



Programme: BA Business Management

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Component 1:

Coursework:

Essay

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Introduction

This essay looks at the big problems with the economy that were brought to light by the COVID-19 pandemic's effects on business operations and supply lines around the world. It talks about different ways to solve these problems, such as government actions and changes made by the private sector, to make the economy more stable and resilient in the world after the pandemic (Harvard Business Review ,2021).

Task 1a

The COVID-19 pandemic has completely changed the way business is done around the world, especially in developed economies like the UK that depend a lot on supply lines that are linked to each other. This case study shows a number of important economic problems that have come up because of the pandemic and have big effects on both customers and businesses.

COVID-19 Rules of Doing Business:

Because of the pandemic, rules at work, how customers deal with businesses, and how businesses run in general had to change. These changes often made operations more expensive and shook up old ways of doing business, forcing companies to quickly switch to digital platforms and work from home when they could. But some industries couldn't change quickly, which hurt output and put a strain on finances.

Rising demand and a lack of supply:

As people switched from providing services to selling goods, there was a huge increase in the demand for many goods, which was made worse by people buying in bulk and panicking. There were big shortages because of this sudden rise in demand and problems in the supply lines (Harvard Business Review ,2021). Because of reliance on global suppliers who were also dealing with the pandemic, there were shortages of raw materials and intermediate goods, which slowed down production and sales.

Lack of drivers and the effects of Brexit:

Many EU drivers left after Brexit and COVID-19, which made things even harder. Because of the health risks connected with the pandemic and the UK's stricter immigration rules after Brexit, it was hard to get people back to work, which caused a severe shortage of drivers. This was especially important for moving goods, which caused deliveries to be late and stores to be empty, which led to more panic buying.

Fear-driven buying and shortages of fuel:

There was a panic buying of goods, especially fuel, after reports of a lack of drivers and transportation problems. This behavior put even more stress on the supply line, which led to

shortages that happened anyway. During the worst of the crisis, some petrol stations ran out of fuel very quickly, which caused problems for customers and hurt companies that depended on transportation.

Skyrocketing petrol prices and the effects on the economy:

Fuel prices went through the roof because of a lack of supply and high demand. This affected not only transportation but also production and coordination, which depend on fuel. This price rise added to inflation, which made household budgets even tighter, especially since the country was already dealing with high cost of living.

Financial Strain from High Borrowing and Cost of Living:

Lots of people and businesses took on more debt to deal with the higher cost of living. When you combine high interest rates on loans with an unstable economy, it makes you more financially vulnerable. For many, this situation led to bankruptcy because their income wasn't enough to cover their rising costs and debts.

The End of Furloughs and More People Being Fired:

When government support programs like the furlough plan ended, it showed how fragile many job sectors were. When these aids stopped coming in, many businesses had to lay off workers because they couldn't keep up the same level of employment as before the pandemic because they were making less money. This made unemployment worse and made it harder for people to afford to buy things.

Consumer Shift from Services to Goods:

People's tastes changed a lot because of the pandemic. They stopped wanting to do things like travel and eat out and started wanting to buy things like home improvement and comfort items. This change put more stress on supply lines that weren't ready for these kinds of changes in how demand works.

Task 1b

To fix the many economic issues that the COVID-19 pandemic and other systemic problems have made worse, we need a broad approach that includes actions from the government, the business sector, and the community working together. Here are a few things that can be done to successfully deal with these problems:

Government Intervention:

Through different types of intervention, the government can play a key part in making the economy stable. Governments can help with labor shortages, especially in the coordination and transportation sectors, by changing rules to fit the new economic conditions. For example, they could make it easier for important workers to come to the country. Financial help is still especially important. Giving funds and loans to businesses that are having trouble can keep them from going bankrupt and protect jobs. Boosting the ability of government agencies to manage crises and making it easier for the government to talk to the people can also help rebuild trust and make sure that reactions to problems in the supply chain are coordinated.

Opening up of COVID-19 restrictions:

As soon as the public health situation gets better, slowly loosening the strict COVID-19 rules can help the business get back on its feet. This includes fully reopening more sectors, easing restrictions on both domestic and international travel, and easing restrictions at work in a safe and gradual way, which will boost customer confidence and business operations.

Making a plan for a shortage management team:

Setting up teams to manage gaps can help you respond quickly to problems in the supply chain. These groups would be in charge of finding possible shortages, collaborating with suppliers and government agencies, and quickly putting backup plans into action (Harvard Business Review, 2021).

Better collaboration with suppliers:

Supply chains can be more reliable if they have a network of suppliers that work together. Businesses can see possible problems more clearly and collaborate with their suppliers to find

ways to reduce risks when they collaborate closely with their suppliers. This could mean making the terms of the contracts more flexible, investing together in technology, and sharing the best ways to manage a problem.

Reducing Waste and Enhancing Efficiency:

Producing new ways to cut down on waste can help a lot with supply gaps. To do this, they need to improve coordination to cut down on waste from transportation, manage their inventory better, and use the principles of the circular economy whenever they can to make better use of resources and depend less on raw materials.

Making internal supply chains stronger:

Businesses should look at their supply lines and make them stronger by adding new suppliers and finding new places to get important parts. Companies can also better prepare for problems and respond by investing in technology that makes the supply chain more visible and resilient.

Negotiating with Suppliers to Reduce Costs:

During times of crisis, it can be helpful to collaborate with sellers to negotiate lower prices without lowering quality (Harvard Business Review ,2021). To do this, we need to understand the pressures on suppliers and work together to find answers that are good for both of us and help keep prices and supplies stable.

Keeping Stakeholders Up to Date:

It is important to keep open lines of contact with all stakeholders, such as employees, customers, suppliers, and investors. This helps keep expectations in check and builds trust, which makes it easier for everyone to work together to solve problems.

Task 2a

In the case study given, it is important to understand how demand and supply change over time in order to deal with the economic problems caused by the COVID-19 pandemic. This basic economic idea affects almost every part of business planning and day-to-day operations, especially when there is a crisis.

Pricing Strategy to Manage Demand and Supply Pressure:

Businesses must be able to change their pricing methods quickly when demand changes and supply is limited. Companies can set prices that not only meet customer needs but also keep income streams stable during times of change if they understand how demand and supply work. For example, when there aren't enough goods on hand, prices may need to go up a little to keep stock from running out. On the other hand, when there are too many goods on hand, prices can go down to boost demand and get rid of the extra stock.

Price and Competition:

Demand and quantity are also especially important in determining how competitive an industry is. When there are more goods on the market than people want, companies may lower their prices to get people to buy. This lowers prices generally and gives customers more options. On the other hand, when there isn't enough supply and there is a lot of demand, prices tend to go up. This can make it harder for companies that can better control costs and supply chains to compete.

Expansion in the productivity of businesses:

When businesses understand and use supply and demand, they can grow their operations more efficiently. For example, Amazon uses advanced techniques for demand forecasting and supply chain management to make its platform more efficient. This helps it serve more customers and be more productive without raising its costs.

Improving the marketing strategy:

Understanding changes in supply and demand is often a key part of making good marketing plans. When businesses know what customers want and how much of a product they have, they can change their marketing campaigns to focus on things like value, availability, or exclusivity, based on the state of the market (OECD,2020). This makes their marketing more effective.

A plan for managing inventory:

Understanding demand and supply is a key part of using Just-In-Time (JIT) inventory and other effective inventory management methods. This method relies on accurate predictions of demand and strong relationships with suppliers to keep inventory costs low and waste to a minimum while still making sure that products are available when they are needed.

Attracting Finance Through Investments:

A company can get more investors if it has a good grasp of how demand and supply work. Initial Public Offerings (IPOs) are one way for businesses to raise money to grow. Showing that they have control over supply chains and can meet market demand efficiently can boost investor trust and bring in more money.

Worker Retention and Satisfaction:

Understanding demand and supply can help you set competitive wages to attract and keep workers, especially during times of high demand, in industries where the quantity of workers affects production (International Monetary Fund , 2021). This method not only keeps operations stable, but it also makes workers happier and more loyal.

Risk Management:

Businesses can lower the risks that come with market instability by managing demand and supply well. Companies can plan and change their strategies to keep the balance between supply and demand by predicting possible problems and studying market trends. This keeps operations stable during uncertain times.

Management of Shortages and Market Demand Shifts:

Businesses that manage their demand and supply well can quickly adapt to situations like the pandemic, where there are sudden changes in market demand or problems in the supply chain. They can do this by finding new suppliers or changing their production strategies to meet changing consumer tastes.

Task 2b

In economic theory, it's important to understand the ideas of elasticity and inelasticity of demand, especially when looking at how changes in prices affect how people act in different markets, like fuel.

Elasticity of Demand

The amount of a good or service that people want changes when its price changes. This is called "elasticity of demand." It is found by dividing the percentage change in the amount that people want by the percentage change in the price. If the desire for a good is elastic, it means that people are overly sensitive to changes in price. For instance, the demand for expensive goods is usually elastic because people can easily decide not to buy them when the prices go up or buy more of them when the prices go down.

Inelasticity of Demand

Inelastic demand, on the other hand, means that the amount of a good or service that people want doesn't change much when the price changes. This usually goes for things that are needed or that don't have many alternatives. Inelastic demand can be seen in things like prescription drugs, basic foods, or utilities like water and energy (Bank of England ,2020). People keep buying these things even though the prices are going up because they are necessary for daily life.

Elasticity and Inelasticity in Fuel Costs

When these ideas are applied to fuel prices, they show how changes in fuel prices affect how people act and the business as a whole. Most of the time, fuel consumption is not flexible because most people can't easily find alternatives, especially in the short term. Even if prices go up or down, people still need to drive their cars and businesses still need to move goods. This means that consumption habits stay pretty stable even when prices change.

Advantages and Disadvantages

Elastic Demand:

Advantage:

Businesses can make more sales by lowering their prices, which could help them get a bigger share of the market.

Disadvantage:

Price changes can have a big effect on revenue, so you need to keep an eye on the market and your competitors' pricing tactics all the time.

Inelastic Demand:

Advantage:

Businesses can raise prices without losing many sales, which can help them make a lot more money, especially in fields with high fixed costs.

Disadvantage:

While higher prices can bring in more money, they can also make customers angry if they think the company is taking advantage of them, which could hurt the brand's image in the long run.

Task 2c

The laws of supply and demand are basic economic ideas that explain how the number of things or services on the market (supply) and the number of people who want them (demand) affect prices. People who run businesses and make decisions need to know these laws in order to understand how markets work. Some important rules that sum up these ideas are listed below:

Law of Increased Demand with Unchanged Supply:

When there is an increase in desire for a good but no change in supply, prices usually go up and more of the good is sold (The Economist,2020). This situation shows that people are becoming more interested in a product. As more people want to buy the product, the market can support higher prices. This means that sellers can either increase production or keep prices high to make the most money. This rule is often seen in markets for popular consumer goods, like fashion or technology, where new products can make demand go up.

Law of Decreased Demand with Unchanged Supply:

If, on the other hand, demand for a product goes down while supply stays the same, prices tend to drop and so does the amount sold. This drop in demand could be caused by a number of things, including changes in what customers want, more products from competitors, or economic downturns in other countries. Price cuts can help sellers boost sales by making items more appealing to buyers, even if they aren't as interested as they used to be.

Law of Increased Supply with Unchanged Demand:

Lower prices and more of a product are usually what happen when suppliers make more of a product available without a matching rise in consumer demand. This happens when more than one seller is offering the same goods, causing price competition to bring in customers. In competitive markets, this can often lead to price wars, which are good for customers but could hurt suppliers' profit margins.

Law of Decreased Supply with Unchanged Demand:

If the demand for a good stays the same but the supply goes down, prices generally go up and the amount available goes down. This drop in quantity could be caused by problems with production, changes in the law, or natural events that make things less available. People are still willing to pay more for the goods because they want it at the same level (International Monetary Fund , 2021). This is especially clear in markets for basic things like food and energy, where supply problems can cause prices to go up by a lot.

Conclusion

In conclusion, the COVID-19 pandemic has shown and made worse a number of economic weaknesses in global supply lines. In order to restore security and build a stronger economic framework for the future, these problems must be solved through a mix of government action, smart private sector responses, and better global cooperation (International Monetary Fund , 2021).

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