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The Global Business Environment

Executive Summary

The report has discussed the recent changes made by Burberry group in their products and how these changes have helped the organisations to deal with the issues. Further, the report has analysed the competitive advantage of the organisation in term of the changes made by them. The report also addresses the global business environment factors and what is the importance of entering the international market.

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Introduction

The spread of technology around the globe has allowed companies to get involved in international trading. For an organisation to start their business in a different country, it has to analyse different factors. Hence, companies adopt different strategic techniques to accomplish their business requirement. There are **major forces** that affect the **global business environment**. For instance, to achieve success in business the companies have to monitor the availability of the raw material and regulate the supply chain of the resources. Besides, the company also has to look for the labours and offer them wages accordingly. The organisation also has to function according to the government laws of the particular country. These may include political factors, economic conditions, technology advancements and demographics of the country. This report will analyse the changes that companies adopt to self-regulate and how these changes will provide a competitive advantage to the organisation. The company chosen for this report is Burberry.

Burberry is one of the largest fashion retail companies in the UK. The company has its headquarters in London and was founded by Thomas Burberry in the year 1856. Burberry group is currently employing more than 9000 people and generated a revenue of 2.63 billion GBP in the year 2020. The organisation is listed on the London Stock Exchange.

Task A

Since Burberry is a fashion brand in the UK, the company had to deal with different factors to function smoothly. Hence, based on the analysis of the macro and microenvironment conditions in the UK, the company adopted certain changes in their business strategies.

Elements	Factors	Influence
Political	Brexit has affected the business operations in the UK. It has largely affected the supply chain of resources and materials between the EU and the UK.	Burberry predicted that the BREXIT can impact the shopping done by tourists in the UK, thus to operate successfully and efficiently they introduced VAT-free shopping (Ft.com, 2021). To minimise the losses due to the impact of Brexit, the company developed trade relations with the EU (Thewalepole.co.uk, 2017).
Economic	The wage inflation rate and the consumer and retail price of the index have had an impact on companies running their businesses in the UK. The exchange rate of the UK has impacted businesses. Covid-19 resulted in the loss of the fashion industry in the UK.	Despite the growing inflation rate in the country, the Burberry group has managed to grow their profits over the years. But due to the pandemic of Covid-19 resulted in a drop in the revenue generated by Burberry from 2.72 billion GBP in 2019 to 2.63 million GBP in 2020 (Statista.com, 2020). To avoid the losses due to the closure of shops, Burberry offered their customers the option of purchasing the products through digital platforms .

Social	The median age in the country is 45 that affects strategies of different countries. Demands of customers in terms of fast fashion.	Since the majority of the population in the UK is young, Burberry has aimed at producing products that will target the latest demand of the public. Hence, Burberry has increased its rate of production by almost three times to satisfy the customer requirements (Voltagead.com, 2018,).
Technological	Latest technological advancements and investment in modern-day innovations.	The revolution has brought a boom in the fashion industry. Hence, Burberry has developed the latest software systems that will help them to gain more profits in the market (Burberryplc.com, 2020).
Environmental	Since fast fashion is a polluting industry, the UK government has introduced UK's sustainable development policy.	Burberry faced outrage from the people in the UK for causing a threat to the environment. Hence, the company has evolved their techniques. The company has introduced operations that are aimed to reduce environmental issues. Thus, the company is making use of sustainable raw materials (Burberryplc.com, 2019).
Legal	Customer data security policies of the country. Employee benefits and working hours of the labour. Quality and standard of the items produced in the country.	Burberry Group maintains the secrecy of their customer data as per the UK Data Protect Act 1998. Besides, the companies also provide their employees with the salary as per the norms set by the government in the UK (Burberryplc.com, 2021).

Table 01: PESTEL Analysis

Any organisation aims to expand their business across borders. For this, the companies often develop strategies to target the international market. Several factors affect the global business environment. For instance, if Burberry Group wants to expand in other countries apart from the UK, it needs to develop a relationship with the local distributors. This is important to maintain the regular supply of the raw materials. Apart from this, the company must also analyse the labour market conditions to get cheap and effective labour. Getting established as an international brand can help the organisation to ***minimise the risk of stagnation*** (Buckley *et al.*, 2017). Concerning Burberry, the company has started their operations in countries like China by analysing the market conditions of that country.

Task B

Burberry has established itself as a very popular brand in the UK. The demand for their products is very high among the people. This has been possible because the company has adopted different techniques to satisfy the market conditions. For instance, the covid-19 pandemic forced the companies to limit their operations. But Burberry provided their customers to purchase the product online and hence offering them comfort. Porter's five forces can be used to understand the competitive advantage of the Burberry group.

Porter's Five Forces Analysis

1. The threat of new entrants

When new entrants come into the market, it increases the competitiveness of the market (G.H.T Bruijl, 2018). It can affect the market share and customer base of the company. New entrants might use lower pricing techniques to attract customers. Hence, the Burberry Group has to manage these barriers to maintain its hold in the market. The organisation has brought innovations in their delivery services to attract customers. Further, Burberry has also provided clothes as per the latest fashion trend. This has helped them to keep their customers loyal. Since the Burberry group is a well-established group in the UK, they are less likely to get affected by the newcomers in the market.

2. Bargaining power of the Suppliers.

Companies involved in the business has to purchase their raw materials from suppliers. Hence, the suppliers often try to demand more money from firms like Burberry to gain profits. This can affect the profitability of the organisation. Although Burberry has built a vast network with different suppliers, their bargaining power can reduce the profit margin on the products. Hence the company has designed their manufacturing techniques by using different material. This has helped the company to shift to other raw material in case the price of other raw materials goes up. Besides, the company has a very good relationship with different suppliers making it easy for them to switch to another supplier in case the previous one demands more money (Burberryplc.com, 2020).

3. Bargaining Power of the Buyers

Buyers are the deciders for the growth of the company. It is a fact that the customers often demand a lot from the companies in terms of price and quality (Stindt *et al.*, 2017). Likewise, the ever-changing nature of the customers is also a cause of worry for organisations. Hence the organisation needs to keep their customer base loyal and fulfil their demand. To reduce the bargaining power of the customers, Burberry Group has always innovated its products from time to time to attract customers. The company has also provided offers and discounts on various products to keep the customer satisfied. This has helped them to contain the bargaining power of the buyers.

4. Threats of Substitute Products

Substitute products can affect the profitability of an organisation. For instance, if a similar product is available in the market with additional features and lower cost, the customers can switch to that product. Hence, Burberry has focused on improvising its services in terms of offering more convenience to its customers to buy the product. Besides, satisfying the needs and wants of the customers has been a keen objective of the organisation.

5. Rivalry among the Existing Customers

Rivalry among the top competitors in the market can affect the profitability of the market as a whole. Even though Burberry is a well-established brand, the rivalry from its competitors can impact its growth and overall productivity. Hence, Burberry has focused on maintaining the high quality of its product to stay ahead in the competition. Likewise, the products manufactured by the Burberry Group is British oriented, thus helping them to develop an emotional bond with the customers. Besides, the company has also developed new strategies to deal with its customers by targeting the expensive market segment (Retaildeatil.eu, 2018). The company has stopped the manufacturing of low-quality products. This technique has helped the organisation to stay ahead in the competition and provided a competitive advantage over its competitors.

Recommendations:

Even though Burberry is a well-known name in the market in the UK, the company should still try to introduce strategies to keep expanding with time. This will help the company to get recognised at the international level. The company can spend their funds in the **resource and development department** to keep on innovating new techniques to cope up with the market. Besides, Burberry Group can also lower their **fixed price per unit** to gain more profits. This will further help the company to gain large profits. Also, the company should constantly define their **standards** to improve its brand image in the market. The company should also analyse the strategies used by their competitors. This will help them to design their strategies more effectively and can shift the focus of the customers from other brands. Likewise, the group can also apply **a line pricing strategy** to some of their product so that the customer can get influenced and purchases the product.

These strategies can also prevent the customers from switching to the new brand. Likewise, the company should also adopt the latest technological trends in the market by introducing techniques that can offer the customer the advantage of buying the product according to their convenience. The company should also provide **leverage on the latest fashion trends** that can attract more customers. Also, interacting regularly with the customers and taking their feedback will also help the organisation to analyse their performance. Implementing effective marketing techniques can also help the company to reach out to customers more effectively. Hence, it will also save the additional cost of the company by promoting their product through social networking sites and digital platforms. Further, to get a hold in the international market, Burberry group needs to analyse the market condition of that country and also learn about the requirements of customers. Nowadays, a brand needs to enter the international market to decrease the risk of stagnation and gain more profits (Glavas *et al.*, 2017). Hence, adopting these techniques can help the Burberry Group to establish itself more in the fashion industry.

Conclusions

Thus, this report discussed the changes implemented by the Burberry Group and how these changes did help them to deal with issues raised by the stakeholders. Burberry Group has effectively dealt with the situation of Covid-19 and targeted their audience based on the demographics of the country. The company has also focused on sustainable development to maintain the environmental balance. Further, the report analysed the competitive advantages of the changes made by the company in recent years. The company has adopted the digital method of offering products to its customers. Also, the company has revisited their strategies to target the expensive market segment. All this has been done keeping in mind the future market conditions. The report has also discussed the importance of international trade and what are the factors affecting the global business environment. Furthermore, the report has also provided recommendations that can be implemented by the firm to grow their business and to enter the international market.

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