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Here are the five business stories which have caught our eye this week:



Too Large, Too Small, Just Right:



The Swedish furniture retailer IKEA surprised us all again this week when it announced the introduction of another planned store format to UK highstreets.

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 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.

With reference to the PESTLE framework, 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 Troubles:



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 this week 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.

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.

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Le Cost Killer's Fall From Grace:



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

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 to 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 looks like it will not end happily ever after news broke last week with claims 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. On Thursday the firm announced that they had sacked Mr Ghosn ahead of an expected criminal conviction case for financial misconduct in the courts in Japan.

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.

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 showed 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.

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

Lost in Translation:



The Italian fashion label Dolce & Gabbana (D&G) came under fire this week after its latest Instagram marketing campaign 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 has since retracted this campaign from social media 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 has been caused.

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.