

The business environment of hsbc



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The most important intention of the report is to investigate the business environment of HSBC Holdings PLC. HSBC Holdings also is one of the market leaders in today's banking world. HSBC head office it can be found at London's Canary Wharf on the HSBC tower. HSBC stands for Hong Kong and Shanghai Banking Corporation, which was established by a man from Scotland, named Thomas Sutherland, in 1865. The report presents information about the company's activities, financial performance and market environment. Going through few major topics will provide investors with reasonable overview. The first part of the main body will primarily focus on the Company's Profile and Activities, afterwards the analysis of macro-environment and the micro-environment of the company, evidence of an audit of key competences within the company followed with the recommendations and conclusion.

Profile of company

HSBC has got over 7. 500 offices in 87 countries. It is very widespread and has around 220. 000 shareholders in 124 countries and territories. HSBC provides a full range of financial services being Personal Financial Services, Commercial Banking, Corporate Investment Banking and Markets Private Banking.

HSBC is mainly operating in Europe, Hong Kong, Asia-pacific region, Australia and America. HSBC is interested in the emerging markets of Asia-Pacific region and is continuously heavily investing in these regions.

The major top UK competitors of HSBC are Barclays and Royal Bank of Scotland. Those are the corporations operation of which HSBC carefully

investigates and tracks at all times. However HSBC is not a bank that follows the ideas and the management manners of its competitors.

HSBC Holdings PLC has shown steady growth in share price over the last five years. This is a clear indicator that a company is worth investing in. HSBC Group also demonstrates constant growth and is a very reliable corporation. These enable us to recommend investing in HSBC because of its growth opportunities and bright profitable prospects.

The HSBC banking corporation is on third position in the world in regard to assets ownership. Almost 22% of HSBC's profits have been derived from Hong Kong, which is a well known operational centre.

Known as the world's local bank, HSBC has a history of helping millions of customers globally in order to achieve their financial aspirations. They understand the importance and functioning of different markets through their experience in international trade. As a result, HSBC has grown into a company or banking institution that has the deepest respect for different cultures and people connected to these cultures. Their motto is to look at their customers as individuals and strive towards providing them with a personalised service and credit card products that will fit each of their specific needs.

Simultaneously, HSBC Group has been trying to build up a good reputation in the US and conquer the markets of HSBC – North America, proudly stands one of the top 10 financial services companies in the United States. Its combined team reached more than 53, 000 employees works with the common goal of meeting the needs for about 100 million customers.

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After achieving the goals in US, the company focused on developing countries and is more interested in the emerging markets of Asia-Pacific region and is continuously heavily investing in these regions.

Furthermore HSBC is considering moving its head office from London to Hong Kong. Britain's greatest bank, warned key shareholders that this was unsatisfying full-year results have made arguments for shifting HSBC's domicile to Hong Kong "unsatisfying". The investors have been shocked by the swift gear-change in HSBC's review of its domicile but some others have already told the HSBC that they would sponsor the move. Some other investors said that they understood the move and that the bank had been a change of tone as HSBC reviews its domicile. UKs capital terms for the main banks, now is one of the greatest in the world and according to the Basel terms, is expected to go even higher. Although HSBC refine to the investors that if the terms in Hong Kong is more relaxed requirements, that can cost less and develop more profit by making it the best use of its balance sheet. The loss of HSBC's head office in London, despite the fact that abused for months because of the raise in financial arrangements, would be a severe blow to the Coalition which, admitting some of its banker criticism is relying on a private-sector-led recovery. However, HSBC supported that it elects to stay in UK and told that an approaching change in its position was entirely hypothetical.

Macro-Environment Analysis

PEST ANALYSIS

POLITICAL

Government is responsible for protecting the public interest.

Political stability affects business decision.

Consumer protection.

Regulations of business activities.

ECONOMIC

Competitor activity.

Competition for resources.

Savings.

Unemployment numbers.

SOCIAL

Work life balance.

Trends in consumer behaviours.

Leisure.

Lifestyle.

TECHNOLOGY

Technological arrange is speeding up.

Technology develops now products (internet).

Improved communication.

Internet business.

POLITICAL ANALYSIS

HSBC banking has been sheltered by the regulations and policies made by different governments in the countries where they are working. The company has been able to remain to the policies agreed by each government to make sure that the company will be able to accomplish business operation successfully and effectively.

HSBC Company also formulates their own defence strategies besides any governmental restrictions and limitations.

ECONOMIC ANALYSIS

Being one of the world's leading and complete businesses in conditions of banking and finance HSBC said to have a secure and successful economic strength. In spite of lots of dangers that they meet in many parts of the world, the management of HSBC make what they need to be able to go beyond such struggles and to have a better economic condition and create a shield against unemployment.

SOCIAL ANALYSIS

HSBC is being affected by the circumstances of the society in which they are in use. By the side of this HSBC tries harder to make sure that each society is given the same chances to take the benefit of the resources given by the organization. The company adhere to having good name and relations in the <https://assignbuster.com/the-business-environment-of-hsbc/>

society that belong to secure that everything will be customary and under control.

TECHNOLOGICAL ANALYSIS

The urgent situation of information technology, internet and generally the improvement of technology effects how HSBC has been working in the past years. The company search for different systems and used internet to get to their costumer all over the world and also help them know the latest trends in the global business. Except from these, the company also uses special facilities which help then to advance their productions and operations and also make them to achieve their goal. Technological breakthroughs can create new industries which might prove a danger to presented organizations.

To summarise PEST analysis looks at the business strategies to understand the environment that the company is working and also to take the advantages and benefits to minimize the threats and the dangers for the business.

Micro-Environmental Analysis

<http://www.12manage.com/images/porterfiveforces.gif>

Porter's Five Forces

Potential entrants

HSBC has many threats from Tesco, Sainsbury's and a large number of other markets consider to enter into banking industry as a result of high profits that the specific kind of industry offers. Large super-markets in UK seek to enter without considering that those threats sometimes breakdown

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organisations such as HSBC. Although, HSBC received several threats from the market, they were still able to create high standards for the competition. Strong branding images are used from HSBC, so the company will not result in loss of customers.

Bargaining power of customers

An organisation created a value which has affected the occupation from one of the two important forces customers' power. The role of this force contains the customers concentration along with the size. In other words, HSBC managed their customers as a result of allowing the company to gain customer loyalty. The strategy that was used by HSBC allows them to have a chance becoming a world leader in banking industry.

Threat of substitutes:

Another significant threat that HSBC faces is that competitors provide new products and services. This threat gives the opportunity to the company to work hard as a result of being sustain to its position. HSBC's strategy focuses on the four different customers' sections.

Bargaining power of suppliers:

Customer power mirrors to supplier power. This force focus on two important points. The first one is the significant size and concentration of suppliers and the second one the differentiation in the materials being supplied. HSBC use the strategy of charging markets with different prices according to differences of the price of each buyer.

Rivalry among current competitors:

There have many rivals in the banking and financial sectors. HSBC used efficient strategies to ensure its leadership position in the market among rivalries. Moreover, due to the capabilities of other rival companies, HSBC develops strategic plans to confirm that they are permanently being the first choice of their customers in banking industries. Nowadays, as we cross the mountain of financial crisis, a number of banks went to liquidation

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SWOT Analysis

STRENGTHS

International Finance.

Record Profits.

Listed in London.

China.

WEAKNESSES

Poor Performance.

Brand Name.

OPPORTUNITIES

Growth on emerging economies.

Biggest Bank in Middle East.

Low mortgages interest rates.

THREATS

Moving back to China.

New Regulations.

Fewer Revenues from the integration of financial markets.

STRENGTHS

International Finance

Since HSBC is a global company itself is well qualified to advise other companies on aspects of international business. With offices around the world, for the international client HSBC often cannot be defeated in this area. HSBC knows how to succeed in Mergers and Acquisitions (M & E) and the organic and the effective development.

Record Profits

Last year, HSBC experienced the most profits ever for a UK high street bank. HSBC have revealed their profits more than doubled in 2010 to £10 billion with every region in the black for the first time since 2006.

Listed in London

HSBC is listed primarily in London and Hong Kong stock exchanges, which saves the company a lot of grief in complying with new U. S. legislation Sarbanes-Oxley law. Many companies have chosen to list on foreign stock exchanges, except America, because of expensive new regulations.

China

HSBC has 140 years of experience in China. Since China is the place to be today for companies and banks, HSBC benefits for being so old Chinese
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company and accepted by the Chinese people. The best news for HSBC is that, like other companies grow in China, it does too. The reason this happens is that it wins new customers and new global opportunities with each passing day. The HSBC has the largest network of any foreign bank in China and deeply understands the Chinese market and the customer. In a world that is increasingly going the way of China, this is quite a boon to HSBC.

WEAKNESSES

Poor Performance

There is a poor performance in the section of “ personal finance services”. HSBC try to fix these problem years ago. But the problem is there every year.

Brand Name

While it is certainly a global company, HSBC came late in the game to decide to execute a comprehensive marketing strategy and take advantage of the global brand. Because he had created so many different banks in different countries at different times over a period of one hundred years, which set them up with different names – Hong Kong Bank of Canada, the British Bank of the Middle East, etc. Not even all of these banks prior to 1998, bore the logo of HSBC. In 1998, they were all branded together, but the previous lack of branding and name changes can damage the HSBC brand recognition. Customers may have thought that HSBC was responsible local bank and did not realize that HSBC had already serving for decades.

OPPORTUNITIES

Growth on emerging economies

Apart from the growing Chinese middle class Brazilians and Indians have begun to appear as consumer culture, and thus increases wasteful consumers. Some residents of those countries in the past does not even own a bank account, but companies such as HSBC is ready to move in and benefit from the growing middle class in these areas. In places like Argentina and Turkey, HSBC experienced pre-tax profits by 50% in the past years. This is where it grows more.

Biggest Bank in the Middle East

The other banks are removed from the Middle East. However, HSBC has been running regional activities at the local level and have been rewarded for his efforts with numerous awards and honours for the Middle East market. HSBC is a trusted name there, and the company benefited from new democracy in Iraq by establishing a presence in the country. HSBC is the largest international bank in the Middle East.

Low Mortgages Interest Rates

The low mortgage interest rate increases the revenues and market's shares. HSBC has made some records on this.

THREATS

Moving Back to China

The banking colossal HSBC has been most explicit threat yet that it might move its headquarters from London because of the narrowing regulatory noose.

New Regulations

The investors of HSBC have been warned that future profitability will be affected by the new global policies designed to make the sector of financial more secure, but smoothed the blow with the promise of increasing dividends.

CONCLUSION

To conclude we would like to state that HSBC Group is in constant search of further development and its key data of latest year's financial performance proved that they are succeeding in their aims, as the company is showing increase in almost all aspects of its business.

It has shown steady growth in total profits in all most important regions of operation. It has also achieved large earnings per share increase over the last five years. The company has recently made a successful growth in the Middle-East region and expects continuous growth in profits from that region. In Asia all business segments exceeded and also contributed to overall function of the HSBC Group.

From our point of view, in a company that has reached such huge size and success, there is not much that can be improved, considering their financial performance. It is worth mentioning, that HSBC Group should give more attention to the rapidly developing internet banking system.

The information presented in this report is enough to make the final decision and as far as we are concerned it is good and reliable company to invest in. Immediate huge profits should not be expected, but it is a perfect long-term

investment. HSBC Group has around 220. 000 shareholders in over 124 countries and this only adds to its reputation and proves its trustworthiness.

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