

Al jazeera
broadcasting
company: pestel
analysis



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Executive Summary

The objective of this report is to analyse the key external issues affecting Al Jazeera Broadcasting Network using the PESTEL & Co. mnemonic. This analysis will consider the opportunities and threats facing Al Jazeera and its competitors in the broadcasting industry.

Al Jazeera is generally regarded as a controversial TV network and has faced various forms of censorship in different countries. These censorships represent a significant threat to their desire to increase market share.

Increasingly, viewers are demanding a more rounded coverage of news rather than a perceived 'one side to the story' served up by existing networks like BBC and CNN. Al Jazeera are seen as one of the main networks to provide this rounded coverage.

Al Jazeera faces competition from new Arab network stations who are copying the former's format. Since the launch of their English services, the Qatar based network is now in direct competition with the likes of BBC and CNN which brings challenges prevalent when competing against well established brands.

Al Jazeera's External Environment: PESTEL Analysis

Although external forces are beyond its control, Al Jazeera can use proactivity to improve its position based on its understanding of this environment (Scholes, 2004).

It enables Al Jazeera to be in a position to determine its position in the industry and subsequently identify and implement strategies and activities

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that will exploit the opportunities in the external environment and minimise the threats faced (Grant, 2004).

The mnemonic, PESTEL & Co., will be used to carry out an appraisal of the external factors affecting Al Jazeera. The mnemonic stands for the following:

- Political
- Economic
- Social
- Technological
- Ethical
- Legal
- Competition

(P)olitical

Al Jazeera is seen as a controversial TV network station. Consequently, it has had run-ins with many countries. A lot of these have resulted in censorship of some sort.

The US and UK have been reported registering strong protests against the TV network's perceived anti-US and anti-UK stance in reporting the 2003 invasion of Iraq. In Spain, in 2003, a reporter was arrested for allegedly providing support to Al Qaeda members (www.wikipedia.com).

These controversies impacted negatively on Al Jazeera in terms of increasing its customer base. The more censorship and negative publicity that they attract, the less they are able to make inroads into the market share of their major competitors like CNN and BBC. This represents a significant threat.

In 2004, allegations, though unsubstantiated, were made against the US, of a plot to deliberately target Al Jazeera headquarters in Doha (www. wikipedia. com). On the plus side, Al Jazeera is known for covering post-war issues.

(E)conomic

Al Jazeera survives on the funding provided by the Emir of Qatar and through advertising revenue. Al Jazeera's main strategy is based on increasing market share instead of profits. 'The Economist' reiterated as such in its November 2006 edition, 'influence more than profits are Al Jazeera's driving force'. Due to increased globalisation and a general economic upturn in the world economy, i. e. low interest rates, higher levels of spending and investment, Al Jazeera are exposed to increased opportunities in terms of attracting more viewers. Viewers worldwide are better able to afford satellite TV stations in their households, therefore Al Jazeera is perfectly poised to exploit the opportunities presented. Through its web-based subscription-free service, the TV network also has an increased reach across the globe.

(S)ocial

This represents a significant opportunity to Al Jazeera. In Abram Sauer's article 'Al Jazeera Tough Enough' (www. brandchannels. com), the writer intimated that the channel is seen as providing alternative views from the normal propaganda allegedly served up by mainstream stations. Recently, residents of countries like US and UK are registering their concerns and displeasure on what they perceive as misinformation and increased propaganda of the news presented by well-established international TV networks like CNN and BBC. The concern is based on the beliefs that these stations are sympathetic to their respective governments. Increasingly, Al

Jazeera is seen as the alternative providing a more realistic and credible news and more important providing views from the 'other side' (i. e. views of Palestinians, Al Qaeda etc). This is translating itself into increased viewing figures for the Qatar based channel. In just over 10 years, Al Jazeera recently estimated its worldwide audience at approximately 45 million with over 150000 US households included in that figure (www. aljazeera. com).

(T)echnological

Web based services in Arabic and English present the TV network with good opportunities to reach a wider audience.

(E)thical

In the western world, for example, the powers that be accuse Al Jazeera of promoting or supporting terrorist activities which worldwide is regarded as unethical. In the Middle East, the opposite view is held. Al Jazeera has cleverly constructed an image of itself as the station for the 'underdog'.

(L)egal

In a nutshell, the obligation to provide fair and impartial news places a great duty of care on organisations such as Al Jazeera to be responsible in disseminating news. The threat here is failure to adhere to legal obligations can end in closure for the station.

Competition

Two Arab networks are eating into Al Jazeera's share of the Arab market particularly in the Middle East, these are Al Arabiya and Al Hurra. Since launching their English based service, the TV network is now in direct

competition with international broadcasting giants like BBC World and CNN International.

Porter's Five Analysis

Porter's Five Forces model will be used to analyse the competitive forces in the industry Al Jazeera operates in.

Each will be looked at in turn and an assessment made on whether each of these forces present opportunities or threats to Al Jazeera.

Bargaining power of suppliers

The suppliers of Al Jazeera consist of providers of products and services to help Al Jazeera conduct its operations. These include suppliers of vehicles, equipment and hotel accommodation. There are also consultants and presenters who are lured to the station for big money, for example Sir David Frost. The bargaining power of suppliers can be considered low and therefore present opportunities to the TV network to attract the best.

Bargaining power of buyers

Increasingly, audiences are looking at alternative news coverage as their concern on alleged propaganda offered by mainstream TV news channels grows. This provides a fantastic opportunity for Al Jazeera, who are considered as the prime channel for more balanced views. In the TV news network industry, the power of the audience is very high. What is also high is the level of audience loyalty to established brands like CNN and BBC. The threat from such stations is clear as more of these diversify into programmes for ethnic minorities and other programmes presented by Al Jazeera.

Barriers to entry

This is high due to high capital and stringent legal requirements to be met. New entrants find it hard to compete with the TV broadcasting giants. This enables Al Jazeera to focus more on existing competition and worry less about new entrants. The main opportunity here is the strategies put in place to maintain or improve their competitiveness can be more effective than if a threat from new entrants was significant.

Availability of substitutes

Many people follow the news on the radio and online. However, TV is the preferred medium. Al Jazeera has increased its distribution channel by having their web based service. Therefore, the availability of substitutes is regarded as low and therefore the threat is not significant enough to worry Al Jazeera. However, complementary substitutes like other TV news channels, especially the Arabic ones will provide a significant threat once they become more established, in terms of eating into Al Jazeera's core customer base.

Extent of competitive rivalry

Buyer power is high in the industry. The audience are demanding and getting greater choice of channels, thereby ensuring that broadcasting organisations place greater emphasis on the quality of their programme offerings. This poses a threat.

The threat of new entrants is low as is the bargaining power of those who supply goods and services to TV network stations. Therefore, the threat from these two forces are low.

The availability of substitutes provides a significant threat to Al Jazeera but the threat is well mitigated through the TV news network's creation of a niche market for itself, i. e. one which provides a more balanced alternative view to the norm.

Conclusion

Significant threats and opportunities exist in the world of TV news. The threats for Al Jazeera mainly come from political, ethical and competitive forces while the opportunities are provided by social, high entry barriers and technological forces.

Al Jazeera are able to mitigate threats through cleverly carving themselves a niche in the industry. They are able to exploit the opportunities as more people are demanding a more rounded view of what's actually happening in the political news world, rather than being fed, what is widely being considered as propaganda news.

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