Advantages of Selecting River Island

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Introduction

For this assignment, I have selected a private limited company. The advantages and disadvantages of the respective organization will be discussed for better understanding. Further, the discussion about stakeholders connected to the company will be described under the classification of internal, external, and connected. I will also explain the law of Diminishing Marginal Utility and economic demand.

Selection of Company and characteristics

The company selected for discussion is River Island, UK. This is a family-owned business operating as a private limited company. The owner of this company is the Lewis family, and the headquarters is present in London. This is a fashion brand which operates in many markets worldwide. They have been working in the business of fashion retailing for 60 years. They are known for their affordable prices and stylish designs. A new look from top to bottom is provided to their customers, and their competitive advantage is the unique designs they offer. In-house designing is used for this brand, and new designs are offered every week. This chain is spreading throughout Asian markets, Europe, and the Middle East with 350 stores (River Island, 2018).

Advantages of selecting River Island

River Island is a progressing company with a developed system of working. This company is contributing to the economy and retail market on a larger scale. The supply chain is established in an effective manner through the proper working of each player. Even the recruitment system of this company is well supported in hiring intellectuals. The flexible and dynamic working environment attracts talented individuals.

As River Island is a private limited organization, it has fewer shareholders, and it is easy to entertain them. The best thing about a private limited company is its limited liability. It is treated as a single entity, and the assets of owners are not in danger. None of the members are affected personally because of its operations. Owners of private limited companies also get the tax advantage because they only have to pay on the overall income and not the personal income. The decision-making process is also not complex because it is owned by a family, and only they should be consulted in case of any problem. The continuity of business is ensured in the long run because it is a legal entity.

Disadvantages of selecting River Island

This is the business coming under the category of retailing business. The disadvantage of selecting this company can be the restriction it places on one single sector. As this assignment focuses on identifying the stakeholders for the respective company, the stakeholders vary in different types of businesses. Here the stakeholders for manufacturing, trading, or other types of businesses will be missing out.

As this is a private organization, this can be a disadvantage to the company because it cannot make its shares public. Now the risk of diversification among shareholders decreases. The risk of incurring a loss increases, and shareholders cannot transfer their shares to one another.

In addition, there are many other competitors in the business line, including TopShop, ZARA, and outfitters coming with better systems of operations. Other than this, this company has a well-established system that can be studied for the assigned task.

Task 1 (b)

Stakeholders of River Island

Stakeholders are those players in a business environment that are directly or indirectly related to or affected by the business operations of a company. The stakeholders are further classified into three categories. The people directly having a connection to the company are known as internal stakeholders. External stakeholders are the ones that do not have any direct relation, but the operations of a company affect them in any way. Connected stakeholders are the ones that are not internal but are related to the day-to-day operations of a company. As stakeholders have the capability to influence organizational decisions, they are concerned with overall organizational strategy (Savage, Nix, and Whitehead, 1991). Some of the types coming under these categories are described below in the context of River Island.

Internal Stakeholders

Among the internal shareholders of River Island, the most important of all are shareholders. As this is a family-owned private limited company, the members of the family are its shareholders, and they have a share in the profit generated at the end of the year.

Employees are another example of internal shareholders. The people working in River Island are responsible for its success, and the company provides them employment. The company also passed the Modern Slavery statement in 2016 to protect the interests of employees working in it.

Management staff is responsible for all the operations from taking in the raw material and delivering finished goods to the customers. The management of this company has a direct stake in the operations of the company because they are responsible for managing all operations.

External Stakeholders

The most important external stakeholder is the environment. Every company, including River Island, takes responsibility for protecting the environment. Human rights should be protected, and no such activity should be conducted that can be of any harm to the external environment. River Island also has a corporate social responsibility statement in which they claim to be fair in all the training activities.

Other external stakeholders are regulatory authorities and the government. The company has to pay taxes and follow all the legal regulations. The tariffs are paid by the company, and every business operation should be fair according to regulatory authorities. As this company has business in multiple countries, it should follow the regulations of every government.

Connected Stakeholders

Customers are connected stakeholders for the company because they are interested in the products offered by River Island. They are not directly related, but the company earns profit out of their pockets, so they are connected.

Suppliers also come under the head of connected stakeholders because they earn a profit by providing raw materials to the company. They have a long-term profitable relationship with the company.

Law of Diminishing Marginal Utility

Definition

The law of diminishing marginal utility shows that as the person consumes more goods, the level of marginal utility decreases, and there comes a point when it becomes negative, provided that all the other factors remain constant.

Example

If a person is hungry and he has to eat 5 bananas. Let's suppose that the level of utility he gets from eating the first banana is 15 units. As he consumes more bananas one after another, this will

decrease the marginal utility level. Although the overall utility will increase with each additional unit, the marginal utility will diminish. The same behaviour can be observed in income, but income does not satisfy; however, this differs according to the behaviour of the individual (Easterlin, 2005).

Chart

The chart shown below describes the level of marginal and total utility after the consumption of each banana.

Units consumed	Total Utility	Marginal Utility
1	15	15
2	27	12
3	36	9
4	42	6
5	45	3

Graph

Here is the graph proving the law of diminishing marginal utility. On the x-axis, there is the number of units consumed, and the y-axis shows the level of marginal utility.

Assumptions

There are a few assumptions about the law of diminishing returns. First of all, this law cannot be fully applied to money. The utility of money may reduce with time but never become zero. This is also not applicable to innovation, knowledge, and art. This law does not operate in situations where a person behaves irrationally. Also, people are fond of beauty, so they are never satisfied no matter what merits they achieve. All these things lead to misallocation of resources. These differences create disunity because of intellectual difficulties (Robbins, 1997).

Economic Demand

Demand in economics is actually the desire of the consumer for a good or service and the willingness to pay the amount for it. The overall demand in the market is calculated by adding what everyone in the economy wants.

Willingness and ability

The demand can be determined by different factors and among them, willingness and ability are really important after price. The person is only willing to demand a product when the cost charged is according to the value created by the product. If the right level of service or product is offered, the person will willingly buy it.

The ability is the willingness to buy a product backed by buying power. The budget line is considered while assessing the ability; if the budget is according to the community, it will increase the consumption level and demand as well (Rachlin, Green, Kagel, 1976).

Discussion

Once the demand for the product or service is analyzed, it is then further classified into different categories. If the estimate of demand is not done correctly, it will result in budgeting issues. The circumstances of every individual are different, so their demand type should be assessed with different factors.

One way is to see aggregate demand, which refers to the average and overall demand in the market for a particular item. Another form is individual demand, which sees the demand of the particular customer. This is highly dependent on the income of an individual or on a larger scale. Considering all these factors, the law of demand is developed which is as follows.

Law of Demand

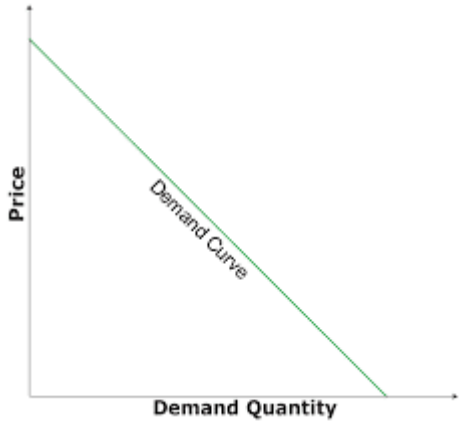
The law of demand sees the relationship between the price of a product and the quantity demanded. The basic principle considered is that the demand for the product will go down if the prices are increased. Therefore, there is a negative relationship between the prices of products and demand level.

The help of a graph called the demand curve shows the law of demand. The number of units is on the x-axis, and the price level is shown on the y-axis. As these factors are negatively related, the curve moves downward with the increase in price level. The price changes affect the budget of households

and ultimately change demographic characteristics (Hardle, et al., 1991).

Graph

Here is the graph for the law of demand.



Assumptions

The law of demand is only applicable if the prices of commodities related to the product are not changed. The income of individuals should remain constant in this process. The size of the population remains the same. The customs, preferences, tastes, fashion, and habits of the consumer are not changed. Another assumption for applying this law is that there are no price changes expected in the future.

Conclusion

In this section, the law of diminishing marginal utility is described, which shows that the level of satisfaction or utility decreases with every extra product. The graph and chart show that as the number of units increases, marginal utility decreases. Then, the law of demand is explained along with the assumptions necessary for its application. These are important laws to operate in modern economic models. These help accountants understand the core components of accounting.

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