

BA Business Management

Management Economics

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Table of Contents

1 (a). Discuss the fundamental economic problems identified in the case study.....	2
(b). Suggest various ways in which these economic problems can be resolved.....	3
2 (a). Why is demand and supply relevant in this case study?.....	4
(b) What is the difference between elasticity and inelasticity of demand concerning price changes in the cost of fuel?.....	6
(c) List and explain the laws of supply and demand.....	9
References.....	11

1 (a). Discuss the fundamental economic problems identified in the case study.

The economic damage has already been evident, thus ending up creating a larger economic shock than the world had ever faced or experienced in decades. The economic problems which have been noticed through the case study are:

COVID-19 effects on doing business: There has been long-term damage due to the impact of the pandemic which shattered the prospects of growth. It had been envisioned that there would be a contraction of 5.2% in the global GDP in the fiscal year 2020. This was done according to the measurement of market exchange weights which helped in identifying the deepest global recession ever, despite governments of numerous countries taking stern steps to counter the downturn. This led to a lower level of investment and dissipation in the accumulation of human capital and numerous fragmentations in global trading policies and supply linkage (World Bank, 2020).

Shortage of supply: There have been lingering repercussions which created a humongous setback in the potential output of labour productivity and full employment. This led to a shortage in supply and kept on slowing the potential growth as well as the productivity growth. There have been lower-income economies provided with limited healthcare facilities which led to a higher propensity of developing recession through the multi-decade trend (World Bank, 2020).

Effects of Brexit on demand and supply: Through the process of Brexit, consumer manufacturing companies were focused on what impacts would be created through tariffs and border friction on the supply chain which is prevalent within the work process. They have shorter shelf lives which lead to potential delays in exports. However, if the process is not well aligned with the prospects of Brexit along with the demand and supply of products, businesses can tend to lose 100 million GBP of business. The tariff can make the products' demand and supply uncompetitive (McKinsey, 2023).

Panic buying: There is a propensity amongst customers to do panic buying which leads to stocking up during the time of a crisis. However, there shall be rationality in their pattern of buying. Irrational stockpiling leads to the process of price gouging. It has been seen that, if the price of the product gets tripled, there is a tendency to acquire scarce commodity growth which can lead to anxiety. For instance, the British Pharmacy chain Boots and Lloyds Pharmacy had decided on their selling strategy that they would restrict their hand sanitiser sales to just two bottles per customer (BBC, 2023)

Shortage of global diesel supply: The oil inventories have remained lower as compared to the normal level which had created an upward pressure on the fuel prices. The industrial economy must get the range of correlation with their inventories and manufacturing cycle. However, global diesel had depleted due to the prolonged slowdown in the process of manufacturing activity and freight movement over the previous year. Due to a shortage in its supply, the deficit had widened which created an establishment of an upward trend on prices (Kemp, 2023).

High borrowing of funds to meet a surging cost of living: The cost of borrowing has been raised from 0.25% to 0.5% by the Bank of England which has led to the establishment of financial prudence and created a surge in corporate borrowing. The ultra-loose tactics of monetary policies had led to involvement in the surge of corporate borrowing, whether necessary in the productive capacity or research and development. It has been seen that the financial market has been priced through the process of interest rate rise (IMD, 2023).

(b). Suggest various ways in which these economic problems can be resolved.

Government intervention: The Government must intervene in case of inefficiency as projected by the economy. However, if the economy is not well efficient, resources stand perfectly allocated based on the amounts needed. The government must meet the inequities through the process of regulation, and establishment of proper taxation policies and subsidies which help them create a positive impact on the market. To reduce the unregulated inefficiency within the market, the government must create negative externalities without consequences which involve diminishing resources or minimization in trade regulations, thus the Government needs to directly address these issues. The government needs to focus on minimizing the damage caused due to naturally occurring events within the economy, thus helping to reduce the negative impact of economic forces and manipulation of monetary supply.

Relaxation of stringent COVID-19 rules: Relaxing Covid-19 rules, has helped people describe their ways of keeping themselves safe and doing their work consistently without getting infected. The country's economy must ignite the recovery of its economy and increase the money flow within the limits. For instance, in Britain, the Prime Minister had encouraged its citizens to return to restaurants by subsidizing millions of meals which would enhance the flow of monetary supply within the economy. It has been agreed by scientists and public health experts that mixing outdoors would not lead to the virus spreading as confined spaces

are way more dangerous. The return to school has helped children understand their concepts smoothly and with proper application, thus creating a positive side towards relaxation (Lander and Castle, 2021).

Developing shortage management team strategy: For managing the process and economic issues, it is necessary to reinvent training tactics. The training tactics are necessary to establish and certify the critically needed positions. Through this, a long-term scalable strategy can be made to hire top-level employees to solve economic issues within the business venture. The talent marketplace is cutthroat which empowers job seekers to learn numerous talent solutions to work better. It is necessary for the strategies to get their core values aligned which would help them grow as an individual, thus helping them review their performance daily (Luciano, 2022).

Improve supplier corroboration network: it is necessary to improve supplier chain coordination which would help strengthen the goals and expectations for every supplier through the use of digital tools. It helps at establishing information sharing, and corroboration, This network helps with collaboration and enables solving concerns raised. The use of a supplier corroboration network would necessarily help in processing supplier data and processes via interactions. This network helps establish a free flow of communication, thus acknowledging suppliers' contributions and addressing issues or concerns with fair parity. The rapport and the sense of connection would enable the developing support and a sense of empathy to seek common grounds and shared values (Wilhelm and Sydow, 2018).

Assess and improve supply chain: Through two processes named cluster approach and holistic approach, the supply chain and distribution network can be well balanced. Cluster processes can help in observing the process through the way of grouping or clustering charts or relevant documents together to enable the specific company function. The holistic approach helps to review the components which stand essential for the supply chain and distribution networking, thus helping to focus on how components related to such aspects work. It is necessary to establish a supply chain council which would help in making a clear strategy towards functionality and efficient working. Through this council, the business venture aims to get direction which would help at bringing alignment into the supply chain strategy with the involvement of shared values (ILS, 2023).

2 (a). Why is demand and supply relevant in this case study?

Pricing strategy to reduce managing the pressure of demand and supply: At times, it becomes difficult for the company to apply the required number of resources demanded in the flow of goods and services within their supply chains. This enables creating negative impacts on the inflation based on sales and profit. It shall be made sure by the business venture that inflation and supply chain issues do not affect and weaken their pricing strategy. Through negative pricing strategy, can drive away clients and render the business venture less competitive as compared to others. It is also necessary to re-evaluate the benefits which the existing suppliers face and what disruptions can hurt them.

Expansion of business productivity: In order to understand the criteria of demand and supply, it is necessary to involve automation software where the manual systems get transformed into digital systems, thus record-keeping becomes automated. This enables saving additional time. This process of automation helps allow employees to focus on tasks with no or fewer disruptions, thus helping to evade the negative impacts on productivity. The use of scheduling tools helps employees by focusing on their strengths which enhances productivity and also boosts their emotional morale. This helps give employees an edge of flexibility and create effectiveness in their tool of work (Mian *et al.*, 2020).

Marketing strategy which promotes business concepts: It is necessary to evaluate the target audience and requires a proper strategy which would enable them to define their niche based on researching the competition elements within the market. The buyer's persona shall be evaluated which would help establish the factors affecting demand and supply. The process of advertising online would help the establishment of effective business potential within the market limits. Advertisements through social media platforms would help in understanding the social demographic structure based on the product's demand, thus helping businesses to get feedback based on customer experiences through referral sites.

Helps to balance inventory management strategies: To evaluate demand and supply, it is necessary to automate the process of inventory management. Inaccuracies achieved can lead to further revenue losses and customer dissatisfaction as well. It is necessary to channel inventory and time towards growth-oriented activities to get the proper data for demand and supply, thus avoiding stockouts or over-piling of stocks. The process of leveraging real-time data and analytics helps bring proper optimization in inventory management. This helps with the reduction of inventory investment and keeps predicting the optimal inventory quantities which would help meet the future demand procedures (Singh and Verma, 2018).

Management of risk to manage equilibrium demand and supply: According to Anca (2019), demand management acts as an important aspect in the work of logistics in the supply chain which enables the management of the flow of objects between origin and consumption. This enables managing the sourcing, development and manufacturing that the organization faces, thus involving the action of moving materials, services and goods from numerous suppliers. This equilibrium between demand and supply helps in building products and bringing them within the market limits, thus acting as a critical link in other ventures' supply chains. The business venture must plan based on demand for services and products which enables establishing a proper and vital connection between the process of operations and marketing. This enables establishing coordination tighter based on strategy, capacity and customer needs. Demand and supply act as an important bridge between the market and the internal operations taking place within the boundaries of a business venture, and maintaining the company's action in synchronization with shared values, mission, production capacity and company strategy.

(b) What is the difference between elasticity and inelasticity of demand concerning price changes in the cost of fuel?

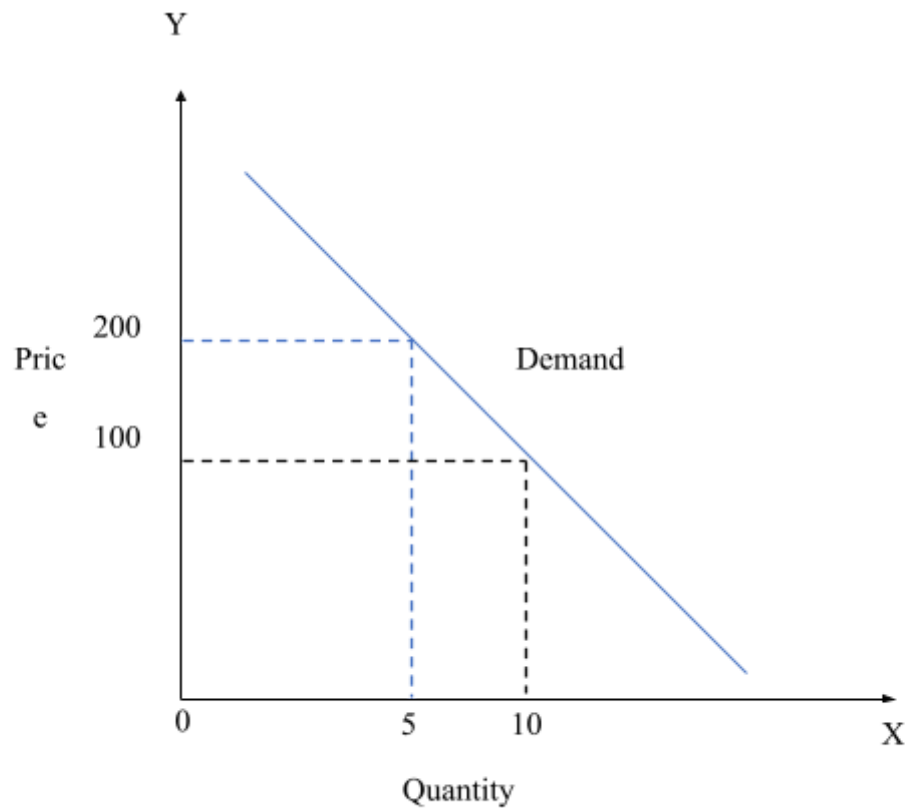


Figure 1: Elastic Demand

(Source: Self-created)

Elasticity of demand: This helps at establishing a proper relationship between demand and other variables such as price factor, substitute availability or customer's disposable income. Elastic demand has helped at equating the amount of flexibility in the process of purchasing decisions as reduction in elasticity has been often considered as the business venture's primary goal, thus helping at positioning the product where customers would be able to buy in most circumstances (Karlan and Zinman, 2018). Whenever the prices rise, consumers tend to find substitutes or when prices fall, they again switch over to the same product as depicted in the graph.

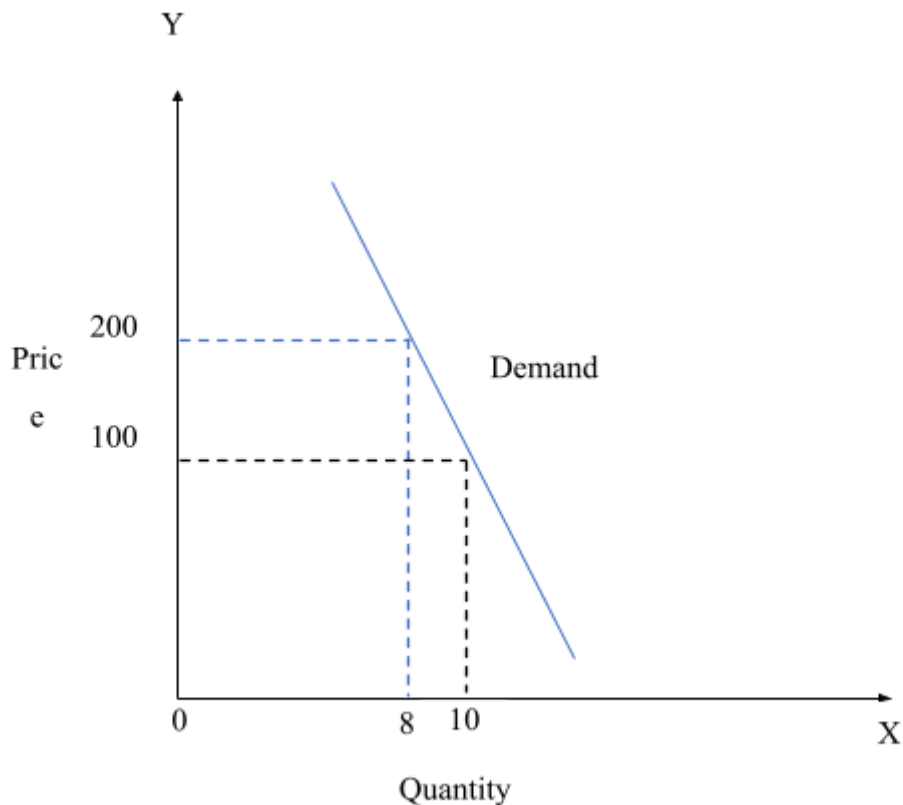


Figure 2: Inelastic Demand

(Source: Self-created)

Inelasticity of demand: It discusses the unresponsiveness whenever there is no proportionate change with the fall or rise in prices. Whenever there are no substitutes present or gathering necessary products or in case of short-run situations, it makes the demand inelastic. It is always seen that its demand stands static, thus giving a stable source of revenue as the consumers get smaller choices to get the cost reduced (Byrne *et al.*, 2019).

Difference between elastic and inelastic demand:

Elastic Demand	Inelastic Demand
It faces a higher amount of changes whenever there is a significant change in the price level.	It faces no changes when there is a small change in the price level.
The coefficient stands at more than 1	The coefficient stands at less than 1
Elasticity is highly affected due to the price sensitivity	Inelasticity acts less sensitive to the price changes of the items present in the market

Substitutes are always available to determine the price's elasticity	Substitutes are not always available to determine the price's elasticity.
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Advantages of elastic and inelastic demand:

Elastic Demand:

This helps in optimizing prices: Whenever it is seen that the demand is considered high, companies are necessarily required to make informed decisions based on their optimal pricing. The pricing strategies are required to be established which would help at maximizing profit, thus helping them to evaluate responses based on price changes.

Inelastic demand:

The manufacturer gets to ask for higher prices within the market limits: This would help them raise revenue under higher prices without getting the customer demand affected

Disadvantages of elastic and inelastic demand:

Elastic demand:

Fewer challenges: Marketing products with lower elasticity helps with posing fewer challenges for the suppliers.

Inelastic demand:

Price gouging: Price gouging can lead to harming the customer base and also provide lesser incentives for those who present innovation. This can lead to failure in the market which ends up behaving like a monopoly.

(c) List and explain the laws of supply and demand

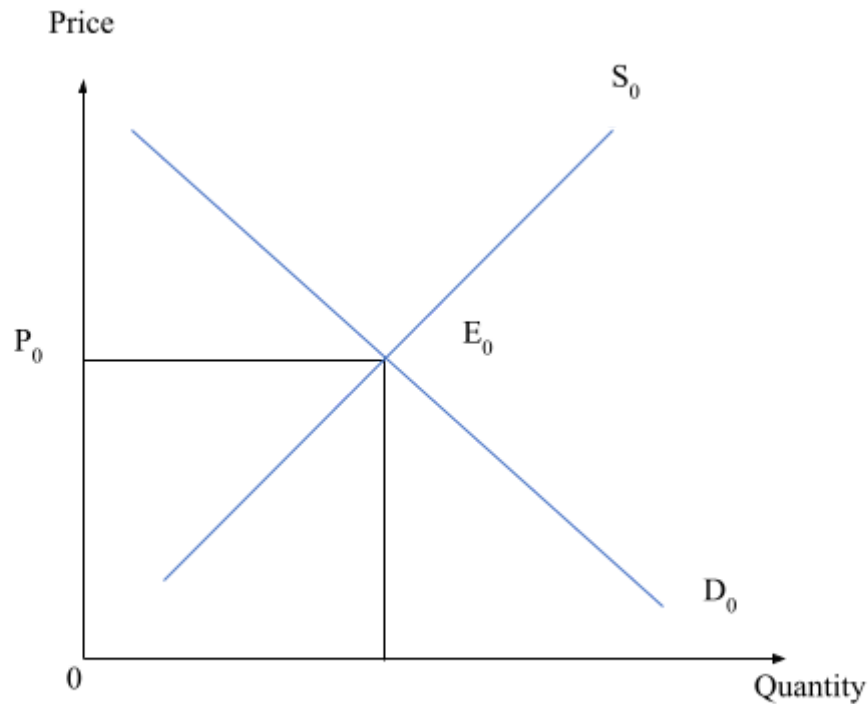


Figure 3: Market equilibrium based on demand and supply

(Source: Self-created)

According to Inoua and Smith (2022), the law of demand states that if there is a propensity for customers to buy less, prices tend to rise. The law of supply mentions that when prices rise, the company gets to exhibit a higher profit potential which leads to an increase in the supply of goods and services. However, if the supply of items gets outstripped from the demand, it might lead to a fall in prices and vice versa. Through these two theories, the business venture can establish and determine how to set prices and fulfil customer demands through the process of controlling excess inventory. It shall be evaluated that if the supplier wants to get more profit than the amount the customer wants to pay, it would have a lesser propensity to get sold and if prices are set too low, this would help at accelerating the sales growth. This might be a bit less profitable for the business venture. The price where supply and demand meet in the graph is known as the equilibrium price. At this point, the suppliers get to know how much they are producing of a product or service to help in satisfying demand. This point might vary from time to time whenever the supply or demand factors fluctuate. These two laws help in understanding the competitive market through the process

of accurate assessment. The business needs to evaluate its manufacturing process by either setting the price of the product higher or less to avoid overstocking dead stock or understocking. Through these laws, demand and supply forecasting can be done effectively and efficiently to get the optimal equilibrium price. Whenever the demand increases and supply does not rise, there is always a chance of shortage but when the supply catches up properly with the demand, the prices do develop the propensity to get stabilized.

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