FRIDAY 27TH SEPTEMBER / / ISSUE NUMBER #01

THE WEEKLY 5

HERE IS OUR WEEKLY NEWSLETTER ROUNDING UP THE KEY STORIES, FACTS AND FIGURES FROM THE WORLD OF BUSINESS AND ECONOMICS.

Apple Park in California was the setting of the launch of the company's latest product portfolio launch.

Apple Launch 2019

APPLE'S TRADITIONAL CALIFORNIAN CURTAIN RAISER SAW THE LAUNCH OF THREE NEW IPHONE MODELS, AN UPGRADED SMARTWATCH, AND THE UNVEILING OF NEW STREAMING SERVICES - APPLE TV+ AND APPLE ARCADE.

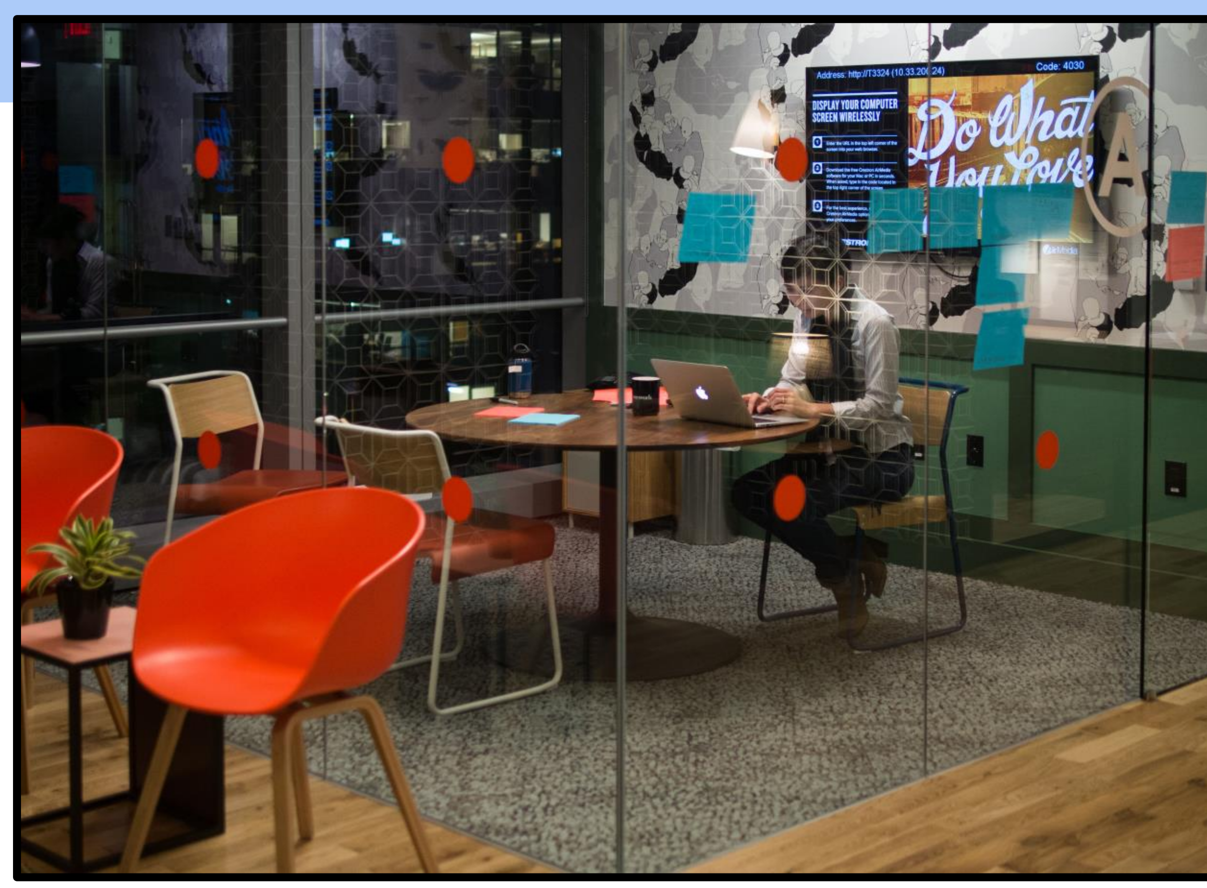
September is always a hotly anticipated month in the global tech ecosystem, as months of swirling rumors and feverish excitement draw to a predictable close at the annual Apple launch event. This event is staged at the firm's extravagant billion-dollar multi-purpose headquarters in Cupertino, California.

In typical slick and striking fashion, the tech giant Apple, including its CEO Tim Cook, took to the stage to announce a host of brand-new device iterations. The firm has launched three new iPhone models catering for different segments of the market (budget, premium and tech enthusiasts), including a model that contains a triple-lens camera for the first time. However, unlike in previous years, the firm has made a concerted effort to place a price ceiling on these models and resisted the urge to initiate a price surge. The iPhone market has matured as competition in the market increases from all sides, the durability of devices has improved and global consumer sentiment wains amidst the backdrop of a US-China trade war. The firm's temporary strategic solution to replace falling revenue from shrinking demand was to raise the average price point, but this strategy is not sustainable, and the firm has begun to publicly acknowledge the requirement to diversify its business model.

Therefore, the atmosphere around this year's event felt unlike any other Apple event that went before it. Many commentators felt this was the year that Apple had to "pull the rabbit out of the bag" and rediscover its innovative market-leading roots. The firm used this event as a high-profile platform to launch its first mainstream TV and gaming services to compete with streaming juggernauts Netflix and Amazon. Apple TV+ aims to be an entertainment hub streaming $6bn of original programming content onto viewers screens for a $4.99 monthly cost. The firm will hope to capitalise on a monthly subscription price less than half charged by market leaders Netflix. Likewise, Apple Arcade, will offer over a 100 exclusive video game titles for the exact same monthly price.

	No. of Devices Sold in Last Year	Year-on-Year Change
Samsung	290.6mn	▼ -5.5% ▼
Huawei	230.3mn	▲ 31.8% ▲
Apple	185.9mn	▼ -14.5% ▼
Xiaomi	118.9mn	▲ 2.0% ▲
Oppo	111.9mn	▲ 0.1% ▲
Vivo	106.9mn	▲ 14.4% ▲
Others	329.3mn	▼ -13.6% ▼

GLOBAL SMARTPHONE MARKET EVOLVES: Smartphone Sales Data from Kantar World Panel.



WeWork offer a range of different configurable office environments that individuals/companies can rent to accommodate their personal and/or business requirements.

WeWork's Flexible Plans

THIS WEEK THE OFFICE RENTAL FIRM WEWORK FACED A SETBACK IN ITS DECISION TO BECOME A PUBLIC LIMITED COMPANY AFTER INVESTORS QUESTIONED THE MERITS OF THE COMPANY'S BUSINESS MODEL.

For those of you that have not heard of WeWork, it is a creative 21st century brand that specialises in offering clients (individual workers, start-up businesses and established businesses) a chance to rent a whole host of customized office spaces that range in design, atmosphere and functionality. Since its inception in 2010, the company has acquired and developed an expertise in crafting the appropriate office environment to create a productive setting to inspire creative and meaningful work from renters.

The growth of the WeWork brand is accelerating as the company has established office spaces in over 30 countries and operates within 100 of the largest commercial cities in the world. The low maintenance nature of the company's business model is such that the costs of the business are not excessively skewed towards staffing costs. The appeal of the company to businesses is the financial flexibility that WeWork provides clients with.

The relative capital cost of working from a WeWork office space is significantly lower than a traditional fixed-term lease contract i.e. businesses are only charged for the time spent in the office. The flexible nature of lease contracts runs in conjuncture with the flexible office environments provided by the company, thus encouraging further flexibility in the nature of the work patterns of individuals using a WeWork office. This extends throughout the business; workers can gain the benefits of greater flexibility in the workplace, whilst businesses can also adapt their office space to suit their business needs.

During times of high growth and a high headcount, the office space can be extended, and the reverse is true for a period of business retrenchment. This is a flexible solution in an ever more flexible working world.

Despite all of this, the company has been fighting its own balance sheet problems after nine years of loss-making expansion ($1.6bn loss in 2018). This development period has been bankrolled by investors, but the increased clamour from those investors for profitable results is beginning to come through. One potential avenue of opportunity for the firm is the potential for the firm to change business form i.e. go public. This will involve allowing shares to float publicly on the stock market and the ease at which finance can be acquired should improve. However, the public nature of share flotations can expose the company to unstabilising levels of shareholder scrutiny and this can have damaging effects on the startegy and direction taken by those running the business and may even encourage short-termism.

Current shareholders of the company are concerned that WeWork's business model is not conducive to postive stock market performance. This is because the nature of the business model is severely exposed to business cycle fluctuations. If the company rents out office space on a flexbile basis to businesses and those businesses run into problems during a recession, this could leave the firm short-changed. Growth in the global economy is predicted to shrink in 2019 and 2020 and this is what has set the alarm bells ringing for these investors. It would appear for now anyway, that the buffers may be put on the public offering for WeWork's shares, in the short-term at least.

Gig Economy Ruling

Californian lawmakers have passed a bill that will force firms like Uber to provide their workers with holiday and sick pay.

The business model of ride-hailing app Uber is a simple but transformative one - customers connect to a local Uber driver via the app and arrange and pay for the service automatically. This raises efficiency on all levels, helps drive down average fare costs in the area and fits neatly into the 2019 lifestyle of individuals and families.

This has helped Uber become an established brand in many of the world's major cities, but the platform itself has attracted a lot of unwanted attention from regulators due to its persistent boardroom battles and corporate governance issues. The firm has also come under unwanted pressure from the driver's themselves as the firm typically classifies their drivers as "independent contractors". This is a common term used for workers in the gig economy i.e. workers who get paid for each individual job that they complete. The issue here is that just like self-employed workers, independent contractors do not get the added security that traditional employees receive such as statutory sick and holiday pay, as well as other enforced worker rights. Lawmakers say this is a dangerous precedent and undermines those workers and allows firms such as Uber to exploit their dominant position in the market to save costs.

This week the US state of California ruled that firms would have to cover sick and holiday pay for workers that are defined as independent contractors. This will have a significant effect on the local economy in California as it is estimated that there are a million workers that are not entitled to these benefits under the old ruling.

From Uber's perspective it is a damaging ruling financially and one that will have to be managed delicately and carefully. This is particularly so, given the firm made a $5bn loss in the second quarter of 2019 – the largest quarterly loss made by the firm.

UBER APP: The ridesharing app has now amassed 110 million users across some of the world's largest cities.

UBER DRIVERS: Uber employs 23,000 drivers worldwide across 800 metropolitan cities.

The Week in Numbers

HERE IS A SUMMARY OF SOME OF THE BIGGEST STORIES OF THE WEEK BY NUMBERS

£121m — BRITISH AIRWAYS

The total cost to British Airways for industrial strike action taken by pilots and crew members due to a pay dispute between workers and the company.

65,000 — Whirlpool CORPORATION

The number of dangerous fire-prone tumble dryers that Whirlpool have to had to recall due to bad quality control procedures on that batch.

€1bn — Google

The fine that Google were forced to pay after French tax authorities clamped down on the firm's European tax policy.

£25.9m — John Lewis

The half-year loss posted by the retailer John Lewis with Brexit uncertainty the cited reasons for this disappointing result.

3.5mn — ovo energy

The number of customers that the energy supplier Ovo will take on after its £500m takeover bid of the retail division of SSE to become the second largest UK energy provider.

Topshop Struggles

SIR PHILLIP GREEN'S BUSINESS EMPIRE INCLUDING THE TOPSHOP AND TOPMAN FASHION BRANDS HAS STRUGGLED TO DEAL WITH THE WEAK RETAIL ENVIORNMENT

Topshop and Topman (part of the Arcadia retail business empire) were fashion trendsetters in the late 90s and 2000s with quirky designs, bold releases and slim-like fits that appealed to the lucrative 16-24 market. The firm was able to attract some powerful celebrity endorsements that helped the firm set the pace in the fashion stakes. However, in recent times, the group that owns these fashion labels has continually struggled to evolve its high-street business model to cope with sprightly online alternatives such as ASOS.

The latest financial figures from the firm do not make good reading for the label's owner Sir Phillip Green. The company turned over a £498.5m loss in 2018. Look beyond the bottom line figure and more problems persist – sales over this year dropped by 9%, staff headcount dropped by 12%, 200 stores have been shut down and the firm has had to enter into tough talks with creditors (lenders) about the possibility of renegotiating chunky store leases. The good ol' days of healthy growth from this fashion chain appears to have shrunk in the wash.

BUSINESS ICONS – JACK MA

THIS WEEK WE PUT THE FOUNDER OF THE BIGGEST ONLINE RETAILER IN THE WORLD, ALIBABA UNDER THE SPOTLIGHT.

Ma Yun, one of the most revolutionary business minds in the world, was born in 1964 in the Hangzhou region of mainland China. Like a lot of high-profile entrepreneurs, the passion for business began at a very early age.

He recognized from an early age that to converse in the world of commerce an understanding of the English language was required, and he put that into action by trying to converse with local English residents in nearby hotels.

Once comfortable, he would then give guided tours to local tourists in English to improve his proficiency in this linguistic area. This is where he was christened with the nickname Jack.

He went onto University and studied English and then became at a lecturer at his hometown's University teaching English. After a series of job knockbacks in the 1990s (including at KFC!), Ma began to take an interest in the now forged link between the internet and retail. He visited the US to discover more about the internet and how it worked. Whilst searching the web he began to look for Chinese beer, but no searches results were returned. He began exploring the information on the internet about China as a country, and much to his surprise again, no results were returned. He therefore decided to set-up a website with his like-minded English-speaking friends about China and its origins. Within the space of four hours of the website going live, Ma was beginning to be sourced out by a whole host of high net worth individuals who began to realise his talent, foresight and potential in this field.

After investor scrutiny, Ma then set up a second webpage called China Pages and the company grew from strength to strength, making close to one million dollars within the first three years. This business venture was not only important from both a financial and reputation perspective, it also opened up his mind to the power of the internet and its ability to "connect" people from different parts of the world together.

After a short stint in an official government position researching the role of the internet, the entrepreneur set up the company Alibaba just before the turn of Millennium. The goal was to create the first online Chinese marketplace for local businesses who had been locked out by the closed nature of the Chinese economy. After securing an initial $25m investment from investors, the firm grew at a rapid pace, attracting takeover bids from large American firms such as eBay.

Ma resisted the temptation to cash in and in 2014 this opinion was justified when the firm publicly floating on the New York Stock Exchange for a combined value of $25bn. This was the largest public stock flotation in US corporate history. The market capitalisation of the firm is now worth over $400bn and is one of the largest firms in the world. The exponential growth in Alibaba is part of the reason why many large US retailers such as Amazon have struggled to break into the Asian market.

Ma announced in 2018 that he would stand down as his role as chairman of Alibaba Group and would re-focus his efforts on philanthropic and educational projects. In his resignation letter last year, he stated "I still have lots of dreams to pursue. Those who know me know that I do not like to sit idle. The world is big, and I am still young, so I want to try new things."

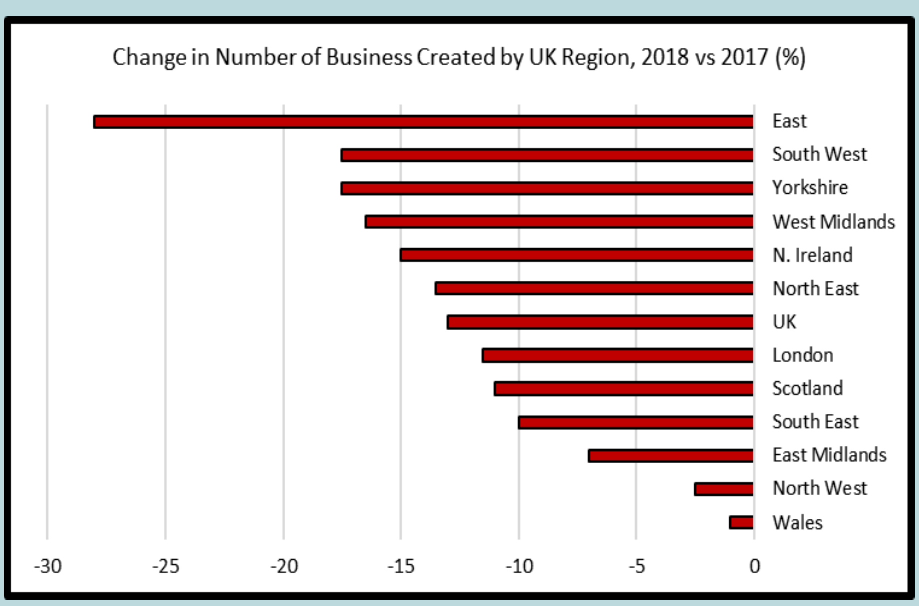


Chart and Data: Data taken from the Enterprise Research Centre (ERC) shows that new start-ups are falling in numbers across the UK's regions.

CHART OF THE WEEK

UK Business Start-Ups have declined over the last 12 months in each region in the UK.

This week's chart comes curtesy of the European Research Centre (ERC), a research body created by a host of universities, that helps inform policymakers on the best course of action for helping to facilitate SME growth in the UK.

The chart revealed some concerning trends that in every UK region, the growth in the number of UK start-ups fell into negative territory, indicating weak business and investor sentiment across the UK.

However, in the report that this chart was derived from the research body revealed that the strength of growth of existing start-ups is the strongest it has ever been, with the survival rate of start-up companies after three years up to 55%.

When analysing SME data it is important to be able to read between the lines and assess whether these firms are high growth with scale opportunities. If so, the potential for productivity improvements is strong.

Sainsbury's 2025 Plastic Pledge

THE SECOND LARGEST SUPERMARKET IN THE UK HAS BECOME THE FIRST MAJOR UK RETAILER TO MAKE THE AMBITIOUS PLEDGE TO HALVE ALL PLASTIC USE IN STORES BY 2025.

Many would consider the grocery sector as one of the biggest culprits for plastic waste and environmental inefficiency when it comes to in-store products and packaging. The numbers back this up, with an estimated 120,000 tons of plastic packaging going to waste each year in the UK from the supermarket alone. There are limitations to how much the supermarkets themselves can do about a vast majority of this packaging because most products are branded and therefore are packaged by independent companies. However, for own brand items the supermarket can begin looking for sustainable alternatives. The firms have now made the commitment that by 2025 it aims to reduce its plastic footprint by 50% on all Sainsbury's branded products. This marks the first of the traditional "Big 4" supermarkets to make this sort of ambitious pledge. Only the smaller discount chain Iceland has gone further by making a pledge to remove all plastic packaging by 2023.

Why does this all matter? Customers are increasingly becoming discouraged from purchasing from "dirty brands", those brands that do not seem to be meeting their ethical and environmental responsibilities that their bottom-line level of profitability justifies. Supermarkets, like all retailers, are being encouraged to step-up and bring forward innovative change to meet some of these CSR requirements.

PLASTIC REVOLUTION: Sainsbury's pledge to remove 50% of all plastic packaging in their own-brand products in six years' time.

BUSINESS CONCEPT OF THE WEEK

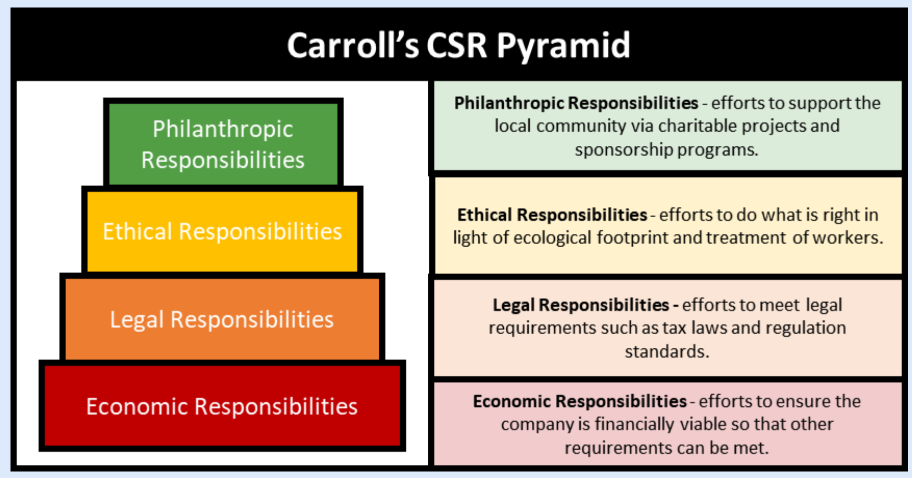
Corporate Social Responsibility (CSR)

CORPORATE SOCIAL RESPONIBILITY (CSR) OUTLINES A COMPANY'S FULL LIST OF BUSINESS RESPONSIBILITIES WITH A KEY FOCUS EXTENDING BEYONG BASIC ECONOMIC RESPONSIBILITIES SUCH AS SALES GROWTH AND PROFIT LEVELS.

Corporate Social Responsibility (CSR) is a very current term in business because several consumer groups and business stakeholders are beginning to question the mission statement of many firms. Does a company stand for more than just profit? Is the company re-investing into the local community? Does the company provide transparency and collaboration on business decisions and strategy? Does the business re-invest profits into "good causes" that encourage sustainability and protect the environment?

These are all valid questions that many of these stakeholders argue the business and its stakeholders should be asking themselves on a regular basis. If the company meets its CSR requirements it can provide powerful marketing advantages to attract new customer groups and can motivate workers in the business (improving retention rate and reducing turnover rate).

Some shareholders can be reluctant to actively adopt these requirements if it detracts the company away from strong growth in profits, therefore the power of being a strong CSR company must offset the damage to existing business strategy that comes from adopting different policies and procedures.



Enjoyed what you have read so far? Why not challenge yourself with a few teaser questions based on the material found in this week's edition of the Weekly 5.

Calculate the market share of smartphone sales for the companies Apple, Samsung and Huawei in the global smartphone market in the year up to July 2019. Round each of your values to 1 decimal place.

Give and explain three reasons a business may benefit from using rented office space that is provided by a company such as WeWork over a traditional lease agreement.

Investigate and research a company that operates in the gig-economy in the UK and discuss the relative advantages and disadvantages of those workers being defined as independent contractors over workers.

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

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