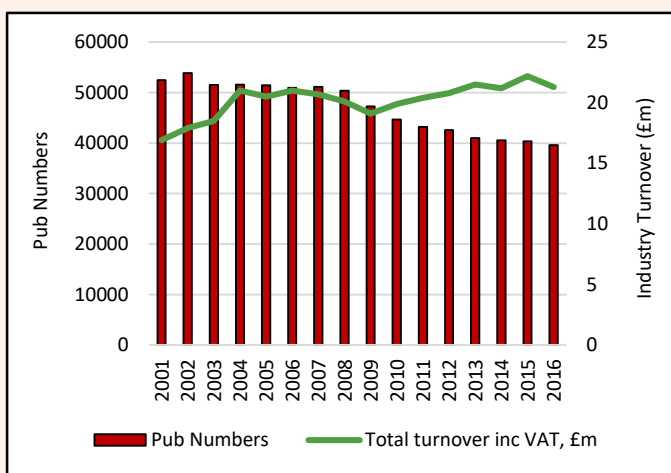


30/11/18

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



## Last Orders:



The ONS this week 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.

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 this week after the largest American car manufacturer General Motors, announced 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.

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.

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## First Come First Served:



This week 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.

The specific changes that need to be implemented on the site are as follows:

- 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 January 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.

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.

## Primark's Fast Fashion:

PRIMARK®

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.

This week, 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. 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.

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:



Last Friday 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 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.

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