

Changes in economic, political, legal and social factors essay sample



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This report evaluates how future changes in the legal, social, political and economic factors may affect the growth strategies of Coca-Cola Enterprises Ltd. The report also briefly explains how a forecast change in the aforementioned factors may influence the plans of Coca-Cola Enterprises Ltd.

The following are the 4 main factors:

1. Economic Factors

In the future, economic factors will have the greatest influence on Coca-Cola Enterprises Ltd. The Office of Budget Responsibility forecasts an optimistic GDP growth of 2.0 for 2013. However, given the future threat of the Eurozone crisis, the UK economy is at risk of landing in a triple dip recession. The restructuring of the UK economy is to contribute to the future economic challenges. This would mean that the UK is likely to face stagnant growth as for the case in Japan's since 1990. It is evident that the pace to recovery will have an impact on Coca-Cola Enterprises Ltd.

Firstly, the above threats may put Coca-Cola Enterprises Ltd in a position to reduce investment which would in turn affect the number of opportunities for growth. The company may have to reduce the number of employees to save money for the future which would increase the unemployment rates of the UK economy.

The forecast is to have an effect on the future promotional activities of the company. This is because; Coca-Cola Enterprises Ltd will have to create other means to adapt to the future economic situation. However, the recession

may also act as an opportunity for Coca-Cola Enterprises Ltd to maximize the sale of their products as consumers opt for cheaper products.

In addition, the Eurozone crisis is to have a negative future impact on the exports and imports levels of the business. The firm may be forced to reduce the prices or quantity of exports as the market for their products in Europe would be reduced.

However, this change will definitely generate losses for the firm unless people in Europe are trading down. Trading down simply means, that cash strapped consumers are adopting cheaper products.

From the above, we see that Coca-Cola Enterprises Ltd may have to take huge steps to overcome these challenges. We also see that the forecast of the continuing slump in the economy will make it extremely difficult for the company to measure up to competitiveness of the market.

2. Political Factors

Political factors have an influence on the stability of Coca-Cola Enterprises Ltd. The company is most vulnerable to future changes in the corporation tax.

Firstly, HM Treasury and Customs plans on charging 23% for Corporation Tax in 2013. This change is to have an impact on large companies that carry out purchase agreements and stock lending transactions.

Despite a reduction by 1% compared to 2012, this rate is still relatively high. High levels of corporation tax will reduce the amount of profit Coca- Cola Enterprises Ltd will make.

This change will affect the number of purchase agreements Coca- Cola Enterprises Ltd will use. This is because it will be expensive for the company as the tax rate will be high. This short-term capital source will be hard to use in turn affecting the revenue of the firm.

Secondly, a change in Corporation tax will affect the sales and production levels of the business. A business generating a lot of profits based in the UK is required to pay Corporation tax. Coca- Cola Enterprises may decide to reduce its sales in the UK and relocate elsewhere to avoid the high taxation rates.

However, this change may boost competition among firms which will promote growth for large businesses like Coca- Cola Enterprises Ltd.

Nevertheless, the firm will be partially satisfied with the continued reduction in Corporation Tax.

3. Legal Factors

Legal factors refer to fixed legislations and policies put in place. For example, the national minimum wage is a legislation over which business have no control and are unable to change.

According to Direct gov, the minimum wage for 18 – 20 year olds is at £4. 98 per hour. The minimum wage is predicted to rise by 11p next year. However,

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this change will affect demand for labor for Coca- Cola Enterprises Ltd. The supply of workers will go up if the wage goes up but the demand for workers goes for employers goes down if the wage goes up.

For example, assuming Coca- Cola Enterprises Ltd advertised a cleaning job at £7 before the change and kept it constant; the number of people prepared to take on the job would be less. The minimum wage puts pressure on the wage rates at the lower end of the labor market.

Therefore, the higher the minimum wage, the lower the rates of employment for the company at the lower end. The lower the minimum wage the higher the rates of employment for the company. From the above we see that future changes in the minimum wage will reduce the efficiency of Coca- Cola Enterprises Ltd by increasing labor costs.

4. Social Factors

Social factors are also to have great influence on the plans of the company. Below is a description on population changes as a major social factor:

🏠 Population Changes

This refers to changes in the immigration, death, birth and other population related factors. The Office for National Statistics shows that that the population of Wales and England increased by 0. 17% (95, 000) from 27th March to 30th June. The World Bank also records the 2011 increase in population rate for the UK at 0. 7%.

The above mentioned statistics show that the population of the UK is

increasing. This constant change should be a future advantage to Coca- Cola
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Enterprises Ltd. This is because; an increasing population means a wider market for products. The company may have to increase their manufacturing and production levels to adapt to such a change. This simply means that the larger a population, the greater the demand.

In addition, the immigration contributes to 2/3 of the population increase. This statistic proves that the number of immigrants in the future will be large. To adapt to this change, Coca-Cola Enterprises Ltd may have to carry out product development or launch new products to suit the trends and tastes of the new market. A growing population of immigrants provides a wider labor market for businesses.

Furthermore, the trends of culture may act as an advantage to the firm. For example, the brewery industry has a more restricted market compared to the beverages of Coca-Cola Enterprises Ltd. From the above we see that a forecasted increase in population will act as an opportunity for the company in the future.

Conclusion

This report has evaluated how future changes in the legal, social, political and economic factors may affect the growth strategies of Coca-Cola Enterprises Ltd. The report has also briefly explained how a forecasted change in the aforementioned factors may influence the plans of Coca-Cola Enterprises Ltd.

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