

1 Define the term 'market'

2 Using a diagram, explain why a reduction in demand will lead to 'shops clos(ing) their doors for good'

3 Explain what is meant by a 'structural change' in an economy

4 State and explain 3 ways in which the internet can make markets more competitive

Retailer	Category
	General Merchandise
	General Merchandise
	Shopping
	General Merchandise
	Clothing
	Clothing
	General Merchandise
	General Merchandise
	Furniture
	Home & Garden

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CASE STUDY



“High Street” is the most common street name in the UK; it refers to the primary business street of villages, towns and cities and acts as the heart of any British town. However, it appears that the traditional British high street may soon become obsolete, with more and more shops closing without being replaced. Both independent and chain stores are bearing the brunt. In the past ten years, Brits have seen a number of their favourite shops **close their doors for good**.

Notably, these closures include the 100-year-old Woolworths in 2008, Blockbusters in 2013, and more recently BHS that went into administration last year. In the first six months of 2016, 2,656 shops closed on Great Britain’s high streets, a rate of 15 a day, and more shops closed than opened. Factors such as competition from **online retailers**, high rental fees and a shortage of parking spots near to a high street all contribute.

One prominent reason for the decline is the **takeover of online shopping**. Online shopping has increased by 8% from 2015 to 2016, and 77% of Brits claim to have done shopping online at least once—a 24% increase since 2008. Clothing and sporting goods are the most purchased products online, making up more than half of all purchases, and those aged 25-34 are making the most purchases. Retailers with an online presence are becoming more valuable than retailers with solely a High Street presence, **increasing inequality between firms**.

5 Attractive UK high streets can sometimes be considered a 'positive externality'. Explain why this may be the case

6 Real Incomes have risen by roughly 2% in the UK between 2015 and 2016. Calculate the Income Elasticity of Demand for Online Shopping and explain its significance for online retailers and High Street stores

7 Explain 2 likely advantages and 2 likely disadvantages of the UK government subsidising High Street stores to keep them competitive

12 Many of the companies in the table above are not solely based in the UK. Explain 3 consequences of this for the UK economy

11 Identify advantages and disadvantages of monopolies created through the development of the internet

10 Using a diagram, explain the concept of internal 'economies of scale', and explain how large retailers such as Amazon and Tesco may benefit from economies of scale

9 Explain 3 different policies that could allow governments to reduce inequality between firms

8 Income Inequality across households can be considered a positive in capitalist/free-market economies. How could inequality between firms be considered to have positive consequences?

BRITISH HIGH STREET PLACE MAT SUGGESTED ANSWERS

1 Define the term 'market'

Any place where buyers and sellers can meet to trade goods and services

2 Using a diagram, explain why a reduction in demand will lead to 'shops clos(ing) their doors for good'

Falling demand means that firms will sell less of their stock and may have to reduce prices to sell, as they will have excess supply at the original price. This will lead to a fall in revenues and thus profits, meaning some businesses will go out of business

3 Explain what is meant by a 'structural change' in an economy

Structural changes refer to a large change to certain industries, usually during economic growth. Large industries can become obsolete with growth and development i.e. deindustrialisation

4 State and explain 3 ways in which the internet can make markets more competitive

Better information about goods and rival actions
Lower barriers to entry for new firms
Lower production costs, increasing supply
More buyers and sellers able to trade

5 Attractive UK high streets can sometimes be considered a 'positive externality'. Explain why this may be the case

Nice high streets can create greater culture, or attract tourism, or increase local house prices

6 Real Incomes have risen by roughly 2% in the UK between 2015 and 2016. Calculate the Income Elasticity of Demand for Online Shopping and explain its significance for online retailers and High Street stores

$YED = +4$ Online shopping is a normal/luxury good ($8/2 = 4\%$).

7 Explain 2 likely advantages and 2 likely disadvantages of the UK government subsidising High Street stores to keep them competitive

Advantages

Keeps small firms in business, leading to local employment
Positive externalities realised
Keeps consumption domestic, as opposed to importing

Disadvantages

Cost of subsidy (and the associated opportunity cost)
Potential for government failure
Only short-term, these firms are uncompetitive compared to internet and foreign comp. once subsidies are removed high streets will struggle

8 Income Inequality across households can be considered a positive in capitalist/free-market economies. How could inequality between firms be considered to have positive consequences?

Inequality between firms can incentivise investment and innovation, as the result will be extra profits in the long run i.e. inequality acts as a motivator for entrepreneurs

9 Explain 3 different policies that could allow governments to reduce inequality between firms

Progressive Tax on profits prevents one firm making excess profit
Minimum prices can stop predatory pricing
Regulation to share practice or capital
Public Investment in infrastructure can lead to external Economies of Scale
Subsidising small or infant firms

10 Using a diagram, explain the concept of internal 'economies of scale', and explain how large retailers such as Amazon and Tesco may benefit from economies of scale

Economies of scale occur when a firm experiences falling average costs as they grow in size in the long run.
Amazon and Next may benefit if they have purchasing power over supplies so they can buy their stock at low prices (e.g. Amazon buying books at low cost from the publisher Hachette), or buying large stock management computing software (technical indivisibilities), or transport/volume economies by moving their stock in bulk in large articulated lorries

11 Identify advantages and disadvantages of monopolies created through the development of the internet

Advantages

EoS-cheaper prices for customers due to lower production costs
Profits can drive innovation, better for long run
Generates tax revenue
Easier for customers to use: saves time

Disadvantages

Can profit maximise therefore $P > MC$, so is allocatively inefficient
Little competition can lead to poor products or customer service
Firms may use profit to pay share-holders—not invest
x-inefficiency

12 Many of the companies in the table above are not solely based in the UK. Explain 3 consequences of this for the UK economy

Loss of domestic tax revenue—bad for budget deficit
Employing foreign workers instead of domestic ones – increased unemployment
Dependent on location—could increase imports—bad for current account
Risk spreading—if the firm fails then there'll be reduced impact on the UK