LONDON metropolitan university

EXAMINATION QUESTION PAPER: Reassessment, 2014

Module code:	**EC5002**
Module title:	**International Business and World Markets**
Module leader:	**Nick Scott**

Date:	**July/August 2014**
Duration:	**3 hours**

Exam type:	**Part Seen/Unseen, Closed**
Materials supplied:	**Case Studies**
Materials permitted:	**None**
Warning:	**Candidates are warned that possession of unauthorised materials in an examination is a serious assessment offence.**

Instructions to candidates:	**Candidates are required to answer questions as follows: <u>one</u> question from section A, <u>one</u> question from section B and <u>three</u> questions from section C. DO NOT TURN PAGE OVER UNTIL INSTRUCTED**

Section A

High Street fashion – derived from BBC various sources

When Sir Stuart Rose says something on retail, it's worth listening. With a 40-year track record in the industry, the former chief executive and chairman of Marks and Spencer is famed for turning around struggling retailers. Now an independent, non-executive director at South Africa's Woolworths Holdings, a chain of shops selling fashion, food, beauty and home ware, he says retail has changed. "Where the customer used to be king before, the customer is now the master of the universe: and they want what they want, how they want it, when they want it."

For Woolworths, this shift has been felt most keenly in clothing - an area that along with beauty and home ware makes up 38% of its business in South Africa. In response, over the past two to three years it has made a conscious effort to make its clothing more fashionable, which crucially has involved getting it from the design stage to the shop floor much more quickly. The strategy appears to be working. The company's most recent results for the year to the end of June saw clothing sales grow by 13.7%

Neil Saunders, managing director at retail consultancy Conlumino, says the changes at Woolworths reflect a "sea change" in how supermarket groups sell clothing. "They have become more like clothing retailers. Five years ago they used to merchandise it in the same way as, for example, baked beans. They piled it high and sold it cheap. But now they have become lifestyle rather than commodity-led."

Mr Saunders says the 2008 financial crisis and resulting recession is a key reason behind this change in approach, with a trend for people to choose quality items that they expect to last. "Before the recession people bought lots of stuff... they even bought stuff they didn't wear. There was a disposable element because clothing was cheap and people felt affluent. People are more frugal now. They buy less stuff and follow the ethos of, 'If you buy it right you buy it once.'" Mr Saunders says, however, that low prices can still lure in customers if they are combined with fashion, citing Primark as an example. "It's on trend and that makes people very interested. But if a retailer just chases value then they struggle," he adds.

UK supermarket group Sainsbury's founded its clothing range Tu almost a decade ago. James Brown, clothing business director at Sainsbury's, says when Tu began it was focused on core products such as leggings, jogging bottoms and T-shirts, with ranges changed every 12 weeks or longer. But in the past two years it has become more trend-led.

"Since our recent rebrand the new Tu range is refreshed every six weeks to keep up with the latest fashions, and offer new products to our customer," says Mr Brown "Over the last nine years we have learnt more about our broad customer base and have adapted the range to offer more High Street-style garments at supermarket prices to meet customer demand," he adds.

The approach seems to be working - at its recent trading update for the 16 weeks to 28 September it said its general merchandise and clothing business grew at more than twice the rate of its food business. Mr Brown says new items are planned up to seven months in advance, but that it can react quickly to last-minute trends by turning around a style in just eight weeks, assuming it can get the necessary fabric and has the production capacity.

“The importance of fashion is becoming greater and greater and customer awareness is getting better and better. They're very fashion aware and they want it now. That's the way the world is going, it's the way it's changing and it's the way we've got to change as a business."

Section B

Africa's upstart mining countries taking bites out of big boys: Mar 20, 2014 from FT

South Africa and Nigeria are global mineral and oil suppliers, respectively, that have built up their specialist industries over decades. So they should also be well advanced in creating investor-friendly policies and attractive operating environments. Similarly, Kenya, as east Africa's leading economy, could be expected to create an appealing framework as it looks to tap into its own natural resources. But Africa's top economies seem instead to be skidding backwards, so much so that investors are turning to smaller nations like Burkina Faso and Eritrea. Although they are among Africa's poorest countries, they are proving much more attractive to miners, according to recent research data.

The Investment Attractiveness Index combines both policy and practice aspects and Botswana took top place in 2013 far ahead of neighbouring South Africa, Nigeria and Kenya. Also scoring highly are Ghana, Namibia, Zambia, Burkina Faso and Eritrea. What's so special about Botswana? Peter Leon, head of mining and energy projects at law firm Webber Wentzel, says Botswana has topped the ranking in Africa for many years because of its investor friendly mining code, which limits administrative discretion and applies objective licensing criteria to the grant of rights. "Licenses are granted quickly and there is little or no corruption. Again, Botswana scores highest with Mauritius on the "corruption perception" index," he says. He notes that Burkina Faso, too, has moved up the ranking as a result of its progressive mining code and its application in practice.

It's a different matter with the heavyweights though. South Africa, the world's biggest platinum supplier, has seen its chronic labour unrest become a living nightmare for MNE mining companies, who in 2012 and 2013 lost a combined R12.54bn ($1.15bn) to strike action. Government attempts to solve the crisis have failed with an ongoing wage strike by leading union AMCU costing the industry millions every day. Calls to nationalise the mines among sections of the ruling ANC, who see this as a catch-all solution to poverty, unemployment and social inequality have also caused concern. Although the ANC administration has ruled out nationalisation, the state has been looking at other ways to get more out of companies in the extractive sector. Last week it pushed through changes to its mineral and petroleum laws, which give the state a free 20 per cent stake in new energy ventures, rules that have been criticised by metals, oil and gas producers.

Like South Africa, Nigeria has huge potential, however the country still struggles to provide a secure and transparent environment. Foreign oil giants seem to have already made up their minds about the environment in Nigeria, as indicated by a trend in divestments. Security issues have posed significant challenges for Shell who is seeking to sell off some assets; disruptions and crude oil theft are reported to have cost the company almost $1bn in revenue in 2013. Last year other foreign majors such as Chevron and Conoco Phillips announced the disposal of assets in the country. International oil companies fear that Nigeria's much delayed Petroleum Industry Bill, with its proposed increases in royalties and tax rates, could significantly erode investor returns.

Tom Wilson, intelligence and analysis director at Africa Practice, a consultancy, says smaller African economies have taken conscious decisions to develop attractive petroleum and mining policies to encourage investment and accelerate economic development or diversification, whereas governments in established extractive economies have inherited complex policy and operating environments that are difficult to address. Smaller economies, he says, "have the opportunity to build policy from scratch: in many instances it is easier to build something new than to reform something broken." Wilson says that, above all else, resource companies are looking for policy stability: a guarantee that negotiated terms will be respected, not revisited; something he says is often more important than the level at which tax or royalty rates are set.