

# Unit 1 business enviroment

Business



Describe how John Lewis would be influenced by economic factors in a time of economic recession and economic growth in the UK economy. The two economic environments that I would be describing about are recession and growth on the business activities of John Lewis. Growth occurs when more goods are being produced and consumed, and also incomes are rising. During growth people spend more money on goods and services as they have more money to spend and also businesses would invest more and hire more labour as it links to increasing demand.

Recession however occurs when people involved in business become more cautious so they cut their spending down and also cut back on their orders as well as making workers unemployed or redundant. Growth affects the business activities for John Lewis because just as economy can change for a business so can demand for products and both could be associated with each other. During periods of growth you expect to see a fairly high demand for John Lewis' good quality products so customers and potential customers would buy as during this time customers' behaviours over money is more care free compared to when it's in a period of recession.

Mostly you could see John Lewis looking into recruiting more workers as since demand can increase a lot during the growth environment they'll need more workers to spread out the job load for the employees otherwise if the business didn't and just overloaded an employee with workload it could demotivate that worker a lot. It would contradict with the theory of Frederick Herzberg about the 5 factors to bring the potential to satisfy in a worker and the other 5 factors to motivate a worker after you fulfil the factors that bring the potential to satisfy first.

Or John Lewis could get the employees internally through transferring existing employees from other John Lewis branches of which are not at a so busy period as some other branches. Since customers and potential customers become more care free on how they spend their money, this is the period within the economy where you're mostly likely to see customer switching back to their normal spending traits and return to spending money happily on good quality products, so demand in substitute products would decrease around this period.

This will benefit John Lewis as sales for the good quality products would be increasing which furthermore could lead to John Lewis recovering from their losses if they were in one and go into break even or begin to start getting profits. John Lewis would buy more stock from its suppliers at this period of the economic environment as when demand increases you must get more supply to meet that demand.

Also John Lewis at the time since they buy in bulk from their suppliers they can benefit from getting more stock at a good price that gives good value for money, as usually suppliers would offer you extra amounts of stock if you buy in large quantities.

During this period of time interest rates would be low compared to in recession because there isn't as much financial institutions to try get as much finance as they can from small amounts of borrowings from their company in this period as customers, business etc intend to borrow more money in this period of time as they are fairly financially stable, so to encourage the businesses and customers to begin taking sources of finance

they lower the rates. So John Lewis is more likely to start borrowing sources of finance if needed then in the period of growth.

Recession affects the business activities for John Lewis because in recessions it causes a drop within demand for most good quality products potential customers and customers use to buy before. As during this period of time customer's behaviours change to usually only spending on good quality products for what they essentially need but nevertheless if it was a want customers usually look for a substitute product that still meets the needs and purpose of a particular product but is just found at a cheaper price because of the type of brand it is etc.

As usually this is when we see customers taking more care of their money and become more cautious on what they spend their money on. When customers change their behaviour in spending it would affect also John Lewis as since it's concentrated solely on selling good quality products at high prices they would suffer from a reduced amount of income coming into the business at times of recession. Therefore businesses would usually cover their losses and begin unemploying workers at the business so it reduces businesses costs in the long term.

As a result John Lewis may start encountering losses during this period of economic recession as most of the products they sell are high quality products which are sold at its reasonable valued price so the price may still be high for most existing customers at the time, therefore sales in these products would reduce. The methods John Lewis would try to recover from the losses in the short term would be to begin unemploying workers and making other employees redundant.

However, in recession John Lewis would have a drawback of not benefiting at all from their suppliers as since demand is falling they would buy smaller quantities of stock so you will no longer benefit from getting extra stock as you didn't buy in bulk, so value for money decreases and also you will still be charged for full price deliveries etc as you have to pay for their transport, and the amount you pay is determined by how much they have to travel.

In recessions we see interest rates intend to be high as financial institutions would like to benefit as much as they can from small amounts of finance borrowed therefore it can help the economy get out this economic environment quicker. M2 - Compare the challenges faced by John Lewis in the periods of growth and recession Challenges faced by John Lewis in economic period of growth are maintaining a high performance team, managing cash flow and knowing when to say no to the right or wrong opportunities.

Managing cash flow is a challenge for John Lewis because when they enter the period of growth they must manage their cash inflows and outflows on a daily basis and avoid getting too engaged in the change of economic environment. Maintaining a high performance team is a challenge faced by John Lewis because they must first make sure they are hiring the right talented people for the job as well to train the employees to the degree of what high performance means for John Lewis. This is very time consuming and costs a lot of money.

Knowing when to say no to the right or wrong opportunities is a challenge for John Lewis because good opportunities will strengthen things about John Lewis and will end in a convincing value plan. Whereas bad opportunities will

do the opposite to John Lewis and bring their business reputation down and will bring problems to the business. So overall, knowing when to say could determine the business' future and is very time consuming as you must think thoroughly about the decisions the business as a whole is going to make.

John Lewis faced challenges in the recession in our economic environments of which are increased unemployment, economic uncertainty and the engagement of employees. Increased unemployment is a big challenge for the recruiting department of John Lewis because as unemployment is rising so are the number of applicants looking for jobs therefore the recruitment department would need to work even harder to make sure they select the right talented worker as well go through all the application. This is time consuming and costs the business money.

Economic uncertainty is a challenge for John Lewis because since government spending is reducing, debt crisis and looming threat of recession are occurring; John Lewis can't manage to keep reducing their costs forever so they direct their new attention into growth and expansion in order to find a method to get out of the period of recession. Engagement of employees to John Lewis because during difficult economic periods their employees must be supported well and efficiently so labour productivity can stay at a fairly stable level to keep the business running properly.

So overall challenges faced in recession are tougher than challenges in growth for John Lewis because more money tends to go out of the business rather than in as during the recession they have to pay redundancy, deal with loads of applications for jobs, pay the usual business running costs as well as lower prices for their products and services

customers are more cautious over their spending. Whereas during the growth period money coming into the business and out can seem to break even or you will get more money coming in than out.

This is because during growth customers' behavior over spending tends to be more carefree and also John Lewis won't have to keep their lowered prices like in recession because they could still manage to sell their products and services at a higher cost. Also in growth since demand is likely to be higher, business costs for stock and materials will be better value for money than in recession as you don't buy in bulk as much during recession periods unless the product or service is a substitute to expensive versions of the product or service. So John Lewis could benefit more from their suppliers during growth periods.