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

The Father Christmas of the High Street:



This week the British business titan Mike Ashley and his latest business ventures were put under the microscope by politicians.

He was grilled for three solid hours in front of MPs on the Business Select Committee to defend some of his comments in relation to the recent acquisition of House of Fraser, as well as his opinion on the reasons for the deteriorating health of the British high-street.

The multi-billionaire made his fortune by amassing a retail empire of traditional British brands. The portfolio of stores that he has been able to acquire in recent years has been fuelled by the success story of Sports Direct and the economic base that has provided him with.

In 2018, he saved House of Fraser and its 59 stores by buying the company for £90m with a commitment to turn the brand into the “Harrods of the High Street”. At the time of takeover he announced a plan to keep all of these stores open, protecting 16,000 jobs, but he now claims that his plans are being scuppered by the changing competitive landscape, the evolution of consumer tastes and high rents and business rates.

The greatest worry that Mike Ashley has is that the business model that he has historically relied upon - beefing up the stock offerings in large brick and mortar stores for competitive prices compared to luxury brands available elsewhere – is starting to show severe signs of strain.

In response to this fear, he has tried to apply pressure to the Treasury to re-adjust business rates to reflect the trend in commercial property prices outside of London and a 20% online sales tax to encourage more firms to invest in improving their physical store offerings.

Discuss how a traditional retailer such as Sports Direct has suffered from changing fashion tastes and preferences as a result of the prominent use of social media.

Assess the impact that a 20% online sales tax on businesses, that make less than 80% of their total revenue from physical sales stores, will affect the health of the UK high street.

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To Hug or not to Hug:



Is it ever acceptable to hug a colleague at work? This is a question that many have asked themselves this week after 200 Ted Baker employees signed a petition to raise concerns about the “awkward hugging policy” that is reportedly in place at the company.

The murmurings of discontent surfaced over the weekend with a handful of employees claiming the fashion company’s founder Ray Kelvin, has made them feel uncomfortable with his rather unorthodox approach of giving unwanted hugs and shoulder rubs compared to the business tradition of handshakes.

The company has defended their founder and claimed that whilst this may be an unusual approach for a large company to take when greeting their staff members the “hugs have become a part of the culture, but are not insisted upon”. They have added further that the founder adopts this approach to all active stakeholders in the business such as shareholders, investors, suppliers, partners, colleagues and customers.

This is another bump in the road for the company as it added fuel to the investment fire on the stock market by continuing the selling pressure on Ted Baker shares. The firm’s share price has fallen by 40% as a result of the challenging retail climate.

Discuss the importance of a business HR policy in relation to developing strong employer-employee relations.

Why is it important for businesses to establish the right corporate culture in their workplace?

The Sooner The Better:



A government report released this week by the Business Select Committee looked at the payment practices of large businesses to smaller suppliers amidst the complaints that some larger businesses are deliberately making late payments to improve their own cash flow position.

This report has gained political traction because of the collapse of the outsourcing construction firm Carillion in the last year. The firm gained a toxic reputation for delaying their payments to their suppliers to hide the true nature of their finances.

The report suggested that a 30-day threshold should be set to prevent businesses delaying payments any further. If this deadline is missed then the firms in question will be reprimanded with a fine and possibly further repercussions on repeat violations.

This is a really important issue because small businesses do not have the financial reserves and cash flow position to absorb late payments and therefore it can cause these businesses to fail. It is estimated that by eliminating these late payments, it could potentially save 50,000 small businesses.

Define and explain the two efficiency ratios which can be calculated to measure and monitor the frequency of payments coming in to and out of a business.

What impact would a 30-day payment deadline have on those respective efficiency ratios from the point of view of a small supplier?

What impact would a 30-day payment deadline have on those respective efficiency ratios from the point of view of a large business buying supplies from smaller businesses?

Thomas Cook's Financial Turbulence:



This week was another tough one for the travel firm Thomas Cook. The firm attracted unwanted attention from investors after the release of its 2018 full year results.

The results publication outlined the underlying weakness that has been inhibiting the travel firm for the past year. The firm has released a series of profit warnings due to financial complications, social changes and environmental changes. Shares in the travel firm have fallen in value by 60% in the short space of a week to a six-year low. This now leaves the firm's market value (value of total shares of the company) standing at just £363m.

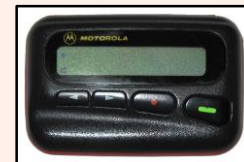
Why such an intense sell-off from investors? The firm has become tied up in some complicated financial arrangements with creditors and this has left the net debt figure of the company standing at £389m (borrowing value now larger than the value of the company). This means on a proportional basis the firm's debt position is becoming higher and more unsustainable.

How do we calculate the gearing ratio of a firm?

In reference to events at Thomas Cook, explain why the gearing ratio is important.

How can a firm improve their gearing position?

The End of the Pager:



This week was a sad one for retro tech fans after the announcement made by Tokyo Telemessager that they would stop operating their pager service in 2019. From this point on the pager device and its accompanying services will be no more in Japan, with the UK only having one small pager network operator in place.

For those not familiar with the pager, it was a popular device used during the 1980s to send and receive wireless messages within a fixed range. These short and simple messages would then prompt individuals to find their nearest phone box or corded phone to then follow up the message with the sender.

At its peak, 60 million devices were sold and were particularly popular amongst workers in the city who needed to respond to urgent messages. To this day they are still used in some circles such as the emergency services. However, the invention of the mobile phone realistically killed off the popularity of the devices worldwide.

Explain the four traditional phases of the product life cycle and relate it to the pager device.