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Global Business Environment:

Assessment 2: In the context of

Burberrys

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Introduction

Globalisation is driven by various factors including political, technological, economical, ecological and legal factors. The global business environment encompasses the environment of different countries with different factors and the domestic environment affecting a company's decision on the use of capabilities and resources. Burberrys is the chosen fashion organisation that has changed its business model in the last few years. This report is based on a detailed analysis of the changes that Burberrys made in their organisational culture. Along with that, an analysis of the business environment that Burberrys are operating in for gaining a competitive advantage among its industry rivals will be done.

a) Critical analysis of the changes that Burberrys in the last few years in their business model

i) Porter's Five Forces of the Global Business Environment

Power of buyers

The bargaining power of buyers is low in the fashion industry. As stated by Sudha and Sheena (2017), the major names of global fashion such as Burberrys offer premium ranges of products, which can be costly, thereby, limiting the bargaining power of the buyers. Moreover, Burberrys has made strict policies for avoiding exploitation of labours from countries such as Bangladesh, Pakistan and Rwanda, which is another reason for less bargaining power for the buyers.

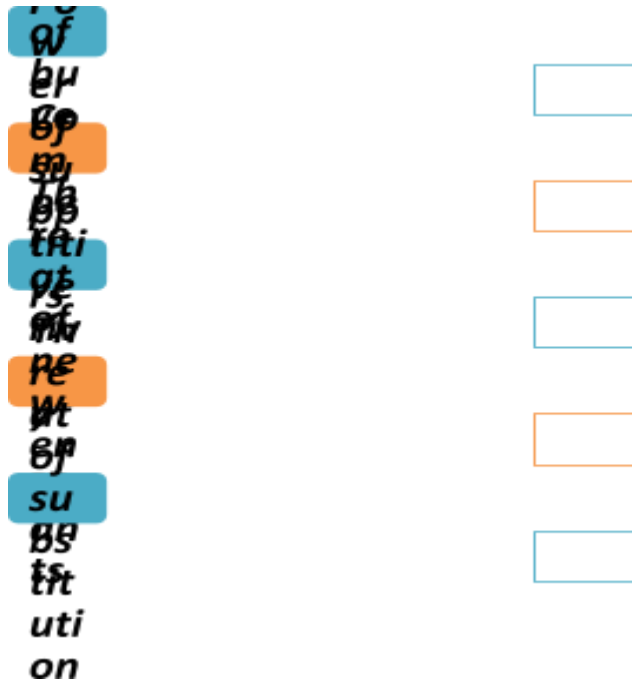


Figure 1: Porter's Five Forces of the Global Business Environment

(Source: Created by the learner)

Power of suppliers

The power of suppliers is moderate in the case of the global fashion industry. This is due to the availability of numerous suppliers globally (Talay *et al.* 2018). The option of having more suppliers also enables Burberrys to choose the suppliers, who are offering fabric that are made through sustainable practices and by avoiding pollution.

Competitive rivalry

Competition among the industry rivals of the fashion industry is very high. As stated by Mengi (2017), there is constant competition among leading brands such as Burberrys, Zara and H&M and this has led to some fashion organisations taking cheap labour from Bangladesh, Pakistan and Ethiopia by exploiting the workers. However, Burberry is refraining from these practices for maintain their ethical image and gaining competitive advantage in turn.

The threat of new entrants

The threat of new entrants to companies in the fashion industry is moderate as the amount of resources and capital needed for starting high-street fashion products can be difficult for start-up ventures in this industry (Acharya *et al.*, 2018).

Threat of substitution

The threat of substitution in the fashion industry is high as there are leading fashion brands that can provide similar if not better products in the same or lower price range. As opined by Todeschini *et al.* (2017), Burberrys has faced drastic challenges of being substituted by many companies that are using the cheap labours from countries like Bangladesh. However, the reputation and ethical image of Burberrys has helped them to remain relevant and not get substituted by the unethical fashion companies.

ii) Porter's Diamond for analysing the business environment for the last few years

As reported by Vlado (2019), the Porter's Diamond Model is a framework that evaluates the reason why certain industries of nations are competing in the international market. On contrary, James (2020) deduced, Porter's Diamond model illustrates the factors that can help in driving competitive advantage from one economy to another. Burberry uses this framework to gain boosts internationally through its continuous innovation and up-gradation process. The *factor conditions* are elements that provide a competitive advantage to the firm. The natural resource serves as the factor condition for Burberry. The firm has built its presence around natural water resources of many countries such as Bangladesh as they do not need any development and are efficient (Vlado, 2019).

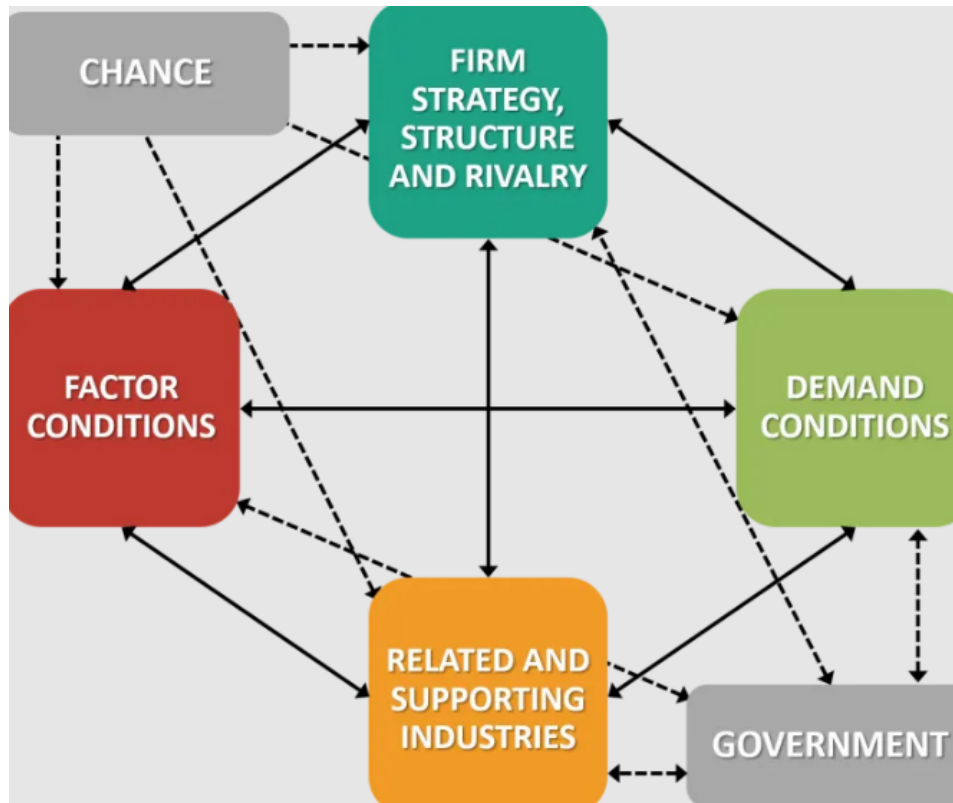


Figure 2: Porter's Diamond Model

(Source: Zhao, 2018)

The *related and supporting industries* provide a positive push to players like Burberry so they can excel and expand through innovation and internationalisation. The presence of related, supporting, rival industries along with strong global suppliers has pushed the firm to invest heavily in R&D for improving its sustainable measures in recent years (Burberry, 2021). As opined by Tsai, Chen and Yang (2021), *the strategy, structure, and rivalry* dwell with the strategic focus, managerial and organisational structure of the company. Burberry uses effective leadership and quality traits for gaining international expansion and implementing sustainable measures in its operations. The firm has infused sustainability measures to reach within 2025 in its company strategies for tackling labour exploitations and other unfair practices. The *Government* can influence the performance of the firm and its growth plan through various policies. Burberry has taken various initiatives through industry regulations in recent years to reduce carbon emissions so it can achieve the Sustainability Agenda 2030 (Zhao, 2018).

The *chance events* can provide opportunities as well as threats to the firm depending on their risk-taking capability (James, 2020). Natural disasters such as Covid-19 and Global Warming

have pushed the firm to take renewable measures so it can remain innovative and competitive in the marketplace. The *demand condition* pushes the firm towards expansion and exposure. The growing demand for sustainable living and awareness caused for sustainability has pushed the firm to innovate and gain wider exposure in recent years (Tsai, Chen, and Yang, 2021).

iii) Stakeholder analysis for identifying concerns by stakeholders

As reported by Kors (2018), stakeholders' analysis is the procedure of identifying relevant stakeholders and grouping them as per their levels so they can provide a better outcome to the proposed project. Burberry uses stakeholder analysis for enlisting the key organisational players and for gaining understanding over the goals, and the associated plans for reaching those goals. The *customers* help Burberry to understand the marketing trends and steps it must reflect in its sustainable measures to meet the needs of its consumers. Burberry should try to reduce its water wastage and should infuse renewable resources in its packaging for remaining sustainable in the eyes of its consumers (Harper, Pal, and Cozzoni, 2018). The *employees* play a significant role in transforming the consumer input into a final product. Burberry is proving its employees with felicitations and opportunities through its training and developing programs in recent years (Burberry, 2020). This has reduced labour exploitation from its premises and has helped the firm to increase the rate of skilled employees in its management.

Torelli, Balluchi and Furlotti (2020) denoted the *management* controls the internal and external marketing strategies so the firm can control the environment. The growing awareness of sustainable clothing has pushed Burberry to lower its emission rates and adopt sustainable measures to reduce water wastage in its operations, which has helped the firm in controlling the external environment. The *suppliers* are responsible for proving raw materials to Burberry so it can transform them into final commodities. The firm has made a positive relationship with them to increase its creditability in the market. As reported by Raum (2018), the *investors and shareholders* maintain the flow of finance and play one of the intrinsic roles in management. Burberry should develop innovative sustainable plans that can provide long-term profit to its stakeholders and investors. Finally, the *government* should push Burberry by making regulations towards increasing sustainability in its managerial operations for meeting the needs of the external environment (Harper, Pal, and Cozzoni, 2018).

iv) PESTLE analysis for global business environment

Factors	Discussion
Political factors	• The global political factors including the stability of the government of countries influence greatly the fashion industry • The appearance of Brexit has hampered the political stability of the UK negatively resulting in an Unstable government resulting in barriers for business operations, sales and profits • The political instability of India and America affected the trade of fashion products negatively • High tax rates of some countries including the UK have affected the cost prices of products resulting in low sales of goods from fashion industries (Yoon <i>et al.</i> 2018)
Economical factors	• The sudden outbreak of Covid-19 resulted in a decrease in the GDP of countries all over the world and this increased fashion products • The interest rates and exchange rates of many countries increased hampering the business operations in those countries • Business operations of fashion companies in developing countries like Bangladesh and India have been affected due to the increased inflation rates
Social factors	• PETA boycott groups are against the companies which use animal skins and furs • The consumer base from the higher middle class and higher economical class are interested in investing in fashion products that are sustainable for the environment • The financial crisis during the Covid-19 has affected the buying behaviour of customers globally • Up to date and trending, fashion products are the best choice for countries all over the world
Technological factors	• Various social media platforms and digital marketing ideas have been used by companies in fashion industries all over the world to reach the global target customers digitally

	• The use of sustainable technologies that are helpful in the reduction of manufacturing costs, wastes and industrial sewages increasing • Usage of e-commerce and online shopping techniques by global fashion companies resulted in online orders, delivery and feedbacks by customers
<i>Legal factors</i>	• Employment act covers the working time, payments and contracts of employment • Legal policies regarding fashion industries (Back, 2017) • During Covid-19, Health and safety has influenced employee engagement in company business practices positively • Pricing policies
<i>Environmental factors</i>	• The sustainability of the environment has become a major concern due to the high wastes and gas emissions from the production of fashion products that have been observed • Companies like Burberry have targeted in reduction of 95% CO2 emission by 2022

Table 1: PESTLE Analysis of Global Fashion Industry in relation to Burberrys

b) Critical explanation of the changes Burberrys has taken for gaining competitive advantage

i) SWOT analysis of Burberrys for assessing competitive advantages

Factors	Discussion
Strength	• Burberrys operate via their large network of retail and wholesale stores as well as via different online platforms giving them an edge in the global markets (Burberrys, 2020).

	● Global brand presence with instantly recognisable product segmentation is strength of the company. ● There are 10000 engaged employees in Burberrys, helping the company to operate in more than 50 countries (Burberrysplc, 2021).
Weaknesses	● The pricing range is premium ● Product line is limited (Jestratičević <i>et al.</i> 2020) ● Company revenues are greatly connected to European and American markets, hence disruptions in these markets can cause failure of revenue generation for Burberrys (Burberrysplc, 2021).
Opportunities	● Innovation of new and environmentally sustainable fashion range will attract scope of collaboration for Burberrys with different organisations in the global fashion industry (Hokkanen, 2020) ● Focus on sustainability increases stability for Burberrys among its industrial rivals ● Changes in lifestyle and development of e-commerce platforms will enable Burberrys to improve their operations.
Threats	● Competition from industry rivals ● Threats of imitation of company products

	• Ever-changing trends of fashion may need regular changes in the product range
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Table 2: SWOT Analysis for Burberrys

ii) Porter's generic strategies for assessing competitive advantages

Cost leadership

There are three forces of Porter's generic strategies, these are Cost leadership, Differentiation and Focus strategy. The cost leadership strategy helps organisations to create lower pricing strategies for their products, while increasing the overall sales to obtain higher revenue compared to their rivals in the market. In case of the application of the differentiation strategy, an organisation creates a wide range of products/services for increasing its market position and attracts more customers. The last aspect is termed as focused strategy, where either cost or differentiation is focused for a selective market niche to attain greater competitive edge in the industry space. Burberrys follows strategy of differentiation for providing wider variety of products to their global customers. The main channels of Burberrys include retailing, wholesale and licensing. The image of Burberrys is different from that of their industry rivals. The company have its own trademark and Logo as a unique pattern design in combination to the allurements of their British Heritage.

- Differentiation**
- Focus strategy**
- Cost leadership**

Figure 3: Porter's generic strategies

(Source: Created by Learner)

The strategy of emphasising on unique product base and innovations are effective in expanding the customer base (Hu and Xiang, 2019). Burberrys has incorporated several product lines that include high fashion clothing and apparels along with high quality cosmetics. Along with this, the inclusion of designer masks by Burberrys marketed by the unique and distinctive logo of Burberrys has qualities for gaining brand equity at this current pandemic period (Burberrysplc, 2021). The Burberrys products are differentiated and gain competitive advantage, as customers both in physical as well as online shopping prefer it.

iii) Value chain analysis of Burberrys for assessing competitive advantages

- Raw materials
- Machining, packing, assembling and testing
- Delivery of product to customers
- Pricing, marketing and sales activities

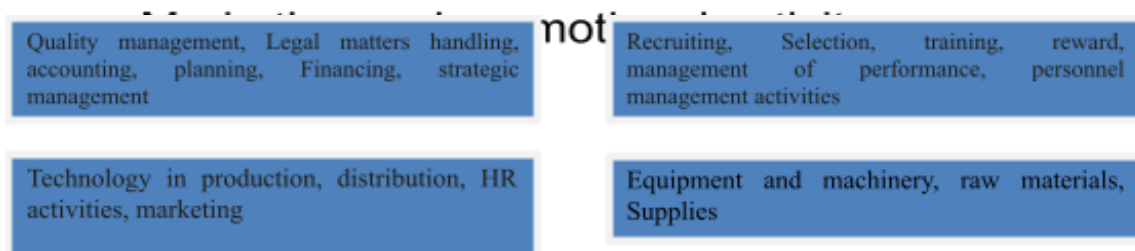


Figure 4: Value chain analysis of Burberry

(Source: Learner)

As opined by Truong and Hara (2018), value chain analyses visualises the activities of the business and provides effective manner through which it can garner competitive advantage. Value Chain Analysis helps Burberry understand the way it can add value to its commodities for streamlining its sales. Burberry uses the value chain analysis to look at each production steps so it can create viable commodities and can increase its overall efficiency. The primary value chain activities help Burberry to produce and sell the commodities to the targeted individuals. The *inbound logistics* helps the management to develop strong relationship with suppliers so it can gain better raw materials for its final products. Moreover, the *operational activity* helps to process the raw materials into final products. The firm uses equipments and maintenance in its *operational function* to increase its overall production efficiency (Hu and Xiang, 2019).

The *outbound logistics* helps Burberry to deliver its commodities through several intermediaries. The firm optimises outbound logistics to gain growth and accomplish its objectives. The *marketing and sales* channelizes the finished products efficiently in the

market. This strategy helps the firm to develop brand equity so it can stand out in the competition. The *services* offered by the Burberry increases consumer loyalty and it helps the firm in increasing its creditability ratio (Poornima, 2019). The secondary activities are the support activities that help Burberry to coordinate the primary chain activities. The firm infrastructure allows Burberry to optimise its whole value chain and control its overhead cost for strengthening its competitive position. The HRM helps firm to hire the right individuals with skilled understanding so it can reduce its competitive pressures. Technological development provides innovation to Burberry for delivering the finished goods and the procurement activity helps the management to procure its inbound, operational, and outbound the value-chain (Truong and Hara, 2018).

iv) Recommendation

Burberry should take effective measures related sustainability for increasing its brand creditability in the market. The firm should foster efficient relationship with the suppliers and should maintain a multiple supply chain at different locations to tackle the Covid-19 situation and trade restrictions. Moreover, it should provide reward and recognition and should run campaigns related to sustainability and labour exploitation to display its viable support towards these necessary programmes. This will help the firm to gain valuable recommendations and will increase its brand image in the sector.

Conclusion

The report provides a comprehensive approach on global business environment through the context of Burberry. It has critically analysed the changes that the firm has made in the recent years through its business model and has highlighted concerns that it has adapted through the push of its stakeholders. Moreover, it has critically explained the changes that can provide the firm with competitive advantage and it has provided relevant recommendations for future managerial purposes.

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