

Political external factors - Jessops

Jessops has been a leader in the photographic business for over 75 years. Today, the company is the UK's premier photographic retailer. The modern photographic industry has changed radically. As a result, traditional film printing in the UK is declining by around 30% year on year. To sustain and grow the business, they must develop ideas and plans to combat the changing market and stimulate new demand. External factors have had an impact on Jessops' operations and **strategy**. Managers study the company's external environment through a PEST analysis. This involves identifying the political, economic, social and technological factors in the external environment that could impact on the business. This information is then used to assess the company's current position within the market. The findings of the PEST analysis can be used to reassess business strategy and **tactics** and decide what changes should be made to business operations to respond to external **environmental changes**. In this way, Jessops has been able to develop new business opportunities.

Political factors - Businesses can be affected by many aspects of government policy. In particular, all businesses must comply with the law. They must also consider the impact of any forthcoming legislation on their operations. This may require taking action before the legislation comes into effect. One issue that affects manufacturers and retailers of electronic goods is the disposal of these products at the end of their life. Recycling is high on the public agenda. There are government initiatives to promote more recycling. These initiatives are sometime backed by legislation. For example, the Waste Electrical and Electronic Equipment (WEEE) regulations are designed to reduce the amount of electronic waste going to landfill sites. Businesses must obey these environmental laws. However, a company that goes further by taking other measures to minimise its environmental impact will be seen more favourably by consumers. Jessops responded to the WEEE regulations by contributing towards a national fund to assist local councils to develop collection facilities for electronic goods. The company is working to increase awareness of the WEEE regulations. It has set up convenient battery recycling points in its stores. These responses show a dedication to minimising the company's environmental impact. This could give Jessops a competitive advantage over competitors that have not taken these initiatives.

Businesses also have to take into account the more general political ambitions of the government. The current Conservative led coalition government is cutting jobs in the public sector and is hoping that the private sector will grow to create new jobs in the economy. The private sector consists of small single-owner businesses (sometimes known as sole traders), partnerships and companies, like Jessops, owned by shareholders. The government's emphasis on **private sector growth** could provide opportunities for Jessops if it leads to a more buoyant economy.



Questions

1. What does PEST stand for?

2. Describe what is meant by the 'external environment'.

3. Explain why PEST analysis is used by organisations.

4. Evaluate whether government policy changes are always bad for organisations like Jessops

Task

Research – carry out some research to find out other ways that political factors have affected businesses in the last year. The following points may help:

- Look at the last budget – what changes occurred that have either positively or negatively affected organisations?
- Research any policy changes that have recently happened or are about to happen. Which types of businesses are likely to be pleased by the changes and which are likely to be challenged by them?

What have you learned?

Mind the gap - write a paragraph about political factors but leave some gaps in the text where some of the key terms should go. Swap with a partner and try to fill the gaps.