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



## Flybe Experiences Turbulence:



This week Flybe, the largest European independent regional airline, released a profit warning in its latest results publication. The firm stated that full-year losses would amount to £22m partly due to a collapse in revenues.

In reaction to this information, investors lost confidence in the underlying performance of the firm and shares are now valued at a quarter of their September value.

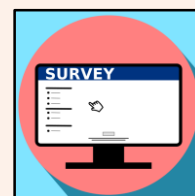
The airline did seek to soften the blow to investors by presenting a series of strategic proposals to help rescue the financial viability of the firm. Amongst these proposals was the confirmation that the firm are considering the potential sale of the business to the right parties.

However, it is likely that putting itself up for sale will need to be supported by further capacity and cost-saving measures.

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 of Sterling Weakness	Impact of Higher Oil Prices	Impact of Expanding into New Longer-Haul Routes

## Our Survey Says:



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

A survey carried out 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.

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?

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## Let the Music Play:



Speculation over Spotify's growth strategy has intensified this year as a result of the firm's IPO at the start of the year. Therefore, it came as welcome news to investors this week that the music streaming service finally rolled-out its service across 13 territories in the Middle East this week.

You might wonder why this has taken so long for Spotify to expand into this region, given that on paper, this will help the firm tap into a potentially lucrative market of up to hundreds of millions of subscribers. 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.

Explain why the Middle East 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:



Amazon announced the results of its 14-month competitive search for a second headquarters this week.

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.

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.

## Food Glorious Food:



A quirky story to end this week's edition relates to the European Court of Justice's decision to reject a copyright case from a Dutch food producer.

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 product.

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

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.