

How political, legal and social factors are impacting upon the business activities...

[Business](#), [Company](#)



A business will have many factors that will impact upon it. Political, legal and social factors are the three main factors that impact upon a business.

Businesses must operate within the framework of the law. If they fail to do so it can lead to fines and even imprisonment of directors. Businesses must therefore give a high priority to ensure they comply with the law. Politicians make many important decisions and businesses must act in accordance with these decisions. These decisions involve making choices that may affect large numbers of people and businesses; this could include a new law. Over various time periods many changes could take place in the society which is relevant for businesses. These social factors could include demographic issues, changes in structure, religion, education and ethics.

For Tesco:-

UK

What are the political influences in the UK which impact on Tesco:-

The government sets a corporation tax rate, and Tesco must comply with this and pay a proportion of their profits to the government. This means that Tesco will have less money which they can reinvest into the business. The government has also set a VAT rate (value added tax) and it was recently increased to 20%. This may reduce the demand for some of Tesco's products, such as electrical goods, as customers may not find them a necessary item.

Spending on infrastructure is another political factor that can affect a business. The government uses money they receive from taxes to improve

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the road, rail and communication infrastructure. The government has improved the roads service enabling Tesco to locate in various areas and have their products distributed with ease. With Tesco having the ability to locate anywhere and still being able to supply an extensive range of products, this could increase the business Tesco attracts.

By enhancing the skills of population the government has established an education framework in order to ensure that the population is well trained and the country has the ability to compete internationally. Tesco could benefit from highly trained employees that are well qualified. This could help Tesco to compete against their competitors and make a profit.

What are the legal influences in the UK which impact on Tesco:-

Minimum wage is a legal requirement that all businesses must pay their employees. The minimum wage for employees aged 22+ is £6.08. These minimum wage requirements increase costs for Tesco and may impact upon the number of employees Tesco recruits, which could impact upon the quality of customer services. If Tesco does not comply with the minimum wage bracket their employees have the right to complain and this could lead to heavy fines for Tesco.

The consumer protection legislation protects customers when they purchase products from Tesco. The sales of goods act is just one of many various legislations which Tesco must act in accordance with. Consumers are protected in regards to purchasing goods, product safety and taking out credit agreements. Tesco must abide by this legislation otherwise they could

face fines and obtain a poor reputation. Tesco must ensure their staff members are trained to ensure that customer's rights are upheld.

The government has introduced environmental legislation to protect the environment. These legislations are used to protect the environment from pollution, carbon emissions and waste reduction. Tesco must meet the requirements of these laws although this could cause an increase in their expenses. Tesco could look to reduce packaging in order to reduce waste and to also ensure that their distribution vehicles make larger deliveries less often.

What are the social influences in the UK which impact on Tesco:-

With the population living longer the structure of the UK is changing, because people are living longer they may feel they want to eat healthier and better their lifestyle. People may choose to eat low in fat products and more fruit and vegetables to maintain a healthy lifestyle. Tesco may have to look into employing older members of staff to ensure they comply with the age discrimination legislation.

The internet is becoming more and more accessible for people to purchase their goods online. As online sales are increasing each year, Tesco needs to ensure that they have an attractive website and good delivery facilities to benefit from this shift in the way consumers purchase their goods. Ensuring there are providing up to date purchasing methods and meeting customers' demands this will help Tesco to increase their sales and profits.

In recent years people have become more interested in maintaining a healthy lifestyle. This has seen the growth of fitness centres and gyms. Tesco could benefit from this by increasing their healthy living range of foods to help their customers better their lifestyles. They also have the opportunity to bring, to the Tesco direct department, the option of bicycles and exercise equipment which could help increase their sales and better their profits. If the demand for these products is high then Tesco may find a requirement to recruit in staff.

CHINA

Political Factors:-

China has a communist government; this means that there are no elections. The communist parties view is that control and governance of the country should reside by the state and decision making is centralised. As a result a large number of Chinese industries are nationalised. Although because the government is authoritarian and businesses will find that there is more bureaucracy involves when setting up in China, therefore taking longer to get permission to set up a business. Tesco must be aware of all these issues.

Since moving to a more market economy China has been investing and improving its infrastructure, allowing opportunities for construction firms. Improved infrastructure means that China would be helping businesses like Tesco in terms of their distribution of goods throughout the country. Also better roads will encourage car use boosting business for Tesco and other businesses.

The corporation Tax rate in China is approximately 25% and their VAT rate is 17%, this is similar to the UK. Tesco will have to pay corporation tax on any profits they make within the country.

Legal Factors:-

Due to a high economic growth in China they are experiencing a number of environmental problems; this includes an increase in energy consumption, heavy reliance on coal and an increase in air pollution. The government are cautious when it comes to enforcing legislation in this area as they are concerned about its impact on the country's economic growth. This will impact upon Tesco although the Chinese government does not have as strict rules on environmental protection as there is within the UK. Tesco does not currently have to be concerned with the overuse of packaging material or recycling waste, which can often increase costs.

China is under pressure to update their employment laws with the increases in growth. Workers have a fair level of job protection although there have been concerns in relation to health and safety in the workplace. Tesco would have to ensure that they abide by the laws and could possibly bring a higher standard of employment protection from their experience operating within the UK.

Social Factors:-

The Chinese population is the largest population in the world, with 1.3 billion people. This means there are plenty of opportunities for Tesco, with a

potentially high market to sell their good. The highest percentage age group within China is 15-64 years old at 72. 1%, and 65 years and over was the lowest percentage of 8. 1%. With such a young population businesses will need to provide goods to meet their needs.

With the standard of living improving within China people are looking to purchase more luxury items leading to a demand for higher quality goods, moving away from own brand cheaper products. This will benefit Tesco and help them to improve their profits.

China is one of the world's oldest cultures with many traditions, colours being one of the more important ones. Red, yellow and pink are portrayed as happy prosperous colours, white and black are seen as unlucky as they tend to be related to funerals. Businesses, such as Tesco, need to be cautious when marketing their goods in China to ensure they do not offend customers. It may be a good idea to employ a Chinese marketing company to help them in doing so, although this could increase costs. Language differences will affect the marketing of products as they will have to be relabelled into the Chinese language.