their wider responsibilities?

## Google's Smartphone Problems



The Silicon Valley giant, Google announced earlier this week that they will release a new budget iteration of its Pixel smartphone as part of its wider strategy to boost its sales in the smartphone market.

### Global Smartphone Market Share Data by Vendor (2018 Q4)



The first generation of Google's Pixel smartphones were launched all the way back in 2013, and this has spawned an impressive roster of consumer electronic devices under the, now established, Pixel brand.

As of 2018, the firm has shipped 3.9 million units worldwide, bringing the firm's market share to 0.3%. The Pixel 3 was launched in October 2018 and this catapulted the firm's shipments of smartphone units by 20% over the last 6 months of 2018.

Despite this impressive growth figure, the growing popularity of smartphones and the increased time spent by individuals on their phones, has driven Google to find active solutions to make further in-roads into this saturated market.

Google, like many of the other traditional players in the tech. industry, are having to compete with fierce competition from Chinese manufacturers such as Huawei and Xiaomi. In response to this, the firm has released two "budget" versions of their Pixel 3 Model – Pixel 3a and the XL version. Many of the firm's distinguishing premium product features have been removed from this model of phone, but the firm is believes that the reduced entry price of sub-£400 will be enough to improve its fortunes in this industry.

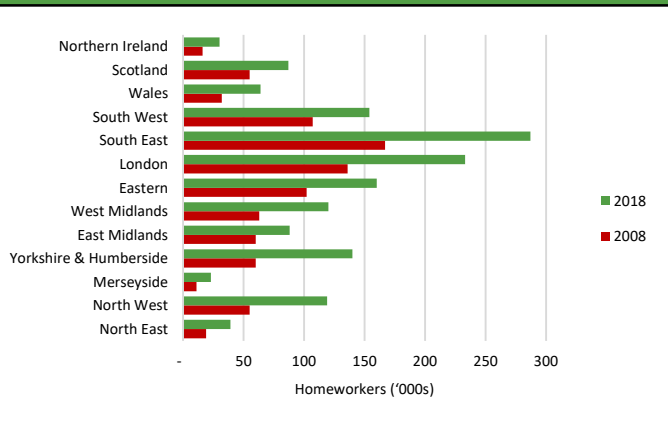
### Exam Application – Human Resources

Explain the Japanese business term 'Kaizen' and discuss how it can be applied to product innovations released by tech companies.

With reference to PED, discuss how a firm can raise revenue from charging lower entry prices on a new product.

## The Unicorn Renaissance

Homeworkers ('000s) by UK region, 2008-2018



In May the ONS released data that quantified the growing trend of home workers in the UK labour market.

The statistics agency classify an individual as a home worker if they work remotely from an offsite location on a regular basis. The number of home workers there are in the UK is derived from the results of the Labour Force Survey (LFS). This is a self-reported study of a sample of UK workers to gauge the latest labour market statistics and trends.

The results produced highlight the changing number of individuals that are reported to work from home in 2008 compared to 2018. In 2008, the total number of people that regularly worked from home stood at 884,000. Ten years later this figure has climbed to 1.542 million.

These labour market trends provide tangible evidence of a cultural shift away from traditional "9 to 5" working commitments, as well as reflect the rise in the number of people who are either self-employed or work in the 'gig' economy such as Uber drivers.

Homeworking is a flexible working arrangement that can be struck between the employer and their employees, but it can present challenges to both of these business stakeholders at the same time. For instance, employers need to be able to effectively manage their employees if they are off-site. This means that workers need to establish a constant line of communication with the basecamp of the business; to ensure that departmental issues and queries can be resolved without the physical presence of the worker. For employees, working from home may improve personal and professional efficiency, but the distant relationship with colleagues can undermine those benefits.

Therefore, even though the number of people that work from home is steadily increasing, employers and employees need to continue to work together to review the suitability of the job to these type of flexible working arrangements.

### Exam Application – Workforce Flexibility

To 1 decimal place, calculate the percentage increase in the total number of homeworkers across the UK between 2008 and 2018.

Identify and explain three management challenges that an employer is likely to face when offering this type of flexible working arrangement.

Identify and explain **two** alternative working arrangements that can be established between the employer and their employees to increase the flexibility of the business's working arrangements.

## Netflix's Binge-Spending Trip

Netflix Paid Subscribers = 148m

2018 Revenue = \$15.8bn

African Population Size = 1.3bn

The sheer scale and accelerated pace at which the US streaming service has been able to grow at is the envy of the business world. The firm's predatory pursuit of satisfying investor thirst for a greater number of paid subscriptions, has seen the firm commit to burning a significant pile of cash on content development and programming acquisitions. It is estimated, that in 2019, the firm will spend \$15bn on content investment. This has prompted the company to warn investors of cash flow problems ahead.

As the firm's expansion opportunities begin to peter out in existing markets, the requirement to penetrate new and emerging markets is crucial to its strategic success. Africa represents one of the last untapped emerging markets for Netflix to conquer, but its ability to capitalise on these opportunities hinges on a number of different factors.

Despite the fact that the African continent represents a vastly populated region, the underdeveloped infrastructure of the continent (only 22% of Africans have access to the internet) and political volatility that exists between countries, makes the region an incredibly challenging market to conquer currently. The company will be required to support the region's development to make streaming services affordable and available.

If the firm is to appeal to the African market in the long-term, it will have to commit to significant expenditure on bulking up its local content library. The lack of exposure to this market means the firm can only currently offer customers a shallow offering of localised content, which will have to be reflected in the localised pricing structure of the region.

### Exam Application – Global Business

In relation to Ansoff's Matrix, discuss which strategy Netflix's expansion into the African continent is likely to fall under.

In groups, assess how suitable the African continent is as a market location for Netflix.

To what extent do you agree with the view that a public company structure would leave Netflix better equipped to succeed in emerging markets such as Africa?

## The Great Patent War



The ugly public showdown between Apple and one of its main suppliers Qualcomm appears to be dying down after the two companies reached an agreement over one of the longest-running and most expensive patent disputes.

Apple use Qualcomm's chips when they assemble and manufacture the iPhone. Apple have to commit to make a series of royalty payments to the supplier in return for the use of their smartphone chips. However, the murmurings of discontent began to surface as Apple began to suspect that Qualcomm was abusing its dominant market position in this type of smartphone technology.

In 2017, Apple complained of elevated prices and began to withhold and delay royalty payments until Qualcomm committed to bring their prices down. Qualcomm suggested this violated the licensing agreement between the two and therefore violated the patent that Qualcomm has on the chips it manufactures. Legal action was eventually taken by Apple after this accusation.

A press release containing details of the settlement between the two suggests that Apple will make a multi-billion dollar payment to Qualcomm and a new six-year licensing agreement will begin between the two companies.

## Exam Application – Innovation

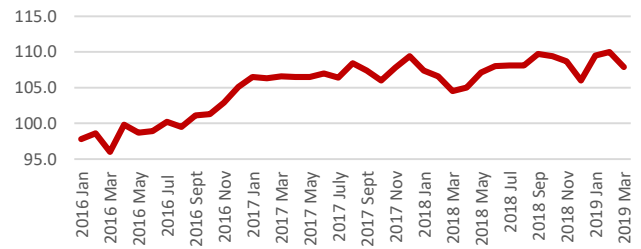
Define and explain the term 'intellectual property'.

Discuss the role that intrapreneurship can play in encouraging innovation within a business.

To what extent do you agree with the view that patents provide the best approach to protecting a business's intellectual property?

## Reporting Building Blocks

UK Construction Output in Index Form, Index 2016 = 100.00



The blueprint of any successful business is one that manages to stay relevant, embrace innovation and anticipate market trends and movements. This is because businesses need to show the flexibility to adapt to a rapidly changing market environment; remaining satisfied with the status quo will not cut the mustard commercially.

The UK economy itself has dramatically changed and this has forced firms to conduct their business activities in a different way. The UK's prowess in manufacturing has gradually eroded away, whilst its specialism in delivering professional services such as finance have grown stronger. The services sector now represents 80% of the size of the UK's economy (or Gross Domestic Product if you wish to be technical). Industrial sectors such as manufacturing and construction have retrenched to below a fifth of the UK's GDP value.

Firms that operate in the construction sector maintain the underlying heartbeat of an economy by creating and maintaining the infrastructure framework needed for firms to trade in. The industry employs 3 million people (10% of UK workforce) and contributes more than £110bn to GDP through new builds and refurbishment projects. Construction projects are often large in scope and scale, long-winded, expensive and subject to significant risk due to the extensive use of the supply chain. However, the long-term additions to output, productivity and income that this sector contributes towards is often understated. The ability for construction firms to manage these external risks affects the overall viability of undertaking the project in the first place.

The sector, as a whole, has come under intense scrutiny, as one of the leading construction firms in the UK made a startling admission. The boss of Skanska UK (firm that maintains the London Underground) has revealed in a radio interview to the BBC, that construction companies do not fully account for the full environmental cost created from carrying out large projects. The interview was a follow-up to the company's latest press release, in which the firm has pledged to be carbon neutral by 2045.

It was revealed that the firm only accounts for the direct costs associated with completing the project, but emissions released from the associated supply chain is not reported. The firm reported a carbon footprint of 35,000 tonnes last year, but it is estimated that this figure would increase ten-fold if wider supply chain emissions were included.

## Exam Application – Business Objectives

In reference to the information above, state why this example provides evidence against using Elkington's Triple Bottom Line Model to manage a business's environmental responsibilities.

## HTC Smartphone Retrenchment

	First Android Phone in 2008	
	2011 Global Smartphone Market Share	10.7%
	2019 Smartphone Market Share	0.05%

The introduction of the Android operating system in 2008 has revolutionised the way that electronic devices are presented and used by people all over the world. The interface, and its accompanying applications, software and hardware have consolidated Android to the top of the popularity stakes with over two billion monthly active users across multiple devices.

The company that kicked off the Android popularity surge was the Taiwan-based firm HTC, with the launch of the HTC Dream 11 years ago. The smartphone received critical and commercial acclaim and raised the development stakes in the smartphone industry. Since then, of course, companies like Apple and Samsung have used their superior cash positions to expand into and steal the market share of HTC; derailing the first mover advantage theory.

HTC has remained a fringe operator in the smartphone industry, nostalgically appealing to the last chunk of the market that it still clings on to. The firm has spent the recent past focusing their efforts on more innovative proposition projects such as virtual reality hardware.

Therefore, it will come as no surprise to any market experts this week, that the firm has decided to retrench out of the Chinese smartphone market by pulling its products off the two largest e-commerce retailers – Alibaba and JD.com. Many see this as the beginning of the end for the firm in the smartphone industry as it tries to implement its long-term diversification strategy into niche markets.

It's not just the Chinese market that the firm is leaving behind, there is no place for the latest HTC phone models in traditional phone stores, leaving Amazon as the only mainstream third-party retailer in the UK still selling HTC handsets.

## Exam Application – Financial Ratios

HTC	As at 31.03.17 (\$000s)	Use the summary of HTC's Statement of Financial Position (Balance Sheet) to calculate the following to one decimal place where necessary.
Non-current assets	21,925,682	
Current assets	45,187,275	
Current liabilities	20,907,665	
Non-current liabilities	403,624	
Share capital	23,753,651	
Retained profits	22,048,017	
Total equity	45,801,668	Current Ratio Gearing Ratio Level of Working Capital

## Richer Sounds' Changing Tune

	British Entertainment Retailer
	Founded in 1978
	53 UK Stores
	492 UK Employees
15% of Profits Distributed to Charitable Purposes	

In May it was announced that the owner of Richer Sounds is about to reward loyal employees with a turnaround in the ownership structure of the company.

The firm that specialises in selling traditional electronic goods such as radios and TVs, has maintained a private ownership structure since the company was founded in the 1970s. The firm has developed a cult following amongst tech. enthusiasts and even has a place in the Guinness Book of World Records for generating the highest sales per square foot of any retailer in the world. The close-knit family run feel that emanates within the company has facilitated the company's intimate private ownership structure.

The firm announced this week that it will take this one step further and establish a new employee owned trust scheme. The new structure will place the ownership of 60% of the company's shares in the hands of a trust. The trust will then hold and manage those shares on behalf of the employees. Employees stand to receive a consistent share of the company's profits under this type of scheme.

As to be expected, the existing majority shareholder stands to generate a return of close to £10m from the ownership transfer. It is estimated that Richer Sounds will generously reward employees with pay-outs of up to £1,000 for every year the employees remain at the company for. Further payments will be made for those employees that have dedicated decades of service to help the firm rise to this position.

## Exam Application – Corporate Cultures

Explain how the ownership structure of a company can help improve the image and reputation of the brand amongst its customer base.

In relation to Herzberg's Two Factor Theory, discuss the role that an employee-owned trust can have on the motivation levels of a company's workforce.



## Asda's Ongoing Problems



The second quarter of 2019 was a turbulent one for the UK's second largest supermarket chain, Asda.

First up, the firm's £15bn strategic plan to merge with Sainsbury's was publicly blocked by the UK's leading competition watchdog, the Competition and Markets Authority (CMA). This shredded the firm's long-term strategy into pieces and brought the firm back to square one. This coordinated move was planned to present an opportunity to protect its market position and allow the firm to complete on more sustainable terms with the ruthless discounters including Aldi and Lidl.

Secondly, the supermarket announced that its gentle recovery in store sales has come to an abrupt end. The first quarter of 2019, marked an end to seven consecutive quarters of sales growth, with a drop in year-on-year sales by 1.1%.

Finally, the chain's parent owner Walmart plunged the future of Asda into uncertainty this week as revealed the preliminary plans to float Asda on the stock exchange in the coming years. This will mark a historic moment for British retail and raise serious question marks over Walmart's long-term commitment to the UK market after the failed merger deal.

### Exam Application – Mergers

Explain what type of merger the blocked deal between Asda and Sainsbury's represented.

Explain three aspects of UK competition law that aim to protect competition between firms in a market.

## Summer's Stuck on the Runway



Thomas Cook have released their half-year results for the first six months of 2019. The firm recorded a £1.5bn loss as summer holiday bookings have been put on hold across the UK economy. This reflects the growing uncertainty and underlying weakness in the trading environment. The unseasonably warm weather stretching across the UK and the crumbling value in the pound has damaged demand for holidays abroad.

Firms that operate in the travel sector have to contend with strong periods of seasonality, contributing to a traditionally weak first six months of the year in comparison to a strong second six months of the year. Despite that, investors still reacted sensitively to these results as the share price of the travel company plunged by 17% on results publication day.

To help ease these financial problems, the firm has secured £300m of funding from loan agreements to help consolidate its position in response to a weak consumer environment.

### Exam Application – Corporate Cultures

Discuss how each of the following is likely to affect the performance of a travel company like Thomas Cook:

Rise in the Price of Oil

Rise in the Pound's Value

Downturn in UK Weather

## Keep Your Friends Close, But Your Enemies Closer



VS



Launched in 1994 by Sony

Over 440 million consoles sold

Launched in 2001 by Microsoft

Over 147 million Xbox consoles sold

Rivalry describes the act of two forces (people or groups) competing for superiority in their field to ultimately achieve the same overarching objective. History is glittered with a vast array of eye-catching tales of fiercely contested battles between two entities - Coke vs Pepsi, Federer vs Nadal, The Beatles vs The Stones. In each thrilling case, the portrayal of brilliance displayed from one side forces the other side to climb to even greater heights.

In a business context, Michael Porter tried to decompartmentalise the competitive forces that exist within the market to illustrate how the rivalry between firms alter the dynamics of the market. As one company gains an edge over the market, it forces the rest to seek operational improvements.

In the video game market, the rivalry that has attracted the most attention is the one between Microsoft and Sony. Sony were the undisputed kings of the home console after the impressive early success of the first-generation PlayStation in the late 1990s. Microsoft wanted a slice of the action and exploited its powerful position in the home PC market to encourage cross-device integration. Since this moment the rivalry has been fierce and bitter, but innovative for the market as a whole. If you look back at the 15-year battle since the Xbox entered the fray, it would seem that every competitive trick in the book has been exhausted.

The two companies have sold close to 600 million console devices worldwide to a primarily youthful market. For the two companies, the console represents the first piece in the jigsaw; additional hardware and software floats around the initial console sale to ensure a sales legacy is in place ahead of the next console iteration.

Therefore, it took everyone by surprise when it was announced that the two firms would enter into a strategic partnership. This partnership however would not interfere with the battle for supremacy in the home console market. The partnership would involve the companies collaborating on a cloud-based service for game titles. In recent years, Microsoft has rejuvenated its entire business model by focusing on cloud-based solutions ahead of big hardware and software vanity projects. By teaming up with a formidable foe, the company might be able to accelerate this platform development, whilst fighting off even greater threats from Google and Apple.

### Exam Application – Strategic Change

Outline and explain two barriers to entry that new entrants face when attempting to compete with Microsoft and Sony in the home console market.

To what extent do you agree with Microsoft and Sony's strategy to compete with other firms in the cloud-basing gaming market?

## The Spaghetti Hits the Fan



Number of Restaurants	25
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UK Employees	1000
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Jaimie's Italian Restaurant Group has gone into administration this week citing underlying weakness in the dining market.

Jamie Oliver is one of Britain's most accomplished, talented and versatile chefs. His broad family appeal stems from his numerous appearances on TV and radio, promoting the importance of a healthy lifestyle with the use of affordable high-quality ingredients. His passion for Italian cooking stems from his early work experience slaving away as a pastry chef in London. This early spell in the heat of the kitchen could have been the defining moment in Oliver's restaurateur ambitions.

In 2008, he opened his first restaurant in Oxford under the Jamie's Italian Restaurant Group name. The imagining of the restaurant was built upon the belief that diners are looking beyond just the menu on offer at the table. Casual UK diners want a more balanced dining experience, where the rushed and chaotic nature of the kitchen floor does not interfere with the diners experience. The restaurants were meant to provide an exotically appetising Italian cuisine all encompassed in a settled angelic environment.

It would appear that in the bruising world of business, it is much more challenging to achieve this in reality than planned. The restaurant chain has battled with a series of financial problems head-on since 2008 and this week announced that the group would be closing a majority of the chef's 25 UK Italian stores imminently. This is likely to cause widespread disruption as the restaurant group employs approximately 1,000 people.

The trading environment that restaurants are dealing with is sluggish, whilst the numbers coming into the industry continues to rise. Since 2012, group restaurant numbers are up by 30%, enacting further competitive pressures on existing restaurant chains. The competitive nature of the market has created significant financial disruption that even a £4m injection from Oliver himself was not sufficient to save the chain from collapse.

Sales at the restaurant group plummeted by 11% in 2018, bringing full-year revenues to just over £100m. High business rates, increased competitive pressures and lower prices contributed to the group recording a loss of £30m. With the relevance of this restaurant chain being questioned, there is unlikely to be a future for the group going forward.

### Exam Application – External Environment

Explain two external factors that have resulted in the collapse in the restaurant group.

Assess whether it is possible for a restaurant group such as this one to protect itself from the effects of these external factors.

## Huawei Backlash Intensifies



The row between Huawei and governments and businesses in the western world continues to develop. Huawei is a telecommunications company that manufacture mobile phone accessories and equipment. The firm is one of the leading smartphone manufacturers in the world and is now only behind Samsung on the global market share stakes.

However, it is the firm's role in the development of company/country telecommunication networks such as Wi-Fi networks where the company has drawn criticism from all sides. This is because of the company's alleged close political ties with the Chinese Government and the threat this may pose to national security. Businesses and authorities have become increasingly concerned with the influence and power that firms like Huawei command.

In May two significant developments in the growing public backlash against the Chinese telecoms company. First up, the firm has been caught up in the growing trade tensions between the US and China. The US administration has listed the holding company of Huawei on the "entity list", which just means that US firms are blocked from co-operating and trading with Huawei unless they have been granted special access rights. This has contributed to the second development this week.

Google has announced that it will ban Huawei from having access to the latest operating system version of Android. This means anybody that is planning to buy a Huawei device in the future may need to be prepared for added disruption if this issue is not resolved. New devices will not be certified to carry many of Android's most prominent and popular features such as the Google App Store. Existing devices will remain certified but may experience delays when it comes to installing crucial patch and security updates.

Huawei is a company with a global reach and requires the technical expertise from across the world. This means it operates a complex international supply chain involving lots of different business, which would all have to comply with the US's recent proposals. Where will the additional supply of components be sold to? What long-lasting changes will this instigate in the market?

### Exam Application – Competitive Environment

Using Porter's Five Forces Model, explain how Google's actions are likely to affect the bargaining power positions of suppliers, firm and customers.

With reference to an inventory control chart, discuss how the backlash against Huawei is likely to affect the efficiency of stock control levels in the wider supply chain.

## Rent an Urban Outfit



Founded in the US in 1970

Operates Stores in 245 Locations

Employs 16,000 People

2018 Sales Revenue = \$3.5bn

2018 Profit = \$282m

As the old phrase suggests, fashion trends change but style endures. This underlines the main challenge that confronts all fashion retailers along the high street – the criteria to temporarily change and adapt their range of clothes.

"Fast Fashion" is the industry term used to describe the rapid pace at which fashion falls both into and out of popularity and how shoppers easily dispose of new fashion items very quickly. This fast fashion movement has had significant business implications for some of the biggest companies in the market.

The trendy firm Urban Outfitters, that sells fashion and homeware items for a younger market, has announced a new service that will appeal to individuals that wish to follow the latest fashion trends in a more affordable and sustainable way. The firm plans to launch an online fashion rental service to offer a flexible consumption channel for regular customers, as well as helping the firm itself to reduce its ecological footprint.

The proposition of the new service is simple – customers can rent items of clothing and then return the items back to the company after a pre-determined period of time. The company would then wash and dry the clothes before making them available to be loaned out to the next batch of customers.

### Exam Application – Distribution

Explain two areas of a business that a company ERP system can help improve efficiency in.

In relation to the example above, discuss how Urban Outfitters' ERP system can be used to help manage the operational and distributional challenges of this new service.

Discuss why it is important for the company to implement the appropriate quality control measures to this new service.

## EasyJet's Dynamic Pricing Model



Founded in 1995

Flights to and from 156 Destinations

Operates a Fleet Size of 328

2018 Revenue = \$5.9bn

2018 Profit = \$358m

On Saturday the 1<sup>st</sup> of June, Liverpool played Tottenham Hotspur in the Champions League Final in Madrid. The final was held at the 70,000 seater Wanda Metropolitano stadium. As to be expected for such a prestigious sporting occasion, the demand for tickets was sky-high.

The airline EasyJet was forced to defend its pricing structure after many committed fans began to put together their travel itinerary for the trip. Fans complained over the affordability of the tickets, suggesting that prices for the flight have gone up by 300% compared to usual prices at this time of year.

The chief executive of the company defended the pricing policy and has suggested that the pricing structure of the business is "very dynamic" and reacts to traditional market forces i.e. there are only so many seats on the plane and flights available over that given weekend.

### Exam Application – Pricing Strategies

Using a demand and supply diagram, illustrate the reasons for the dramatic increase in flight prices to Madrid over this weekend.

Explain how firms can use technology and social media to support dynamic pricing strategies.