

Business Growth - Activity

The growth in the popularity of digital cameras has helped Jessops expand its business activities but has this expansion come at a cost? Copyright: Dirk Tacke, stock.xchg

Setting up a business can be difficult and challenging. Coping with business growth is another entirely different set of challenges and problems! This Activity will look at the case of Jessops, the high street camera retailer.

Jessops experienced significant growth in sales following the boom in the popularity of digital cameras. Developments in technology meant that many more people were able to take high quality photographs without bothering about the problems of lighting, f/numbers, shutter speeds and so on, and were also able to access them almost instantly through downloading the images onto personal computers.

The growth in the market, like any other product, has its limitations. How many cameras does each individual need? What is the competition - not just traditional single lens reflex (SLR) cameras but also mobile phones? These are rapidly becoming a complete entertainment and communications centre in one! The new generation phones will not only act as cameras but also video recorders, MP3 players and games consoles.

Your task will be to explore the growth in Jessops and to offer some analysis of the challenges it is facing as a result of this growth.

Jessops, the UK's largest photographic goods retailer, has announced plans to list on the London Stock Exchange.

Jessops said the boom in digital photography had boosted annual turnover, which was £287.1m (\$513m) in 2003, an increase of 231% in six years.

The firm bought several established chains after a management buy-out in 1996, and now has 262 stores.

Founded in Leicester in 1935, Jessops was acquired by private equity firm ABN AMRO Capital in 2002 in a £116m deal.

Jessops has not set a price for the flotation but analysts are reported to believe the firm could be worth about £180m.

Jessops employs about 2,800 people across its stores, internet, and mail order divisions.

In August, Jessops introduced a service which allowed mobile phone users to send photographs from their camera handsets to the store for printing.

"Flotation¹ will help increase our profile ...build on the success we have achieved to date and to capitalise on the digital revolution," said chief executive Derek Hine.

The shift away from traditional film has forced companies in the photographic industry to reposition their businesses, among them Kodak who announced plans in January to shed up to 15,000 jobs worldwide.

Source: <http://news.bbc.co.uk/2/hi/business/3726034.stm>

Jessops, the UK's largest photographic- goods retailer, could be valued at up to £189m when it makes its stock market debut later in the month.

The company, which has 263 stores in the UK, hopes to raise about £100m to pay off its debts.

Shares in the company, which employs 2,800 staff, will be offered at between 185 pence and 220 pence each.

The company has benefited from the strong demand for digital photography products.

Like-for-like sales rose 6.1% over the last year, with underlying profit up 14%, the company reported.

Digital benefits

"Flotation will help increase our profile ...builds on the success we have achieved to date and capitalize on the digital revolution," said chief executive Derek Hine.

In August, Jessops introduced a service which allowed mobile phone users to send photographs from their camera handsets to the store for printing.

"With Mintel forecasting that the total photo imaging market will grow a further 23% to £2.7bn over the next four years, we believe we are well positioned to maintain our momentum."

The group has also announced the appointment of Gavin Simonds as non-executive chairman.

Mr. Simonds, 49, also holds non-executive chairman posts at retailer Peacock and ferry firm Red Funnel.

Founded in Leicester in 1935 and operated as a family firm until 1996, Jessops was acquired by private equity firm ABN AMRO Capital in 2002 in a £116m deal.

Source: <http://news.bbc.co.uk/2/hi/business/3755830.stm>

Questions are on the next page.

¹ Float refers to the number of shares of stock from a corporation that is available to the investing public. It can also be defined as the number of shares for trading by the public. A company can have 20 million shares outstanding and only 7 million float.

- 1. Briefly describe the best type of growth for a**
 - a. Sole trader**
 - b. Private limited company**
 - c. Public limited company**
 - d. Co-operative**
- 2. Consider the above information. What types of growth has Jessops engaged in over the years? List each type giving examples.**
- 3. What are some of the problems associated with Jessop's growth?**
- 4. Briefly describe 4 problems companies may face because of rapid growth**