

10/05/19

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



The Unicorn Renaissance

	Founded in 2009
	Uses Only Plant Based Products
	Available in 50 Countries
	2018 Global Sales Revenue = \$50m
	Stock Market Value = \$3.8bn

If you have kept a close eye on some of the latest business stories of the last year, then I'm sure you would have stumbled across the term 'IPO' many times. This is because there are a significant number of influential privately owned companies that are looking to transition from the private funding structure of Silicon Valley towards some of the vast public funding opportunities presented by the stock exchange.

Firms such as Uber, Spotify, Pinterest and Airbnb are defined as tech unicorns in the world of business jargon. This is a light hearted term commonly used to refer to companies with a valuation of at least \$1bn. The funding for these firms comes exclusively from private investor groups. The name is a reference to the mythical surroundings of a unicorn and is meant to reflect the fact that these types of firms are very rarely seen.

However, like any business growth story, firms reach a natural crisis point where their private funding structure restricts the firm from being able to hit their optimistic growth ambitions. Therefore, the funding benefits from going public offset the associated costs of having to publicise a quarterly earnings report to shareholders. This is where the term 'IPO' becomes relevant.

This is a shorthand business acronym to describe a company's Initial Public Offering of its shares to the market. This is where firms announce that they are going to go public and allow any investor to buy shares in the company that will now float on the stock exchange.

The LA-based food company Beyond Meat, is the latest business to make the full transition from private to public. The company focuses on producing plant-based substitute products for some of the most traditional meat dishes consumed such as burgers and sausages. These products immediately appeal to the growing number of vegetarians and vegans across the world (1.6m in the UK), as well as those consumers that have grave environmental concerns about the world's ecological sustainability.

The expected direction of travel in the food market has been recognised by international investors; as the launch of the company's shares on the US stock exchange resulted in astronomical results. The firm's shares rose in value by 163% to \$65 after the first day of trading, and resulted in the company being valued at \$3.8bn.

To 1 decimal place, calculate the approximate number of shares that were issued on the company's first day of trading.

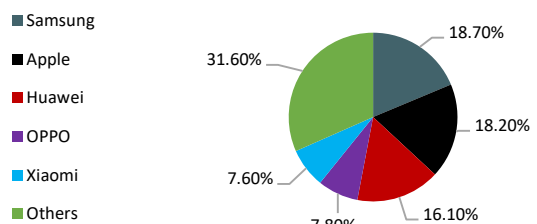
To what extent do you agree with the view that business profitability should always come before a business considers some of their wider responsibilities?

Google's Pixelated Growth Story



The Silicon Valley giant, Google announced earlier this week that they will release a new budget iteration of its Pixel smartphone as part of its wider strategy to boost its sales in the smartphone market.

Global Smartphone Market Share Data by Vendor (2018 Q4)



The first generation of Google's Pixel smartphones were launched all the way back in 2013, and this has spawned an impressive roster of consumer electronic devices under the, now established, Pixel brand.

As of 2018, the firm has shipped 3.9 million units worldwide, bringing the firm's market share to 0.3%. The Pixel 3 was launched in October 2018 and this catapulted the firm's shipments of smartphone units by 20% over the last 6 months of 2018.

Despite this impressive growth figure, the growing popularity of smartphones and the increased time spent by individuals on their phones, has driven Google to find active solutions to make further in-roads into this saturated market.

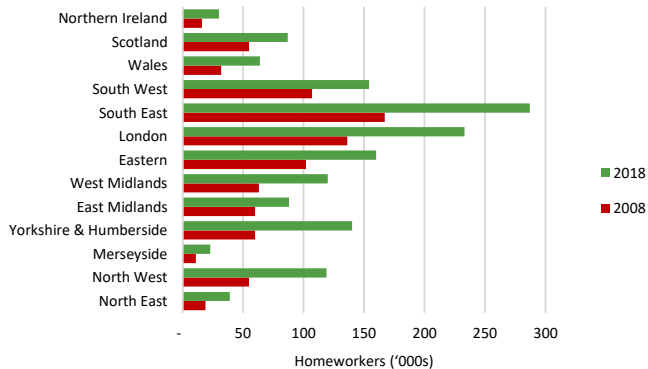
Google, like many of the other traditional players in the tech. industry, are having to compete with fierce competition from Chinese manufacturers such as Huawei and Xiaomi. In response to this, the firm has released two "budget" versions of their Pixel 3 Model – Pixel 3a and the XL version. Many of the firm's distinguishing premium product features have been removed from this model of phone, but the firm believes that the reduced entry price of sub-£400 will be enough to improve its fortunes in this industry.

Explain the Japanese business term 'Kaizen' and discuss how it can be applied to product innovations released by tech companies.

With reference to PED, discuss how a firm can raise revenue from charging lower entry prices on a new product.

Working From Home

Homeworkers ('000s) by UK region, 2008-2018



This week the ONS released data that quantified the growing trend of home workers in the UK labour market.

The statistics agency classify an individual as a home worker if they work remotely from an offsite location on a regular basis. The number of home workers there are in the UK is derived from the results of the Labour Force Survey (LFS). This is a self-reported study of a sample of UK workers to gauge the latest labour market statistics and trends.

The results produced highlight the changing number of individuals that are reported to work from home in 2008 compared to 2018. In 2008, the total number of people that regularly worked from home stood at 884,000. Ten years later this figure has climbed to 1.542 million.

These labour market trends provide tangible evidence of a cultural shift away from traditional “9 to 5” working commitments, as well as reflect the rise in the number of people who are either self-employed or work in the ‘gig’ economy such as Uber drivers.

Homeworking is a flexible working arrangement that can be struck between the employer and their employees, but it can present challenges to both of these business stakeholders at the same time. For instance, employers need to be able to effectively manage their employees if they are off-site. This means that workers need to establish a constant line of communication with the basecamp of the business; to ensure that departmental issues and queries can be resolved without the physical presence of the worker. For employees, working from home may improve personal and professional efficiency, but the distant relationship with colleagues can undermine those benefits.

Therefore, even though the number of people that work from home is steadily increasing, employers and employees need to continue to work together to review the suitability of the job to these type of flexible working arrangements.

To 1 decimal place, calculate the percentage increase in the total number of homeworkers across the UK between 2008 and 2018.

Identify and explain **three** management challenges that an employer is likely to face when offering this type of flexible working arrangement.

Identify and explain **two** alternative working arrangements that can be established between the employer and their employees to increase the flexibility of the business’s working arrangements.

Netflix’s Binge-Spending Trip



Netflix Paid Subscribers = 148m
2018 Revenue = \$15.8bn
African Population Size = 1.3bn



The sheer scale and accelerated pace at which the US streaming service has been able to grow at is the envy of the business world. The firm’s predatory pursuit of satisfying investor thirst for a greater number of paid subscriptions, has seen the firm commit to burning a significant pile of cash on content development and programming acquisitions. It is estimated, that in 2019, the firm will spend \$15bn on content investment. This has prompted the company to warn investors of cash flow problems ahead.

As the firm’s expansion opportunities begin to peter out in existing markets, the requirement to penetrate new and emerging markets is crucial to its strategic success. Africa represents one of the last untapped emerging markets for Netflix to conquer, but its ability to capitalise on these opportunities hinges on a number of different factors.

Despite the fact that the African continent represents a vastly populated region, the underdeveloped infrastructure of the continent (only 22% of Africans have access to the internet) and political volatility that exists between countries, makes the region an incredibly challenging market to conquer currently. The company will be required to support the region’s development to make streaming services affordable and available.

If the firm is to appeal to the African market in the long-term, it will have to commit to significant expenditure on bulking up its local content library. The lack of exposure to this market means the firm can only currently offer customers a shallow offering of localised content, which will have to be reflected in the localised pricing structure of the region.

In relation to Ansoff’s Matrix, discuss which strategy Netflix’s expansion into the African continent is likely to fall under.

In groups, assess how suitable the African continent is as a market location for Netflix.

To what extent do you agree with the view that a public company structure would leave Netflix better equipped to succeed in emerging markets such as Africa?

The Great Patent War



The ugly public showdown between Apple and one of its main suppliers Qualcomm appears to be dying down after the two companies reached an agreement over one of the longest-running and most expensive patent disputes.

Apple use Qualcomm’s chips when they assemble and manufacture the iPhone. Apple have to commit to make a series of royalty payments to the supplier in return for the use of their smartphone chips. However, the murmurings of discontent began to surface as Apple began to suspect that Qualcomm was abusing its dominant market position in this type of smartphone technology.

In 2017, Apple complained of elevated prices and began to withhold and delay royalty payments until Qualcomm committed to bring their prices down. Qualcomm suggested this violated the licensing agreement between the two and therefore violated the patent that Qualcomm has on the chips it manufactures. Legal action was eventually taken by Apple after this accusation.

A press release containing details of the settlement between the two suggests that Apple will make a multi-billion dollar payment to Qualcomm and a new six-year licensing agreement will begin between the two companies.

Define and explain the term ‘intellectual property’.

Discuss the role that intrapreneurship can play in encouraging innovation within a business.

To what extent do you agree with the view that patents provide the best approach to protecting a business’s intellectual property?