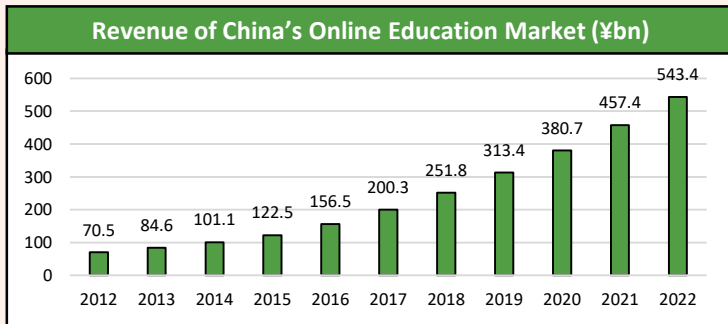


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Here are the five business stories which have caught our eye this week:

China's Education Boom



China is one of the core economic success stories of the modern age. What was once a restricted command driven economy has developed into one of the major economic powers of the 21st century. Its economy has averaged an annual growth rate of 10% over the course of each of the last three decades. This has culminated in the Chinese economy being valued at close to \$20tn, which has made China the world's 2nd largest economy, behind only the USA.

The secret ingredient to China's success story is the strong manufacturing sector it has established. China is the largest goods exporter in the world, with \$2.14tn worth of goods leaving its shores each year. In 2015, China exported \$600bn worth of electronic products and \$364.5bn worth of industrial goods. To put this in perspective, the UK's total exports in 2016 were \$436.2bn. The growth of China as a major economic player has opened up many opportunities, as well as threats to the global business community.

Chinese growth is not only economically significant but it has also fed through to important cultural and social improvements. The Human Development Index for China has increased from 0.423 in 1980 to 0.752 in 2017, suggesting transformative change in the country's living standards. One area of the HDI which affects development progress is education standards as measured by the average literacy rates across the nation.

The improvement in China's educational standards is being driven by substantial improvements in the country's enthusiastic adoption of digital tech. and AI in this sector. Online education is one of the fastest growing industries in China as many see the economic opportunities that high-quality education can produce. Unlike many developed nations, online education is seen as a necessary expenditure cost to improve their skills base with internationally recognised qualifications. The rising acceptance level for online education among users, enhanced online service payment willingness and improvement in online learning experience and effects are the main reasons for the steady growth of the online education market. This is emphasised by the projected 95% increase in paid users from 135mn to 264mn.

As the future potential of the market exponentially expands, so does the profit lure of firms to compete in this market. Rigorous competition in this industry has pushed company valuations ever higher. Most recently the online education provider VIPKid raised an extra \$500m from its latest round of fundraising from shareholders to bring the company the title of the biggest online education provider in the world. Firms are continually pushing for a greater share of this market, by developing large scale, low-cost and high quality services to not only improve their own fortunes but force the exit of rival firms.

Identify and explain three aspects of a competitive market.

Discuss how a firm can use a predatory pricing strategy to develop a competitive advantage in the market.

"Phenomenal" Trade is the Talk of the Town



This week the US President Donald Trump has been on an official three day state visit to the UK. This visit has provided newspapers and political commentators with the optics of a lavish state banquet, a series of diplomatic UK-US trade talks and a special commemoration event on the 75th anniversary of the D-Day Landings.




Aside from the historical significance of this visit, the biggest talking point that has emanated from it, for the business community at least, is the future trading arrangement that will exist between the UK and US after the former's withdrawal from the European Union (EU). This week Donald Trump heralded the relationship between the two countries as the "strongest alliance the world has ever seen". Therefore, trade is likely to be a significant feature of future talks between the US and the UK.

The US is the largest single export market for the UK with a £122.2bn worth of goods and services sold to US consumers last year. The level of bilateral trade between the two countries has been growing steadily over the last 5 years despite the UK's membership of the EU and its accompanying customs union. This is by no means all one way as the US is the UK's second largest supplier of foreign goods (imports), just falling behind Germany.

A trade deal would see special trading terms put in place for a certain tranche of goods and services. This would mean that the tariffs (taxes) applied to the exchange of goods and services between the two nations will edge towards zero for goods where there is a mutual gain from trade. Given the significance of the trade numbers between the two nations, this will open up the opportunity for many domestic businesses in both countries to sell more abroad and secure cheaper products from abroad. However, some domestic businesses may fear the consequences of extra competition from US firms on their own performance levels.

To what extent do you agree that businesses will experience a rise in profits if protectionist trade policies are abolished?

Fiat Chrysler-Renault Merger Stalls

  		
8th	Global Rank of Car Production Volumes	9th
€110.4bn	2018 Global Revenue	€57.4bn
€3.63bn	2018 Net Income	€3.45bn
€24.9bn	2018 Total Equity	€36.1bn
198,545	Number of Employees	181,344

The global car industry is in the process of dynamic structural change. Global demand for petrol and diesel cars is in sustained decline. In the UK, car sales have dropped off dramatically with April's production numbers falling by 45%. Even though there are some one-off extraordinary factors behind this (Brexit mainly), it reflects a wider slowdown in the industry as a whole.

The driving force behind these changes are the demand swings associated with the expected arrival of electric and autonomous vehicles. Traditional car manufacturers are having to accelerate their efforts to invest in developing the sophistication required to produce an affordable range of electric vehicles.

Many of those traditional players view mergers and strategic partnerships as a cost-effective way of achieving both the production scale and the technical requirements to compete with electric vehicle specialists. This is why consolidation across the industry seems to be the fashionable trend amongst some of the leading automakers.


Therefore it came as no surprise to any industry experts that Fiat Chrysler launched a merger proposal with French car giant Renault last week. The €33bn deal would have seen the establishment of the third largest carmaker in the world with combined sales of close to 9 million vehicles a year. The planned merger would have allowed the companies to spread their electric development costs over a larger range of output and improve performance within the industry.

Fiat Chrysler announced this week that the move has been put to an abrupt and premature end after the Italian car group suggested that the deal did not have the backing of all meaningful stakeholders involved in the deal. The group particularly cited the French government's 15% ownership stake in Renault as a complicating factor.

In reference to the example above, discuss how economies of scale can help reduce the average unit costs of a business.

What type of economies of scale could a merger of this nature help produce for the consolidated firm?

Waitrose CSR

	Founded in 1904	
	Number of Stores	349
	Number of Employees	52,290
	2018 Revenue	£5.4bn
	2018 Profit	£123mn


This week the upmarket chain of grocery stores Waitrose announced that it would be trialling a new initiative to encourage customers to use their own reusable containers.

The trial is taking place at one of the company's flagship stores in Oxford and will see hundreds of products removed from their in-store packaging on the shelves. This will allow customers to place items such as fruit and vegetables in their own containers that they have brought to the store. If customers do not have the storage facilities on them they can always borrow a box from the store for a small deposit. This deposit will be refunded when the customer returns the box back to the store.

This initiative is an example of a firm reacting to its corporate social responsibilities (CSR) by offering a more environmentally sustainable approach to shopping.

Explain two reasons why a firm's shareholders may decide to reject the company's pursuit of CSR policies.

Jay-Z's Billion Dollar Business Empire

	US rapper Jay-Z has become the first hip-hop star to pass the \$1bn net worth threshold. The superstar has amassed a large asset portfolio from his own creative instincts in the music business, as well as acquiring stakes in a significant number of property, fashion and lifestyle investments.
	Built up a \$75m Music Portfolio
	Owns a \$70m Stake in Uber
	Owns a \$100m Stake in Tidal

The rapper's rise to fame began in 1996 with the launch of his breakthrough album "Reasonable Doubt". This catapulted him into the global music charts and captured the attention of rap fans around the world.

Since that moment he has gone on to release 12 more studio albums and 145 singles. As the profile of the New Yorker rose so did the commercial success. He is now considered one of the best-selling music artists of all time with more than 100 million singles sold globally and 60 million album sales. He holds the record for the number of chart-topping records by any solo artist on the extended US charts and has received international acclaim from critics with 22 Grammy Awards to his name.

His track record in the music business as a performer, songwriter and producer, has given Jay-Z a platform and a following as a global cultural icon. This has allowed him to branch out and diversify into other successful entrepreneurial activities. In 1999, he founded his own clothing company Rocawear, supported by the launch of the sportswear company 40/40 Club. These fashion labels have now developed into multi-million dollar brands and have provided the superstar with the financial clout to invest in further business ventures.

Explain the difference between an entrepreneur and an intrapreneur.

State and explain two barriers to entrepreneurship that exist in preventing some entrepreneurs from setting up a business.

To what extent do you agree with the view that profitability is the most important objective for any entrepreneur of a business?