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Introduction

The fundamental laws of supply and demand must be understood by a business if it is to thrive in the dynamic market of today. These aspects aim to solve pricing, production, and consumer behavior enabling economic decision-making in response to dynamic market forces.

Q1a. Fundamental Economic Problems Identified in the Case Study

The business environment has been somewhat uncertain over the past decade, with many economic and political changes occurring.

The COVID-19 pandemic has caused changes in company procedures, practices, strategies and business models all around the world. The economy of the United Kingdom has also been significantly affected. For companies, for example, fresh revisions in health and safety regulations have been implemented (Varshney et al., 2023). These laws have raised the cost of doing business, but more money is being spent maintaining the virus under control. These rules have pushed companies to purchase safety equipment, offer remote work options, and follow social distance rules. Because of the disturbance of long-standing corporate practices, they are finding it difficult to turn a profit.

Already a major issue, the epidemic's increasing demand has worsened the supply shortage. Demand surges when consumers are rushing to buy and stock up but supply lines are not ready. The result is bewildering. The situation has gotten worse because of disruptions in the availability of vital commodities. As the growing market demand indicates, a major shortage of drivers causes supply chain problems. The epidemic led many EU drivers to leave the UK. The situation worsened as it became more difficult to find fresh drivers following BREXIT.

The BREXIT vote greatly raised customs inspection and rule count. Supply chain issues thus get worse and overseas shipments take more time. Raw materials and completed goods have had rather slow movement times, which is causing companies to suffer delays and higher costs. The mix of BREXIT and the epidemic makes supply chain operations more challenging.

Demand surpasses supply, much as in cases of limited fuel availability. Something fairly large has surfaced. Everyone felt driven to fill up their cars just in case news of the driver scarcity and petrol supply concerns leaked out. This made an already disorderly supply chain busier and gave the impression of holes (Aigner-Walder, 2015). From transportation to industry, the effects of the petrol supply shortage show the interdependence of contemporary economies for many different companies.

Fuel prices have risen dramatically as a result of the economic fallout from the shortages. Demand increased while supply decreased, resulting in higher fuel prices. This caused

everything to drop. The rapidity with which prices can fluctuate makes financial planning and budgeting more difficult for both consumers and businesses. This generates a significant amount of risk and uncertainty.

To remain competitive in the face of steadily rising living and business expenses, many individuals and businesses are forced to take out large loans. As a result of the pandemic-induced economic downturn, businesses were forced to incur additional debt in order to remain open. Many businesses and individuals are currently at risk as a result of the government's decision to end programs such as furloughs. Since furlough payments were discontinued, many layoffs have occurred. People are unable to spend much more due to their limited budgets (Andreyeva et al., 2010).

Because of the unstable economic environment, many businesses have been forced to close their doors. Small and medium-sized businesses (SMEs) with insufficient financial resources to withstand prolonged periods of declining revenue will bear the brunt of the consequences. When a company goes out of business, it affects both its employees and the economy. Due to consumers' inability to pay their bills, sales have plummeted, and many businesses have closed. They will therefore never be able to obtain loan opportunities.

Finally, it is clear that during the pandemic, people would prefer to buy goods rather than services. Unlike experiences such as dining out or travel, people prefer to purchase material items. Worse, supply chains are insufficiently flexible to manage this level of demand. However, the uneven demand for goods and services makes it difficult for businesses to manage logistics, resulting in higher prices.

Q1b. Various Ways to Resolve the Economic Problems

Both the Brexit and the COVID-19 pandemic have exacerbated the economic crisis. There must be government intervention, strategic business changes, and creative supply chain management. The government has to act if it is committed to making sure the economy remains stable and expands fast. In response to supposed labour shortages, governments sometimes enact immigration policies, financial aid programs, or new laws. The UK government could make life simpler for businesses by easing some of the overly strict COVID-19 regulations. A chain of bankruptcies that would further harm the economy could start if struggling businesses received financial assistance.

Furthermore, the rules must be instituted by the government. The likelihood of supply chain issues can be reduced by policies that encourage cooperation and communication between businesses. Different sectors could cooperate more effectively if the government made it easier for businesses to share important information and quickly adapt to changing circumstances

(Bagwell, 2005). Many EU drivers have left the transport and logistics sectors due to Brexit; but, if the United States adopted immigration policies allowing qualified workers easier access, the shortage of workers in these sectors could be reduced.

The government and businesses must collaborate for the shortage management team plan to be successful. The fast identification and resolution of supply chain problems depends on task forces being established. These groups need fast decisions and action-taking skills to stay out of hot water. Business should set and keep networks to enable better cooperation with their suppliers. Developing closer ties with suppliers can aid businesses in risk management and ensuring a consistent supply of goods and services. Working together in this way allows companies and their suppliers to develop fresh and imaginative solutions for problems.

Another essential step in addressing economic issues is to reduce waste. Businesses can find ways to cut waste all the way through the supply chain, from acquiring inputs to delivering outputs. Recycling products, changing manufacturing techniques to generate less waste, and using technology to improve inventory control and tracking will help one to lessen their effects on the environment (Rauch and Schleicher, 2015). Two of the several advantages of reducing waste output are improved, longer-lasting supply chains and financial savings.

Reviewing and strengthening their supply chain should be the first concern for businesses. By routinely reviewing their supply chains, companies can find their weak points and endeavor to strengthen them. Stocking from several sources instead of depending just on one helps businesses to be ready for the worst-case scenario. This will help businesses to more closely oversee and control the supply chain. By acting proactively, companies can better manage unanticipated events and maintain a consistent flow of products and services.

Another successful method for lowering prices is to select nearby vendors. Strong ties with suppliers can help to smooth out economic ups and enable simpler negotiations for deals that would benefit all those engaged. Either a long-term contract or a significant purchase will help to guarantee a consistent supply and reduced prices (Browning and Zupan, 2020). Working together helps individuals save money as well as time. Public distribution of these monies can help to maintain demand strong and prices stable.

It is crucial that everyone stay informed and current on events in order to solve the economic problems. Trust develops when people feel safe enough to express their opinions on current affairs and the responses implemented to handle them. Knowing changes in prices, the supply chain, and other pertinent information helps consumers to control their expectations and avoid making rash decisions. When individuals participate in decision-making, they help to better manage economic uncertainty.

Q2a. The Relevance of Demand and Supply in the Case Study

The UK economy is an excellent example of how supply and demand can influence market trends and business strategies both before and after the COVID-19 pandemic. In business, management of inventory, marketing, customer acquisition, retention, and growth, productivity, risk management, supply and demand knowledge, all are essential.

In this specific case study, pricing strategy is most importantly influenced by supply and demand. Disruptions to the supply chain caused by the pandemic have resulted in a shortage of fuel and other necessities. This is the primary cause of the sharp price changes. Using their knowledge of supply and demand, companies can create pricing policies in reaction to these demands. Businesses have the choice to increase prices when there is a discrepancy between supply and demand (Arthur, 2021). Some business owners might try to draw more clients by cutting prices when demand drops. Using sensible pricing policies helps to keep the market stable and stops significant swings in uncertain times economically.

A healthy rivalry between market demand and supply is necessary. As a result of the pandemic, market consumers and business owners adopted new behaviours and approaches. This resulted in growing competitiveness in many markets, including the UK. Businesses need to have strong control over their supply chains and be able to respond quickly to changes in demand if they want to stay competitive. By providing better value for money and lower prices, a business can differentiate itself from the competition. When there is intense market competitiveness, sellers are more likely to offer outstanding value. For consumers as well as for businesses, this is beneficial (Besanko and Braeutigam, 2020).

Another crucial area where supply and demand interact is business productivity rising. The unprecedented demand for online purchases during the pandemic was easily managed by Amazon's supply chain. In light of how these companies have strengthened their supply networks and increased the bar, there will never be a shortage of anything. Overall, supply chain management programs should make it easier for growing businesses to meet consumer demand.

Variations in supply and demand in the market are only one of many potential factors that could influence marketing approaches. There was a temporary halt to the movement of goods and services caused by the epidemic. Because of this, the advertising strategy has to be revised. The most successful businesses were those that could swiftly change their advertising to appeal to different demographics. Many businesses made it abundantly clear in their advertisements that the desired products could be shipped immediately and were in stock (Gabaix and Koijen, 2021).

Companies that track demand patterns may be able to better target their advertisements to consumers' wants and needs.

Another important responsibility influenced by supply and demand is to keep enough items in stock. This system is widely used by businesses because it can reduce the cost of goods storage. That is, they should be skilled at supply chain management and demand forecasting. The pandemic forced many businesses to place additional supply orders. This does not appear to be a situation where the JIT system would be useful. By closely monitoring supply and demand trends, a business can improve its stock management. This strategy ensures that they have enough inventory to meet consumer demand while also preventing crowding in their warehouses.

Investors prefer companies with strong demand and a good supply chain. Stock prices rose for businesses that continued to operate and meet customer demand in the face of the pandemic, attracting more investors. An initial public offering (IPO) is best timed during a period of low supply and high demand. Successful businesses with room for growth are more appealing to investors.

If supply and demand are in balance, employees will be satisfied with their jobs and are more likely to stay put. Businesses can reduce their workforce with effective supply chain management. Employees who feel safe at work are more committed to their jobs and more likely to stay (OECD, 2015). When businesses master supply and demand management, they can pay their employees more. As a result, they will be happier and more likely to stick with the business. Risk managers must understand the market's supply and demand dynamics. Maintaining a constant balance between supply and demand necessitates a focus on risk reduction. During the pandemic, this became abundantly clear.

Q2b. Difference between elasticity and inelasticity of demand

How consumers react to changes in fuel and other product prices can be better understood by applying economic concepts like demand elasticity and inelasticity. Any government official or business owner serious about making informed decisions about pricing strategies, income projections, or market interventions would do well to familiarise oneself with these ideas.

Definition of Elasticity and Inelasticity:

Changes in income, other economic factors, and prices can affect the want to spend money. Here we are talking about demand elasticity. In an elastic demand market, a small price change can have a big impact on annual sales. On the other hand, when demand is inelastic, price changes have a rather smaller impact on the quantity bought (De Loecker et al., 2020).

When consumer behaviour changes noticeably in response to changes in fuel prices, elastic demand results. Despite price fluctuations, there is always a demand for fuel from customers. Please give "inelastic demand" some thought.

Contrasting Elastic and Inelastic Demand:

Should consumers have quick access to alternatives, their demand is more likely to be elastic. Imagine this: one day, the price of a well-known petrol brand skyrockets, forcing drivers to either reduce their usage or look for a less expensive substitute. When consumers have few other choices while buying a good or service, inelastic demand results. Many people's weekly budgets will sadly be influenced by petrol prices.

Advantages and Disadvantages of Elasticity of Demand:

Businesses can use improved pricing strategies to maximise profits in the event of elastic demand. Businesses must comprehend how price variations affect demand in order to set prices that draw more clients without resulting in excessive financial losses. The difficulty of constantly changing prices in response to market changes is another challenge for pricing strategies (Hausman, 2023).

Advantages and Disadvantages of Elasticity of Demand:

Customers' inelastic demand enables businesses to raise prices without experiencing a significant decline in sales. Some people might keep using the same amount of fuel even if its price rises because they have no other choice. With every sale, more of the profit are to be retained. A sharp and unexpected rise in business prices could be noticed by both the government and the general public.

Q2c. The Laws of Supply and Demand

Two main theories explaining the dynamics of markets exist in economics. These laws guide supply and demand. Curious about how supply and demand influence trade volumes and market prices, those would find these laws helpful.

Law of Demand: This law states that, given all other conditions remain constant, the demand for a good or service drops as its price rises. Generally speaking, low prices increase the demand for a good more than high prices. In economics, this inverse relationship produces demand curves (Axtell and Farmer, 2022).

Law of Supply: The law of supply holds that, given all other things remain constant, a product's price is exactly related to its quantity sold. The quantity sold changes along with prices, rising and declining. Profit margins of suppliers also increase with rising prices. They thus immediately cut production when prices drop in order to half their profit margin.

Law of Supply and Demand: This law mostly emphasises the effect of supply and demand on market equilibrium. Prices typically drop when supply increases but demand remains unchanged. The volume of transactions has thus grown. Prices rise and there are fewer products available for purchase when supply falls while demand stays constant.

Law of Supply and Demand: This law defines the behaviour of quantities and prices that, in the case of a change in demand, are currently equal. A change in demand but a constant supply causes sales and prices to rise. When supply remains constant while demand declines, however, prices and trade volume drop (Pei, 2020).

If business owners are familiar with these laws, it will be easier to predict market trends, pricing policies, and manufacturing levels. Knowing how supply and demand work is crucial for a company's ability to respond to changing market circumstances and boost profitability.

Conclusion

The laws of supply and demand could make it difficult to produce goods that everyone loves. An organization's ability to manage inventory, set prices, and adapt to changes in the market may all be enhanced by fully implementing these ideas. Their ability to adapt to a dynamic market is a key factor in their success.

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