

# Pest analysis report for two leisure firms essay sample

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I was asked to prepare a PEST (political, economical, sociological and technological) analysis report for two companies of my choice. I decided to choose firms from the leisure industry and then compare them. I analysed the business environment and ethical factors that affect the leisure industries as a whole. In my report I will distinguish between the impacts on the different political, economical, sociological and technological factors and will then draw conclusions based on my analytical report.

To prepare a PEST analysis report on my chosen firms, I had to research and analyse the leisure industry market as a whole.

PEST Analysis of the Leisure Industry in the UK:

Before starting to analyse the PEST factors that affect the leisure industry as a whole I would like to give a definition and explain the PEST Analysis. The below statement defines PEST.

“ All the external political, economical, social-cultural and technological factors that affect the environment of a market or company”

The PEST factors which impact on the leisure industry in UK are as follows:

Political:

\* The government has tight regulations for selling alcoholic drinks in the leisure industry.

\* A new government could bring many changes in regulations for the leisure industry and apply for new legislation.

- \* Government's regulation for all the closing times is different for a variety of firms that operate in the leisure industry. For example pubs and bars must stop serving at 11. 00pm on the whole and nightclubs at 02: 00 unless a special licence is obtained.
- \* The government's decision to invest in leisure industry such as the National Lottery has attracted other establishments for instance gambling businesses such as casino, bookmakers and bingo.
- \* The government is sponsoring leisure facilities resulting in some sort of ownership. Local council is also going down this path by involving in ownership or management of concert halls and local swimming pools.
- \* At the moment in the USA they are advertising anti smoking commercials which warn the public about ALL the dangers of smoking. In New York they have banned smoking in public but it is still legal to smoke in your own home. In the year of 2004 Dublin are going to also going to ban smoking in public. UK is also considering this type of action to prevent people from smoking. This will have a dramatic affect on the leisure industry because as we are aware that when people socialise they also like to smoke. If this ban is affective in the UK then people may also stop socialising which means pubs and clubs and other leisure companies will be at a disadvantage since most of their customers are smokers resulting in profit loss.

Economical:

- \* The Bank of England could increase interest rates and if this was so the impact on the leisure industry would be very detrimental resulting in prices

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rising and therefore meaning that people may be as spend thrift with their earnings.

\* The inflation of the country is another factor that could affect the leisure industry. If all firms in general put up their prices, inflation results.

\* The change of Government in 1997 has returned many changes in the UK economy, at least in terms of consumer spending. Consumer spending has risen because people are now buying more luxury items than before as well as spending more money on socialising due to low interest rates.

Social-cultural:

\* In the leisure industry the social groups are divided in different leisure activities. For example elderly people are particularly interested in reading. Teenagers are targeted by nightclubs and pubs.

\* The increased ownership of cars, within all age groups makes it easier to access leisure outlets which indicate socialising is on the rise and within a few years socialising will be top priority to many people.

\* The entertainment activities are affected by seasonal holidays such as Christmas, Easter and school holidays. This time of year such as Easter, is an opportunity for many people and students to entertain themselves and get away from the routine of work.

\* Many cultures have diversified to the western way of living which has made an impact on social activities, such as going to the pubs and clubs. It was taboo for people of Asian ethnicity to be seen out socialising and worse more

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drinking alcohol. But nowadays they are starting to come round and accept the way of western living. Also many people are interacting racially which influences people's ways of socialising.

\* The need for leisure outlets to segment the different types of the social groups has created new leisure chains such as pubs and restaurants. These types of leisure outlets are targeted mainly to people older than 21 with professional jobs and a high living lifestyle.

\* Each person has a different budget and depending on that budget people socialise with in their own personal resources.

Technological:

\* The rapid development of new technology such as the Internet helped the leisure industry in many ways. For example many leisure firms have a website. These websites are used to advertise the products or services offered or even book tickets online.

\* By the time that technology is being established for good in our lives, technology competition between leisure firms were borne. For example a cinema or a theatre which is equipped with high technology products have more chance of being successful than the one which is equipped with old equipment. The same scenario is applicable to all leisure firms.

\* The music market has been driven by technology for more than a decade, both in terms of replaying records (the CD revolution) and digital equipment for the studio. With the invention of mp3 players and mini disc player's

music has been rising rapidly, therefore meaning that quality of sound has been getting better with every new invention. So this way leisure industry such as nightclubs or pubs has much more clients than they used to have before because of the quality of sound and variety of music.

\* The latest technology can be seen in sports and keeping fit, where health club members queue up to use the latest machines. Gambling, bingo and National Lottery, or bookmaking can be transformed by electronic communications.

\* A new invention which has had a major impact on many people in the UK is interactive TV. Interactive TV is another form of communication with the outside world, with out actually leaving your home. It is very similar to the internet as it allows you to book tickets online, bring you the latest information etc.

Introduction to Odeon Cinemas:

Before analysing the PEST factors that affect the Odeon Cinemas it would be a good idea to give some information about the company background.

Odeon cinema has a history of almost 70 years in film industry. Oscar Deutsch founded it in 1930. Odeon as a market leader and biggest cinema name in Britain boasts of its truly national presence. With its 82 cinemas and 449 screens, the chain has more cinemas and customers than any other chain in UK.

Odeon cinemas are a division of the Rank Group Plc and form an important part of the Rank owned "Leisure World" entertainment destinations. These vast leisure complexes satisfy all entertainment desires with Restaurants, Bars, nightclubs and Odeon cinemas.

The Odeon cinema has prospered during the 1990's, with more cinemas built each year than any time other than the 30's and 40's. Over the last decade, admissions have increased spectacularly with 138. 923 000 million customer visits recorded in 1997 with an increase by 16% compared with 1994. The Odeon's revenue is estimated to be about 7. 592. 000 million in 1997 with a percentage 19. 6% of 2 million in total.

Odeon's mission statement is to consolidate its position as market leader and to become the most dynamic cinema brand in the U. K.

PEST Analysis for Odeon Cinemas:

Political:

\* The tight regulation involving selling alcoholic drinks in the leisure industry and more specifically in cinemas. In order to get a licence they must apply locally and determine the type of licence they require. In cinemas, facilities are restricted and it is an offence to sell alcohol because even if it is a leisure industry, its main purpose is to entertain differently than a bar does.

\* Government is planning legislation concerning the rate limit of growth in multiplex cinemas in the future. This will prevent Odeon Cinemas to expand in the market therefore it will affect their development. If this legislation is

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voted to take place in the cinema industries it will affect the Odeon in all business sectors.

\* The change of government could bring many changes in regulations for the leisure industry. A new government might give more emphasis in home entertainment by providing licence to the video clubs, to rent new films which at this moment only the cinemas has the advantage to show. This would lead to a significant decrease to a number of people that go to the cinema for the opening night and the market revenue for cinema industry would decrease as well. Even a change in regulations regarding the opening and closing hours would affect the cinema industry.

\* The results of an unexpected war will be dramatic for the whole country and in the case of the Odeon cinemas industry; people won't be attracted any more with the possibility of shut down, if this war takes a place to a large extent.

\* In addition to the point above the September 11th tragedy had a significant affect on the cinema industry as a whole, resulting in late releases i. e. Spiderman. This film was delayed because originally the twin towers were to appear in the film but unfortunately they were destroyed which meant that the film could not be shown with them in it. Another example is the sniper attack which affected the film Phone booth. This film was supposedly dictating the sniper attacks although the story of the film was quite a bit different the film industry thought it would be very inappropriate to release the film in a time of distress.



\* The present Government decision to maintain the same stance as the previous Government for the new multiplex cinemas is that the regulation regarding the development of those in low attractive town centre locations. This is against the operators and consumers who prefer the multiplex cinemas in an attractive location with easier accessibility.

Economic:

\* The change in Government could affect the economy as well. An increase in interest rates and the inflation of the country could affect the people negatively from spending a significant amount of money for their entertainment. This is very obvious because most people have a budget to spend monthly. With an increase in rates, they will spend more money in more important priorities rather than the leisure activities.

\* An important revenue of the cinemas is earned from the sales of food and drinks within the facilities. However, a percentage of 84% of regular cinema-goers, believe that the prices are extremely high and that has a bad influence on consumer's behaviour.

People already pay enough for the admission and in some cases they can't afford to spend too much money on food and drinks, so they prefer to spend somewhere else.

\* As the price of tickets increased by the opening of the new multiplex Odeon cinemas, the admissions fell from 7m in 1997 to 5.2m. This movement has decreased their profit because people react in this change.

Many people suggest that they used to go to the cinema once a week but now with the change in tickets price; they go once in two weeks.

\* The opening of new cinema industries in the market affected the Odeon cinemas from their revenue as well. New big cinemas such as UCI, Virgin, Warner Bros, and ABC are famous as well and they have a significant revenue percentage in the market.

Social-cultural:

\* The lifestyle of different age groups has an impact on the cinema industry as well. The leisure activities for elderly people are different from those of teenagers or families with children. For example elderly people are particular interested in reading or gardening rather than go out to a cinema. On the other hand, teenagers are more attracted towards sports, leisure facilities and nightclubs, and for those with children home entertainment is preferred like video and home

games. But all this research is based on people's reactions and behaviour.

This does not stop Odeon cinema to entertain all ages because with its offers and the facilities providing such as bars, night-club and restaurant still attract people who want this kind of entertainment.

\* Also the cinema is affected by seasonal holidays. The School holidays, bank holidays, Christmas season and Easter give the opportunity for people to look for cinema entertainment more often.

\* The weather is also an important factor that affects people from going to cinema. In the UK the weather is usually unstable and it rains regularly, as a result this gives people motivation to prefer cinema rather than wining and dining. On the other hand if the weather would be better, people would prefer other outdoor leisure activities.

Technological:

\* An important aspect for technological factors is the web services that are offered. The online internet-based booking allows people who have access to the web to check for movies, availability and book tickets from their own environment. Odeon cinema has invested m in a dedicated booking centre with 150 operators for those who want to book tickets through telephone.

\* The improvement of technology nowadays has increased rapidly. Multiplex cinemas offer at least five wide screens; surround digital systems, more luxury seats with leg space and air-conditioning. These combinations attract many people to favour Odeon cinemas as well and increased the number of cinema- goers.

\* Many people take into consideration factors such as accessibility. The Odeon multiplex cinema offers so many advantages for customers such as free parking place. The Government provides traffic signs showing which direction to follow in order to get there.

\* Before the internet was known worldwide films were released in the USA before they were released in the UK. But as the internet world has been booming in the last decade people have found ways of seeing films before

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they are released and also selling them illegally. Due to the abuse of the system the film industry have decided that films should be released at the same time worldwide. X Men 2 and Lord of the rings - the two towers are two examples of this.

#### Introduction to Alton Towers:

Since 1991, the UK's most popular fee-paying tourist attraction has been Alton Towers, which had 2.7m visitors in the previous year. Alton Towers is one of the biggest amusement parks in England and people travel all through the UK to visit it.

Alton Towers has a large number of rides, the big 5 being, the Black Hole, Nemesis, Oblivion, Ripsaw and the Corkscrew. There are a number of entertainers in the park for younger children as well.

Many people only associate Alton Towers with the high profile thrill rides and overlook the beautiful gardens that have been established there for over 1000 years originally planted by the 15th Earl of Shrewsbury. There are around 200 acres of garden to explore while the kids enjoy the rides. There are a number of fast food establishments at Alton Towers.

The Alton Towers Hotel offers many facilities such as 175 rooms to suit all budgets and tastes, Swimming pools, sauna and Jacuzzi, Restaurant and much more.

#### PEST Analysis for Alton Towers:

##### Political:

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\* The political environment influences demand in several ways.

Through government legislation, all what can and cannot be bought and in what circumstances. The Government plays a role in determining the distribution of wealth and income in the country with the taxation and the welfare system.

\* On the other hand there are three main ways in which Government affects supply. Firstly, Government can propose legislation on how firms should operate, what they can produce, how they can make it and what inputs they can use to make it. Secondly, by specifying how certain groups should walk (safety standards) and finally Government can also affect firms cost through taxes and subsidies.

\* The political environment can have effects on Alton towers, such as laws permitting the height for using the facilities.

\* Through taxation and welfare system, the Government will determine, more people cannot afford to go to Alton Towers, since most of the people going there will have to use some kind of transport.

\* Each ride at Alton Towers has to pass safety regulations; if a ride is found to be unsafe and not suitable for people then the government can prevent the ride from being presented to the public.

\* The government may enforce heavy taxes, which will lead to an increase of the firm's cost. In result meaning that Alton Towers may have to increase their ticket, food and drink prices.

\* The Government may also give financial support to the firm that will increase the supply and this will lead to an increase of the profit.

#### Economic:

\* A boost in the interest rates by the government would affect the people negatively; as a result the public may stop visiting Alton Towers for their entertainment since they will give more emphasis to other priorities.

\* Many people believe that the prices within the facilities in Alton Towers are extremely high, especially in the hotel the prices which are unapproachable and so visitors from other towns in UK must travel back at the end of the day.

\* The other theme parks in the UK such as the Blackpool pleasure beach affect the economy environment of Alton Towers pessimistically because it offers roller coasters and other kind of entertainment. This coupled with the fact that there is a lot of budget accommodation available means that these other places will prove to be strong competitors.

#### Social-cultural:

\* The different lifestyle of people affects Alton Towers through many ways. For example elder age people can not ride on the roller coasters where as the other middle-aged people can. But on the other hand elder people can walk and explore the beautiful gardens while the kids enjoy the rides.

\* The downside to Alton towers is that 80% of the facilities are outdoors so this determines on an unstable day not many people are encouraged to visit

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the theme park. Seeing as the most of the weather in the UK is rain and cold fronts the peak season for Alton towers is the months of July and August.

Technological:

\* The rapid development of technology has an affect on Alton Towers. An Alton tower has a website where customers can book their tickets or rooms in the hotel. Alton tower also has an online merchandise store where customers can buy souvenirs. Also Alton Towers offers a virtual ticket facility for the very popular rides such as Air where you do not queue, but return to the ride at a designated time.

\* Technology has been a harness to make tourist attraction much more interesting. Since the internet was presented there has been an increase in sales and online bookings.

\* Tourists and customers take into consideration factors such as accessibility. Alton Towers is located in the middle of England so it is accessible for many people from different areas. There is

Also spacious parking for buses and cars. In the main roads of the UK, Government provides traffic signs showing which direction to follow in order to get there.

Conclusion:

From all the analysis of the leisure industry I found out that the leisure industry is growing in many ways.

Firstly the average adult is now participating in far more activities than before especially in the leisure market and the amount of leisure time available has only increased over the long -term period.

From the market research I have collected, I would also say that the UK leisure market is forecasting to grow in the next few years because new firms will enter the market by providing different kinds of entertainment.

Leisure is becoming more and more reliable and joyful because people tend to socialise more than usual.

From all the factors I analysed I made some recommendations. Firstly, the involving of the Government, the tight regulations and the legislation that has been set, is very good for the leisure market. This way they can control the market and make sure that there is no possibility for abuse. On the other hand some regulations are very strict. For example the closing hours for most of the firms that operate in different sectors of the market, such as clubs and pubs are narrowing the nightlife and restrain the entertainment.

Government could give more emphasis in the cultural firms. Many people believe that entertainment is above all but that's not right. Government must not forget the traditions of the country as it is affected from the rapid increase of technology meaning that every government is trying to emphasise to new projects forgetting the habits and culture of their country.