

A LEVEL BUSINESS PREPARATION WORK 2016

This assignment introduces you to the A Level course that you will start in September. It focuses on the first two topic areas and will be great preparation for your studies in Business. You should aim to answer all questions in detail and to the best of your ability.

Deadline – First Business lesson in September

Name _____

Form _____



SECTION A – ENTERPRISE.

entrepreneurs

Enterprise

222 Sports

Enterprise is the first area to be studied for the AQA and Edexcel Unit 1 exams. **Ann Marie Waite** looks at the trials and successes of a new business set up by three young graduates



The three founders of 222 (Triple 2) Sports became friends on a graduate training course at the engineering firm Thales. The

firm's product is an innovative training and monitoring system for swimmers called Swimtag, www.swimtag.co.uk, which will be sold to leisure centre operators so they can offer their members the opportunity to monitor their progress and performance while in the water.

The Swimtag is a wrist band that swimmers wear during their training sessions. It monitors their stroke types, lengths, distance, efficiency and calories burned. The data are uploaded to a website so the swimmers can keep a record of their progress. Suddenly a boring training session can be transformed into an exciting competition that drives the swimmer to beat his or her personal best.

The people behind 222

The business is owned by David Baddeley (26), Kieran Sloyan and Philip Maxwell (both 27). They all read engineering-related degrees at different universities. Although they commended the Thales graduate scheme, which provided huge opportunities plus a combined salary of over £100,000, their belief that Swimtag could be transformed from an idea into reality was too strong an incentive for them to ignore.

Kieran left Thales and worked on the product during the day, making ends meet with bar work in the evenings. Phil and Dave continued to work for Thales for a while, and worked on the Swimtag in the evenings and weekends. The decision to give up a good salary during a time when

many were being made redundant was a hard one.

In the beginning

In the beginning the business was funded by owners' wages and most of their time was spent developing the business plan, which was a critical part of their start-up. Not only did it help them think through their vision, it also helped them to secure much-needed finance. The early days were also spent working on the prototypes and securing the intellectual property rights to enable them to prevent any other businesses copying their technology.

Finance eventually came from three sources:

- a grant from the South West Regional Development Agency (SWRDA)
- an Enterprise Finance Guarantee Loan from a bank
- an Angel investment

This was a pivotal point for the business and one that made them all realise that their dream was soon to become a reality. It also meant that Phil and Dave could join Kieran and work full time on the product.

As it gains more and more attention in the health and leisure industry, Swimtag continues to be manufactured on a relatively small scale using UK and EU manufacturers. The owners anticipate that they will be able to lower the costs of production as the demand for the product grows, allowing them to produce on a larger scale and enjoy economies of scale. These are factors that allow a business to produce at lower unit costs when the level of production increases, such as through bulk-buying discounts.

With the operations side of the business established the team have shifted their focus on to sales and marketing and have set out a detailed marketing plan that assesses the strengths and weaknesses of their firm alongside the threats and opportunities in the external environment. It also includes an assessment of the marketplace along with plans for the PR and advertising of the product.

The best and the worst

The owners all agreed that securing the financial support from the three organisations gave them the boost they needed to realise their dream. The low point was when one of their earlier prototypes leaked during the trials. This was a huge blow, as the product relied on complete water resistance.

To the future

The future is looking bright. Many of the UK leisure and fitness firms that have shown interest are part of multinational groups. This has helped raise awareness of Swimtag in the global marketplace, so the aim of securing global distribution is already being realised.

Having met all three members of this dynamic and exciting team, there is innovative thinking and risk-taking in abundance. Throw into the mix determination, tenacity and resilience and you can see why these three entrepreneurs are on the map. Keep a close eye on this business as there is a lot more to come.

Ann Marie Waite is course leader for A2 business studies at Saint Brendan's Sixth Form College, Bristol.

1. Explain the meaning of enterprise and SMEs (small and medium enterprises)
2. What needs and wants do you think that the owners of 222Sports have identified in the market place and why do you think it is important that entrepreneurs like David, Kieren and Philip, aim to satisfy needs?
3. 222Sports identified a business opportunity or a gap in the market. Explain what this means and how budding entrepreneurs might be able to identify business opportunities.
4. What is the role of an entrepreneur in creating, setting up, running and developing a business? Refer to the activities of the founders of 222Sports in your answer.
5. What are the financial and non-financial motives for entrepreneurs to set up a new business? Why do you think the 3 founders of 222Sports have been inspired to set up this business?
6. What skills and characteristics are entrepreneurs likely to have? What evidence is there in the case study to show that the owners of 222Sports have some of these characteristics?
7. Define primary, secondary and tertiary sectors of the economy. Explain why SMEs are important to each of these sectors.
8. How important are entrepreneurs and SMEs to the whole economy? Use statistics in your response.
9. What is a stakeholder? Who are the stakeholders of 222Sports and how are each of them likely to be affected by the decisions of this business?



SECTION B – MARKETS.

Tesco turns stale as competitors freshen up ideas

By Richard Anderson Business reporter, BBC News

22 April 2015

The troubles just keep on mounting for Tesco. Stagnant sales, falling profits, boardroom turmoil, dodgy accounting and now its **biggest loss in history.**

No wonder shoppers and investors alike are questioning what was, until recently, the undisputed king of UK retailing, revered as much for its gargantuan sales as its continual innovation.



So where did it all go wrong?

Innovation

From humble beginnings selling army surplus food in the aftermath of the First World War, Tesco's stranglehold on the UK's food retailing sector began to tighten in the 1990s.

It was one of the first major retailers to understand the power of loyalty cards - not just in boosting sales through discounts but in using vast amounts of customer data to help tailor individual shopping experiences. Tesco's Clubcard has since proved a blueprint for reward schemes countrywide.

It was a pioneer both in introducing smaller convenience stores in towns and cities under the Express and Metro brands, and in differentiating own-label products with its Value and Finest ranges.



Tesco built its dominance in the 1990s on continual innovation

Tesco was also at the forefront of online shopping, understanding the importance of home delivery in the internet age.

In short, it "understood its customers and implemented this understanding on the shop floor," says Neil Saunders at retail research group Conlumino.

"Its marketing was both clear and compelling."

From snapping at the heels of Sainsbury's in the mid-1990s, Tesco's share of the market hit almost a third by 2006, almost twice that of its erstwhile rival. It was opening new stores in the UK at a rapid rate and embarking on a substantial overseas expansion plan that helped it become the world's third largest retailer.

There was, it seemed, no stopping this retail leviathan bent on global domination.

'Startling decline'

And yet things have turned sour remarkably quickly.

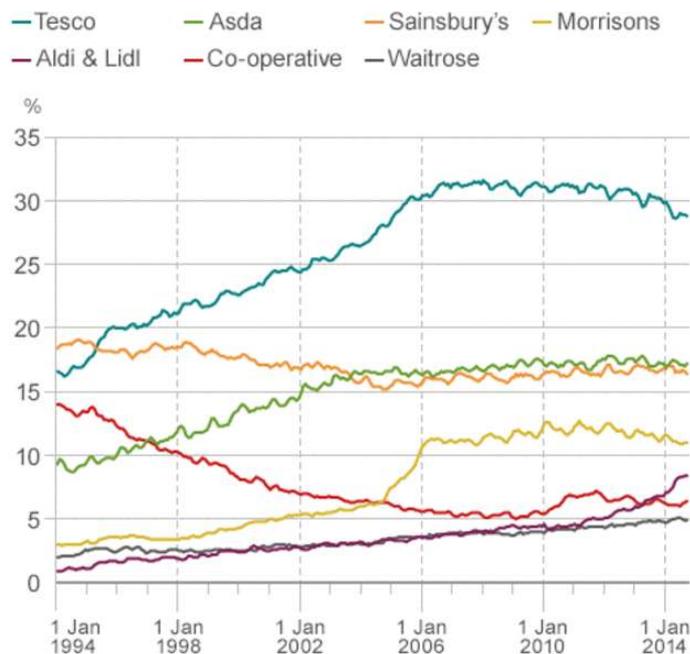
Sales have been stagnant for the past four years while hefty profits have turned into significant losses. Last year, market share fell below 30% consistently for the first time in eight years. And despite a rally early this year, Tesco's share price is still down by more than 20% over the past 12 months.

Investors would normally pile in to a blue riband stock after such a startling decline, but as Garry White, chief investment commentator at Charles Stanley stockbrokers, says, some City investors refer to Tesco as a 'value trap' - a bargain stock that fails to perform.

Some reasons for the supermarket's dramatic fall from grace were outside the retailer's control, others less so.

The financial crisis and subsequent recession focused consumers' minds on value and led to the rise of discount chains - primarily Germany's Aldi and Lidl - at the expense of the established UK supermarkets, primarily Tesco.

UK supermarkets' market share



Source: Kantar Worldpanel

At the same time, changes in shopping habits meant consumers were less willing to visit large out-of-town hypermarkets - the kind Tesco had invested heavily in - when they could get their groceries delivered at the click of a mouse.

Perhaps more importantly, Tesco became "complacent", according to Mr Saunders.

"It became a bit arrogant about its position, lost its customer focus and stopped innovating."

He also argues the company became too focused on profit and stopped investing in stores and customer service. This lack of investment became all too obvious on the shop floor.

Tesco also lost a lot of money, not to mention management time, on expensive

overseas projects such as Fresh and Easy, its failed foray into the lucrative US market.

Finally, the company seems to have lost its way - where once there was a clear vision and identity, now there is indecision and confusion.

As Fraser McKeivitt, head of retail and consumer insight at research group Kantar Worldpanel, says: "There has been no big innovation for a long time, while nobody knows what [the company] stands for."

The appointment of marketer Dave Lewis as chief executive following the short and ultimately unsuccessful reign of Philip Clarke recognised as much.

"Tesco has a major brand problem and Mr Lewis understands brands," says Mr McKeivitt.

'Radical solutions'

But what can he do to help Tesco turn the tide in a retail landscape that has changed considerably since the chain's heyday? Not only is the market more fragmented and more competitive, but all grocery retailers have yet to find a way to make good money from online shoppers.

Tesco's attempts to break into the US market with Fresh and Easy failed

Mr Clarke launched a £1bn turnaround plan that did little to convince investors. His successor will need to do more than throw money at the problem.

"Radical solutions are needed," says Rahul Sharma, retail analyst at Neev Capital.

"Tesco's predicament is similar to other major global retailers such as Walmart and Carrefour - it is wedded to its big stores. There are no easy answers."

These stores are not just a major source of profits, he argues, but they are integral to the distribution of home-delivered goods.

Simply selling off big stores is not, therefore, an easy solution.

But whatever direction Tesco chooses to go, whether it be reinvigorating both the brand and its big stores, or becoming a more streamlined business focusing on smaller outlets, one thing is certain - it is unlikely to return to its former glory.

"Tesco can be turned around, but it will take a few years," says Mr Saunders.

"However it will never get back to where it was."

For those critics of Tesco, who bemoan its role in ousting local retailers and paying farmers unsustainably low prices for their produce, this is perhaps no bad thing.



ANSWER ALL OF THE FOLLOWING QUESTIONS BY REFERRING TO THE ABOVE CASE STUDY AND YOUR OWN RESEARCH.

1. With reference to the supermarket industry, explain what a market is and what is meant by competition. How has competition for Tesco changed over the years?
2. Write a definition of the following types of market:
 - Local
 - Global
 - Mass
 - Niche
3. Which of these markets do you think that Tesco operates in? Use the article and your own research to answer this question. (It might be in more than one of those listed in question 2)
4. Now analyse the market in which Tesco operates. Carry research to find out the following:
 - What is the size of the UK supermarket industry? (volume and sales).
 - What is the percentage share of the market for Tesco? (latest figure available online)
 - Describe the trends. What has happened to the market over the last 5 years? What has happened to Tesco's market share over the last 5 years? Include calculations where possible. (e.g – by how much has the market grown and how much has Tesco's share of the market reduced? Answers should be expressed in % terms)
5. Can you give any reasons for what has happened to the supermarket market's decline over this period? Read the article provided and carry out your own research to do this.
6. Tesco need to meet the needs and wants of its many customers. To do this the store should be aware of market segmentation. What is this and how is Tesco's market likely to be segmented?
7. Markets can be classed as having differing degrees of competition ranging from perfect competition to monopoly. Between these extremes there is monopolistic competition and oligopoly. Outline the main features of these different markets.
8. What kind of market does Tesco operate in and how might the business need to react to its competition?
9. Tesco still has a large share of the groceries or supermarket market. When a business dominates a market there may be a negative impact on consumers, so the Competition and Markets Authority seeks to protect them. In what ways might consumers be exploited by large businesses like Tesco?

