

# EasyJet and Greiner's growth model

Greiner's model was developed in the last 40 years and looks at how businesses grow and the challenges they face along the way. Here, **Phil Waterhouse** applies the theory to EasyJet to show how it has evolved as a business

**L**isten to any successful entrepreneur talk about their beloved business and you will notice that they often refer to their start-up in a paternal way. For many, their businesses and how they grow are like parents watching and nurturing their children as they develop in the world.

When I left university I spent 6 months working at EasyJet, which was then just an airline start-up at Luton airport. Two new firms had started operating, Debonair and EasyJet. I was working in the head office of the latter and witnessed first hand how the company, under the direction of Stelios Haji-Ioannou, went through the stages of growth as outlined by Greiner (Figure 1).

## Creativity

The business at that stage offered two routes from Luton: one to Glasgow and one to Edinburgh. Each route had six flights per day.

EasyJet revolutionised the airline industry. The company was unique in that it did not offer complementary meals, used printed boarding passes, and the cabin crew wore casual jeans and polo shirts. The business model was formulated on the idea of minimising costs at every opportunity and passing these savings on to customers in the form of lower prices.

This was a period of immense creativity, with the company looking to challenge the perceived wisdom of the traditional

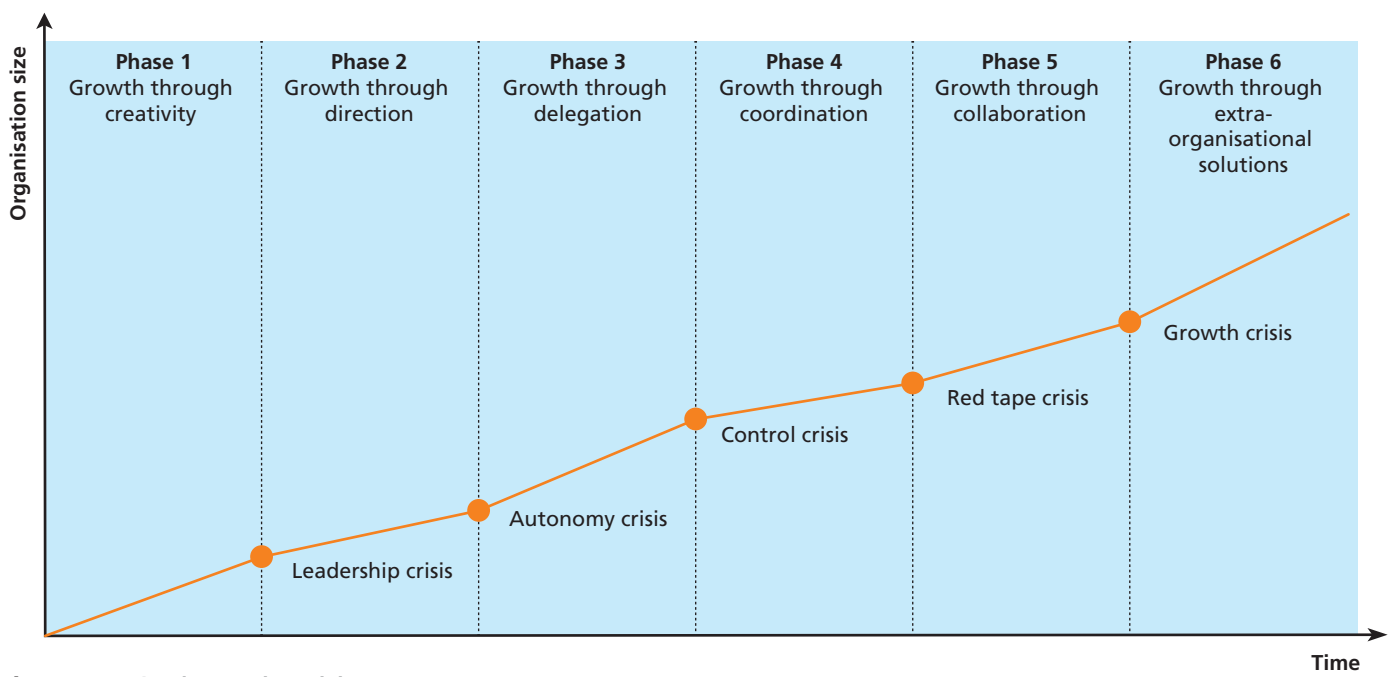


Figure 1 Greiner's growth model

airlines. Customers were intrigued enough to try out the new airline. While non-allocated seating took a while to get used to and is still not universally liked, it has given the airlines an opportunity to charge extra for allowing customers to choose their seats.

This sort of creative thinking is like that of a young toddler who is encouraged to try things out and learn from their mistakes. For many new businesses it really is a case of having a blank canvas to experiment, and serial entrepreneurs love the challenge of starting again with smaller businesses and seeing them grow.

### Direction

As EasyJet grew, and started to add more routes such as Amsterdam and Barcelona, it realised that it needed to bring in extra experience and understanding of the airline sector. While the company was not exactly in crisis, it was facing potential challenges from British Airways, which introduced its own low-cost airline, Go, to challenge the growth of EasyJet.

At this stage, Haji-Ioannou was keen to develop his 'Easy' brand and started to open up internet cafes, cinemas and hotels. He realised that for the airline to grow he needed further expertise from outside of the business to bring more structure. Ray Webster was brought into the firm to help it develop to the next stage. Like a child growing up, rules and direction had to be introduced, and the organisation grew more complex as it became larger.

At this time, certain employees who had been at the firm since the beginning began to pine for the 'good old days' when as a new start-up any marketing or PR opportunity was seized upon. As the airline grew, more traditional methods of advertising were used and in many ways the business became more formal and structured.

### Delegation and coordination

As EasyJet grew in size, the company expanded out of its head office at the end of Luton airport's runway into different areas across the airport. This was necessary, as the operations sector, cabin crew and reservations staff did not need to be working out of the same place.

While this led to greater efficiency, it also meant that the firm now had difficulty controlling and coordinating its operations, and a crisis of autonomy and then control resulted, with different parts of the business operating separately and having different viewpoints as to where the business should be heading and which area should be a priority. Similar to a child growing up — a balance needs to be struck between giving a child independence but also setting clearly defined boundaries.

In many ways EasyJet was entering the difficult teenage years, and so decided to embark on a situation where greater coordination between the different parts of the business was introduced. This coincided with the appointment of Andy Harrison as CEO, who decided to bring the different operations back into one central headquarters, as well as introduce a balanced-scorecard approach to evaluate the performance of different employees. This 360-degree appraisal system helped the business become more focused, as employees felt a greater sense of belonging and affinity to the firm, after it had perhaps grown too large to manage.

### Collaboration

As always with the introduction of change, there was some resistance (as Kotter and Schlesinger would identify). However, what could have been seen as a crisis of red tape and more paperwork was overcome with clear communication and



Non-allocated seating gives EasyJet the opportunity to charge customers for choosing their seats

education about how the system would operate. From the start of EasyJet's operation it had strived to have a 'paperless' office as much as possible. This meant that key documents were scanned in and saved digitally and that the majority of communication was performed electronically. This is still a key part of EasyJet's operations today.

No teenager or young adult wants to be tied down by endless work, and one of the key aims of Andy Harrison and his board was to try and make things simpler for their employees and allow them to focus on their main jobs.

All the while, Stelios Haji-Ioannou was an important and sometimes critical onlooker of how the airline had grown. He and his family still own 30% of the plc, and sometimes object publically to the way the company is being run. In many ways this can be seen as like an older parent looking on at the grown-up their child has become. While they might not like every choice and decision made, their love and fondness for what was their baby remains strong.

### Extra-organisational solutions

In terms of future growth, the company has continued to develop and exploit extra-organisational solutions (i.e. alliances and mergers) as it has grown in size. From just two routes in 1995, it now has over 100, and is the second-largest airline in Europe behind rival Ryanair, flying over 70 million customers each year.

This growth included the buyout of the failed Go airline, as well as GB Airways in 2007. These acquisitions helped EasyJet grow further, and while the company specialises in short-haul destinations, a recent expansion to a Moscow route means that the firm could try and bring its business model to the highly competitive transatlantic and long-haul markets. This is likely to lead to more growing pains as identified by Greiner.

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# Google Glass



How can a business as rich and clever as Google launch a dog of a product? One that makes them seem out-of-touch and perhaps even 'creepy'? And launch it from a division of the business run by founder Sergey Brin? Welcome to Google Glass...

In February 2013 Google held a contest to select as many as 8,000 people keen to purchase a \$1,500 pair of Google 'smart' glasses. Such was the buzz about the company that people expected Google Glass to be the next big thing. The product was in its development stage, yet customers were still willing to part with \$1,500 to be 'Glass Explorers'. A commentator called it the equivalent of a crowdfunding campaign.

Google Glass was to be the way of the future. People walking down the street could pick up e-mails, talk on the phone, connect to the web and record anything they were seeing using Google Glass. It would keep the wearer in touch permanently with football results, share prices or their loved ones.

### What went wrong?

But the media gave Google Glass a hard time from the start. Why would anyone want to wear an unfashionable-looking pair of glasses? And who wants to record everything they see in front of them? After launch, some restaurants in the USA banned customers from wearing Google Glass.

Analysis by Teardown.com showed that the components within the product cost no more than \$80. Google persisted, claiming that all great innovations took time before people accepted them. It launched the product fully in 2014 and in early 2015 talked about Google Glass version 2 being launched soon, but that never happened. Google Glass was quietly dropped. By April 2015 the boss of Google Research Labs was confessing in public that the company should never have launched the product so early, or charged so much.

But for some early adopters the damage was done. Consumer electronics blogger Tim Bajarin called the experience of being a Glass Explorer 'horrible from the start', saying the user interface was 'terrible', the 'connection unreliable' and the information provided of 'little use'. He called it the worst \$1,500 he'd ever spent in his life. Google has never revealed all the development costs involved in the Glass project.

Is it possible that high-tech companies are making the same mistake with self-drive cars? Smart phones didn't lead to smart glasses — they may also not lead to smart cars.



# Elkington's triple bottom line

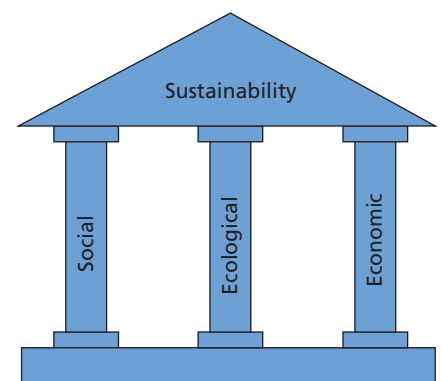
**Paul Hoang** looks at applications of the triple bottom line

**T**wenty-first-century business operations have an important role in ensuring sustainability by creating a balance between the ecological, social and economic needs of people today and those of future generations. This might, for example, include the use of green technologies and recycling. There has been growing interest in the reporting of the triple bottom line (TBL) across for-profit, non-profit and government organisations to evaluate their performance.

## Elkington's model

Sustainability is a concept that promotes intergenerational equity, i.e. business activity enables consumption of goods and services for the people of today without compromising consumption for the people of tomorrow. Sustainability is about meeting the needs of the current generation in such a way that it does not jeopardise the needs of future generations. The triple bottom line (TBL) is a framework for sustainable business activity, with three 'pillars' that support sustainability (Figure 1):

- ecological (or environmental) sustainability
- social sustainability
- economic (or financial) sustainability



**Figure 1** Elkington's pillars of sustainability

John Elkington, a world-leading writer on the topic of sustainability, created the TBL model in 1994. Elkington's pillars of sustainability are sometimes referred to as the **three Ps of sustainability**:

- people
- planet
- profit

## Overfishing is not ecologically sustainable



## Box | Ecologically sustainable business

**Green technologies:** environmentally friendly innovations that consider the long-term impact on the environment, e.g. renewable energy sources such as solar panels and wind turbines.

**Recycling:** turning waste products such as plastic and glass bottles into reusable materials.

**Ecological footprint:** the impact of resource consumption and waste production on the natural environment, e.g. cycling rather than driving to work, or using online technologies for business meetings instead of flying overseas.

**Conservation:** using the planet's scarce resources in a sustainable way by using renewable resources, such as trees and fish, at a rate that enables these resources to self-replenish.

**Preservation:** protecting the Earth's resources by reducing the human impact on the physical, natural environment and the cultural environment, e.g. rainforests and heritage sites.

The TBL requires that an organisation's responsibility lies with its stakeholders rather than only its shareholders.

### Ecological sustainability

Ecological sustainability refers to the capacity of the natural environment to meet the needs of the current generation without risking the ability of future generations to meet their needs. For example, overfishing or deforestation are not ecologically sustainable. A lack of ecological sustainability means that production can deplete the Earth's natural resources for future generations.

Ecological sustainability requires efficient and sensible use of the planet's scarce resources so that they do not become exhausted. For example, a report in *Business Insider* found that China's ban on plastic carrier bags saved the nation over 4.8 million tonnes of oil. Many countries have imposed taxes or bans on the use of plastic carrier bags, including: the UK, Ireland, Italy, Spain, Denmark, Bangladesh, Hong Kong, South Africa and Mauritania.

The world's population reached 1 billion people around 1804. It reached

2 billion by 1927 (some 123 years later). However, with improved standards of living, it took just 33 years for the world's population to reach 3 billion in 1960. It then more than doubled to over 7 billion in 2011. The United Nations estimates the global population will reach 8 billion by 2030.

This exponential population growth puts huge pressure on the world's finite resources and makes ecological sustainability a key priority for many production managers and business executives. Hence, ecological sustainability requires businesses to consider more environmentally friendly practices (Box 1). There can be cost-saving benefits for the business too, such as reducing waste from packaging, which can help to reduce costs of production.

### Social sustainability

Social sustainability examines the ability of businesses and people to develop in such a way that they can meet the social wellbeing needs of current and future generations.

The United Nations estimates that the global population will reach 8 billion by 2030



An economy based on endless growth is unsustainable

It enables society to optimise the quality of life for people and their descendants. By contrast, social hurdles prevent a community from advancing, e.g. poverty, unemployment and social exclusion (such as racism and gender inequalities).

Elkington argued that male business leaders need to accept women as equals

if there is to be social sustainability and development.

“For every moment we remain silent, we conspire against our women.”

Nelson Mandela

Indeed, embracing social justice can bring about many business opportunities in terms of recruitment, retention and reputation. Gender discrimination (Box 2) represents an inefficient allocation of

human resources. The United Nations Development Programme (UNDP) argues that gender equality is fundamental to both economic and human development. From a humanitarian viewpoint, removing social inequalities gives communities a better chance of achieving sustainable development.

In addition to creating jobs and paying taxes, many countries expect businesses to fulfil their **corporate social**

## Box 2 Gender inequalities

According to the UNDP, discrimination against women and girls is the most persistent form of inequality.

According to the Australian government, two thirds of the 800 million people in the world who lack basic literacy skills are female.

Estimates from the UNDP show that in many South Asian countries like India and Pakistan, fewer than 35% of women are in paid work. The global average is 53%.

## Box 3 Pollution allowance at Panasonic

In 2014 Panasonic introduced a wage premium to expatriate workers in China. The Japanese electronics company became the world's first company to introduce a higher pay scheme to compensate employees sent to China due to the country's hazardous air pollution. According to the US embassy in Beijing, air pollution in China's capital city is more than 16 times the World Health Organization's safety guideline.

**responsibility (CSR).** CSR refers to the voluntary actions that businesses take that are over and above compliance with minimum legal requirements in order to address both their own competitive interests and the interests of the wider society. Ignoring CSR can attract unwanted media publicity. Hence, an increasing number of businesses apply CSR in their practices.

### Economic sustainability

Economic sustainability refers to development that meets the economic needs of the present generation, using existing available resources, without compromising the ability of future generations to meet their economic needs. It requires businesses to consider which resources (land, labour, capital and enterprise) are not used efficiently in order to correct the situation.

The overuse of resources is a major threat to economic wellbeing. Increased global demand and consumption makes it ever more difficult to sustain the output of goods and services over time. For example, the use of energy sources that use fossil fuels (e.g. coal, oil and natural gas) has huge repercussions on the natural environment, including climate change (Box 3). The rapid economic development in China and India has resulted in high levels of pollution and environmental damage. Globally, economic activity has led to the rapid depletion of the world's finite resources, especially non-renewable resources. With the continual rise in world population, the question for businesses is whether economic growth and its associated impact on the natural environment are sustainable.

Economic sustainability requires businesses to be more responsible in their use of resources, e.g. using materials that are environmentally friendly, easier to recycle or that are biodegradable. Paying attention to sustainability improves the chances of business success in the long run. However, in their endeavour to maximise profits and due to the potentially higher costs of operating in a sustainable way, businesses often do not make efficient use of available resources. Resistance to change or reluctance to embrace the ethos of sustainability creates further obstacles for economic sustainability.

Nevertheless, most analysts believe that economic sustainability is vital for any business striving to establish profitability over the long term. From this perspective, economic sustainability as a business strategy helps the firm to survive, thrive and contribute to the economic wellbeing of others via the creation of jobs and wealth.

### Limitations of TBL

The main issue with TBL is not the definition but establishing a common measure of sustainability, particularly ecological and environmental sustainability. While profit (economic sustainability) is measured in dollars, it is far more difficult to measure social capital and the environmental health of a business. For example, it is difficult and highly subjective to put a monetary value on the loss of forests or endangered habitats. Hence, it is difficult for businesses to sum across all three of their bottom lines on their financial accounts. This makes it hard for businesses to determine the monetary value of the benefits of using the TBL.

While the TBL incorporates the social, environmental and economic (people, planet, profit) dimensions of sustainable development, it ignores the explicit focus on time in assessing the short-, medium- and long-term consequences of business activity.

### Conclusion

Elkington argues that the TBL is an important business management tool to support sustainable business activity. The TBL has changed the way that businesses — be they non-profit, for-profit or public sector organisations — measure sustainability and the financial performance of business activity. However, businesses face challenges putting the TBL model into practice due to the subjective nature of measuring social and environmental sustainability.

Nevertheless, Elkington argues that only businesses that account for the TBL truly realise the full costs involved in doing business. This argument is logical — businesses measure what they believe to be of value to them in the long run. Only by accounting for, or measuring, their social and environmental impact, in addition to their economic impact, will they be socially and environmentally responsible in the long run.

### Further reading



Economist Intelligence Unit, 'Doing good: Business and the sustainability challenge', [www.tinyurl.com/pyz2svs](http://www.tinyurl.com/pyz2svs)

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Savitz, A. W. and Weber, K. (2006) *The Triple Bottom Line: How Today's Best-Run Companies Are Achieving Economic, Social and Environmental Success — and How You Can Too*, Jossey-Bass.

Taylor, A. (2012), 'China Says Its Plastic Bag Ban Has Saved 4.8 Million Tonnes Of Oil', *Business Insider*, [www.tinyurl.com/pd6nclly](http://www.tinyurl.com/pd6nclly)

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# Ten things you need to know about market research

Ian Marcousé provides a framework of ten concepts for your marketing revision

## 1 Bias

Reasons why research results may be pulled away from the true figure. This may be due to the conscious or unconscious actions of an executive, or due to a failure in the sampling process.

**Example:** an overrepresentation of older consumers may bias the findings in favour of the status quo instead of change.

**Advantage:** looking carefully for potential sources of bias may help smooth out the problem.

**Disadvantage:** you can't know what you don't know, so problems occur when sources of bias are not anticipated.

## 2 Interpretation

Research data rarely says: 'do this'. Success comes from analysing the findings with care, and interpreting what they mean for the company and its brands.

**Example:** research into a new product idea may show some people strongly in favour, but even more who hate it. The right interpretation might be to say 'go ahead' — 'Marmite' products that people love or hate give a better prospect for sales success than products that many consumers 'quite like'.

**Advantage:** intelligent interpretation of complex, perhaps conflicting, sets of data is a skill that comes from strong market understanding, and cannot be automated.

**Disadvantage:** most new products fail, so perhaps marketing managers' abilities at interpretation are not as strong as they think they are.

## 3 Primary

Information gathered first hand, i.e. direct from consumers or retailers.

**Example:** research among buyers of Mars Revels before deciding finally to remove the 'hated' coffee sweet from the pack.

**Advantage:** primary research allows a business to ask specific questions to help solve specific problems or make specific decisions. It's invaluable.

**Disadvantage:** it's expensive to get a professional market research agency to carry out primary research on a large sample of people (think £20,000). That's difficult to afford for a new, small business.

## 4 Qualitative research

Research into consumer psychology — not what they do but why they do it.

**Example:** what's the real reason why some prefer BMW to Mercedes? Is it the products or the image? If it's the image, what aspect of the BMW image has a hold over its customers?

**Advantage:** given the power of brands and branding — and the price premiums charged by Apple, Chanel and many others — it's clear that consumer psychology is a key factor in many markets.

**Disadvantage:** because qualitative research is small scale, there may be a problem of sample bias due to such low sample sizes (e.g. perhaps only 16 people might be interviewed).

## 5 Quantitative research

Research among enough people to provide relatively reliable numerical findings.

**Example:** Cadbury carrying out a survey of 1,000 milk chocolate buyers before launching a new Dark Milk brand. This sample would be large enough to look into sub-samples, such as how 15–24 year olds respond compared with over-55s.

**Advantage:** large samples enable sub-groups to be looked at, and can give reliable enough findings to enable sales forecasting to be based on the research results.

**Disadvantage:** however big the sample, if the questions are poorly worded, the research results can be biased and therefore inaccurate (perhaps without the company realising).

## 6 Sales forecasting

Using research findings or past sales figures to estimate sales volumes in future months or years.

**Example:** for Cadbury, it can only decide whether or not to launch Dark Milk after calculating possible future profits based on forecast sales at estimated prices, compared with the estimated operational costs.

**Advantage:** all business decisions are about the future, so sales forecasts are involved somewhere, in almost every business decision.

**Disadvantage:** the sales of every product and brand are affected by a huge number of variables, from competitors' pricing and promotional activity, to the economy, the weather, fashion and changing tastes. Inevitably, the further ahead you're forecasting, the greater the likelihood of inaccuracy.

## 7 Sample size

The number of people in the target market interviewed for the research survey.

**Example:** reputable UK research companies believe that they can forecast the results of a general election (around 30 million voters) using a sample size of 1,000 adults. Most companies would consider sample sizes of 500 to be acceptable.

**Advantage:** the larger the sample size, the greater the chance that the findings will reflect the views of all the customers in the target market. So executives can have greater confidence in the results.

**Disadvantage:** a high sample size only improves research reliability if the people chosen (sampled) are an accurate representation of all those in the target market.

## 8 Sampling

Trying to ensure that the people surveyed are an accurate representation of all those in the target market.

**Example:** interviewing Marmite buyers may give faulty data, because the key decision makers may be others in the family who eat/like the product. A parent may be the buyer, but not the consumer.

**Advantage:** well-drawn, accurate samples can be achieved by businesses willing to pay for the research.

**Disadvantage:** the use of cheaper online surveys may get high sample sizes, but unrepresentative samples (biased towards younger consumers, perhaps).

## 9 Secondary research

Using already-published sources of data (often free) to get a general understanding of a market.

**Example:** the Society of Motor Manufacturers (SMMT) publishes monthly figures on sales of new cars in the UK, in total and by brand. This would be useful to an entrepreneur planning a new business based on music systems for cars.

**Advantage:** much of the data is freely available, and much is precisely accurate, e.g. car sales in the UK, or the birth rate.

**Disadvantage:** some secondary data are very expensive. The latest Mintel report on the UK fragrances and cosmetics market might cost £1,200 to buy.

## 10 Technology

The growing importance of digital and online sources of data, including so-called 'big data' (see pp. 18–19).

**Example:** Tesco can use its Clubcard data to break down shopping habits by the age, social class and postcode of its customers. In the past this would have needed big surveys to be commissioned.

**Advantage:** companies that collect and harvest data with care and intelligence can have a distinct competitive advantage over those who have been slow to do the same.

**Disadvantage:** for the consumer, businesses such as Facebook can end up knowing more about us and our shopping habits than we might like — some feel that personal privacy is being invaded.

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# Preparing for paper 3

## Just Eat

In the linear A-levels, paper 3 is a big, tough exam paper based on a real business. To provide practise, **Ian Marcousé** has written an exam-style case study based on the hugely successful e-commerce business Just Eat. Read the case study and think about how you might answer the questions at the end

**I**n April 2014 Just Eat floated on the London stock market with a valuation of £1.47 billion. Even though it owned no restaurants, had no consumer recognition and owned no patents, it was worth more than the long-established Pizza Express. It did have one important and valuable claim though: Just Eat is the world's largest online takeaway ordering service, operating in 13 countries.

### Just grow

Just Eat started in Denmark in 2001. Founded by Jesper Buch, the idea was simple: take the hassle of website development away from takeaway restaurant owners. Instead of paying for an independent, probably clunky, web presence, restaurants could sign up with Just Eat and advertise on its super-slick e-commerce site. With every order, Just Eat takes 13% of revenue as its commission. Needless to say, if volumes are high enough, this becomes a vastly profitable business.

Between 2001 and 2006 the Danish Just Eat grew relatively slowly. Then Jesper Buch read that half of Europe's takeaway food business is generated by Brits. In 2006 Just Eat came to

Britain, and by 2009 the British operation generated 1 million orders, which mushroomed to 10 million by 2011. Seeing the writing on the wall, Buch moved the whole operation to London in 2008. This is where the business is now headquartered. The 2014 flotation confirmed that, although born in Denmark, the business is now British. Its British chief executive is Peter Plumb, a former boss at Moneysupermarket.com.

### Profitable strategies

Just Eat is an interesting business for two reasons:

- its extraordinary rate of growth, especially in profitability
- its clear sense of strategy

It wants to grow, but in a thoughtful way: building on strengths rather than risking taking on too much competition. In the USA, for example, Grubhub was there before Just Eat.

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Get a paper 3 sample answer with examiner comments at [www.hoddereducation.co.uk/businessreviewextras](http://www.hoddereducation.co.uk/businessreviewextras)



Just Eat is the world's largest takeaway ordering service

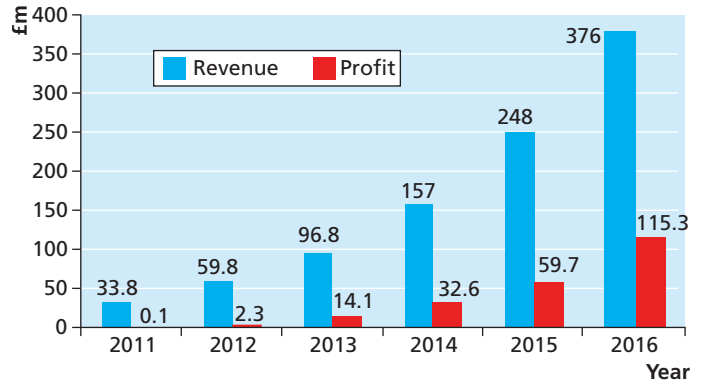
Just Eat is a great example of a modern, online business that can develop amazingly quickly from a good idea to a stunningly profitable enterprise. Its annual report gives its mission as:

Empower consumers to love their takeaway experience.

Once sales revenue is high enough to move above the breakeven point, extra business is highly profitable. In the first quarter of 2017 Just Eat boasted 46% growth in revenue, allowing it to forecast full-year 2017 revenues of up to £495 million and profits of £160 million (Figure 1).



Half of Europe's takeaway business is generated in Britain



Source: Just Eat accounts 2012–17

**Figure 1** Rising profitability at Just Eat plc

For Just Eat management, the main objective is to manage the company's spectacular growth to keep it as worldwide number one. Astonishingly, although the business is the number one provider in 10 of the 13 markets in which it operates, almost all the profit in 2016 came from the UK. This is because the takeaway delivery market remains quite small in countries such as France,

Italy, Mexico and Brazil. Just Eat believes that the growth will show through in the future, bringing in serious profits. In 2016 the 'Other countries' revenue stream grew by 78% compared with 40% in the UK, so the plan looks to be on track.

### Challenges

Keeping up with technological change is a major concern for the business. In 2016, for example, 73% of orders were placed from a mobile device. In 2011 virtually none were placed this way. The position of Just Eat relies hugely on being at the forefront of convenient customer ordering.

According to Just Eat's 2016 annual report, demand growth is driven by:

- takeaway being viewed as part of the weekly routine
- simplicity, speed and efficiency — storing of card details makes it easier to process an order for both customers and restaurants
- customer desire for choice — over 100 cuisine categories
- customer reviews — being a trusted source of information
- restaurants wanting access to digital customers
- increasing adoption of e-commerce and increasing mobile penetration

Just Eat also has firm ideas about branding. Perhaps surprisingly, this modern business believes in traditional television advertising to build the brand. Social media is seen as important, but as a way to engage existing customers rather than as a means to build the brand. Television is the chosen medium to create brand awareness among potential rather than actual users. However, for a business that wants to be the go-to brand in its field, Just Eat has relatively little visual presence. The 'fist-pump' logo is a recent attempt to tackle this weakness.

In a rare setback for the business, in 2017 the UK's Competition and Markets Authority (CMA) ordered an extended inquiry into whether Just Eat should be allowed to acquire its direct rival Hungry House. Takeaway restaurant owners will surely be hoping the takeover is stopped — Just Eat recently pushed its fees up from 11% of a customer's order to 13%. A successful bid for a rival might allow it to push its prices up further, taking a bigger slice

The takeaway delivery market remains quite small in countries such as France



of the takeaway restaurants' profit margins. Despite this, Just Eat's market capitalisation rose to £4.77 billion in mid July 2017, its highest-ever level.

**Table 1** Extracts from Just Eat plc balance sheet

	2015 (£m)	2016 (£m)
Non-current assets	890	561
Current assets	159	205
Current liabilities	(152)	(109)
Non-current liabilities	(71)	(31)
Total equity	826	62

Source: Just Eat accounts and *Daily Telegraph*, *Guardian* and *Daily Mail*

**Table 2** Full-time equivalent staff employed.

Department	2015	2016
Operations	650	707
Technology and product	191	286
Sales	286	247
Marketing	109	106
Management and administration	207	275
Total	1,443	1,621

Source: Just Eat accounts

## Practice exam questions

- 1 Analyse Just Eat's business objectives. (12 marks)
- 2 Analyse the factors that may have led to Just Eat's market capitalisation reaching its highest-ever level of £4.77 billion in mid July 2017. (12 marks)
- 3 To what extent do you think that clear objectives have been the key factor in Just Eat's success? (16 marks)
- 4 Evaluate why Just Eat's profitability had grown to such a high level in 2016. (16 marks)
- 5 Evaluate how the organisational culture of Just Eat may be affected as the business develops into one employing thousands of staff. (20 marks)
- 6 To what extent is it inevitable that emerging markets will be more important to the long-term future of Just Eat plc than traditional ones such as the UK? (24 marks)

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Volume 23, Number 2, November 2016

Revision

## Practice 20-mark exam question

**Luke Perry**

**To what extent is product the most important element of the marketing mix for all UK supermarkets? (20 marks)**

### Model answer

The marketing mix involves the 7Ps of marketing, which includes product, price, place, promotion, process, physical environment and people. In terms of the supermarket industry, any retailer will need to ensure that the quality of the product is to a specific standard that satisfies customers. If the product is inferior then it is difficult to build trust between the customer and business, which leads to significant problems in the long run. A good-quality product will mean that the supermarket builds a reputation, which will lead to more sales and in particular will lead to customer loyalty that would result in repeat custom. If a customer likes the products available then they will regularly return to the store, which obviously boosts revenue. A supermarket such as Waitrose or Whole Foods build their reputation on a good product, which highlights how important it is within the marketing mix. The food industry is particularly vulnerable to changing tastes and products usually have a short product life cycle. Supermarkets therefore need to ensure that their products meet the current tastes of customers, otherwise customers will look elsewhere for such products. The other elements of the marketing mix are important but without the choice of products in the store customers won't return.

The supermarket industry is one of the most competitive in the UK at this moment in time. The branded products in most stores are quite similar, which means that the most important elements in the marketing mix are place and price. If there is not a store within a few miles then most shoppers will not consider other supermarkets. It is often the case that the nearest supermarket is the one chosen by most customers. However, in the current economic climate it is often price that determines the supermarket chosen by British shoppers. As identified by Porter, a supermarket should look at cost leadership to enable them to charge the most competitive prices. In recent years Aldi and Lidl have outperformed others due to the price they are charging. They have made customers aware that they are cheaper than competitors, which means they attract more customers into their stores and as a result sales have steadily increased.

In conclusion, there is no doubt that every element of the marketing mix plays a key role in the success of a supermarket. In my opinion the product is not the most important factor for all UK supermarkets. The answer really depends on which segment of the industry the retailer is operating in, for example, if the business is operating in the 'discount sector' segment then price could be deemed as the most important factor. However, customers who shop at Waitrose and M&S Food would consider the product and process to be most important.

## Mark scheme

### Possible paragraph points

For product being the most important element of the marketing mix	For other elements of the marketing mix being more important
<p>The retailer will need to ensure that the product meets the specific needs of its target customer, in this case, price-conscious consumers.</p> <p>Food retail is a competitive market, therefore product will be crucial in developing and maintaining brand image and a competitive advantage.</p> <p>The food industry is particularly vulnerable to changing tastes and products usually have a short product life cycle. Supermarkets therefore need to ensure that their products meet the current tastes of their customers</p>	<p>Price is possibly the most important element of the mix for British supermarkets. Price will determine the decision of a large proportion of shoppers.</p> <p>Place will be a crucial element of the marketing mix for a supermarket retailers. The business will need to ensure it has a wide range stores in each and every town and also now via e-commerce.</p> <p>Promotion will also be a key element of the marketing mix, especially for supermarkets as they make customers aware of their latest offers.</p>

### Overall

For most businesses, a fully integrated marketing mix will be imperative. In the case of supermarkets, price, promotion and place will help maximise sales within a very competitive market.

Price could be construed to be the most important element of the marketing mix. Students should be aware that there is a price war in this industry and for a large proportion of customers price is key. However, customers who shop at Waitrose and M&S Food would consider the product and process to be most important.

### Levels and grades

**Level 5** (17–20 marks): an excellent response overall that is fully focused on the key demands of the question.

**Level 4** (13–16 marks): a good response overall that focuses on many of the demands of the question.

**Level 3** (9–12 marks): a reasonable response overall that focuses on some of the demands of the question.

**Level 2** (5–8 marks): a limited response overall with little focus on the demands of the question.

**Level 1** (1–4 marks): a weak response overall lacking focus on the demands of the question.

## Examiner comments

**Mark: 17/20**

A good response that has excellent application, a solid evaluation and reasonable analysis. The application and understanding of the industry is strong throughout with good context. The analysis in places lacks depth but the response as a whole is good enough for Level 5.

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