

Pestle and swot analysis: when to use swot

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Every company in a business has certain frameworks that they follow in order to understand the market they are catering to. They usually keep on checking the nerve of the market where they want to focus their products upon. Certain companies carry out field work in form of market research through which they conduct surveys or employ other techniques by which to gauge the market needs and trends.

Then there are other analysis methods that allow for a more holistic approach towards determining trends and then setting strategies. From a strategic management's perspective, there are certain tools that permit the knowledge of the market and the surrounding environment in depth, but the most famous ones are PEST and SWOT analysis.

PEST analysis, which many refer to as a deeper approach into the marketing environment consists of Political, Economic, Social and Technological features of a market. A more prolonged form of this analysis is called PESTLE, which incorporates the aspect of Legal and Environmental factors affecting the marketplace.

PESTLE analysis is a detailed view of the environment a business is situated in. It can be rightly called a bird's eye view where a company or an individual tries to ascertain specific trends of the market from a macroeconomic perspective.

These factors are major determinants of strategic development and define how conducive an environment is within which a business strives to thrive. Their details are given below:

- **Political:** It accounts for all the influences that a government may have upon the business environment, including business cycles, the economy at large and individual business industries. Tax reforms, fiscal policies and trade tariffs form part of this analysis.
- **Economic:** This analyzes the economy as a whole and its performance owing to global trends and long term effects that may be evident. Inflation rates, interest rates, economic growth, demand and supply trends are all analyzed under this head.
- **Social:** This charts the analysis of cultural trends, demographical determinants, age distribution etc.
- **Technological:** This analyses the technological trends of the business environment. It accounts for the rate at which the innovations are occurring and how directly and indirectly they're influencing the business you're in.
- **Legal:** There are many laws and policies that directly impact the way your business is run and the decisions that fuel its propulsion. These laws can be social laws, regulatory laws, certain standards that need to be met and other such laws.
- **Environmental:** Your business has effects in the environment it operates in, therefore you need to analyze in depth what implications your business might be having on it. On the other hand, the environment also influences your business directly or indirectly especially the tourism, farming or agriculture business. Therefore these

factors account for the geographical location, weather, climate etc. but are not just limited to the study of these only.

PESTLE can be rightly called a thorough view on the external environment in which an organization is operating in. On the contrary though, SWOT analysis is the analysis on the internal environment of the company based on its products etc. SWOT tends to be more product/service specific as an individual or an entity conducts this analysis based on that product/service.

The components of the SWOT analysis are:

- **Strengths:** The S in the acronym stands for Strengths. Much to do with the name, it analyses the company's strengths in line with the product/service and counts the USP (unique selling propositions) that it has. Strengths of a company or a product make it stand out when in comparison with their competitors.
- **Weaknesses:** The W stands for Weaknesses. It accounts for all the current weaknesses that the company may have or may be facing and how the product features them. It gives the company the view from an external standpoint where they can understand what their areas of lacking and then work upon them to remove them from their internal environment.
- **Opportunities:** O spells out Opportunities. These opportunities are for the company to gain, master and then derive benefits from. Usually, weaknesses are reflected here with a strategy to encounter them as opportunities where the company can work upon itself or the product/service.

- Threats: Threats, denoted by T take into account the threats that able and potential competitors pose for the company and its products/services. These also analyze the barriers to entry and how potential competition can be tackled effectively.

Both these measures give an in-depth view to the company regarding the environment they're in or are about to enter and also about the products or the services with which they plan to enter the marketplace.

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