

01/02/19

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

## Going, Going, Gone:



In 2014, Tesco announced the appointment of their new Chief Executive, Dave Lewis. The decision was made to bring in a wise and experienced head to help turn around the fortunes of a business that was in the midst of a £250bn accounting scandal, as well as tumbling market share and profitability.

At the time of his appointment he made it immediately clear to beleaguered investors that he would instigate a watertight recovery plan that would restore profit margins back to 4% by the end of the 2019-20 trading year.

In recent times, the firm has overcome any remaining legacy issues from the lingering accounting scandal and the firm has returned to a somewhat competitive position as market leader of the industry. However, the firm has had to contend with increasing competitive pressures from both ends of the market and cost pressures arising from external factors. This has limited the scale of the recovery of the firm and put the firm in the unenviable position of having to commit to a £1.5bn cost-cutting drive.

This week saw the firm announce their latest dramatic supermarket shake-up. The most eye catching headline was the announcement that the firm will close 9,000 jobs as a result of the decision to close down some of their in-store fish, meat and deli counters.

The decision was made on reflection of the changing retail climate and the evolving way in which consumers carry out their weekly grocery shop. Tesco research suggests that customers are making more trips, but the size of the shopping basket for each of those shops is shrinking at an alarming rate.

In reference to the rivalry that exists between firms in the UK supermarket industry, assess why Tesco are not passing on higher costs to consumers via higher prices.

# 5

## Huawei's Mounting Problems:



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.

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.

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## Fast Food Pressure:



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.

This week pressure intensified 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.

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.

## Apple's Gaming Innovation:



This week it was reported that the tech firm 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.

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.

## Fortnite Update:



Here is a story for any Fortnite fans out there!

This week, 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.

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.