

Environmental analysis of an industry

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Contents

Introduction.....	3
Main body	3
A. Analysis of changes in global business environment of industry	3
B. Competitive advantage and recommendations.....	7
Conclusion	8
References.....	9

Introduction

Due to globalization new change are occurring in the global market every day. There are some factors which cannot be control. Environmental analysis defined as a strategic tool that involves internal and external factors that affects the industry and their performance. it helps in decision making and formulates the strategies within the firms environment. The environmental analysis is done on the case study of fashion industry of Burberry Company which is related to the production and distribution of different garments, fibers that are used in the industry which have affect on the environment (Day 2017). Burberry Company is a British luxury company dealing in fashion market by providing trench coats, leather goods; cosmetics etc. It was established by Thomas Burberry in 1856 headquarter in London. In the light of this study the discussion is made on the changes adopted, use of various environmental models and providing the recommendations for competitive advantage.

Main body

A. Analysis of changes in global business environment of industry

The global business environment term is related to the international trade which results in forces determining the nature and dynamics of global commerce. It influences the decision making use and capabilities of resources. It consists of the internal and external environment. Fashion is the outline of self expression in the context of clothing, footwear, lifestyles and accessories at particular period, place. This term is defined as fashion industry which is run in global environment having export import. For every industry sustainability is important issue among consumers, brands. The fashion industry is also influenced by various environmental factors. The fashion industry was polluting the environment elements of water, soil, decomposition, air (Garbarino 2017).

The **changes** that have occurred in the fashion industry of Burberry Company in the global environment are: The industry starts using the organic and natural fibers that does not produce chemicals. Industry was choosing the fiber which requires low water consumption including recycled fiber and linen for reducing the water pollution that are polluted from dyeing and finishing process of clothes. To reduce the waste accumulation the industry was buying recycle and better quality of semi synthetic fibers. The future change is data driven where the

industry understand the preferences of the consumers and evaluates the shopping behavior so as to meet their expectations and providing them quality clothes. The industry are now moving towards sustainable fabric, eco-friendly production and adopting new manufacturing methods. It started working in the digital world by creating brands online and providing the option to the consumers for online shopping which helps in reduction of environmental pollution. The different stakeholder of global fashion value interacts with each other in order to achieve the social and economic sustainability by implementing the fair wage. A company in fashion industry has to deal with stakeholders such as trade organization, suppliers, buyers and distributors, partners that affect the company (Gardas and et, al., 2018).

Models in the industry

Porter diamond model- It is a theory of national advantage in the international market. It comprises of four components factor condition, demand condition, related and supporting industries, firm strategy, structure and rivalry.

- **Factor condition** – It involves the production resources such as infrastructure, labor force, and natural resources. It creates international competitiveness by demanding Quality and innovative products. To gain the competitive advantage of demand the Burberry should explore different markets having cheap labors with skills low material cost, government subsidies. The company has the opportunity of transport and telecommunication in UK.
- **Demand condition** – In domestic market it provides the innovation, growth and quality improvement. In development countries high level of competition is affected by low cheap value brands. The customer demand and expectations are high with the Burberry which forces them to create new and innovative brands in fashion line (Iraldo and et, al., 2017).
- **Related and supported industries**- This component is related to the supply and distribution of industry which has a great importance on growth of industry. The large number of related industries has a strong link with the Burberry in providing the raw materials, fabrics, quality research and development which leads to innovation in production field (Kirton and et, al., 2017).
- **Firm strategy, structure and rivalry**- It has a big role in innovation and competitive advantage as domestic competition is direct and impact before than foreign competitors. Burberry faces the high competition from the rivals as there is change in environment

fashion industry which brings new things in market. The aim of the company is to remain competitive and sustained.

Porter five forces – It is a strategy of analyzing the competition which is related to the forces of micro environment which determines the company structure and corporate strategy. The five forces are:

- **Threat of new entrant-** To gain the market share the new entrant enters in the market which puts pressure on cost, prices and rate of investment for sustainability. Barriers of entry restrict the new entrant if barriers are high new entrant is reduced and in low the new ventures emerges. In the Burberry the threat of new entrant is low as the luxury brand requires high capital and resources. It creates innovative products for customer retention (Krishna and et, al., 2017).
- **Threat of substitutes-** substitute goods and services are those that are used in place of company product which meets the consumer needs in different way. The threat of substitute is medium as the customers have the preference of choosing other brand with less money. For luxury brands the company has target customers with high income level which does not switch their brand easily.
- **Bargaining power of customer-** The power of the customer is to low the prices of the products and have the negotiating power for better deals. It is output of market. The power of buyer is low-medium. The customer has the little power to change the prices of luxury brands. To reduce the bargaining power new products are introduced and builds large base of customers (Lim and et, al., 2020).
- **Bargaining power of supplier-** The supplier has the power to drive the input cost of goods and services. The sources of power can be raw materials, components, labor and services for the firm where they have few substitutes. They have negotiating power for charging higher prices which reduces the profitability of the firm. The bargaining power of the supplier can be reduced by developing efficient supply chain with multiple suppliers.
- **Competition rivalry-** It is a biggest determination of completion for the industries an many competitor comes with new products and services. The company must be aware of

the marketing strategies and pricing. The threat of competition is medium-high to Burberry as existing competitors lower down the prices and profitability.

PESTEL Analysis- It defines to framework of macro environment involves the factors of political, economic, social, technological, environmental, and legal used for environment scanning. It is a component of strategic planning used for external analysis.

- **Political factor-** It includes the government intervenes of the economy which involves tax policy, labor law, trade restrictions etc. the Burberry operates its business worldwide by regulating the rules and regulations laid down by various countries. It has political stability which has better ease of operations. The foreign companies imposed high tax rate on goods which decreased the profitability by leading increase in cost. It also faced the competition of cheap produces locally (Özceylan and et, al., 2017).
- **Economic factor-** It affects the business operations which includes economic growth, inflation rate, interest rate and exchange rates. The company was affected with local and international competition which reduces the sales and profit. As the downturn in the economy the consumers were purchasing affordable goods for meeting their basic needs. To be competitive in market the Burberry should focus on pricing and discount.
- **Social factor-** It affects the demand of the company products which includes population growth rate, age distribution, health and safety. The customers have different lifestyles and culture with different needs. The Burberry expanded its business by targeting middle class consumers by establishing mid range products. The company was involve in several CSR activities and used the social platforms, takes feedback for remaining competitive in market.
- **Technological factor-** It involves the R&D activity, automation having impact on innovation due to the change in technology. Burberry uses various technologies for meeting the expectations of target customers. It provides the facility of online shopping which leads to increases in sales and improves the image (Raz and et, al., 2017).
- **Environmental factor-** This factors are related to the ecological, weather conditions and climate change of the environment which affects the tourism, farming etc. the Burberry targets on sustainability by reducing carbon emissions and green house gas emissions

produce from manufacturing process. It makes the clothes from organic fibers which not harm the customers and protect the environment from being polluted.

- **Legal factor-** It is related to various laws, rules and regulations includes discrimination law, consumer rights, health and safety law, employment law. The company should follow its operation by abiding the legal laws to improve the performance. It should also patents its products for maintaining exclusive right for produce and sell. Burberry should also maintain eye on changing policies to avoid lawsuits by consumers, stakeholders.

B. Competitive advantage and recommendations

The change in the fashion industry provides a competitive advantage to the company in increase of sales and profitability by providing the clothes according to the customer preferences and needs. By using various models it priced its products to reach the consumers. The market positioning was unique as it targets all the kind of customers. The competitors were coach, Armani, Gucci etc. Burberry was providing continuity and fashion products which are based on the life cycle and fashion trend. The competitive position was sustainable for long term because of its having core brand values. Due to the expansion of international market its growth has been increased and achieved economies of scale. It involved the two phases of transformation by beginning the program to re-energize the brand, involve the alignment of distribution. To markets its products it started fashion show which creates it brand. The stakeholders also have important role in providing the competitive advantage as the individual designs, tailors, fabrics for the clothes (Retamal 2017).

The recommendations provided to the company for maintaining competitive position in market by creating awareness of the brands, brand loyalty through promotion by taking new advertisement style of print and digital media. By focusing on social media it will help in providing the products to the customers. The Burberry can also use the modern art foundation for attracting more customers by creating new designs on products. To be competitive in the market it should adopt the code of conduct. The Burberry should do investment in the technology particularly in online front for building consumer relation and having the opportunity for exploring the market. It is a brand of luxury products which should do agreements with franchisee for more sales of the product. The company should make the clothes by using organic fibers and recycle fiber which will not harm the consumers and will stop the environment from

polluted. It should adopt various strategies of corporate, business and organizational level strategy to overcome from the competition and to increase the market share. The company should determine the resources naturally and financially to meet the expectations and competition.

Conclusion

From the study the conclusion has been made that the fashion industry is the second largest industry which is polluting the environment. The company took various changes to overcome from the pollution that has been made to the air, water and soil. The industry makes the more use of water for dyeing and finishing the products. The Burberry has used various models for the customer retaining and making the profitability such as porters' diamond model, and porter's five forces. It mainly deals in children, men's wear and women's wear. Due to the globalization and the dynamic change in the industry it is important for the industry to be competitive which depends on the six factors such as quality, location, price, service, selection and speed. The company was also trading internationally and domestically by providing the clothes according to the consumers' preferences.

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