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Business Environment analysis

Introduction

The following report will discuss the strategies and techniques a UK-based company New Look will apply to move their production facilities to the Philippines. In this report, all the factors that can get affected by this and the aspect that would affect the organization will be described. It is a retail organization that sells clothing items, accessories, homeware, gifts and more. The organization was established in the year 1969 by Tom Singh and it is headquartered in Dorset, the United Kingdom where the corporate services are controlled and in London, its digital, productive and creative departments are situated. New Look is in almost 570 locations; however, its store is not in the Philippines (Newlookgroup, 2022). For moving the production system there, the organization has to consider several external factors like its economic condition, political situation, legal system and many more so that it can enter the market properly. The top management of New Look needs to consider these aspects and make some business strategies. In this process, the opportunities they would get and the challenges they will face should also be evaluated. Along with that, the Philippines is one of most fast-growing countries in the ASEAN region and this would be helpful for New Look as they can get many opportunities in this market (Global Upside, 2022). This report will provide a vast explanation of the Philippines' economic condition and an overview of the country. After that, for evaluating the external environment some models and frameworks will be used. Lastly, some suggestions will be given in the report so that New Look can overcome the challenges and successfully move the production facilities.

Introduction to the Country

The Philippines is an archipelagic country which is officially known as the Republic of the Philippines and is located in Southeast Asia. The capital of this country is Manila. There are 19 languages recognized in the country among them Filipino and English languages are mainly followed here. It has a developing economy and the country is 15th among the 39 countries in the Asia-Pacific region. The economic growth in the Philippines slowed in 2017 and it was the same till 2019. During the time of the pandemic, in the year 2020, the economy of the country fell which recovered in 2021 (Heritage, 2022). In 2019, the growth of the Gross Domestic Product of the Philippines was 6.1% and in 2020 it fell by 9.5% which in 2021 recovered by a huge margin to

5.7% (World bank, 2022). The growth of this country's economy is projected in a positive way. Therefore, it will be beneficial for New Look to move their production facilities here.

Application of theories of the business environment

PESTLE analysis

Political

Within the Philippines, there is the presence of the presidential system and that helps in the maintenance of the stable political environment within this country. The process helps the business organizations to get effective support from the government of this country to operate their business operations within the existing business market of the Philippines based on the adoption of high rates of earning revenues (Rahman, 2022). Within this regard, it can be mentioned that the availability of a sustainable political situation in this country must serve as a potential path for the British retailer, New Look to establish its retail business within a completely new business market in the Philippines. Within this country, there is the presence of a war-like situation and that increases the level of corruption in its structure. The process can create challenges for the leaders of New Look to maintain developed performances within the business by avoiding corruption from business to earn profits based on business activities.

Economical

According to the reports of the Asian Development Outlook, it is concluded that the economy of the Philippines grows by approximately 6.5% in the current year and the growth projection within the economy will remain for at least 2023 and which will help to manage the growth of approximately 6.3%. Therefore, the GDP of this country is approximately \$450.340 billion (Adb, 2022). Thus, the presence of economic development within the Philippines must offer effective paths in front of New Look to manage potential growth in business based on the adoption of economic growth in its business through earning high revenues. Not only that, but the presence of high economic conditions of people in this country also will help this retailer brand of the UK to attract more customers towards its products as well as services to enhance sales activities within business to manage its stronghold within the new business market of Philippines.

Social

Acceptance of internet commerce is very low among the people in the Philippines and that creates barriers to the business activities of retail organizations within this country. Therefore, there is also the presence of advertising preferences among customers and that creates hurdles for retail

organizations to manage consumer attractiveness within the business (Shpak, 2022). Based on the observation of the overall social structure of people in the Philippines it can be stated that customers of this country are not comfortable with developed technologies and for this, the management team of New Look can face barriers or hurdles in attracting more customers towards their service area through social media platforms. It might affect the sales of the retailer company in the UK.

Technological

Research shows that the Philippines has made rapid progress in the engagement of technology and innovation within different sectors of this country. Therefore, the IT spreading project in this country will reach approximately \$8.1 billion within 2023 (Rahman, 2022). It clearly shows that within this country there is the presence of technology development and that will help New Look to implement technological advancement based on AI and IT to manage developed operations in business. Through the implementation of advanced technology, within business activities, the leaders of this UK best retailer company will get the scope to develop services for its customers within the existing business market of Philippines for the maintenance of reliable presence within their minds.

Legal

The Labor code of the Philippines which was enacted in 1974 is the main source of employment practices. For this, at the time of establishing a new business within the existing business market of this country, the leaders of New Look should focus on the proper engagement of this law as it helps to maintain healthy relationships with employees within the organizational structure. Not only that, but the law also will offer proper guidance to the management team of this company for reducing several issues from organization activities that will be associated with different areas like hiring, firing, holiday pay, retirement pay, working hours, overtime, and collective bargaining (Ofreneo, 2019).

Environmental

The Philippine government has enforced various laws for maintaining environmental sustainability within different sectors. The management team of New Look must focus on the maintenance of the Ecological solid waste management act (RA9003) within its business to maintain environmental sustainability based on the application of the waste management system (Formarejo

et al., 2022). Therefore, the clean Air act of 1999 also should be maintained by this retail company for ensuring the maintenance of environmental balance within organizational activities (Lu, 2022).

Porter's five force analysis

Bargaining power of customers

The business of New Look is fully customer oriented and for this, the preferences of the customers are playing a significant role within the business of this fashion retail company (New look, 2022). It clearly shows that in the case of establishing a business in the Philippines the bargaining power of the customers will be high for this brand.

Bargaining powers of suppliers

Suppliers are supplying raw materials to the fashion retailer companies for making fashionable clothes (Businessnewsdaily, 2022). As a new company, the leaders of New Look can face high threats in the Philippines based on the high power of suppliers within the business.

The threat of new entrants

Threats of the new entrance will be moderate for the business of New Look within the existing business market of the Philippines. In that case, the leaders of this British fashion retailer company must focus on the creation of a strong position within the new business market of the Philippines.

The threat of substitute products

demands, as well as preferences of the customers, are changing day by day in the case of selecting fashionable clothes and for this definition, companies are trying hard to introduce innovation as well as creativity within their product designs. It clearly depicted that sets of substitute products within the fashion retail sector at the time of operating fashion Little business in the business market of the Philippines will be high for New Look (New look, 2022).

Rivalry with existing companies

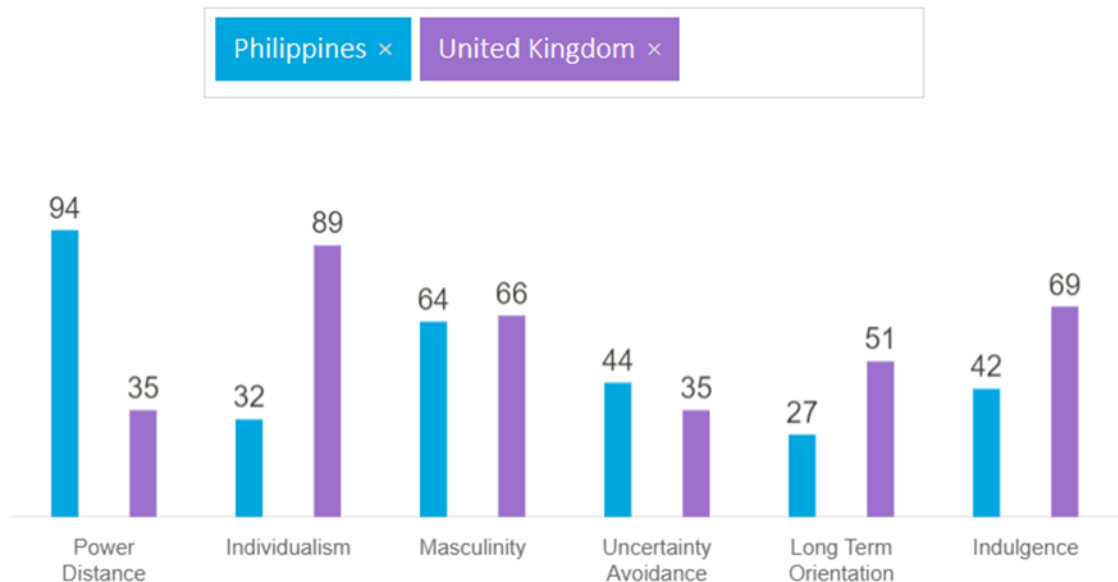
At the time of operating the fashion retail business within the existing business market of the Philippines, the leaders of the New Look will face sets with the biggest clothing company in this country which is Pemshoppe (Statista, 2022).

Opportunities and challenges that are present, Managing Corporate Governance, business strategy and cultural sensitivity

The Philippines is an island country and its industrial economy is developed by domestic and foreign investments. The traditional costume of the Philippines is Baro't Saya which is used by lowland people of the country. The costume includes a blouse and a skirt that is renamed baro and saya respectively. This is a mixture of clothing styles from the Philippines and Spanish. Some

tribal groups of the Philippines are still wearing colorful woven clothes and ornaments. New Look has understood the traditional aspect of the country and the fashion company is producing products according to the clothing culture of the citizens of the Philippines.

Hofstede's cultural dimensions theory



Source: (Hofstede Insights, 2022)

Power Distance: Power Distance Index of the Philippines is 94 and in the UK it is 35. Therefore, New Look needs to take this into account as the Philippines does not encourage bureaucracy and equity.

Individualism: The individualism score in the UK is 89 and in the Philippines, it is 32. New Look would have to consider this as they are all the members who have to depend on each other which is called a Collectivist society.

Masculinity: In the Philippines, the masculinity index is 64 and in the UK it is 66 which means this can be an opportunity for the company as the members of the company already do what is actually needed to do.

Uncertainty Avoidance: The Uncertainty Avoidance score in the UK is 35 and in the Philippines is 44 which means New Look would be able to be involved in uncertainty and risk-taking actions.

Long-term Orientation: in the UK this is 51 and, in the Philippines, it is 27 which means that the country cannot adopt new traditions which can be a challenge for New Look.

Indulgence: The indulgence index in the Philippines is 42 and in the UK is 69. This can be then derived that in the Philippines' Restraint culture they do not have much leisure time.

Barriers experienced by foreign businesses in the country

Ownership restriction: One of the major problems for the foreign business organizations to face in the Philippines is restrictions on owning land. The constitution of the country does not allow the foreign businesses to own land but they are allowed to take those lands for 50 years on a lease (IR global, 2022).

Starting a business: The foreign business companies are needed to go through 16 procedures to start a business in the Philippines. It is a highly time-consuming process that takes 36 days on average to complete. The nature of the process to start a business has been one of the reasons for the country being placed in the 161st position in the ranking of IFC and World Bank. This indicates the complexity of the process in the country.

Dealing with construction permits: It is a long and expensive procedure to get construction permits for any business in this country. The process includes 29 procedures which take 84-days long on average to be completed.

Getting electricity: Local distributors of power inspect the area before conducting the following process to give electrical connections. There is only one single company to manage the distribution of power in 22 cities of the Philippines including 89 municipalities. A professional electrical engineer comes to the site to perform an inspection and sign the papers to certify the electrical installation. This is also a long process.

Registering Property: The process of registering property takes around 39 days on average. This process includes 8 procedures and it is an expensive process too.

Paying taxes: Business organizations have to pay a massive 47 taxes every year to run their business in the Philippines. This is a serious challenge especially for the foreign organizations to run their business.

Trading across borders: The Philippines is an island country and it is dependent on international trade. Although the import and export cost is cheaper, it takes a long time to move the products from this country to another.

Enforcing Contracts: The average time to enforce contracts is around 2 years and 3 months. This process includes 37 procedures on average and there are many occasions where the cases are held up in filing and service for a long time.

Resolving Insolvency: The process to resolve insolvency is also time-consuming and at the same time, the recovery rate is also the lowest.

Culture: Business culture in the Philippines can create problems for foreign businesses if the companies don't consider them well (Tmf-group, 2022).

Strategies

New Look has tried various strategies to be successful in the Philippines. They have restructured credits, withdrawn from non-profitable markets, presented themselves as an e-commerce organization, and reduced the product range. These strategies have helped the company to cut down their making costs, They have understood that their customers are one of the biggest strengths of the company and they have prioritized customer satisfaction as New Look has focused on digitalization to improve the profitability of the company (Qian, 2022).

Recommendations

New Look needs to study the fashion behavior of the citizens of the Philippines which changes continuously. They should be more active on social media platforms for marketing and reach out to customers through their direct channels. Their search engine optimization has worked for them in the UK and it is highly expected that the same will work also in the Philippines.

Conclusion

New Look operates its business in the fashion industry. After being successful in the UK, the company has decided to spread out the business in the Philippines too. This is quite challenging for any company to run the business there and New Look has faced various challenges too. There are a few recommended strategies that the company can use to be successful in the Philippines too.

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APPENDIX

TASK 2



Global Business Environment Assessment 1

Task 2- Evaluation of Business Environment

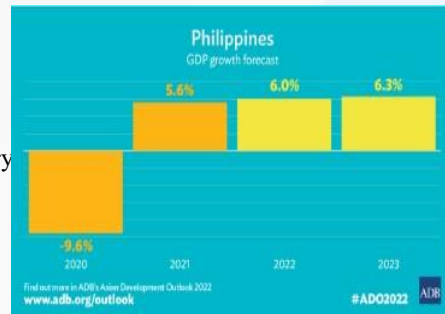
Opportunities and Challenges in Doing Business in Philippines

- New Look has been planning to move their production facilities to the Philippines through which they can get many opportunities and also face many problems
- The company must evaluate these factors that would help them to expand its business.
- Philippines is developing gradually which can be both good and bad for New Look.



Opportunities

- **Developing economy:** Philippines was an underdeveloped country from which they have developed a lot in the past few years.
- In the year 2018, the Gross Domestic Product of the country was 6.3% which majorly declined at the time of the pandemic.
- The inflation rate of the country in 2023 has a more positive view at 4.3% which can be helpful for the companies.



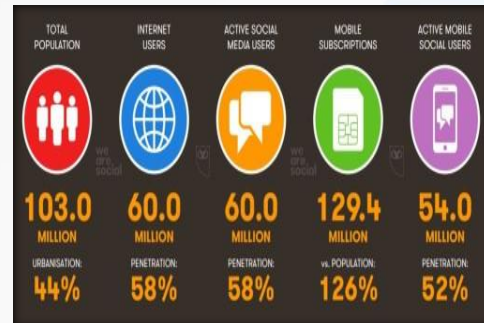
CONTD...

- **Market opportunities:** Philippines is one of the most anticipated countries for a foreign country to expand their businesses.
- In Philippines, the retail market size can increase by \$70.67 billion between the years 2021 and 2026 at an 11.68% CAGR
- For New Look, it will pose as an opportunity as being a UK-based organisation they can get the production facilities in a lower price range in the Philippines.



CONTD...

- **Digital opportunities** Philippines has been investing in improving the digital infrastructure of the country.
- New Look can also be helpful through this as they can use the technological advancement that is available in the country.
- Philippines is planning to spend nearly \$4.4 billion on their technology and its advancement in the next 6 years.



CONTD...

- This would be a 15 -year program where the country would be modernised.
- There has been a project named 'Unity Digital Infrastructure' which Aboitiz InfraCapital and Partners Group have been doing for making communication faster, safer and more reliable.
- 'Small Cell Sites' is another project done by the same company where they are enabling telcos for boosting connectivity.



CONTD...

- **Cultural and social growth:** When planning to expand their business in Philippines, New Look needs to know if the cultural and social conditions are suitable for them.

- The labour force of the country has increased as in the year 2020 their labour force was 45.9 million which is a big opportunity for New Look in their production team, they would be needing many people who will do their work with full engagement.

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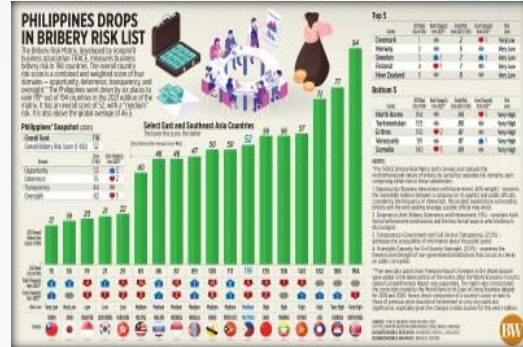
Challenges

- **Political Condition** Philippines is a democratic country and elects a President who is responsible for serving as the head of the government and also the head of the state.
- Bongbong Marcos is the current President of the country who has been elected President by the people.
- New look can face problems when expanding its production facilities here (Johnson & Jalil, 2022).



CONTD...

- **Bribery and corruption:** It is illegal to involve in bribery in the UK which is very normal for New Look and helps them to maintain an ethical environment in the organisation.
- Philippines is very much involved in this and they currently rank 119th out of 194 nations that face the risks of bribery.
- Based on the report, the country has a 'medium' risk as they have been behind Singapore, Thailand, Taiwan, East Timor and other many countries in that region (Ochave, 2022).



CONTD...

- **Adopting Different Culture:** Cultural diversification is not often positively adopted in the Philippine market.
- New Look would come across this challenge when moving production facilities in Philippines as there will be people of different races, ages, gender and most importantly different cultural background (Hofstede-insights, 2022).



CONTD...

- **Business and human rights:** The Philippines has incorporated the domestic law imposed by the United Nations human rights treaties and conventions.
- In the year 2020, some reasonable bases were found by ICC or International Criminal Court which stated that crime against humanity increased in the country while there was a war in 2019.
- New Look should consider this when planning to move its production facilities to Philippines (GOV.UK, 2022).



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