

The Global Business Environment

(LCBB4005)

Assessment 1

Student name: Nina Ilieva Angelova

Student ID: 2023254

Term1/Group 3

Lecturer's name: Dr. Rixon

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Introduction

The global business environment can be defined as the various types of environment in different independent countries with various factors of organizational environment, which also sometimes influence the decision-making process of the Company. The global business atmosphere can also be classified into two major categories, external environment and internal environment (Kasemsap, 2018). The below report will cover various changes that have been made by the organization due to pandemic and various forces that have shaped the business environment and its activities. The below report will also assess the opportunities and challenges that are being faced by the Burberry organization. Burberry is the largest British luxury fashion house that is headquartered in London, England. This organization is dealing with various types of designer and ready to wear clothes, including leather goods, footwear, eyewear, and fashion accessories. This organization was established by Thomas Burberry in 1856, and its Company has moved into the high fashion market in London.

Task 1

A). Analyze the impact of the pandemic and explain the major forces that have shaped the business environment of the fashion industry.

The global spread of coronavirus has hugely impacted the growth and development of the fashion industries. This has affected clothing fashion industries because the government closed down the manufacturing plants in order to reduce the spread of the virus, and it has also affected the income level of the people that has minimized buying preferences of the population. Furthermore; fashion industries have also faced various challenges in the demand of consumers such as low prices, but it has also presented opportunities for the fashion industries such as fashion brands that have shifted to making fashionable and attractive masks (D'Adamo and Lupi, 2021).

Some factors that have affected fashion industries due to pandemic:

Manufacturing: This is the biggest issue that was being faced by the firm due to the pandemic because of the lack of fabric availability and order cancellation. Most of the fabrics and resources of the manufacturing process of Burberry organization was getting from the import process; thus, this pandemic has closed the way to get materials and resources that has affected the overall revenue of the firm.

Distribution channels: The Burberry organization has the largest number of distribution channels, but pandemic has shut the door of their physical stores and also closed online services in order to follow covid-19 guidelines. This can be overcome by the organization through giving services such as social commerce and pickup services that will help to avoid social touch, as well as retailers can use the digital solution in order to survive in the market (Chakraborty and Biswas, 2020).

PESTLE analysis of Burberry organization:

P	E	S	T	L	E
Political	Economic	Social/Cultural	Technology	Legal	Environment
• Stability of Government • Potential changes to legislation • Global influences	• Economic growth • Employment rates • Inflation rates • Monetary policy • Consumer confidence	• Income distribution • Demographic influences • Lifestyle factors	• International influences • Changes in information technology • Take up rates	• Taxation policies • Employment laws • Industry regulations • Health and Safety	• Regulation and restriction: • Attitudes of customers

Figure 1: Pestle analysis

(Source: ictafra.WordPress, 2021)

Pestle analysis can be used in order to find out major forces that help to shape the business environment of the fashion industries as it will cover the entire external factors of the firm. Pestle analysis of the Burberry organization highlights various scenarios of the organization that is affecting the functions and operations of the Company.

Political factors: The Burberry organization is operating in various countries, not in just London, and since it is giving its services to many countries, it has to follow the rules and regulation imposed by the various countries. The advanced political stability in a country, the effective and efficient it is to operate business functions and operations. Brexit and covid-19 have huge, hugely affected the political stability of the firm and left behind an uncertain business environment. It has forced them to make changes in their policies in order to prevent future loss and demerits. Burberry has also impacted due to various political factors such as high tax rates that have been imposed by certain companies on foreign goods that have increased the overall cost (Perera, 2017).

Economic factors: Economic factors are also affecting the growth and development of the firm, such as changes in tax rates and changes in currency can affect the operations and functions of the Company. The middle range of the products doesn't get affected by this factor, but it has affected the higher range of products of the Company. The Covid-19 pandemic has hugely affected the income and buying power of the consumers that have decreased overall sales of the products. In order to stay in demand and to remain competitive, the Company has to keep an eye on various aspects related to the discounts, prices as well as should make changes in their products as per the current need so the market and customers.

Social factors: Burberry is a premium brand, and it is mainly preferred by the affluent, but since the Company has realized the middle-class customers, it has launched various types of mid-range products in order to satisfy the needs of middle-class customers. Since it has been assessed that fashion industries are mostly contributing to pollution; thus, it is essential for the Company to use those factors that reduce wastages and pollution. Social factor also refers to the preferences of the customers, and different communities have different choices; thus, the Company has to make products as per the choices of society (Zahari and Romli, 2019). Burberry has engaged with various types of CSR activities that have given various innovative and creative ideas to make a change in the market and to utilize various social platforms.

Technological factors: The trends and preferences of the customers are getting changed with time; thus, it is essential for the Company to stay competitive and updated. Covid-19 has affected the sales and revenue of the firm; thus, they can use technology in order to overcome this loss, such as by providing online services and online payment systems. The Company should focus on online services rather than on physical stores (Perera, 2017).

Legal factors: Burberry is operating its business in various countries; thus, there is needed to apply various rules and policies that have been laid down by the country. Burberry should focus on labour laws and employment laws that will help in the smooth running of the business.

Environmental factors: This Company is working with managing both internal and external factors of the business environment in order to maintain sustainability within the workplace. Burberry is the largest supermarket chain in the world, and a larger amount of pollution and wastage was getting created by this firm; thus, they have used various tactics in order to reduce pollution and wastage within the firm. Recently, Company has committed to the reduction of using plastic bags, reduction of carbon emission and using other greenhouse gases in the manufacturing process (Haseeb et.al, 2019).

B) In light of the COVID19 pandemic, critically assess the opportunities and challenges that these forces have presented to the key players in the fashion industry and explain why and how some firms have been able to adapt better than others to this changing business environment.

In today's area, business and economics and the global corporation are basically known as key factors in promoting business, employment and economic growth of the nation. It is not easy to grow a business at a global level and to sustain itself in the highly competitive market because it is challenging; thus, Burberry has to identify its strong and weak factors in order to take the lead in the market. There are various changes that have been made by external and internal factors of the firm, and the Company has to manage this efficiently, such as current trends and technologies as well as current market needs and preferences of the customers.

Porter's five forces model

Porter five forces model is the strategic tool and framework that helps the firm to make effective decisions in order to compete with competitors and to stay in the market. Porter's five forces can help the Burberry group plc in order to build sustainable competitive advantages in households and personal goods industries. The leaders and managers of the Burberry organization can take the lead towards the opportunities and strengths in the whole consumer goods sector.



Figure 2: Porter's five forces model

(Source: mindtools, 2021)

Threats of new entrants

This is the major factor that brings innovation and new ways to perform the functions and operations of the firm that put pressure on the organization. This will force the organization to follow lower pricing strategies, reducing cost and providing new products and services to the customers. They can overcome this threat by using innovation and creation in their existing products because new products will not only bring new customers but also increase the trust of the old customers to buy from their organization. They should also build economies of scale in order to reduce fixed cost per unit (Bruijl, 2018).

They should also focus on research and development and should expand on it so that new entrants can not affect their sales and services. They should also keep defining their standards effectively and efficiently in order to gain profits and the attention of the new customers.

Bargaining power of suppliers

Most of the fashion industries buy their raw materials from numerous countries and places, so if the suppliers reduce the margins, then they can earn in the market. Influential suppliers in the consumer goods division can use their negotiating power to remove higher prices from the firms in the fashion and retail industries. They can overcome this issue by building an efficient and effective supply chain with multiple suppliers. They should also perform the experiment with products designs with the help of different materials, so if in case prices go up for one material, then the Company can shift to another. They should also build a good connection with those suppliers whose business is highly dependent upon the firm as well as they can also use third party manufacturers because it generally has less bargaining power.

Bargaining power of buyers

The buyers refer to the customers of the firm who always demands new products and services, as well as want the best offerings at lower prices which creates pressure on Burberry Group Plc profitability for the long term. The slighter customer base of Burberry Group Plc than the superior bargaining power of the customers; thus, the Company has to manage this process. The Burberry group plc can overcome this threat by building a large and strong customer base that will help in two ways. First, it will reduce the bargaining power of the buyers, and second, it will give the opportunity to the firm to rationalize its sales and production.

Threats of Substitute Products or Services

It is not good for the profits of the firm when new products or services meet similar consumer needs in diverse ways. For example, ASDA and ASOS organizations are the biggest threats to the Burberry Group plc. The Company can reduce this risk by being service oriented rather than just being product oriented. They should also overcome this factor by identifying the core needs of the customers.

Rivalry among the Existing Competitors

Burberry group plc can easily overcome this factor by building and creating sustainable differentiation as well as by building scale in order to compete with others in the market in a

proper and efficient way. They can also create collaboration and partnership with their competitors in order to increase market prices rather than just challenging the small and medium market (Omsa et.al, 2019).

SWOT analysis of Burberry

<i>Strengths</i> ● This organization is having 156 years of a long history with a strong customer base. ● They are following a distinctively checked pattern, which is the most famous trademark in the world.	<i>Weaknesses</i> ● The major weakness of this firm is its premium price range and limited product line. ● Instability in the social and political environment within the organization (Gürel and Tat, 2017).
<i>Opportunities</i> ● They should grab new technology and the changing lifestyle of the people by offering various new ranges of products and services. ● They should expand its product line that will open a new set of opportunities while at the same time it will differentiate them from its competitors (Abdel-Basset et.al, 2018).	<i>Threats</i> ● The biggest threat of Burberry organization is other players and competition in the market such as ASDA and ASOS. ● Changing lifestyle and consumer needs are also becoming a threat for the Company as it is coming up with a new set of challenges.

Conclusion

The above report is based on the global business environment, which forces the firm to make changes as per the new trends and requirements of the market. The above report has also explained Porter's five forces model as well as conducted Pestle and SWOT analysis in order to explain the business environment of the Burberry organization and how it helped to shape the entire firm operations and functions. The above report has also conducted impact of covid-19 pandemic on fashion industries.

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