1.5 Understanding External Influences

1.5.1 Stakeholders

1-Who are stakeholders?

- Stakeholders are any one that has an interest in the business.
- Some stakeholders have more power than others. For a lot of large businesses shareholders may be very important.

Stakeholder	What they want
Shareholders (owners)	Long terms growth (Ltd) Short term profits (external shareholders, Plc)
Employees	Secure job, pay, conditions
Customers	Quality product and service, good price, innovation
Managers	Growth, good pay, fringe benefits
Suppliers	Good credit terms (they get paid soon), fair price
Local community	Jobs, improvements to local environment
Pressure groups	Honest and fair dealings
Government	Pay fair taxes, abide by regulations.

Amazon accounted for 30% of all online sales in the UK in 2019. 90% of UK shoppers have used Amazon. Is this market dominance a good idea?

Apps like Just Eat have seen small fast food outlets get a significant increase in their sales. However, the app takes a cut of the sales and also changes restaurants a fee- so these sales are not as profitable as orders placed directly.

1.5.2 Technology and Business

1- Types Technology

- E-commerce- selling online - suitable for sales to consumers of low value items.
- Social media- used to engage consumers in two way communication.
- Digital communication- email - can respond individually to consumer questions (as long as it is not outsourced/ they don't use a chat bot)
- Payment systems PayPal - allows individuals to send money from their PayPal account and pay quickly online. Electronic Funds Transfer (ETC) - used to pay bills. M-Pesa- mobile phone payment system used in developing countries.

2- Impact of technology

- Environment- less traffic in high street BUT more global deliveries and returns.
- Sales-Apps and websites can make it easier for customers to select and order items.
- Costs- Fixed costs can be reduced as there is no longer a need to pay for sales staff and high street rents. Variable costs can be reduced if production uses automated manufacturing to reduce faults and increase output.

Technology can affect the marketing mix in a number of ways:

Prices can be compared easily	Product- better technology can give a product competitive advantage
Promotion - digital marketing is often more effective and lower cost	Place- shops are being replaced or used as showrooms/ click and collect.

1.5 Understanding External Influences

1.5.3 Legislation

1-Consumer Law

- Consumer law is designed to protect consumers from: lies, harm to health, businesses withholding information.

The Consumer Rights Act states that goods must be:

- Fit for purpose
- As described
- Of a reasonable quality

If businesses don't meet these requirements, consumers are entitled to a refund.

Trade Descriptions Act

Makes it an offence for businesses to trick suppliers by making false or misleading claims.

2- Employment Law

- Employment law seeks to protect employees from discrimination

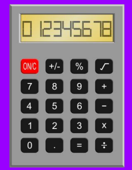
Equality Act 2010 means that businesses must be able to show they have systems in place to avoid discrimination. Companies should aim to recruit a **diverse** range of genders/ races/ religions/ sexualities as this diversity helps them to better serve their customers.

3- How Legislation Affects Businesses

Benefits	Disadvantages
-Consumers will trust you -Employees will be more likely to work for you -You avoid legal costs and damage to your reputation	-Regulations cost time and money to enforce. -"One size fits all" regulation doesn't always work for smaller businesses. -Time spent "ticking boxes" takes away from time spend creating.

Cigarette advertising in the 1950s used to use doctors to make health claims - even though manufacturers already knew the health risks of smoking

Supermarket Waitrose are known for good quality and high prices. To survive the recession in 20089 they produced an "Essentials" range as people were cutting back on their groceries spending and going to cheaper supermarkets.



IIf the exchange rate is £1 = €2 then a £100 coat costs €200
Price in £ x Exchange rate =price in €

1.5.4 The Economy and Business: Interest rates and exchange rates

The economy is the sum total of all the transactions between businesses and consumers, combined with the money raised and spent by the government.

1- Interest Rates - Interest rates are the cost of borrowing and what you earn on savings.

Interest rates go up	Interest rates go down
-People will borrow and spend less. -There will be more incentive to save money. -People with existing debt may have to repay more each month.	-People will borrow and spend more. -There will be less incentive to save money.

2- Exchange rates- Exchange rate is the value of one currency against another.

£1= € 2	£1=€0.5
Pound is strong UK exports to the UK will be more expensive (so demand might fall) UK imports from the EU might rise.	Pound is weak (depreciation) - it becomes more expensive for UK tourists to go on holiday to France etc. -UK exporters to the EU may see an increase in demand.

1.5 Understanding External Influences

1.5.4: Unemployment and Economic Growth

1- Unemployment
Unemployment is when someone of working age wants a job but is unable to get one.

	High unemployment	Low unemployment
Benefits for businesses	Excess labour means high availability of “good” candidates. Workers are more likely to accept lower wages.	Growing demand for goods, especially non-essential/ luxuries such as holidays.
Costs for businesses	Falling demand for luxury goods. Collapse of retail sector.	Labour shortages mean workers can press for higher pay.

2- **Consumer incomes**
Consumer incomes refers to the amount of disposable income households have to spend. If inflation rises (price go up) or interest rates rise (putting up the cost of existing loans), consumers will have less money available to spend.

1.5.5: External Influences

How can businesses respond to external influences?

Change	Response
Black cab drivers facing loss of earnings due to **technology** - people ordering Ubers..	They got their owners to invest more in free wifi in the cars and zero emission cabs do differentiate them from Uber cars
Legislation surrounding disposal of waste at landfill was set to increase costs for a lot of businesses.	They have responded by looking to recycle more and reduce packaging.
Changes to the **economy** in the UK in 2008 could have spelt disaster for luxury car brands like Rolls Royce.	They made an effort to focus on overseas markets such as China - where the economy was still relatively strong.

Whilst sales of most luxury items tend to fall in a recession (when unemployment is rising and consumer incomes are falling), sales of “little luxuries” like designer nail varnish, have been shown to rise , as consumers switch from a trip to the salon to treating themselves at home.

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1.5.5: External Influences

How can businesses respond to external influences?

- Reduce costs
- Change marketing mix