



24/05/19

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



Keep Your Friends Close, But Your Enemies Closer

	VS	
Launched in 1994 by Sony		Launched in 2001 by Microsoft
Over 440 million consoles sold		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 this week 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.

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
	UK Employees	1000
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.

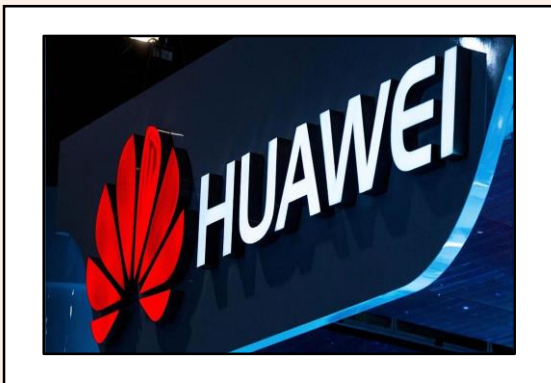
Sales at the restaurant group plummeted by 11% in 2018, bringing full-year revenues to just over £100m. High business rates, increased competitive pressures and lower prices contributed to the group recording a loss of £30m. With the relevance of this restaurant chain being questioned, there is unlikely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

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.

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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.

This week has seen 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?

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.

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 1st of June, Liverpool will play Tottenham Hotspur in the Champions League Final in Madrid. The final will be held at the 70,000 seater Wanda Metropolitano stadium. As to be expected for such a prestigious sporting occasion, the demand for tickets is sky-high.

This week, the airline EasyJet has been forced to defend its pricing structure after many committed fans began to put together their travel itinerary for the trip. Fans have 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 has 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.

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.

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.

This week, 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.

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.