

The economic environment essay sample

[Finance](#), [Financial Analysis](#)



Burberry impact them in different ways as inflation occurs resulting in a loss of purchasing power of money. If the inflation fluctuated then price of goods go up and wages stay the same. The graph for the UK is showing that the inflation rate was quite high around January 2012 at 4.4, then it went up at 5.2, however then it decreased to 2.2 at Mid-July 2012. Then it stayed low from Mid-July to January 2013 and July 2013. The inflation rate for the UK is steady which means the people will have more income. This can impact the marketing because they know that potential customers will have disposable income, making the cost of the goods high. The inflation rate in January 2012 is in the 4.2-5.2 range, this drops in July 2012 to the inflation rate of 2.4 and stays in the 2.4-2.9 range until 2013. This shows that the inflation rate decreased from January 2013 and stayed low since then, so then the prices of the goods increase.

However, the graph for Brazil is showing that the inflation rate was high around July 2011 at 6.01. The inflation rate in Brazil is higher than the inflation rate in the UK. In July 2011 the beginning of the graph, the inflation rate is at 6.01 then increases to 7.31 halfway through July 2011 and January 2012. Then it falls from 5.8-4.92 from January 2012 to July 2012, this shows that the inflation rate fluctuated so the prices of goods go up and the wages stayed the same. However, the inflation rate then increased back from 5.2 to 6.15 at January 2013. The inflation rate for Brazil is high meaning that the disposable income is less because they don't have enough money to make the organisation better and cannot get enough stock.

The UK is stable and steady so the inflation rate is not too high or too low so this will benefit the UK as the businesses could sell more products and then

get more income. The Research and Development (R&D) team can find out about Burberry and other popular brands of clothes from other business so then the business will know more about each materials of clothes and the different brands of clothes which other businesses sell, then the business Burberry could help themselves as they can use the information which they have found out to build a better business because then they will know the type of materials and clothes the public like. Marketing will have impact for the UK as if they are selling more clothes, then they could earn more money and by knowing what kind of clothes the public would want to buy it will help the business more.

The impact that the UK has are to do with the functional areas which are Marketing and Finance, these will have impact as if they weren't selling the products then they wouldn't be getting enough money so both marketing and Finance is needed for the business. This links to inflation rate as its steady so people will have more income, can impact marketing as well, as they know potential customers will have more disposable income as they won't have enough money. They can market the product as they can sell the brands of clothes that they have made.

Brazil is in turbulence because of the inflation rate as it is first high then it goes down and then it goes back up again. If prices of Burberry products go up then the business will need to cover the costs, so they will need to make money by putting the prices up again. Production may look at methods of producing the materials in order for the business to earn money and income. If inflation goes up then so does the wages, so it wouldn't be too much of a

problem in Brazil as the inflation in Brazil is unstable. Brazil may have to cut costs to cover the prices of inflation because of the amount of income and goods and services that they have lost. This links with production function because due to the amount of products that they have been selling and producing products the inflation rate has caused the company to cut costs and reduce prices. If the prices go up slightly then it wouldn't be much of a problem for the customers as there are disposable customers who can pay for the products, and also they will pay high end prices anyways. How could Burberry respond to these challenges? (M2)

Burberry could respond to these challenges if there were cheaper resources being produced which will reduce the costs. However, if there were cheaper resources then there will be a chance of buying the products at cheaper or even higher prices. The alternatives of this will be that there might not be a good business and many of the customers for UK and Brazil wouldn't buy the goods and services if they're at a high price. The company will need to have a pricing strategy to see whether or not there are increasing or decreasing prices. The higher prices of products may discourage the customers for the UK and Brazil to purchase goods at high prices. The business may also be able to forecast, this relates to using their budget efficiently. The alternatives of this could be that they could change the way they produce the products by analysing or recruiting new people and get people that know how to deal with fabrics and clothes and who have skills to make them.

Both the companies in UK and Brazil can market more effectively by using different methods of promotion, this could be done by either providing a

brand new creation of clothes i. e. either a leather jacket or something similar to that, which the public would like to see and then see how much the finance has increased by. If the companies in UK and Brazil work together or with other businesses then it will be quite easier for them to create the products and sell them at reasonable prices so that people could buy the products from the company and then they can get income or finance out of it. IT would be beneficial for the companies in both UK and Brazil because if they were to find out about the latest fashion trends then it will help them to ensure about the best product accessories, as well as, they will need to know each and every detail of the popular brands and design that they will be making in order to fabrication the products. If the inflation fluctuates then the company will be at a choice on whether or not they should reduce the costs of the prices or have cheaper or higher prices.

This will impact on supply costs or the demand will either stay the same or increase at a point. If the prices go up then it is likely to impact a Burberry's purchaser because the purchase would want to buy the product t at the amount they wanted but if the price increased then they wouldn't be able to buy the product at that price, so it could affect the business in a way. It will help them adapt to the economic environment because if they were to make their products in a place where there were so many people it could help the company earn more. Also, IT can be useful for Burberry as the use of Internet can be helpful for them because they could use the internet to market their products, along with that they can find out different brands that they could make sell.

Describe what impact this would have on the activities carried out by two different functional areas of Burberry (P5)

GDP is the value of goods and services produced by all sectors of the economy; agriculture, manufacturing, energy, construction, the services sector and the government. It captures the state of the economy in one number, so say for example if the UK produce more, then the economics of the country will be positive. The GDP rate will be positive. If the UK provide more services and are making more goods, then the production and services will increase the GDP. On the UK graph it is showing that in 2012 the GDP rate was 0. 1 meaning that there were more goods and services being produced. The GDP in the UK is stable so that means that the economy is getting better, so if the economy is getting better, then the GDP is good as well because there is a correlation between the two.

For the UK they are going to focus on marketing, expanding and developing. They would focus on marketing because they will need to have the right amount of clothes and the right brand of clothes that they will be making in order for the company to sell the products or clothes. They will focus on expanding so that they know how long it will need for the company to create the clothes, so then they can have an accurate time and date so it will be easier for them to make the products and then sell them at a reasonable time and day. Lastly, they will focus on developing because they will need to know how they will be developing everything to do with the business and the make use of the clothes that they will be making and providing for the public. For the UK there will be less risk averse this is because the UK's GDP

is lower than Brazil's but the UK has a stable GDP, as well as, because the UK have much more customers than in Brazil it is easier for them to create more money and sell more of their products.

The GDP in Brazil is not as high, as it is in a slump meaning that people will have less money, so it will be more difficult for the companies in Brazil to sell the products, this is because the GDP is low in Brazil. The graph for Brazil is showing that it was high to start off with in 2011 then fluctuated to 0.5 in 2012, however, it then went up to 3.5 in 2013, then from 3.5 it went back down again to 1.9 in 2014. The GDP in Brazil is unstable as it starts off with 3.3 in 2011 and then goes down to 1.9 at around 2014. It will be difficult for them to sell products as the GDP is low, so they will have to make products and sell them at affordable prices so that they can get money and income out of it. Brazil is not doing as well as UK because they are producing more and will focus on cutting costs and finding skilled workers by trying to increase demand.

Since they know that their potential customers have disposable income, they will have to sell products at prices which their customers can afford and not too high or too low so that it could benefit the company as well. Brazil is unstable so in order for them to have a good economy they will need to have GDP which is good so along with that the economy will be good as well, in order for them to achieve this they will have to reduce on the amount of fabrication they do and either reduce costs or cut costs. Since the economy in Brazil is unstable and weak there is no disposable income so the companies in Brazil will have to reduce prices otherwise there might be a

chance where they will lose brand image. Brazil is risk averse as it is likely to be risky this is because the GDP is high and people have more disposable income and there will be recession.

How could Burberry respond to these challenges? (M2)

Burberry could respond to these challenges because if there were cheaper resources they could cut costs/ Burberry has a large impact on the activities carried out by various functional areas associated with the business. The GDP growth rate can negatively be affected by an increase in imports as well as being positively affected by a decrease in imports. The UK GDP annual growth rate graph illustrates data displaying trends and changes of the GDP rate. The impact of the GDP could be that the company might be reducing the costs of the clothing that they have made, so the impact of GDP will be on demand and its pricing strategy so if the GDP is positive then the production and services will increase, and the economy will be shrinking. If the GDP in the UK is low, then the demand won't be as high so the business might have to change the pricing strategy. But if the prices go down then the demand will go up, but if the demand goes down then the price will go up. This wouldn't entirely affect the UK because the GDP rate for the UK is stable.

Yet, it will affect Brazil because the GDP rate in Brazil because the GDP rate in Brazil is unstable so companies in Brazil will either have to change their pricing strategy so the demand won't be as high. The company can drop prices in order to make more sales. This increases income despite GDP changes. The alternatives of this will be that there might not be a good

business and many of the customers for UK and Brazil wouldn't buy the goods and services if they are at a high price. Both the companies in UK and Brazil can market more effectively by using different methods of promotion, this could be done by either providing a brand new item of clothing which the public would want and like, then they could see how much the finance has increased by if the customers do come and buy the product.

If the companies in UK and Brazil were to work together with other businesses then it would be easier for them to produce the clothing that they want to sell for their customers, they can sell them at reasonable prices so that they can get profit out of it. IT would be beneficial for the companies in both UK and Brazil because if they were to find out about the latest clothing fashion or new designs or clothes which are in fashion, then the internet will help them ensure about the best product equipment or accessories, as well as, they will need to know each and every detail about the branding image or the type of clothing that they might decide to make, in order to create the products. If the GDP rate fluctuates then the company is at a choice on whether or not they should reduce the costs of prices or have cheaper or higher prices.

Describe what impact this would have on the activities carried out by two different functional areas of Burberry (P5)

Interest rates are the costs of borrowing money, the amount of money charged by banks to borrowers. This whole country (UK) is built upon credit and the revenue is made with interest. It helps reduces risks for the business, even though they will pay back interest it is a positive in the long

term as there is less risk. The Base Rate which is the rate charged by the Bank of England, this is set by the Bank of England and reviewed on a monthly basis. The graph for the UK shows that it is stable as it starts from 1.5 in October 2013 and stays the same throughout till July 2014. However, if the interest rate goes up then it's going to have a serious impact because then the companies in the UK wouldn't be able to produce or make clothes due to the interest rate going up or down. However, Brazil is unstable as the graph shows that in July 2013 the interest rate was at 34.21, then increased to 38.44 in October 2013, then it went down a bit to 38 in January 2014 and then at April 2014 it increased again but this time to 42.02. If the interest rate goes up then it's going to have a serious impact for the companies in Brazil because the interest rate is already high as it is and if it gets even more high then they will have to find cheaper resources, produce luxury clothes but sell it at a price where it isn't as expensive as it was.

Moreover, if the companies move their production elsewhere then it wouldn't be easy, because at first it comes with a lot of planning and costs. Also, if they were to move their production elsewhere then they will have to find a place where there will be suitable customers and customers with disposable income so that they can sell their cars to them and then manufacture more and make more profits. Human Resources are needed to plan more so that everything is in place and that it is reviewed monthly. If they had a contingency plan (a back-up plan) then they would be one step ahead, however, if there wasn't a plan then they would suffer as a business and incur loss. Overall, I would recommend Burberry as a business because they make many luxury clothing like jackets, dresses, trousers, scarves etc. and

make lots of profits out of it, even though, they incur losses and due to the inflation rate it can cause money loss, but Burberry is still a business which is successful and still continuing to be successful. On the other hand, if they were to forecast their prices or have a budget then colleagues will be worried if interest rates go up because then they will have to work longer days just to earn their wages, or their wages could become lower.

How could Burberry respond to these challenges? (M2)

Burberry could respond to these challenges as they are a luxury fashion house, distributing clothing, fashion accessories, sunglasses, fragrances, and cosmetics. They work to meet the customer needs and provide efficient service in which they respond to the growing demand for all types of fashion and styles in the changing world. Interest rate is the rate in which the company are borrowing money and at which interest is paid by a borrower for the use of money. It is the rate charged or paid for the use of money. The interest rates often change as a result of inflation. Interest rate can be affected by various factors. Burberry has a large impact on the activities carried out by the functional areas associated with the business. As interest rates increase, disposable income decreases, therefore, individuals have less money on purchasing luxuries etc. If the companies in the UK borrow money from The Bank of England, then the bank will increase interest rates to slow down an overheating company, this will: slow down consumer spending, affect businesses at a cost of their borrowing will increase. This can force firms to postpone buying new premises or investing in new fashions.

Can reduce stock holding levels and encourage business and consumers to save as the rates are higher they get more return on their savings. The Bank of England will reduce interest rates to kick start slowing down economy, this will: Encourage consumer spending, less incentive to save and lower mortgage repayments. Make firms more: [profitable as costs of borrowing are reduced and likely invest as cost of borrowing is reduced. The companies in Brazil will face challenges because the graph shows that the interest rate from the beginning of July 2013 was low then increased halfway through October 2013 and then increased again around the time of April 2014. This means that if there were cheaper resources then they would have to reduce costs in order for the potential customers with disposable income order for them to buy the merchandises/accessories or clothing. If the companies in Brazil and UK work together or with other businesses then it will be easier for them and it will be easier for them to make the clothes and different fashion accessories that they need or want to sell, and they will either benefit from this by profiting and gaining income.