

Describe the influence of two contrasting economic environments

[Environment](#), [Ecology](#)



P5-Describe the influence of two contrasting economic environments on business activities within a selected organisation Within my selected organisation, Tesco, there are 2 important economic environments that have an influence on business activities. Both economic environments will have a different way on affecting Tesco. The economic environments are growth and recession. Economic growth occurs when more goods are being produced and consumed, and incomes are rising. A growth company tends to have very profitable reinvestment opportunities for its own retained earnings.

Economic growth will affect Tesco as it would increase their profits due to more people wanting more products and wanting to spend their money. As people have more money to spend on luxuries instead of the essentials it means that the higher value products will be brought. For example the Andrex toilet rolls will be brought instead of Tesco value, because of this it means more money is being spent in the store which is an advantage for Tesco. Recession occurs when people involved in business become more cautious and: * Customers cut back on spending, and start to save more Manufactures and sellers cut back on their orders, produce fewer goods and start to cut back costs in general, including by laying off workers. Because economic recessions will put Tesco's customers under money worries they will only be purchasing from the store, instead of what they want; only what they need. Examples on what Tesco customers would want include: chocolate, ice cream, sweets, and walker's crisps instead of Tesco value, the luxuries. Examples on what Tesco customers need include: toothpaste, milk, bread and more, just the essentials.

P6-Describe how political, legal and social factors are impacting upon the business activities of the selected organisations and their stakeholders A PESTLE analysis for Tesco must consider all the important external factors impacting on the company. These factors may have political, economic, sociological, technological, legal or environmental dimensions. The political analysis must include the impact of local and national government, and the international situation. The Economic analysis needs to investigate the influences of the stock market and tax increases, amongst many other monetary matters.

Sociological factors are difficult to suss out. We swim in the "water" of our culture without recognising it as an important determining factor. And sociological analysis is all about analysing the background culture. Technological factors are usually easier to spot, because new technologies involve change, and change is always noticed. For instance, online shopping has had a major impact on Tesco's recent success. The change created by technological advances often lead to legal problems, which is why legal analysis is always an important part of a PESTLE analysis.

Tesco's operations obviously have a significant environmental impact, from fossil fuel use to packaging issues. Reducing the demand on the planet is a challenge for any big company. A PESTLE Analysis for Tesco must look at all the six factors we have mentioned. Here they are again, with examples of each: * Political: an increase in unemployment due to a downward turn in the world economy. * Economic: impact on sales of the credit crunch. * Sociological: an increase in immigration from Eastern Europe resulting in a

demand for new goods. * Technological: how can Tesco take full advantage of the World Wide Web? Legal: how can Tesco avoid legal opposition to expanding into new high streets? * Environmental: -climate change is affecting supply and transport, how can Tesco adapt? In summary, any PESTLE Analysis for Tesco must consider all external factors if it has any hope of capturing the essence of the company. Political- Marketing decisions are strongly influenced by changes in the political environment. Changes such as new legislations put forward by councils and governments, not just in the UK but also in the other thirteen countries that Tesco operates in.

One legislation that affects Tesco rather predominantly is planning permission; a law heavily regulated in the UK, and as Tesco has approximately 2.75 million meters of shop space (including car parks and stock rooms). Owning so much space and with so many large superstores can make this factor a very difficult one to overcome. Legal- The economy is different worldwide and fluctuates constantly, which makes this factor so complex for large multi-nationals like Tesco to tackle.

To maintain maximum profitability overall, Tesco needs to raise its prices in accordance with inflation rates. If however prices are raised higher than the rate of inflation, customers may be urged to go somewhere else or spend less, and if the prices aren't raised high enough, they may not compensate with the rate of inflation and decrease the products profit margin. As there are people on different budgets, Tesco tries to accommodate for everyone, which is why over recent years they have introduced many different price-based ranges. Social-

Social attitudes of today's society have changed the way people live, people now are working longer hours to sustain the financial demand that is needed in-order to keep up a higher standard of living, " One quarter of working men and 11% of working women in the UK now work more than 50 hours per week" . This is a social problem because it encourages people to eat ' fast food' type products such as pasties, sausage rolls, pre-packaged sandwiches and microwavable take-away items such as burgers ; hot dogs etc, which all have high percentages of saturated fats, sugars and salts.

These ' fast foods' are eaten because of their convenience and due to time shortages from working longer hours these food are the easy option. This implicates less healthy diets and obesity in the UK population. M2-Compare the challenges to selected business activities within a selected organisation, in two different economic environments [IE] Tesco delivered a 10% increase in profits to a mighty ? 3. 4bn and chief executive Sir Terry Leahy declared the retailer " stronger than it was before the recession".

There is no single secret to Tesco's success, but at the heart of the company is its focus on customers. Its mantra is to look after them, and everything else will look after itself. It sounds simple, but few companies are as focused. Size also matters. Selling more means better buying terms - and that equals lower prices and/or higher profit margins. Lower prices then bring in bigger sales volumes. Tesco, like so few of its high street rivals, has succeeded in making itself largely classless, with price ranges designed to cater across the board.

Britain's biggest retailer Tesco has called on the Bank of England to cut interest rates on, despite the fact the supermarket giant has yet to see any impact of the slowdown in the economy after reporting an increase in like-for-like sales. Overall the business in the UK was making good progress, and that Tesco Direct and tesco.com had both delivered "very strong" growth. The international business was rapidly expanding and that Asia had performed particularly well with a 29pc increase in sales. Tesco is on track to open new stores in the international business which will provide more than 7m sq ft of new trading floor space this year.

Tesco have maintained pleasing progress, overall sales growth has strengthened in the period, with International delivering a particularly strong performance, and the UK has again done well, with good growth in our core food categories. M3-Analyse how political, legal and social factors have impacted on the two contrasting organisations Tesco will experience many issues when it comes to political, legal and social factors. All businesses will experience similar problems even one that is in a different market, for example Apple would experience similar, however not the exact same problems as Tesco.

One political factor that will impact Tesco is the Consumer Protection Act 1987. This is a set of laws and regulations that were designed to protect consumers from faulty and/or unsatisfactory goods bought. As an example - you buy a stereo from Tesco and within 2 days, the sound distorts and crackles, this is not fit for purpose as the stereo was designed to allow you (the consumer) to listen to your music, which you cannot do satisfactorily.

You are therefore entitled to return the item for a replacement or refund but only within a set time i. e. 0 days, if the item became faulty after 30 days, the store you bought it from are entitled to send it for repair. This could impact Tesco because just say they had a poor supplier then they would have many a customer returning demanding refunds or repairs which therefore will cause Tesco to lose out and it could cause them to lose customers as it'll give them bad customer satisfaction. Apple could definitely relate to this as they sell many electrical products which could go faulty at any time, an example could be if they sold an iPhone and the consumer could not make calls on it or connect it to iTunes.

Although they are a huge company who promise that there will be no faultiness in their products and offer warranties, it is not one hundred per cent certain that their products will work efficiently. There will be the odd product that will be faulty. For employment legislations, the government encourages retailers to provide a mix of job opportunities from flexible, lower-paid and locally-based jobs (working in the stores) to highly-skilled, higher-paid and centrally-located jobs (working in, probably London, being a part of a department.

An example would be working for the the Tesco marketing team). Also to meet the demand from population categories such as students, working parents and senior citizens. Tesco understands that retailing has a great impact on jobs and people factors (new store developments are often seen as destroying other jobs in the retail sector as traditional stores go out of

business or are forced to cut costs to compete), being an inherently local and labor-intensive sector.

Tesco employs large numbers of; student, disabled and elderly workers, often paying them lower rates. In an industry with a typically high staff turnover, these workers offer a higher level of loyalty and therefore represent desirable employees. Apple D2-Evaluate how future changes in economic political, legal and social factors, may impact on the strategy of a specified organisation