

1. Big Deal

Big Deal is a chain of wholesale clubs in which members pay a small fee each year to shop in a warehouse-style store for products that they buy in greater bulk than they would at most other retailers. Big Deal spends very little money on promotion, and store layouts and displays are very basic, drawing attention to their low-price model.

The firm started out selling only food products but has started to carry more and more non-food items like bed and bath supplies, lamps, and other goods for the home. There are a few major international wholesale clubs that compete with Big Deal, all of which carry many non-food items. Two competitors have locations on five continents, whereas Big Deal does not have a presence outside of Western Europe and the United States. Given its smaller scale than these other international wholesalers and the fact that Big Deal competes directly with grocery stores in each market, managers of individual stores constantly review their products and rotate items in and out based on how quickly they sell and the cost at which Big Deal can provide the items. Whereas other wholesalers increasingly carry more premium items, customers go to Big Deal knowing that it will be difficult for other food retailers to beat them on price, as it is somewhat famous for keeping all of its revenue expenditure as low as possible.

So far, Big Deal's upper management has been rather cautious with capital expenditure and has not expanded as quickly as some competitors, but it is now looking at expansion into Eastern Europe soon. None of the competing wholesale clubs have much of a presence in this region, and in a few countries, there are none of these clubs at all. Also, in an effort to experiment with lowering costs as energy costs are rising, Big Deal has invested in solar panels on the roof of one of its stores to see if it makes financial sense to do this on a wider scale. Upper management believes that it will take many years for the investment to pay for itself, but managers were inspired by seeing examples of restaurants that found that they saved money quicker than expected because the firm was able to stay open and avoid food going bad when storms had cut off power in their location.

Questions:

- A. Identify two examples of revenue expenditure for Big Deal. [2]
- B. Explain an advantage and a disadvantage for Big Deal attempting to keep its revenue expenditure to a minimum. [4]
- C. Explain the relationship between capital expenditure and Big Deal's ability to expand. [4]
- D. Explain one reason why capital expenditure is important to Big Deal's long-term financial sustainability. [4]

Case study

Vestre's new furniture factory in Norway

The Norwegian company Vestre has been making urban furniture for more than 70 years. Its mission to create caring meeting spaces is linked to the networks element of the social foundation in the Doughnut Economics Model you learned about in [Section 1.1.2](#).

Figure 4 shows an example of Vestre's 'parklet' furniture. A parklet is a space for social gathering, usually including plants and places to sit, that can be created temporarily or permanently. Parklets are often set up in spaces along the sides of streets, which had previously been used for car parking.



Figure 4. A parklet made by the furniture company Vestre.

Credit: [Vestre](#)

Vestre is using its revenue expenditures to meet human needs within the boundaries of the planet. For example, the company has been working to change its procurement of resources to reduce its environmental impact. Vestre has joined the Ethical Trading Initiative in Norway and has strict human rights and labour requirements for all of its suppliers. It also offers employment training for people who struggle to enter the labour market.

In 2022, Vestre began building a new factory that claims to be the most sustainable factory in the world. Designed by Danish architecture company BIG (Bjarke Ingels Group), the factory will make use of advanced technologies to reduce its carbon footprint, water use and impact on the surrounding forest. [The 300 million NOK capital expenditure](#) aims to show the world how manufacturing can move to a sustainable future. In the video, Jan Christian Vestre explains the sustainability of the factory and other actions the company is taking to direct spending in positive ways.

Video 1. Jan Christian Vestre talks about Vestre's environmentally friendly furniture factory.

https://www.youtube.com/watch?v=MQIkZdORNTI&feature=emb_imp_woyt

Questions

1. Define 'mission statement'. [2 marks]
2. Distinguish between revenue expenditure and capital expenditure.
[4 marks]
3. Explain **two** ways that Vestre is meeting objectives related to corporate social responsibility (CSR). [4 marks]

Hint: You may wish to consider either of the following (see [Section 1.3.4](#)):

- local–global and social–ecological responsibilities (related to the Doughnut Economics Model)
- the Sustainable Development Goals (SDGs)