

# Stable political situation in the uk marketing essay

[Business](#), [Marketing](#)



There is a stable political situation in the UK, as it has a democratic government, a democratic government is one that is decided, by people voting on who they want to run the country. This means that if a dictatorship was to emerge and started making decisions that the public didn't agree with they would simply be voted out at the next election. This is good for Adidas when operating in the UK, as it is fairly unlikely that the government would suddenly introduce any controversial policies. This will be good for my product as it gives it firm ground to work on. There are elections every four years in the UK, with the next one in May 2005. This keeps everything functioning properly within the UK, as the government aren't very likely to introduce any controversial policies, as they would be voted out at the next election. This is good for Adidas, as it means that the government aren't very likely to introduce any drastic policies, which may affect them. The government also offers subsidies if organisations set up factories in areas of high unemployment, such as the north east of England and south Wales. An example of this is Sony setting up a factory in Cardiff. However, I don't feel this would benefit Adidas, as there aren't any advanced skills required for manufacturing football boots, and would therefore be a lot cheaper for Adidas to manufacture their products in countries outside of the UK, where there is no minimum wage. The minimum wage is quite a major constraint for Adidas in the UK, as this means they can acquire labour at nowhere near the cost they could in countries where there is no minimum wage. If Adidas could acquire labour at the same cost as they do in other countries, this would allow Adidas to cut out the transport costs of moving the produce to the UK, and could be spent on funding new products such as my own. If the

UK government were to put a quota on Adidas products imported, only allowing a certain amount of Adidas products to be brought into the country each year. Adidas could overcome this by situating a factory in the UK, eliminating the quota, as if the products were being produced in the UK, there would be no need for produce to be imported from other countries. This wouldn't be good for Adidas as they would either have to sacrifice their cheap labour, or sacrifice sales by abiding to the quota, either way losing money. This would have a bad affect on my product as Adidas would have less money to promote it. If the UK government were to assume a more market economy, where producers make goods in order to make a profit, and the state intervenes very little, meaning no state benefits, doctors' fees and dentist fees. This would have a mixed affect on Adidas, as the working class would have less money to spend on products like football boots, as they wouldn't have previously being paying high taxes, and these relatively low taxes will be replaced with large fees, as nothing is provided free by the state; this would have a bad affect on Adidas as they would lose sales from this area of the market. However, the more upper class people would have more money to spend, as fees they have to pay would not be as much as the taxes they are used to paying and therefore would have more money to spend on products like football boot, meaning Adidas would receive a greater profit intake form this area of the market. Overall, I feel this odes not affect Adidas too much as the decrease in sales from the working class would be balanced out by the increase in sales from the higher class.

## **Economic**

Adidas are also affected by the state of the economy in the UK. The interest rate in the UK is currently 4.25%, however it was 3.75% around 6 months ago, and is probably rising to 4.5% in the near future. This shows that the interest rate is not very stable and will make it hard for Adidas to plan ahead in terms of budget. Also, if the interest rate is too high and keeps rising, then the demand for products will fall, as it makes saving more attractive, and borrowing more expensive. Whereas if the interest rate is too low, people are encouraged to spend, as saving isn't attractive. This means that there is more money going round in the economy and makes goods seem cheaper, this is bad for the economy as it causes inflation to increase. This is why it is important that the interest rate is stable. The UK's interest rate isn't very stable at the moment because it is quickly increasing, meaning that it may affect Adidas in regards to their sales. This helped me decide on my pricing strategy of competitive pricing, where I set my price in line with my competitors', as if their products are selling, then there must be people willing to pay that amount for a similar product. However, if the interest rates continue to rise, this will make saving more attractive and spending less attractive, therefore I may have to reduce the price of my product to encourage more sales. If sales drop there will be two options for me in terms of promoting my product; I could cut down the amount of promotions used to sell my product, to maximise my profits; or I could invest more money to promote my product more and hopefully gain more sales. Before the interest rates rise even more I will research into new, cheaper materials to use on my product, which will function the same as the current materials used.

Therefore, if interest rates rise and there are less sales made at the current price, I can make a larger number of sales by lowering the price of my product, and with the cheaper materials, it will allow me to make the same profits. Due to high interest rates, sales may drop, so I will be making my product widely available to maximise sales, these places including high street sports shops, the Internet and mail order catalogues. This will allow the product to be available to a large amount of people and anyone that wants the product, will be able to buy it easily with no hassle.

**Due to the UK's interest rate rising quickly, there isn't much inflation of prices within the UK, meaning that Adidas will be able to purchase their goods at a cheap price. However, sales will drop, as customers will be tempted to save rather than spend. Also, other countries from which Adidas get their raw materials may have prices that fluctuate a lot.**

**Therefore, this would mean that Adidas's prices might also fluctuate and would make planning ahead hard. To add to this there will be exchange rates that may change a lot, and on top of this there is commission to pay exchanging money from one currency to another, making selling and buying products overseas more expensive for Adidas.**

Another economic factor to be considered by Adidas is taxation. Taxation comes in two forms, direct and indirect. Direct tax is tax that can't be avoided, an example of this is PAYE (income tax), where a percentage of everyone's earnings are taken from them, this affects people's PDI (explained below). Indirect tax is tax that can be avoided. E. g. VAT on a product, as this can be avoided by not buying the product. Another influence that the economy may have on Adidas is unemployment. As, if

unemployment is high, then there would be less demand for their goods, this is because if lots of people are unemployed, then they aren't going to have much money to spend on luxury items. Whereas, if unemployment was low then there would be a higher demand as people have got more spare money to spend on luxury items. Personal disposable income (PDI) is also a factor, which could affect Adidas. Personal disposable income is the money that someone has left to spend after deductions (tax, bills, food etc.) have been taken off their net income. PDI is affected by things such as interest rates, taxation and inflation, which I have explained above. Basically, if people have more PDI then the demand for Adidas's products should increase, and decrease if people's PDIs are lower, due to the same reason as unemployment.

## **Social**

As the UK has a wide selection of people from different social backgrounds, Adidas need to be aware of things like people's religion, race, culture, education levels, population, gender, age distribution, buying habits and lifestyle. Therefore, I need to promote my product so that it appeals to the different social backgrounds of the UK, as this will maximise my sales and enable my product to fulfil its potential market share. The UK is becoming more and more dependant on the Internet, this means that the methods in which people buy goods are changing. Rather than using the traditional method of going to shops and buying products, more and more people are buying goods from the Internet. This is because people have less time on their hands and the Internet is the quickest and easiest method in which to buy goods. Adidas need to recognise this fact and I will be selling my product

online. Another method commonly used in the UK to buy goods is mail order; I will also be using this method of sale so that my product is widely available to people with different kinds of buying habits. Adidas also need to recognise the frequency, or how often people tend to buy certain goods. For example most people would buy 1 or 2 pairs of football boots per season. Taking this into consideration, I will be investing money into promoting my product in the pre-season stage, as this is the time in which most people buy their football boots. Also, I will be updating my product at this stage (pre-season) each year for the same reason as above. I feel Adidas have already noticed the times at which they receive the most sales, as they use lots of advertising campaigns in the pre-season stage and also before and during large international football competitions such as the World Cup and the European Championships. Religion and culture are also considerations within the social section. In the UK there are a variety of religions and cultures including Christians, Muslims, Hindus, Jews and many more. I need to be aware of this and try and make my product cater for all these different religions. In the UK, generally there is a high education level, meaning that people will be more demanding. Therefore, Adidas won't be able to get away with things in the UK, which they possibly could in other countries with lower education standards, so I will be promoting my product in a way which is not 'cheesy' and in a way which customers cannot tell that the promotion isn't just about getting customers to buy it. Adidas need to be aware of the areas within the UK with the highest populations, such as London (and the south east), the Midlands and the northwest to name a few. With this information Adidas know the best places to sell their goods as the more people there are,

the more potential customers there are to Adidas. When situating my product, in terms of where it will be sold, I will be situating my product in areas such as London, Birmingham, Manchester and other large cities in the UK, as there are the highest amounts of customers in these places, in comparison to the countryside, and therefore will receive higher numbers of sales in these areas. The age distribution of the UK is getting higher all the time, as life expectancy in the UK is ever-increasing due to advances in medical facilities and living standards. However, this wouldn't be much of an issue to Adidas, this is because Adidas is a sports company, and the majority of the market for sportswear is in the younger end of the market. Therefore, this issue shouldn't affect me too much, as I will be targeting younger age groups. Leisure time is another consideration for Adidas, as people are becoming busier and are not having much leisure time. Adidas is a sportswear company and most people play sport in their leisure time, and if people's leisure time is decreasing they aren't going to have as much time to play sports. Therefore, if people haven't got as much time to play sports then the demand for sportswear will go down. I can combat this issue by intensive promotions of my product aimed at the younger end of the market as these people have the most spare time and are more likely to buy the product especially if the promotions appeal to them. The final point is the fast food culture, which is arising in the UK. More people are becoming obese from a young age and many of these people then do not play sport, this is going to have an affect on Adidas as there isn't going to be much demand from the increasing amount of obese people in the sportswear industry. This could also have the opposite affect; as people that are obese or overweight



may take up sport to try and lose weight, this would be good for Adidas, as these people may buy Adidas products to perform sports in.

## **Technological**

Technological advances in things like machinery will have an affect on Adidas. Therefore Adidas need to be tuned in to new technology, which can speed up production, save energy or cut down labour required. If they weren't aware of new technology in machinery they may ultimately go out of business due to other firms becoming more efficient and gaining more of the market. I will be staying up to date with technological advances by investing money into research in these areas. However, if Adidas were to fall behind the latest technology, this would have a bad affect on all products produced by Adidas as it means competitors would be producing more, and if they are all being sold, making a higher profit and achieving a higher market share. Technological advances in the actual sportswear is always getting better, such as t-shirts that move sweat away from the body, football boots that allow you to kick the ball with more power, swerve and precision etc. Adidas must make sure they keep up to date with all these advances. Also, I need to include all the latest technologies and features on my product to keep up with the market. If I wasn't to do this, my product wouldn't receive nowhere near the profits that could be achieved if these new technologies were included, therefore my product would benefit by including the latest technologies. The Internet is becoming more widespread within the UK, with millions of people using it every day within the UK alone. Therefore, Adidas need to make sure that they keep up to date with the Internet all the time. Also, I will be utilising the Internet by selling my product via this channel.

Again, if Adidas don't keep up to date, competitors will go ahead of Adidas, making catching up even harder, and ultimately a loss in sales.

## **Environmental**

Adidas's raw materials for football boots are taken from animals. This source is not very likely to run out because animals keep on reproducing. However, this could lead to problems with environmental campaigners. Adidas need to research different materials that aren't taken from animals to cut costs and reduce harm to animals. If they didn't then it would cause people like environmental campaigners to stop buying Adidas products, meaning Adidas and specifically my product would lose sales. To add to this are the factories where Adidas produce their products, these are generally in less economically developed countries, such as Indonesia, China and Vietnam, and have very poor working conditions for employees and very low pay. This isn't good for Adidas as they get bad publicity for this and then people stop buying their products. It is debatable in this situation, as if they continue to exploit workers, they will get cheaper labour but a slightly smaller amount of customers, or they could maximise the number of customers by paying workers higher wages, but then they would not get cheap production costs, either way Adidas are going to slightly lose some money. This would have a bad affect on my product, as Adidas would have less money available t fund my product.

## **Legal**

Adidas need to beware of all legal aspects that may be linked to the sportswear industry, as Adidas could get hefty fines if they do not comply

with the law, legal constraints to be considered include: Press Complaints Commission (PCC) Trade Descriptions Act Sales and Supply of Goods Act Competition Commission Radio Authority Independent Television Commission (ITC) Advertising Standards Authority (ASA) In order to follow rules and laws set by the Press Complaints Commission, Trade Descriptions Act and Sales and Supply of Goods Act, Adidas have to ensure their products are of a high quality by ensuring it is produced with high quality materials and by well trained personnel. If they weren't to do this, less people would buy the products as they would be of a lower quality and also Adidas would get fined due to breaking the rules of the above laws and commissions. This would have a bad affect on my product, as there would be less money available to fund my product and any promotions I wish to initiate. When Adidas are advertising over the TV, they need to acquire a broadcasting license for the advertisement, to stay in line with rules set by the Independent Television Commission. To acquiring this license Adidas need to make sure that the advertisement had no verbally or sexually explicit content otherwise the advert wouldn't have had a license granted, meaning that the advert wouldn't be seen by anyone and this may be reflected in a drop in sales. Also, Adidas need to make sure all their promotions give a true representation the products being advertised, as to not break the laws of the Trade Descriptions Act. Adidas need to make sure all of their retailers have sufficient knowledge of Adidas products in order to obey the Trade Descriptions Act, as if Adidas give the retailers sufficient information and they give customers incorrect information about the product, then it is the retailer breaking the Trade Descriptions Act rather than the manufacturer.

Finally, the Equal Opportunities Act needs to be considered by Adidas, this stops Adidas from discriminating against things like gender, race, disability and criminal records. As if Adidas didn't do this a large number of people wouldn't buy their products if Adidas were prejudice to their gender, race, disabilities etc, therefore, they would lose money, which could have been spent on funding my product.