

How changes in the environment affect organizations environment essay sample

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The weather seems to effect o lot of companies in different sectors. One of them is Europe's biggest DIY group, Kingfisher as their retail profits goes pass the expectations because of the warm weather, which saw an increase of their revenue in DIY sector. Matthew Holenhouse reported that retail profits for DIY giant increased to 13. 9 per cent to £273m, an astounding results as the analysts expected profits to be around £263m. Screwfix, the builders merchant, also seems to be doing well, as they add four new shops and plan to another 35 in the near future. According to Matthew Holehouse (2011),

“ Kingfisher was the biggest riser on the FTSE 100 this morning, with shares up 3. 3 per cent to 264p.” While it certain that DIY Giant enjoy favourable weather conditions and additional profits, however earlier this year it was reported By Harry Wallop (2011), “ In the UK, its B&Q chain has been hit by a triple blow of the poor summer weather, a closing down sale held by its rival Focus, and the continued reluctance of the British consumer to go shopping.”

Article also mentions Kingfisher two ShareSave schemes reach maturity and more than 2000 employees will share a huge £13. 8m a payout.

Nokia's Windows tablet to take on Apple's iPad

Juliette Garside, guardian. co. uk, Wednesday 16 November 2011 19. 47 GMT

PESTEL factor: social

The article reports that Nokia is planning to launch a new tablet next year. High profits have attracted many new competitors however none of them were able to get the desired market share as Apple stands on top of with its iPad. High investments set a barrier for smaller companies to entry this

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market, however Nokia decided it's time to move forward and launch its tablet in 2012. Article noted that Nokia partner in software will be Microsoft, with the expected Windows 8 release. According to Juliette Garside (2011) ,

“ Tablet computer sales are expected to explode over the next four years, with analysts at Gartner predicting they will outsell PCs by 60% by 2015. However, tablets could go the way of MP3 players and remain a one-brand market.” Social lifestyle changing from PC's and Laptops to smaller, more portable devices which allows peoples to communicate and interact with others. Social networks may be one of the biggest cause of it. This trend will continue in the near future.

Topps Tiles sales continue downward trend

By Claer Barrett and Mark Wembridge. November 29, 2011 9: 16 am

PESTEL factor: Economic

Dropping like-for-like sales and consumers cutting back spending, the future looks gloomy for wall and floor covering specialist Topps Tiles, as their struggle to recover their profits.

Article reported that wood flooring retailer 1 year-end sales went down by 6.9 per cent even though they spend extra £1m on marketing.

Claer Barrett and Mark Wembridge (2011) reported that " Topps' market share edged up by 1 percentage point to 26 per cent in the period, which Mr Williams attributed to the group's smaller rivals struggling in the dismal

retail environment, and supply chain improvements boosted its gross margin by 100 basis points.”

However the biggest hit was seen in the large drop of pre-tax profit by more than a third to £7. 9m, total revenues by 4 per cent to £ 175. 5m. This seems to go over the expected fall this year. The housing market, relentlessly negative news and uncertain economy seems to be the cause of it. The article noted that Topps Tile were able to increase their gross margins by 100 basis points, however it's still not enough and the retailer will try to reduce the costs even more as their looking for possible solutions of how to improve performance.

GlaxoSmithKline to settle drug disputes for \$3bn

By Rachel Cooper

7: 50PM GMT 03 Nov 2011

PESTEL factor: Law

Britain's biggest drug maker FlaxoSmithKline will try to cover the existing provisions for \$3bn. The article recalls that in 2009 America's Pfizer were fined \$2. 3bn over the marketing of it's drugs and Eli Lilly \$1. 4bn over the sales. In the article it's noted that that US authorities are trying to set the priorities right, first one being the interest of payers and patients and only then profits, while the Glaxo would like to settle both civil and criminal claims as soon as possible to resolve the long-standing matters. One of them would be the Glaxo's diabetes drug Avandia, which could caused heart risks, later on received major restrcitions. Andrew Witty (2011), Glaxo's chief executive commented on the issue, “ In recent years, we have fundamentally changed

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our procedures for compliance, marketing and selling in the US to ensure that we operate with high standards of integrity and that we conduct our business openly and transparently," Analysts commented that with finally solving legal issues GlaxoSmithKline is looking for new marketing/selling practises.

This is not the first the company is having a problems with lawsuits related to product liability. In past years there were always a few cases of legal proceedings, as they spread doubts in foreign investors about company and its methods. In the 2010 GlaxoSmithKline were fined £1. 57bn legal provision for its drugs and the close of factory in Puerto Rico. Bans from US Food and Drug Administration heavily influences company revenue and profits, for example removing one of its drugs from sale could lead to major blow and even if it's not banned complete, but rather just adding extra health warnings and restrictions still cause a huge effect on product sales as reported by Andrew Clark (2010) " Britain's biggest drugs company has vigorously defended its drug, producing studies suggesting Avandia is safe, but the pill's sales have halved from £1. 4bn in 2006 to £771m last year." Nevertheless the GSK stand strong as the leading FTSE 100 company.

Conclusions

Companies are strongly affected by the external pestel factors, while few company can expect then, analyze the course of actions need to reduce the effects or take full advantage of them. Environmental factors are hard to foreseen and therefore are the most unpredictable, which leaves companies in the dark about their profits. Law factors don't change much, so it's usually

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up to the companies that takes risk while trying to improve their revenues and profits. Economic factors are changing all the time. One of the best way to be safe and be prepared to take advantage of it is by doing regular market, competitor analysis. Social factors are defined by people and their interest , new technologies, income. This is really strong factors which can allow company to jump up in their profits in very short time. Good example would be Facebook as their managed to one of the most profitable company just by allowing people to socialise, communicate no matter where you are.

Reference

Indian summer boosts sales at B&Q owner Kingfisher

By Matthew Holehouse 10: 30AM GMT 01 Dec 2011

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B&Q owner Kingfisher hit by poor UK weather

By Harry Wallop 5: 17PM BST 21 Jul 2011

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<http://www.telegraph.co.uk/finance/newsbysector/pharmaceuticalsandchemicals/8866885/GlaxoSmithKline-to-settle-drug-disputes-for-3bn.html>

Glaxo on red alert as FDA scrutinises diabetes drug Avandia

Andrew Clark, guardian.co.uk, Monday 12 July 2010 19:12 BST <http://www.guardian.co.uk/business/2010/jul/12/glaxo-smith-kline-avandia-hear>