

The Global Business Environment

(LCBB4005)

Assessment 2

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Introduction

Clothing industry is one of the big businesses in the UK and the fashion industry is worth over £26 billion and it leads to provide around 800,000 jobs to the economy. The UK is a leader in context of fashion education. And the products in the fashion industry are worth and strategically important for attracting a potential base of customers (British council, 2020). Thus fashion has the power to influence the mindset of the customers and its effect on the sales of a brand that is promoting that fashion. The current report is generally based on analysing the changes Burberry has made in the last few years to move towards sustainability.

Burberry is one of the luxury fashion companies that sells men and women accessories, perfumes and is one of the leading Fashion brands. The business sells all the luxury brands to establish its brand image in the fashion market.

Thus, concerns are being faced in the fashion industry. For instance, the fashion industry is one polluting industry as its manufacturing process contributes to environmental solutions such as soil, water and air. The reason is because of unsustainable use of raw materials. Further, retailers in the fashion industry need to adopt the concept of sustainability by producing products at cheapest prices to attract customers. And also they need to rely on the standard practices concerned with environmental regulations. Therefore, the report generally aims to analyse the changes the company had made and further recommendations are taken in regard to its management.

a) Critically analyze the changes that the company has made in the last few years to their business model to self-regulate and adapt to some of the concerns raised by the different stakeholders above.

Stakeholders concerns

The main concerns on which the business needs to rely on is concerned with business to adopt the sustainable practices. These concerns are raised by the Government that considers fashion brands as one of the polluting industries. Therefore, customers are also seeking towards consumption of the brands that are showing concerns towards the environment. With this, the government is also liable to set different regulations for the fashion industry to show concerns towards the environment and improve their process of manufacturing (Staccione, 2018). The below are some of the goals that the fashion industry follows in accordance to achieving the sustainable operations of the business.



Figure 1: Sustainable goals

(Source: Henninger et.al. 2016)

To analyse the key competitive position it is necessary for analysing the capabilities and process of the organisation to gain the sustainable competitive advantage. For this, the framework of

Porter's value chain is being adequately used for achieving adequate profit margins. This can help to evaluate the change Burberry has made in below explained factors.

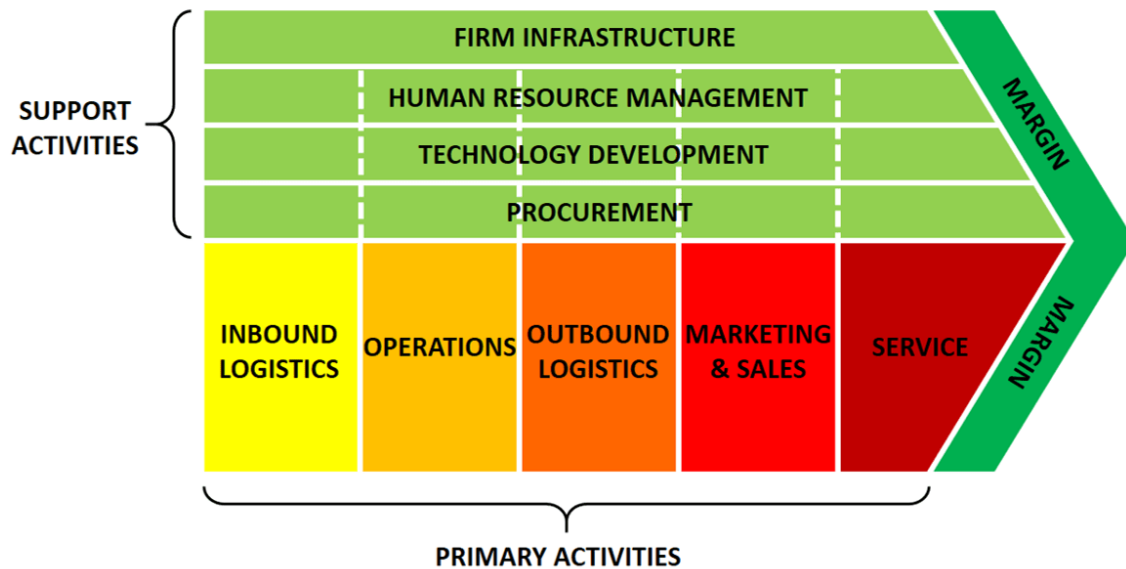


Figure 2: Porter's value chain framework

Primary activities:

Inbound logistics: Burberry has adequate practices in context of sustainability as it has a long term sustainable relation with the suppliers (Percoco, 2017). Final goods are manufactured at both organisation owned facilities in the UK and Italy. The stronger supplier relationship ensures Burberry to ensure ongoing development in given chain working conditions and it leads to minimise supplier turnover (Annual report, 2020). The production strategy is based on sourcing more sustainably and using assessment of mills, tanneries and trim suppliers.

Operations: Burberry has supply chain operations in relation to EMEIA, Americas and Asia Pacific that is able to sell its products through retail, e-commerce and business websites. As per the annual report, the business commitment and policies are concerned to packaging, retail merchandising, reprocess and recycling supply chains with implementation of ethical trading programmes (Annual report, 2020).

Outbound logistics: Burberry has a programme that is aimed at monitoring the labour conditions and verification carried out for auditing the quality of the finished goods. The raw material

chosen needs to adhere to policies and principles of local laws. Burberry works according to the concept of Just in time inventory that means, production is done according to the demand of the market and that overcomes the delay of dead stock. Thus, effective technology is utilised for finished goods monitoring, material handling and also huge amounts of data is stored in information systems (Moon and Dathe-Douglass, 2015).

Marketing and sales: The channel for product distribution is generally through the support of retail stores and also selling products through e-commerce channels. Burberry has potential support of more than 10,000 employees that support in implementing sustainable solutions and adopting eco friendly practices of manufacturing (Mastropetrou et.al. 2019).

Further, Burberry has effective activities of marketing through Internet, social media and website advertising. This assures business to be competitive in the context of targeting potential audiences through promotion of its sustainable practices.

Service: Burberry care about the effects of customer services. Burberry has an effective presence over social media that answer queries of the customers. The right consumer services help business to value the product and that boosts sales of the organisation (Thind, 2017).

Support activities:

Procurement: Burberry is committed towards adopting responsible sourcing policy that means sourcing raw materials from suppliers considering the highest animal welfare standards. Burberry seeks to seek collaboration and learning opportunities to assure sourcing of wool, exotic skins and down. The products goals help in improving the traceability and sourcing the cotton and cashmere and leather (Olivia Petter, 2018).

Technology: Burberry adopts the cost effective technology to streamline the fashion design. The application of merges leads to increased speed of placing printing into the garments. This is generally based on reducing the factory cost, creative and efficient process and can reduce the utilisation of excess materials (Burberry technology, 2020). Technology enables Burberry to enjoy the real time experience and show creativity to mainly targeted audiences.

Human resource management: This is one of the significant departments in the company that is responsible for choosing the best workforce that can rely on producing the best of clothes to meet

with operations of the business. The HR department is stronger because it needs to manage various departmental functioning and also streamlining the operations of the business.

Firm infrastructure: It is the cumulative of all the functioning that business makes such as finance, accounting, marketing, following legal laws and regulation, etc. This leads business to handle all the functioning of the business and this acts as a source for enhancing productivity of the business (Robinson and Hsieh, 2016).

The changes

The first change that has been observed by the business was regarding the operations. For example, with *replacing the traditional mode of selling* only through retail stores, Burberry has set to new digital savvy audiences. With this, targeting the customers is being done through potential social media accounts such as Facebook, Twitter, Instagram, etc. In the context of avoiding competition, Burberry tries to catch up with audiences through appealing, re-energised images, new experiences and adopting effective mode of digital communication (Olivia Petter, 2018).

Another change that is observed by Burberry is regarding relying on *Modern Slavery Act 2015 and Transparency in Supply Chains Act 2010*. This means the organisation is committed towards being socially and environmentally responsible. Earlier, no major protection to animals and source of materials was being provided and considered. Now with the long standing commitment towards sustainability and social environmental programs, Burberry is committed towards fostering innovation and changing the way it source raw materials from the suppliers (Annual report, 2020).

Third change is because moving towards sustainability requires business to be a responsible company in terms of *following policies*. Burberry needs to rely on following the aspects of human right politics and also Ethical trading code of behavior. The principles are followed in rely on long term memberships with United Nations Global compact and also relying on the practices of ethical trading initiatives. Further, policies are also followed in context of taking care about human rights, ensuring positive working conditions and working towards the human related concerns (Burberry policies and commitments, 2020).

Burberry is continuing to develop risk management in our global non-stock procurement supply chain and achieve a better understanding of high-risk fields like labour providers and building contractors. Suppliers must take responsibility for eliminating coerced, contracted, and trafficked labour in their supply chain, certifying that neither they nor any of their affiliates, contractors, or subcontractors participate in or have been involved in any sort of modern servitude. For example, Burberry, a high-end fashion house, joins the Sustainable Luxury Movement: The organisation plans to manufacture climate-neutral coats by 2022, in addition to a reasonably output coat range. The new environmentally sustainable range was unveiled such as ECONYL, with an emphasis on the circular economy's introduction. The iconic jacquard parka and classical car coat have remained in a sustainable way, using cutting-edge fabric (Burberry new product, 2021).

b) Critically explain if these changes have/will give the company some form of competitive advantage position and provide any relevant recommendations to management of this organisation.

The below image shows that Burberry has directive goals to move towards sustainable practices so the concerns raised by the stakeholders are avoided.

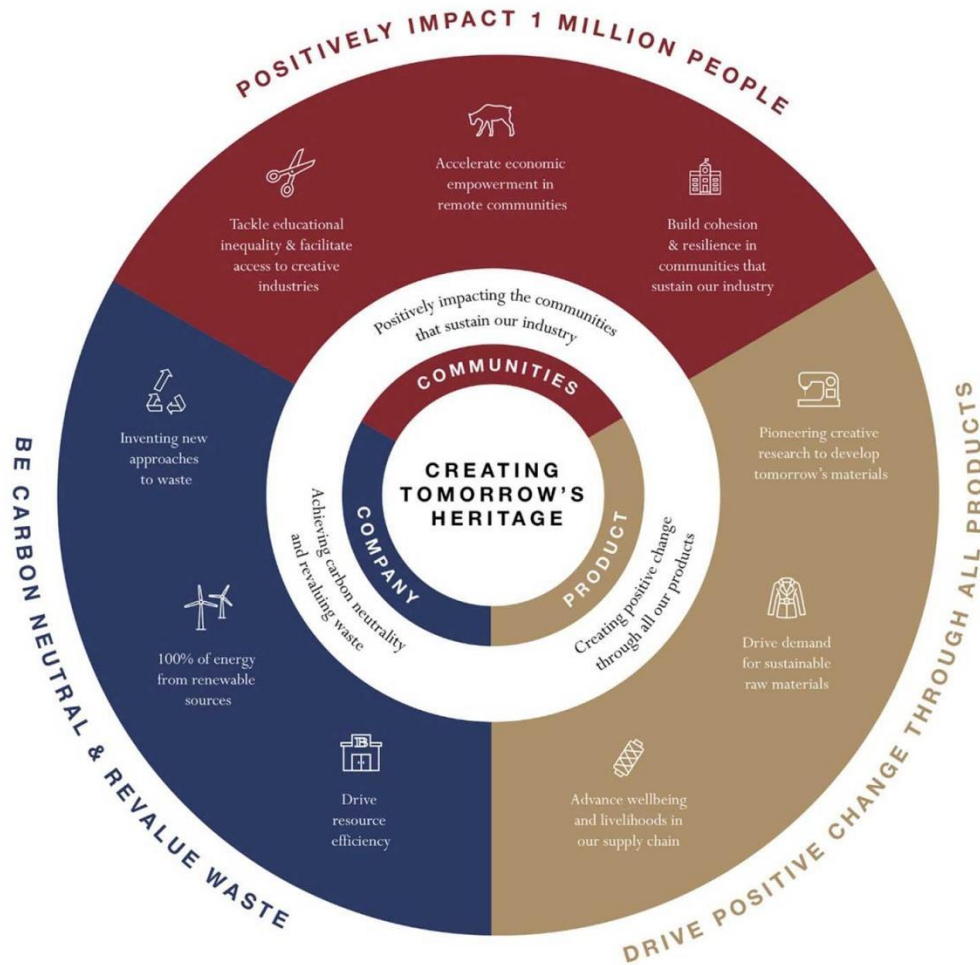


Figure 3: The new concept of Burberry

(Source: WELL MADE CLOTHES, 2020)

The above explained changes adds to key competitive advantage as relying on the environmental standards and adequate sourcing of the raw material protects the environment. For example, actions of Burberry to make eco friendly products such as Tencel, deadstock materials and re-purposed vintage clothing add to show efforts towards being responsible towards the environment (Olivia Petter, 2018). In context of seeking for animal welfare, Burberry has used the concept of using British heritage labels that was regarding taking initiatives to stop destroying unsold clothes (WELL MADE CLOTHES, 2020). This helps in preserving the brand image and creates a positive mindset of the customers. In addition, this assures business to improve its positive brand image and target variety of audiences.

The sustainable actions and showing concerns towards the environment lead Burberry to follow a competitive position in terms of legal and fair business practices. The business shows itself as being socially responsible and that leads effective protection towards the environment. For this, business tends to make a fair relationship with the suppliers and assure raw material and socially sourced and used in the manufacturing locations (Natalie Yiasoumi, 2018). Thus, this adds to the overall competitive advantage of business and it leads to achieving a higher competitive position against the competitor.

Recommendations

Burberry still remains the luxury brand and with that the strategy of providing cheap and affordable products in the market is not met. This is because the manufacturing cost used to design the products is very high. It can be recommended for Burberry to contract with some of the production factories in suitable countries such as Pakistan, China, Ethiopia, etc. These countries have huge manufacturing units and that can lead to economic success. The production in such countries could be effective as these countries have cheap labour costs.

But in order to expand their manufacturing units in such locations, it is necessary to manage the production as per the environmental standards. The actual practices of Burberry to carry out environmental audit and quality check of product is required to be maintained because quality and being ethically and socially responsible are one of the important goals that are necessary to be fulfilled by Burberry. The actions can lead to reduce the manufacturing cost and thus products can be offered in the market at low prices.

Conclusion

From the overall report, it can be evaluated that Burberry has adequate practices in consideration with following sustainable practices. Also it has clear sustainable goals on which it is working for future growth. Further, there are some of the recommendations presented in the current report that shows that Burberry can further improve in context of improving relationships with the suppliers and moving more towards sustainable operations. Thus, this tends to attain further competitive advantage in meeting with demands of the consumers and also relying on the suitable environmental standards. The sustainable actions of the business will lead Burberry to meet with the sustainable goals and also create a positive mindset of the stakeholders. This tends to affect overall productivity and sales of the business.

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