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In this resource he provides suggested answers for the 49 data questions which appear in International Business for A2.
Vodafone (page 5)

Telecomms are a fast growing sector but Vodafone has never been less than vigorous in expanding its international operations. The data below shows how the company managed to grow, despite a world economy in recession. Even if you allow for the company blowing its own trumpet, the results look good, considering what was happening during that year to profits across the world economy. The percentages relating to organic growth show like-for-like growth, excluding the effect of inorganic growth, i.e. company takeovers or new acquisitions.

Table 1.1: Vodafone’s key performance indicators (KPI)

<table>
<thead>
<tr>
<th>Purpose of KPI</th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service revenue; % organic growth</td>
<td>£38,294m</td>
<td>£33,042m</td>
<td>£28,871m</td>
</tr>
<tr>
<td>Data revenue; % organic growth</td>
<td>£3,046m</td>
<td>£2,119m</td>
<td>£1,405m</td>
</tr>
<tr>
<td>Operating profit (related to organic growth)</td>
<td>£11,757m</td>
<td>£10,075m</td>
<td>£9,531m</td>
</tr>
<tr>
<td>Number of mobile customers</td>
<td>302.6m</td>
<td>260.5m</td>
<td>206.4m</td>
</tr>
<tr>
<td>New mobile customers over the year</td>
<td>33.6m</td>
<td>39.5m</td>
<td>28.2m</td>
</tr>
</tbody>
</table>

Source: Company accounts, year to September 2009

Much of this growth came from activities abroad. Revenue in Asia and the Middle East was up by 15%, much of that coming from India. European revenue grew on the strength of the rising euro exchange rate. Ventures in Africa were successful too.

The chairman’s statement said:

In our developed markets, we will continue to enhance our customers’ communication capability, with innovative products such as netbooks and laptops with embedded SIM cards to connect directly to higher speed mobile data networks. We continue to see very strong growth in mobile data usage, over 100% in our European markets. Our industry is undergoing an important change away from the predominance of voice traffic; within a few years most of the traffic on our European network will be data. We will promote services, particularly for small and medium enterprises, which increase workforce flexibility and enable greater efficiency and cost control.

Questions

1. What evidence is there in the data that the recession was having some effect on Vodafone’s performance?
2. Explain how it could be that operating profit rose in 2009 while service revenue fell by 0.3%.
3. Why might Vodafone be concentrating its expansion abroad?
4. What steps is Vodafone taking to ensure that it retains its competitive edge?
Vodafone (page 5)

Answers

1. What evidence is there in the data that the recession was having some effect on Vodafone’s performance?

All of the KPIs (Key Performance Indicators) show the effects of the recession. From 2007 to 2008 there is a general improvement in the KPIs, for example, operating profit rose from 4.2% to 5.7%. However from 2008 to 2009 things began to get worse and this shows the effects of the recession, which by this time was in full swing. Group sales have actually dropped from a 4.3% increase to a small negative growth of minus 0.3%. Data revenue has increased but not by as much as the previous year. Although operating profit has risen in nominal terms, as a percentage of sales it has dropped from 5.7% to 2.0%. The number of customers has increased by 42.1m; however, this is lower than the previous period’s increase of 54.1m. Again with new customers there has been an increase but only of 33.6m compared to 39.5m.

2. Explain how it could be that operating profit rose in 2009 while service revenue fell by 0.3%.

The fall in service revenue would have been balanced out by the growth in data revenue. The service side of the business is very competitive and prices will have been driven down squeezing profit margins. By contrast the data side is expanding and prices reflect the high demand for these services.

3. Why might Vodafone be concentrating its expansion abroad?

Markets abroad are probably somewhere behind our own, in that there are still plenty of people who may not yet have bought a mobile phone. The UK market is close to saturation as most people that want a phone already have one. This means that Vodafone can only increase its market share by ‘stealing’ customers away from other companies. This can be done by extensive marketing, cutting prices or by constantly improving its service and the range and quality of its products. Quite often it is a combination of all of these and this is both expensive and time consuming. By contrast it is easier to sell to people who have not yet bought one; the market has the potential for more rapid growth and greater profitability. It makes sense for Vodafone to put most of its energy and resources into expanding abroad.

4. What steps is Vodafone taking to ensure that it retains its competitive edge?

Like most high-tech markets the pace of change is rapid, the article quotes an increase in mobile data usage of over 100% in European markets. Unless firms constantly innovate and adapt they are likely to be left behind by their competitors. Consumers want the latest technology and they have a lot of choice as to who to get it from. Vodafone are clearly aware of this and are moving into new but related fields with new technology. The extract mentions their development of netbooks and laptops and also their increasing emphasis on data transmission rather than voice traffic. All of this should enable Vodafone to keep its competitive edge.
Charles Tyrwhitt’s shirts (page 8)

The city’s favourite shirtnaker, Charles Tyrwhitt is continuing its global expansion. Unfazed by the recession, the founder, Nick Wheeler, is going forward with his plan to become the world’s leading shirtnaker. Not satisfied with having stores in London, Manchester, New York, Madrid, Paris, Singapore and Kuwait, Charles Tyrwhitt is now exploring the Indian market.

The company is working with the Collective Store in India’s fashion capital, Mumbai, launching their shirts as a super premium lifestyle retail brand ‘for the discerning man’. The Collective is the anchor store at the Palladium, the city’s first high-end luxury brands mall.

Charles Tyrwhitt sells to over 77 countries worldwide and has a turnover of £60 million per annum. The firm has recently made huge in-roads into the German market, which is up 52% year-on-year exclusively through mail order and internet sales. Now, they are hoping to win over Indian businessmen with their premium quality shirts.

Nick Wheeler says, “we are delighted to be part of The Collective Store. Their position as an upmarket, high-quality outlet goes perfectly with our target audience and has helped us to position ourselves in the Indian market.”

Source: company press releases.

Questions
1. The shirts in this story are very traditional in style. Explain why it might be hard to increase sales in any one market.
2. Most people would not try to sell a textile product in India. Why might it be possible for such a plan to be realistic for this particular company?
3. What other kinds of products, besides fashion clothing, might use a similar strategy?
Charles Tyrwhitt’s shirts (page 8)

Answers

1. The shirts in this story are very traditional in style. Explain why it might be hard to increase sales in any one market.
   Traditional, quality shirts will have limited appeal in the overall shirt market. Although the article does not mention price they are likely to be more expensive than traditional types of shirt; much emphasis is laid on ‘premium, quality’ and ‘super premium luxury’. In fact Tyrwhitt is operating in a global niche market (see Chapter 16 for more details). The market is limited both by income levels and taste (the shirts are described as traditional), once that market segment has been targeted the only way to expand is to move to another country’s market, hence the global expansion plans of Tyrwhitt.

2. Most people would not try to sell a textile product in India. Why might it be possible for such a plan to be realistic for this particular company?
   There are several reasons why Tyrwhitt’s plans are reasonable. Their shirts are niche products and therefore do not compete directly with the much cheaper mass market textiles available in India. They will appeal to a small sub section of the Indian market that is willing to pay premium prices for a superior product. India is also an economy that is growing in both the physical and economic sense. GDP is rising and the more affluent Indian middle classes are expanding, meaning that there are an increasing number of consumers in India with the means and desire to buy Tyrwhitt’s products. Tyrwhitt is also locating his shirts in the capital city’s first high end luxury brands mall, therefore directly accessing those most likely to buy his products.

3. What other kinds of products, besides fashion clothing, might use a similar strategy?
   Many other niche market products could use a similar strategy as could some mainstream products that are income elastic. Given India’s rising income levels and the growing affluence of the middle class and their desire for a more luxurious lifestyle the list is a long one. Your examples might include all sorts of electronic and high tech equipment, designer furniture, sports cars, and jewellery.