



External Factors That Affect Businesses

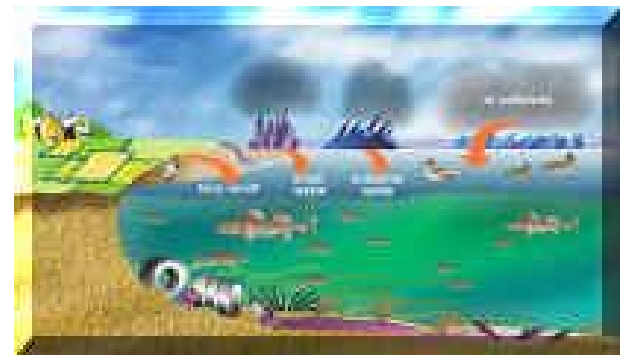
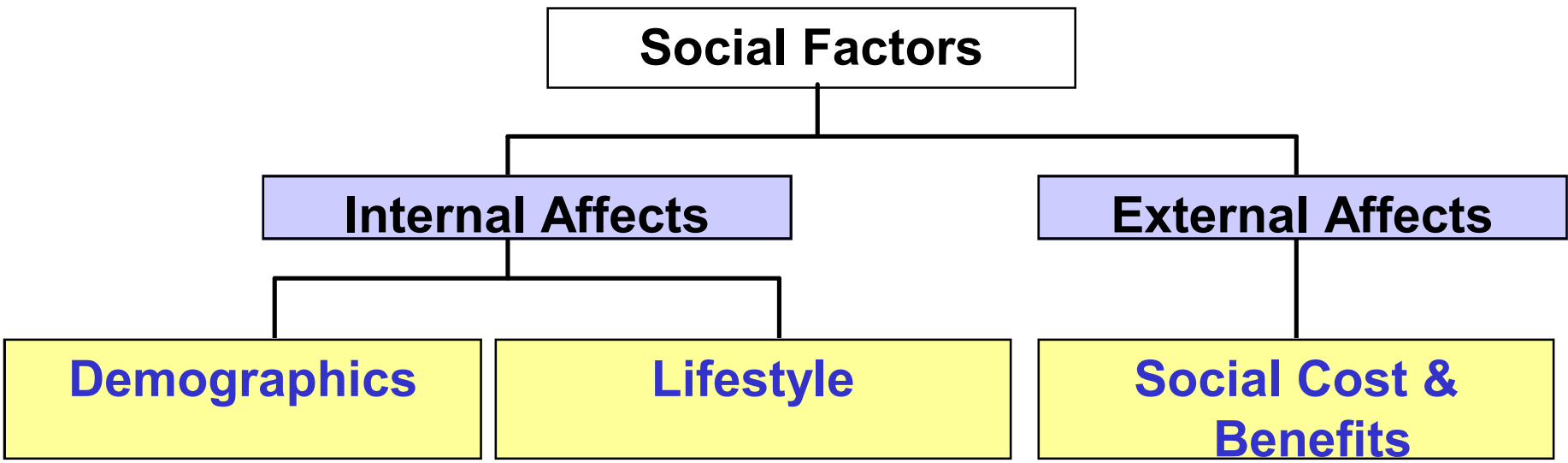
- All businesses will be affected by things that happen outside the business that they cannot control
- These are called **EXTERNAL** factors
- There are a number of these factors, often referred to as **SLEPT Analysis**
- This acronym stands for:
 - **S**ocial
 - **L**egal
 - **E**conomic
 - **P**olitical
 - **T**echnological





Social Factors

- There are 2 types of social factors that affect businesses





Demographics

- Demography is the study of the population
- There are 2 areas that businesses are concerned with:

➤ The Working Population

- People aged between 16 and 65, who are able to work.
- This is important to firms since it will determine the number of workers available to them.

➤ The Population Structure

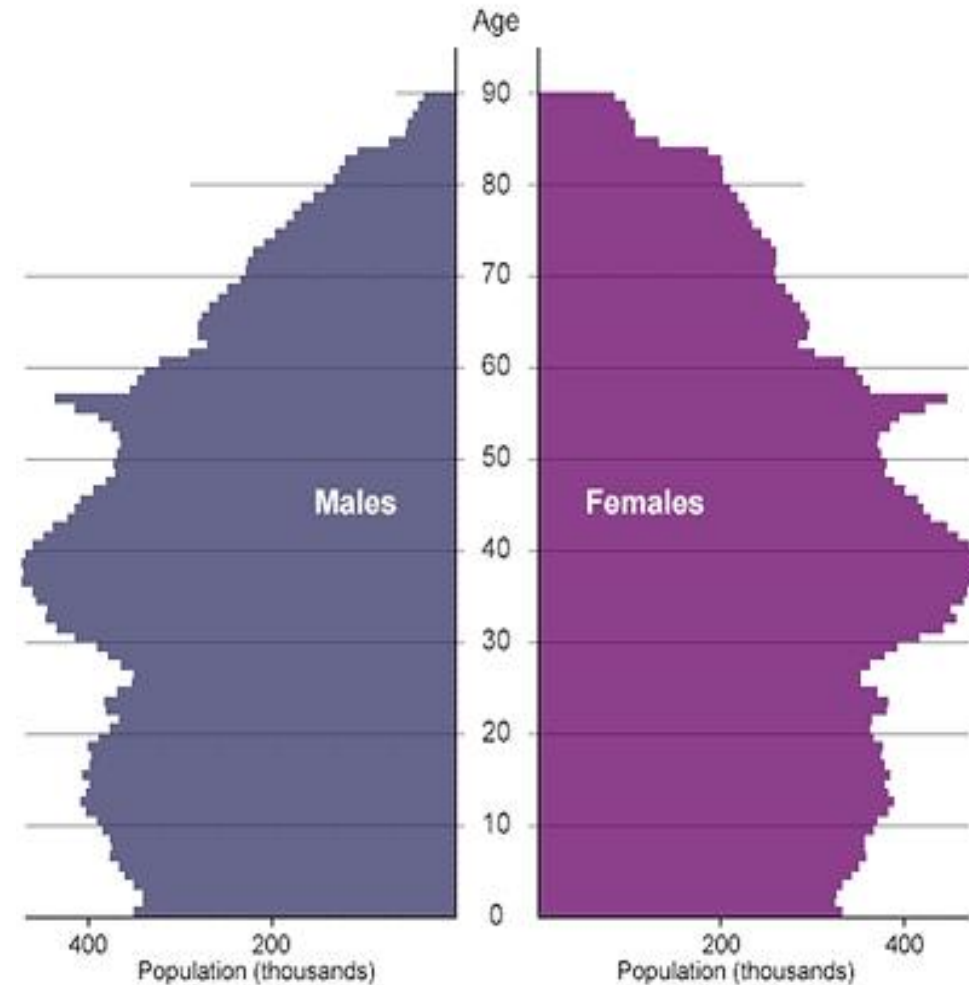
- Different age groups buy different products so changes in the population affect the demand for products that firms make.





Changes in the UK Population

- The structure of the UK population has changed considerably in the last 40 years
- This can have a major influence on businesses
 - E.g. closure of middle schools
- Use the population pyramid given to list businesses that will (a) do well and (b) suffer because of the current structure of the UK population





Lifestyle

● This is concerned with 3 factors

➤ **Fashions and trends**



- Tastes change, so businesses must be able to react quickly
- E.g. McDonalds offering more “healthy” meals

➤ **Beliefs and attitudes**

- What society sees as acceptable changes
- E.g. the need for more child care provision



➤ **Ethics**



- Customers are much more aware of the environment and are against exploitation
- E.g. Nike has had to justify the wages and conditions of the workers in some of its factories



Social Costs and Social Benefits

- When a firm makes decisions they will have 2 effects:
 - Private Costs and Private Benefits
 - these are the costs/profits the firm has
 - External Costs and External Benefits
 - these are the costs/benefits obtained by people outside the business



● So:

$$\text{Social Costs} = \text{Private Costs} + \text{External Costs}$$

● and

$$\text{Social Benefits} = \text{Private Benefits} + \text{External Benefits}$$



The Role of Government

- We have little control over local businesses decisions
- Without government they could do what they want
- So, one of the government's roles is to make sure that:

social costs < social benefits

- For example:
 - When Wolves redeveloped their stadium they incurred the financial costs, and now benefit from increased revenues.
 - However, their decision would also affect the local residents who had to endure the noise and dust of the building work!
 - Presumably the social costs were less than the social benefits so they were given permission to do it!

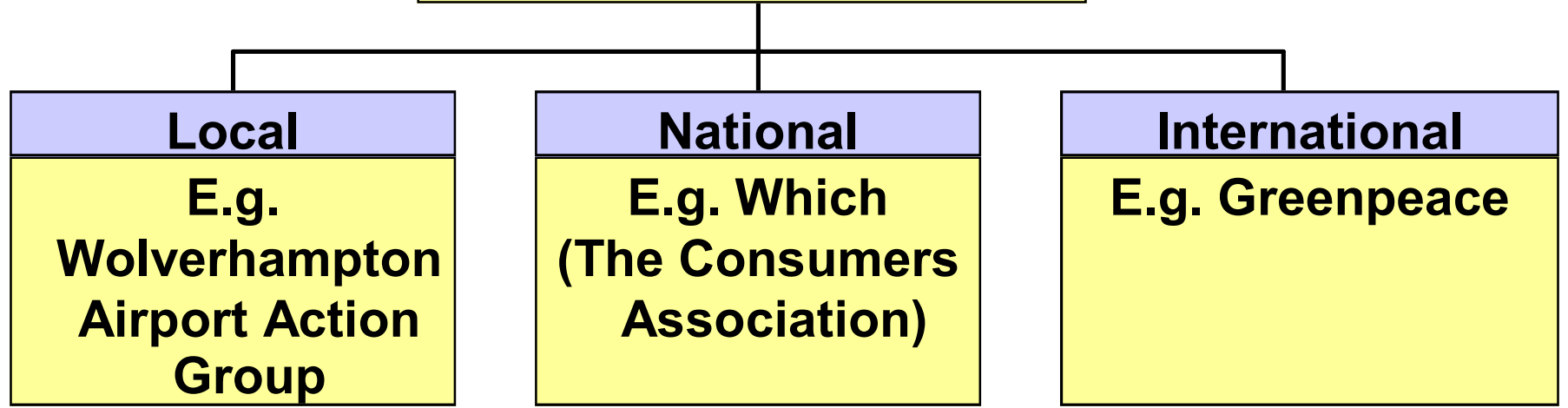




The Role of Pressure Groups

- A Pressure group is a group of people who have similar views and beliefs

Types of Pressure Groups





What Do Pressure Groups Do?

- Knowing that businesses do not like it they will try to cause as much bad publicity as possible using:
 - Advertising/Leaflets/Posters
 - Public Meetings
 - Petitions
 - Lobbying MPs
 - Boycotting products
 - Organising demonstrations or sit-ins

