

LCBB4005 THE GLOBAL BUSINESS ENVIRONMENT

UNIVERSITY OF WALES

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London

UNIVERSITY OF WALES: TRINITY SAINT DAVID

BA BUSINESS AND MANAGEMENT

The Global Business Environment

LCBB4005

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ASSESSMENT 1

LCBB4005: THE GLOBAL BUSINESS ENVIRONMENT

Module Code: LCBB4005

TITLE: THE GLOBAL BUSINESS ENVIRONMENT

LEVEL: 4

Assessment 1

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Introduction

All kinds of industry and industrial sectors do not operate in a vacuum. Instead, the operations of a given industry or industrial undertaking are significantly influenced by the business environment within which it is operating. To understand how and why a particular firm operates in a particular industry, it is vital to understand the environmental factors that inform that company's operational decisions (Chipunza and Mupani 2019). In the present report, the analysis of the fashion industry's environment would be undertaken, and an attempt would be made to ascertain the impact of the pandemic, and how some firms in the industry adapted themselves better.

Overview of Versace

Gianni Versace, which is usually shortened to its more recognisable name of Versace, is an Italian luxury fashion brand and company that was founded in 1978. The enterprise specialises in the manufacture and marketing of readymade apparel and leather accessories. The brand is quite famous for its innovative designs that it can incorporate in its fashion products, which utilises flashy prints and bright colours in a stylistic manner. At present, the company has made use of sustainable and cruelty-free alternatives in the manufacturing of its fashion products (Woodside and Fine 2019). The design head of the firm is currently Donatella Francesca Versace.

PESTLE Analysis

Political	The political environment in the United Kingdom is quite stable for allowing the fashion industry to exist and operate in a profitable manner. Such a political climate is conducive for the UK fashion industry to expand even further (Del Giudice et al. 2017). However, the decision of the United Kingdom to leave the European Union would have long-lasting consequences on how the fashion industry in the country would operate and how it can internationalise its business operations with success.
Economic	The economy of the United Kingdom runs on the principle of the free

	market and the free transfer of capital from one place to another. Therefore, there is enough scope for growth of companies like Versace. However, due to the United Kingdom leaving the European Union, the fashion industry and its constituent firms would have to contend with issues like capital flight and the inability to invest in their European subsidiaries due to tariffs (Cuadros 2018). UK's Office for National Statistics revealed that the annual expenditure on clothing, based on sales volume, reached 59.3 billion pounds in 2019 (Statista.com 2021).
Social	Socially speaking, the United Kingdom has a significant demographic of young adults and adolescents who keep themselves in touch with the latest developments and trends in the United Kingdom's fashion industry. Such a demographic creates significant demand for enterprises like Versace to manufacture and sell apparel according to the trends that are in vogue among customers and in the market. Hence, British society encourages the operations and processes of the country's fast fashion industry.
Technological	One of the factors that has made the fashion industry in the United Kingdom so effective is the fact that the United Kingdom is a developed country, especially in the realm of technology and technological innovations. Many enterprises in the country's fashion industry have embraced technologies like the Internet to facilitate their operations, as well as investing in technological innovations to increase operational efficiency (Sebald and Jacob 2020). Such technological innovations would fuel the industry's growth and expansion.
Legal	The United Kingdom is quite famous in the world for having a complex but comprehensive company law that determines the nature of companies that can legally exist and how they could be formed (Sebald and Jacob 2020). Moreover, the British government places reasonable regulations and restrictions to ensure that the monopolisation of the market is prevented and that there is sufficient and healthy competition between fashion firms in the competitive environment of the United Kingdom's fast fashion market.
Environmental	Lastly, the United Kingdom has committed itself to the task of

	environmental conservation and preservation. It has passed legislation that makes it obligatory for all companies, including firms operating in the fashion industry, to operate while giving due consideration to the need to combat climate change and preventing the degradation of the country's ecological assets. Any violations by any company would result in the imposition of penalties against enterprises that do not abide accordingly.
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Porter's Five Forces analysis

Entry Barriers (Medium)	Due to the lucrative nature of the fashion industry, new firms can easily enter the UK's fast fashion market (Chan, Ngai and Moon 2017).	The ability of new firms to enter the market environment has a high impact on the competitiveness of the UK's fast fashion industry and market.
Threat of Substitutes (High)	Due to the presence of numerous competitors in the UK fashion market, Versace must encounter various threats of substitutes.	The ability of competitive rivals of Versace to create similar products, with similar design choices and philosophies, makes the threat of substitutes quite high in competition (Sebald and Jacob 2020)
Bargaining Power of Customers (High)	As a result of a high number of firms offering more or less similar products, customers can have brand preferences (Talay, Oxborrow and Brindley 2020).	As consumers can choose which brands to purchase their fashion products from and which brand deserves their loyalty, the bargaining power of customers is significantly high.
Supplier Bargaining Power (Medium)	Due to the presence of many competitors, suppliers would prefer to provide supplies to	As there are risks and uncertainties involved in providing supplies to newly established fashion firms,

	well-established fashion firms.	suppliers would exercise their high bargaining powers to supply well-established fashion firms.
Competitive Rivalry (High)	As a result of the forces that have been mentioned above, there is intense competitive rivalry in the fashion market (Sebald and Jacob 2020).	Due to the free entry of new firms, the threat of substitutes and the bargaining power enjoyed by consumers, the competitive rivalry in the UK fashion industry is very high and significant.

Major Forces and Impact of the Pandemic

One of the major forces that has shaped the dynamics of the United Kingdom's fashion industry are those forces that are directly tied to the company's economy and the economic framework within which the industry finds itself to be operating. Even though the Brexit event had already severely weakened the economic strengths that the country's fashion industry had come to enjoy, the ongoing pandemic has severely compromised and constricted any available avenue for the economic development of the fashion industry (D'Adamo and Lupi 2021). Hence, the UK fashion industry would have to wait till the economic forces do not become favourable as they were.

Before the onset of the pandemic, the competitive forces in the UK fashion industry used to be quite high and which have been demonstrated in the report with the use of Porter's Five Forces model of analysis. However, since the pandemic has impacted the activities of the fashion industry owing to the movement restrictions and lockdown orders, Versace can regain its competitive footing and design new fashion products by looking at the trends that would emerge after the pandemic has been overcome (Zhao and Kim 2021). Hence, Versace should make use of this opportunity to overcome the losses in the pandemic.

As far as global forces are concerned, especially the ones that enable the proper functioning of logistics and supply chain operations, they have been subjected to some significant losses thanks to the virulence of the pandemic and how nations around the world have issued lockdown orders, which also brought all transportation facilities and shipments of raw

materials and supplies to an absolute standstill (McMaster et al. 2020). Therefore, the absence of a global mechanism of supply chains and distribution channels is a veritable and credible threat for Versace's operations, which may eventually lead the enterprise to experience financial losses in its primary business operations.

Lastly, due to the pandemic and the lack of facilities that enabled the manufacturing and distribution of fashion products for almost a year, consumers of the fashion industry would be eager to resume the purchase of fashion apparel for themselves and for their loved ones. Hence, consequently, there is going to be an inevitable rise in demand for fashion products. Therefore, Versace should take this significant opportunity to understand the kind of demand that might come its way and accordingly prepare its fashion products and accessories so that it would be capable of satisfying the post-pandemic consumer demand.

Opportunities and Threats

As discussed in the previous section, the various forces that were mentioned play a highly significant role in shaping the dynamics and operations of the fashion industry. Unfortunately, the sudden arrival of the pandemic at the international level changed the very nature of some of these forces. Some forces offer companies like Versace with the opportunity to recover from the abrupt stop in business operations due to the pandemic. However, some forces also became threats that reasonably jeopardize the profitability and sustainability of the firm. Hence, it is imperative to identify the biggest opportunity and the biggest threat for Versace.

Given that the operations of the fashion industry were halted for almost an entire year due to the pandemic, consumers who were a regular part of the fashion industry before the arrival of the pandemic. Therefore, as the pandemic would finally wind down, such customers would inevitably place a significant demand on companies like Versace to provide new series of fashion apparel that are in accordance with the demand placed forth by consumers (Brydges, Retanal and Hanlon 2020). Therefore, it is an opportunity that would allow Versace to not only have the inspiration to resume its operations once again but to also experience financial recovery.

However, the most significant threat that companies in the fashion industry like Versace would have to contend with is the lack of appropriate supply chains and distribution systems for as long as the pandemic continues to ravage the world (Zhu, Chou and Tsai 2020). While

supply chains help fashion firms to collect raw materials and components for facilitating their manufacturing their operations, various systems of distribution are necessary to ensure that the finished product can reach the market at the domestic and international levels. However, the lack of supply chain and distribution facilities would threaten the ability of Versace to successfully sell products.

Firm Adaptability in Changing Environments

As referred to in the introduction to this report, the dynamics of the business environment have a significant effect on how businesses operate and maintain their relevance and sustainability despite the competitiveness and the odds. It is also a known fact that business environments are constantly subjected to change, and that they hardly remain static for any length of time. Therefore, to maintain competitiveness and profitability in the changing conditions of the business environment, firms must constantly find new and innovative ways to adapt and accordingly orient their operations, in response to the changes in the immediate business environment.

However, the difference between a regular change that comes into existence in the business environment and the emergence of the COVID-19 pandemic at the global level lies in the fact that the former could be somewhat anticipated beforehand, while the latter disrupted the business environment of almost every industry with its suddenness and the rapidity of its spread throughout the globe (Yu et al. 2021). Therefore, most firms and industrial sectors were completely unprepared when the pandemic emerged within the United Kingdom. While some firms were able to adapt themselves to the reality of the pandemic, other firms instituted various ad-hoc measures.

The reason why some enterprises could adapt themselves to the onslaught of the pandemic lies in the fact that its management had been watching the developments of the pandemic beforehand and they took prompt measures with the understanding that the pandemic will inevitably make its way into the country and taking necessary measures is essential to ensure that the firm's competitive capabilities are maintained despite the insurmountable odds brought on by the pandemic. On the other hand, firms that underestimated the impact of the pandemic on their operations had to inevitably suffer the consequences of not preparing for the pandemic.

Conclusion

In conclusion, the business environment of Versace's operations is defined by competition. However, the characteristic of competition has been negatively impacted first by Brexit and then by the emergence of the COVID-19 pandemic in the country. While there are some credible threats that would genuinely jeopardize the operational sustainability of the company, there are also some latent opportunities that Versace could utilise and develop so that they are able to overcome the financial ruin caused by the pandemic and commence their operations to tread the path of recovery and regaining the competitive initiative that they possessed before the pandemic's arrival.

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