**PEST ANALYSIS**

PESTLE analysis is a fundamental tool for business strategy and planning. It is a method of assessing your business environment and its possible impact on the performance of your company.

PESTLE is an acronym that stands for six external factors affecting your business: political, economic, sociological, technological, legal and environmental. Each of these can have a profound effect on your business and varying implications, for example, in terms of:

* duration of impact - short term or long term
* type of change - positive, negative or unknown
* rate of impact - increasing, decreasing, unchanged or unknown
* importance - critical, important, unimportant or unknown

**Example of PESTLE analysis**

The following PESTLE analysis example clarifies how the six external factors work and what type of information you should include in your analysis. This example scenario involves the overseas sale of a product.

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| --- | --- | --- | --- | --- | --- | --- |
|  | **Possible Factors** | **Business Impact** | **Time Frame** | **Type Of Impact** | **Rate of Impact** | **Importance** |
| **Political** | e.g., international trading tariffs, restrictions, visa requirements, price control, etc. | e.g. - possible trade barriers to protect domestic suppliers | unknown | negative | increasing | unknown |
| **Economic** | e.g., current UK economic situation, currency inflation, interest rates, taxation level, etc. | e.g. - strength of overseas economies versus UK may affect price/profitability | 6-12 months (possibly longer) | unknown | unknown - dependent on the economy, and other countries' economies | important |
| **Social** | e.g., cultural norms, attitudes to product, consumer preferences, age and gender distribution, etc. | e.g. - will product be accepted overseas? | 6-12 months | unknown | unknown | critical |
| **Technological** | e.g., emergence of innovative technologies affecting the production, marketing or sale of a product, automation of processes, etc. | e.g. - can intellectual property rights be protected overseas? | 0-6 months | negative | unchanged | important |
| **Legal** | e.g., legislative issues, such as consumer protection laws, health and safety laws, licensing regulations, etc. | e.g. - will the product comply or be allowed into the market? | 0-6 months | negative | unchanged | critical |
| **Environment** | e.g., sustainability, waste management rules and regulations, green practices etc. | e.g. - pollution implications of transportation | n/a | possibly negative | unknown | unknown |

**Advantages of PESTLE analysis**

By helping you to understand how external factors affect your businesses, PESTLE can help you:

* determine their long-term effect on the performance and activities of your business
* review any strategies you have in place
* work out a new direction, product or plan for your business
* identify solutions to problems
* gain strategic advantage on competitors
* evaluate the risks associated with markets you're interested in