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

M&S and Ocado Tie-up



Since 1884, the retailer Marks and Spencer (M&S) has been a household name on the UK high-street. It has nearly 1,000 stores located across the UK and stocks a wide range of products to cater for the daily consumer demands of UK shoppers such as clothes, home and furniture goods, flowers and cosmetic products.

M&S, in recent years, has invested significantly in developing its groceries division to consolidate its position in the grocery sector. The firm generates over half its revenues from food related products and this perhaps explains why 600 of M&S's UK stores specialise in food products only.

For a lot of grocery shoppers, M&S represents a high-end convenience brand that allows them to top up their weekly shopping basket with added essentials – the average basket price is just £13.

Crippling conditions across the UK high-street in 2018 has continued to affect established brands like M&S and forced the company to evolve their quintessential business model. The firm recognises that it needs to radically overhaul its approach to online shopping and innovate the business's product line to become relevant again in a market crammed with specialist firms.

The business is in the middle of a restructuring plan which it says is a necessary step taken to move a third of the company's sales online by 2022 and in the process result in fewer stores in better locations.

This week the firm announced its next strategic move to achieve this SMART objective – a joint venture deal with the retail division of Ocado.

M&S will purchase 50% of the full-service online supermarket for £750m. M&S are hoping that the experience and expertise that Ocado can bring in relation to online shopping can boost the firm's e-commerce profile in the market.

Some stakeholders are not happy though. Investors will have to stump up the cash to finance this deal with a lower dividend pay-out of 40% to boot. Many shareholders struggle to see how the firm will be able to make this deal work when it would appear that Ocado is predominantly used for people carrying out their full weekly shop rather than occasional top-ups - the average shopping basket at Ocado for customers is £100.

Describe the difference between a takeover deal and a joint venture.

Discuss why this move by M&S may actually damage the reputation of the brand with the firm's traditional high-end customer base.

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The BritBox – Success or Failure?



Is television as influential, popular and relevant as it used to be? You can imagine this is a question that the executives at every major broadcaster in the UK has been contemplating over the last few years.

Why is this the case? Take Christmas Day for example, this was once heralded as the bastion day for TV companies as a good consolidated audience was guaranteed at the end of a long day of festive celebrations. In 2001, a new episode of Only Fools and Horses was watched by 20m people across the UK on BBC One. Fast forward to 2018 and the most watched TV show on this day across the UK was Michael McIntyre's Big Christmas Show with just 6.1 million viewers. Viewers are slowly drifting away from traditional mainstream TV content towards more progressive, fast-paced and trendy content provided by streaming services such as Netflix and Amazon.


What do companies like the BBC and ITV need to do to make their programme content more accessible and relevant bearing in mind the current market conditions? The Head of the BBC and ITV announced this week that talks were at a progressive stage in regards to a "best of British" streaming service to rival Netflix and slow the rate at which the viewership of some of their most popular programmes are declining at.

The details are pretty thin on the ground at this stage but the plan is for this service to operate alongside the companies separate catch-up platforms. The content will see the launch of new and exclusive titles, as well as providing a back catalogue of some of the corporations most loved shows.

Describe the benefits that a streaming service can help provide a commercial station like ITV with the means to replace traditional TV advertising revenue channels.

Describe the challenges that will have to be overcome to integrate the stakeholder interests of a commercial TV network and a publicly funded TV network.

Help To Buy Scheme

	Lender – 75% Mortgage
	Government – 20% Loan
	Buyer – 5% Deposit

The UK Government this week has come under scrutiny for its potential involvement in indirectly helping the housebuilding firm Persimmon report record profits of £1bn in 2018. This represents a 13% rise in profits from 2017 and is part of a consolidated period of rising business performance for the firm.

In 2013, the Government launched a scheme called “Help To Buy” which aims to provide financial support to first-time buyers to get on the property ladder in the midst of rising house prices. The government commits to covering up to 20% of the cost of a newly built home via a loan and in return this means that buyers need to fork out 5% of the house value for a cash deposit, with the rest being secured by a mortgage provided by a commercial lender.

How successful has this scheme been? The government claim that almost 500,000 UK homes have been bought under the terms of this scheme and therefore first-time buyers are being fast tracked onto the housing ladder. The scheme has been extended until 2023.

However, despite these positive statistics many believe that this scheme has distorted the housing market. The scheme has essentially subsidised the business models of housebuilding firms such as Persimmon with some warning that it represents the “crack cocaine of the building industry”. The argument is that the government scheme has channelled more demand to the homes that Persimmon build and this has pushed up house prices and increased the profit that the firm receives from each house sold. It is estimated that since the scheme came into fruition in 2013, Persimmon’s profit per house sold has tripled.

The housebuilding firm has already come under fire with its large pay-outs of £2.2bn to shareholders, as well as the decision to pay the former chief executive a financial package worth £75m.

Using a demand and supply diagram, show the impact that this scheme is being accused of having on the prices of UK new-builds.

Perform a SWOT analysis on Persimmon’s current business position.

Shop Price Squeeze



UK consumers are battling the highest level of shop price inflation in six years according to data published this week by the BRC.

To recap, inflation describes the average change in prices for the most popular goods and services over a period of time. If this is positive it means prices are rising on average; prices on average are falling if the inflation rate turns negative.

Specifically, year-on-year food inflation edged up to 1.6% in February as unused stock and discounts carried over from the festive period began to end.

Many believe the cost pressures being built up across the supply chain reflect the effects of a weaker pound and rising fuel prices.

Explain how a weaker pound contributes to rising supermarket prices.

In reference to your answer above, discuss why it is important for a business to know the elasticity value of their products when making the decision over whether to pass on extra costs to consumers.

Nike’s Major Slip-Up



It has been a tough week for the sportswear giant Nike.

Firstly the firm suffered an embarrassing moment on Friday night during a basketball game in the US. One of the most promising talents in the league, Zion Williamson, slipped and sprained his knee after his trainers split in half after just 33 seconds of the game. The star was wearing a particular brand of Nike basketball shoes during the match and this attracted a lot of unwanted attention and coverage towards the company and the quality of its products. The firm’s market capitalisation was hit by \$1.2bn as a result.

Secondly the firm suffered a major hitch in its attempt to commercialise the first self-tying trainer. The Nike Adapt BB is the latest innovative product released by the firm that allows the wearer to lace their shoes via an app. Unfortunately for the company, after the first batch were sold, the firm ran into software problems on the accompanying app and it resulted in frustrated buyers not being able to tie up their brand new \$350 trainers!

Explain the term ‘market capitalisation’ and describe why it is used as a measure of the value of a business.

Discuss the impact that bad quality control procedures can have on a business like Nike.