EZY BUSINESS

THE WEEKLY 5

15/03/19

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

Changing like the Weather

This week, Julian Dunkerton, former director and co-founder of Superdry, launched a scathing attack on the company for its "misguided strategy". It would appear this verbal assault is the tip of the iceberg when it comes to problems faced by the clothing retailer. The firm announced in 2018 that pre-tax profits have fallen by more than £10m and the share price of the firm has fallen by more than 70% in the past trading year since Mr Dunkerton stood down as a Director.

To understand Mr Dunkerton's motives, we need to revisit the story of Superdry's rise up the high-street league table, which in itself, is an interesting and quite unique one.

In 1985, the firm's founders Ian Hibbs and Julian Dunkerton ran a small niche market stall in Cheltenham under the trading name of Cult Clothing. The success of this stall catapulted the firm into a position where it could begin trading at a larger scale. The firm began to replicate its Cheltenham market success in many university cities exploiting the young vibrant population within those areas.

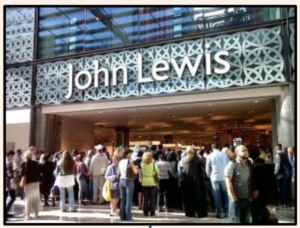
In 2003, the founders of the company began to question how much further they could take this business proposition. They then entered into a partnership with a designer that has previously developed clothing items for the British clothing brand Bench. All partners involved agreed a fresh approach needed to be taken and the company was rebranded under the title Superdry.

The firm began to specialise in trendy but smart clothing with a Japanese branding twist. This gave the firm a unique look to stand out from the rest of the crowded fashion market and appealed to under 30s. The firm began to expand at a rapid rate transcending a small British brand into a global marketplace.

Mr Dunkerton may feel that the company has begun to lose its way in the market and the brand is no longer fresh, relevant and cool. The co-founder wants to come back to the business to launch a revival plan. However, he is going to have to prove to shareholders that this revival plan is credible and will deliver similar levels of success as the company once enjoyed.

Describe the implications that seasonal variations in business performance has on the sales forecasts that firms construct.

John Lewis Bonus Problems



Even great British brands like John Lewis cannot escape the dark cloud hovering over the UK's high street. The John Lewis Partnership has been struggling for the past couple of years due to its lack of commercial focus and confusing brand message.

The firm, which is owned by its employees (partners), announced this week that annual profits have fallen by 45% and the instant result of this is that the bonus paid out to its employees will fall by 2 percentage points to 3% - the lowest level since the 1950s. Now most people would be quite happy with a 3% annual pay top-up, but for a company that richly rewards their employees with a generous share of profits this is an indication of the troubles that the Partnership has experienced and what may just lie ahead.

One area of John Lewis's business model that has come under fire relates to its business slogan "never knowingly undersold". This is an assurance by the firm to match the prices offered by rival firms on the high street for the products they sell. This is a nice marketing guarantee to help reassure customers about John Lewis's prices, but in a retail environment where discounting has gone into overdrive it has seen the firm corner itself into real problems.

However, the other challenges the firm faces are challenges that all large retail chains face as the transition from physical shopping to online shopping shows no sign of relenting. The firm needs to cope with the challenges of operating stores that try to be all things to all people and be agile enough to respond to the creative demands of shoppers in the 21st century.

Describe how the ownership structure of the John-Lewis Partnership can help motivate staff.

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Apple-Spotify Conflict

It is fair to say that Apple and Spotify have never been the best of friends. Spotify emerged on the scene in 2006, providing a platform for casual music fans to stream some of their favourite tracks. Over time, the company has gained popularity and business traction amassing 207 million active users, of which 87 million are subscribed to the premium service the firm offers.

Apple has always seen the potential in users being able to stream their favourite tunes on their phones, and as technology has progressed, it has opened the market potential up even more. Apple has integrated its existing iTunes service with a new service called Apple Music. This is essentially Apple's take on Spotify's streaming offering and they have pitched the service at the same price as Spotify. Apple Music is the most popular music streaming service in the US but still lags behind Spotify in the global stakes.

The war between the two rivals relates to Apple's 30% fee charge on any related purchases made through the company's app store. Unlike with android, the app store is exclusive to Apple related products and therefore if a company like Spotify wishes to release an app that can be carried across Apple's software it needs to be listed on the Apple Store. However, the company imposes a charge and other restrictions on any company that wishes to use the app store as an indirect commercial platform for users to access their own services.

The official complaint from Spotify is not over the fee itself but the application of the fee to undermine Spotify's business model. The Swedish firm has accused Apple of "titling the playing field to disadvantage competitors". The 30% fee is applied to the revenue that Spotify makes through its paid subscriptions on the Apple platform. Spotify has warned that this is a tactic that may force them to raise their subscription prices to restore margins. The Swedish firm has filed an anti-trust complaint to the European Union (EU) to investigate this matter further.

Define and explain the term 'monopoly'.

In relation to Porter's Five Forces Model, discuss how Apple's monopolisation of the app store affects the competition and rivalry between app-developers.

Boeing Flights Grounded

This week, the US plane-maker Boeing made the decision to ground its entire fleet of new aircraft carriers in light of two fatal crashes involving this model of plane in Indonesia and most recently Ethiopia.

The company was forced to make this decision after a number of aviation authorities made the decision to ban any citizen from boarding one of these planes. The plane in question here is the Boeing 737 Max 8, the most recent model of airplane the company has manufactured. The company has produced and sold 317 of these planes so far and another 5,000 are on the order and production list.

The issue with the specific aircraft has not been technically pinpointed yet, but the firm believes it may be a technical malfunction of the firm's anti-stalling software.

Discuss and explain the quality control measures that a company like Boeing needs to put in place to ensure there are zero defects.

Jumia Listing

This week Jumia announced it would become the first African company to be listed on the New York Stock Exchange. Jumia is an e-commerce company that mirrors the retail business model of Amazon and Alibaba. The firm sells everything from popular electronic products to providing services such as hotel bookings.

Why does this all matter? Well this will be seen as a tangible shred of evidence of the development progress that the African continent as a whole has made on the international business stage. The company is valued at $1bn and has four million active consumers on its site.

What is the logic of this move? Africa represents an untapped business opportunity many retail giants have yet to conquer due to technological, social and political obstacles. However, Jumia has proved to investors that this type of business model can thrive in Africa. The firm is using its broad customer appeal as leverage to acquire the financial capital that it needs for the company to expand and diversify even further. Many would argue that an online retailer such as this one, given where it is geographically located, is hampered by the undeveloped technological infrastructure across African countries. The network of supply chains across the continent is weak and inefficient and customers do not have the financial independence to shop online as frequently as other customers in North America and Europe.

The company is hoping that it can capture the African market before these MNCs do, but to do that the firm needs to overcome some of the financial, logistical and operational challenges it faces.

To what extent do you agree with the view that a company should become public to raise the necessary funds required for expansion?