

Impact of market environment on lay's company



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The behavior of organization in their market environment and the significance of the global factors that shape national business activities

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Executive Summary

This report is based on different types of business information and the issues and constraints within the organization.

Name of organization: Lay's

Chapter 1: Introduction

Lay's is a name of a potato chips made from Canadian spuds. The owner of the company is Herman W. Lay. He first started producing potato chips in his machines then he finally shaped potato in chips with flavors. Lay's was then first snack to be promoted on Television till 1944. Soon it became so popular snacks in all over Canada. And by 1977 Lay's became the most preferable chip brands and dominating over the market. Due to its flavor and taste Lay's many people love Lay's. They basically manufacture and produce different flavors of potato chips and have able to create their brand value.

Chapter 2: Background of the Study

2. 1: Objective of the study

2. 1. 1: Broad objective

- The behaviour of organizations in their market environment.
- The significance of the global factors that shape national business activities.

2. 1. 2: Specific objective

- How market structure determine the pricing and output decision of business
- The way in which market forces shape organizational responses.
- How the business and cultural environments shape the behavior of an organization
- Significance of international trade.
- The impact of global factors on business organization.
- The impact of policies of the international trading communities on business organization.

2. 2: Methodology**2. 2. 1: Area of study**

The current situation of Bangladesh.

2. 2. 2: Sources of data

Website, Outlets, Books, Leaflet and Newsletter.

2. 3: Limitations of study

- Communication gap.
- Intolerable traffic jam made dilemma.
- Network failure while working with net.

Chapter 3: Analysis and Findings

Task 8: (LO 3. 1) Explain how market structures determine the pricing and output decision of the organization.

Market structure: It depends on the number of buyers and suppliers in order to run a business.

Types of market structure:

- Perfect competition
- Pure monopoly
- Monopolistic competition
- Oligopoly

Perfect competition: In this competition there are many buyers and many sellers. The products are alike and entrance and exit is very easy. If the price is increased then consumer will move to another product if the price is extremely high as output depends on buyer's demand. Lay's is selling different flavors of potato chips and their competitors are Sun chips, Alooos and Pringles.

Pure monopoly: Only one seller who dominate the whole market. They usually charge high price as there is no competitor and spend a lot on branding and R and D. But this is not applicable for Lay's as there are many competitors are available in the market.

Monopolistic competition: There are many sellers but market is dominated by few. Brand loyalty has a competitive advantage and firms are affected by Competitors. Lay's product is varies in flavors but all products are potato

chips and the price is reasonable. The output depends on the demand of the product.

Oligopoly: There are many buyers but few sellers. Huge capital needed so entry and exit is very difficult and each seller controls a particular portion of the market. Price and output is affected by competitors. Lay's does not follow this.

Task 9: (LO 3. 2) Illustrate (with example) the way in which market forces shape organizational responses.

I have chosen Lay's to describe the shape of market forces.

Demand: Willingness to buy a product and depends on desire and affordability. It is affected due to price, income level, substitute product and competition.

Elasticity of demand: How elastic the demand is. If price increases then demand decreases and vice-versa. If income level remains unchanged and price increases then demand decreases but if income level increases then demand is stable.

Lay's is an elastic product so they need to keep their price stable because substitute products like Alooos and Sun chips are available in the market and also they are the competitors of Lay's. If the price of Lay's increases then customers will switch to Alooos.

Supply: The quantity of commodities for sale and depends on profit. It is affected by price of raw materials, technology, technique, labor cost etc.

Elasticity of supply: If price increases then supply increases and vice-versa.

Lay's should not take the risk to increase their price. If price increases the sales may decrease as substitute products are available in the market. They should keep the price stable and provide steady supply of products or else they might lose customers and their sales.

Task 10: (LO 3. 3) Judge how the business and cultural environment shape the behaviour of the organization

Business environment consists of factors that affect the business and its activities.

There are few factors which affect business environment:

- Political Factors
- Legal Factors
- Economic Factors
- Social and Cultural Factors etc.

But I will focus on cultural and social factors which include:

- Demographic and Population
- Household and Families
- Attitudes to work
- Religion
- Nationalism
- Attitudes to male and female roles
- Ethics etc.

Demographic and Population: The population of Bangladesh is about 18 cores approximately so more labor is available for work and there is also an increase in demand for goods. Lay's have better opportunity to do business here because of the large population which makes available of labors and buyers.

Household and Families: Now a days there are huge number of joint families compared to single families. So buying behavior will be more for joint families.

Attitudes to work: The working environment inside the factory of Lay's is friendly and women are participating there in large numbers.

Religion: Most of the people of Bangladesh are Muslims. So Lay's should supply halal products.

Nationalism: In Bangladesh nationalism is less as people are purchasing more imported product then their Country's product.

Attitudes to male and female roles: Now a days both men and women are working together in the same environment.

Ethics -Lay's is doing business ethically.

Political factors: decision taken by government about the public expenditure and taking taxes. This involves the political stability of a country which favors business. Sometimes government gives grant, subsidy and loans on low interest rates for the development of a business. They maintain the infrastructure of a country thus developing communication links.

Enhancing skills of population: Now a days education and training courses are available to make population skilled in their desired field. This will increase the efficiency of labors which will favor business for Lay's.

Task 11: (LO 4. 1) Discuss the significance of international trade to the organization

International trade: Doing business beyond the boundaries of a country.

International trade is important for expansion of business and increasing profit. To acquire resources and to reduce cost international trade is important. It creates an identity in other countries and also get tax advantage.

Lay's is doing international business.

Global Business: Lay's is also doing global business. They have production plants in different countries of the world. Now they want their production plant in Bangladesh.

Multinational Company: Lay's is having their operation across the globe

Micro Multi-National Companies: Companies doing business through internet and Lay's is not doing business through internet.

Reasons behind increased growth of International Business

Lay's is a Canadian company doing business globally to get technological advancement, easy and quick communications, creation of trade agreements among countries and Bangladeshi government is more liberal to the companies who want to do business here.

Bangladesh is now developing so Foreign Direct investment is very important for us. It creates employment opportunity, GDP growth and exchange of knowledge, technology, technique, culture etc. Lay's is a foreign company so they are investing money in our country.

FDI in Bangladesh

FDI in Bangladesh has some opportunities and threats which include:

The opportunities are huge markets, availability of labor at low cost, natural resources, low production cost, liberal government and citizens etc. So Lay's can take advantages in Bangladesh.

The threats are political instability of Bangladesh, lack of infrastructural facility, unavailability of some raw materials, lack of skilled human resources and efficient management etc. These factors must be observed by Lay's before doing business in Bangladesh.

Task 12: (LO 4. 2) Analyse the impact of Global factors on the organization

- Import-Goods and service purchased from other country.
- Export- Goods and service sold in other country.
- Free trade-Allowing people of a country to buy and sale their product as per their want.
- Exchange rate- Price of one country currency in term of other country currency.
- Protectionism- Establishing artificial barrier to discourage foreign trade in order to save the interest of local industry.

Barriers to trade are three types.

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- Natural Barriers
- Tariff barrier
- Non-tariff barrier

Natural barrier-Natural things include distance, language, social system, legal system and culture and government has no control on this barrier. As Lay's is a multinational company they need good infrastructure like proper distance route to supply their product and service to customer without it Lay's will not be able to reach their products to customers which results in losing customers. Proper language should be used inside the organization and with the customer in order to maintain good relationship. If employee does not serve with proper language with customers and employee, they will fail to earn customer objective and organization objective too.

Tariff barriers- It is imposed by government which makes imported goods costly it affect Lay's a lot because they are multinational company and they import huge amount of product from various countries. If the cost is high they would not able to bring the sufficient amount of products in Bangladesh and it will affect their position in their market place. Due to high cost less product is supplied to customers so tendency of using imported product is affected. It also reduces competition from foreign product.

Non-tariff Barriers-It is imposed by government other than tax/duty/Levy.

- Quota -A limit on quantity for certain goods that can be imported. If Lay's do not import the quantity of product they need for customers demand they would not able to serve people which will have a great impact on.

- Embargo –Complete ban against importing from exporting to certain country. Lay's cannot supply their product to those countries where embargo is given.
- Customer regulation –Make the entry hard for foreign product.

Dumping: Selling product at a very low price to out-perform competitor in order to capture new market. This is resisted by Anti-Dumping law set by government to protect local industries.

Task 13: (LO 4. 3) Evaluate the impact of policies of international trading communities on the organization.

International trading creates international links among countries which is good for business.

International Trading Communities include SAARC, G8, BIMSTEC etc.

If Bangladesh did not take part in the international trading communities it will affect Bangladesh and Lay's will not be able to do business. There will be no free trade among the members of the countries. The tax duties will be high and the product price will be also high as a result there will be less demand and supply of international products, which will affect Lay's. Protectionism will be greater. Exchange of raw materials will be less. So there will be less production of Lay's which will create a bad impact in the society. Exchange of culture and values will be hampered. It will mainly affect Bangladesh as they will lose their neighbour as well as their helping opportunity.

Task 14: Give a decision whether business environment of Bangladesh is favourable for starting the operation/ manufacturing plant/ showroom/ branches of the organization or not. Give proper justification behind your decision. Do you have any recommendation regarding these issues?

Lay's can start their operations in Bangladesh because potatoes are produced in Bangladesh in large quantities. They can get labors at low cost and tax advantage as Bangladesh government is liberal to foreign investors. They can increase their sales and their brand name in Bangladesh and the political situation is stable now. I would like to suggest some recommendation to Lay's before operating in Bangladesh.

Chapter 4: Recommendation

- As many substitutes are available in the market so they must focus on quality.
- They must focus on price because AlooZ is charging Tk 15 for each while Lay's is charging Tk. 30 for each mini pack.
- If they do not decrease their price they must provide superior quality product to create their brand image.
- They also must focus on their packaging so that it looks attractive so that customer get influenced.
- They must go for horse cart rally to make people aware about their product.
- They must offer some short term incentives to promote their product. Such as giving gifts for children.

Chapter 5: Conclusion

Lay's is undoubtedly an established organization that emphasize on maintaining quality product and use endorsement in advertisement for their promotion. Although there are many difficulties, Lay's has very good brand image and customer acceptance for best quality product. They are going for continuous survey for the development of their products and service.

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