

Pestle analysis is an  
external analysis  
economics essay



**ASSIGN  
BUSTER**

It is a part of the external analysis when conducting a strategic analysis or doing market research, and gives an overview of the different macro environmental factors that the company has to take into consideration. This analysis of the external environment will lead to the identification of a number of opportunities and threats.

## **7. 1 PESTLE Analysis of Royal KPN**

### **Political Factors**

The Netherlands' opening degree of its economic, commercial laws and investment policy is well-known in the world. The Netherlands' economy is very internationalization with minimum interference from the government, and its trade investment policy is the most open one in the world[1]. The government offers many kinds of policies to encourage international investment, and support foreign companies to enter the Netherlands. In addition, the Netherlands has well-done taxation system and commercial environment. The Netherlands' low tax rate and widespread tax revenue treaty network in Europe make its taxation environment favorable and attractive (L Zeng 2008).

The new Dutch telecommunications regime is relatively liberal, with no barriers to entry, no line-of-business restrictions and relatively few controls on prices. After deregulation, a large number of companies have been in the local market to provide telecommunication services and invest in facilities.

[2]

In addition, the EU telecommunications regulators never reduce the regulation for the telecom industry. The policies about cut settlement cost

<https://assignbuster.com/pestle-analysis-is-an-external-analysis-economics-essay/>

and roaming charges are continually published. The Netherlands, like most Organization for Economic Co-operation and Development (OECD) countries, is facing a double challenge: to complete the liberalization of the telecommunications market, and to prepare for the next generation regulatory regime in the face of convergence.

## **Economic Factors**

The Netherlands is called the gate of the Europe due to its predominant geographical position. It has a flourishing and open economic which depends heavily on foreign trade[3]. It is one of the main foreign investment countries with the most favorable and attractive business environment in the world.

The Netherland is also playing an important part in the economic and trading development, and having a large number of customers in the EU market. By the end of 2011, the GDP of the Netherlands is currently ranked 16th in the world, and it is the eighth in imports of goods and services from the United States[4]. Moreover, the Netherlands has developed communication infrastructure and advanced transporting network, with two biggest ports (Rotterdam and Amsterdam) and the third largest airport (Schiphol) in the Europe Union. The Netherlands is also famous all around the world by its leading technologies and management experience in many fields of industries, such as the telecom and electronic industry. In short, the Netherlands' open economy is developing mainly depends on its good geographical position, the developed transportation system, the advanced communication infrastructure and the developed logistic service, as well as the powerful government support and attractive commercial environment,

make the Netherlands the most favorable economic environment for doing business among all the European countries.

But in recent years, the whole economy in Europe is seriously threatened by the European sovereign-debt crisis. In many experts' view, economic downturn in the Euro zone will still keep for a long time and this also affected the telecom industry. The constantly depraved macro economy make an apparently decrease in revenues of the European telecom companies, lead to the profit declined, liquidity squeeze and market demand weak.

## **Social Factors**

The Netherlands has a modern and international society, the people living here has a high quality of life. The Netherlands has a long and colorful history; its special social culture is so open and become very suitable for foreign people. During several centuries, the Netherlands has accepted massive immigrants from all over the world. As a result, the colorful social history and international social environment make it favorable for the investors to take part in various of business activities. In the meantime, the favoring commercial policy and stable political environment provide equal development opportunities for both local and foreign companies, which make the Netherlands' business environment more diversification.

In addition, the Netherlands has high quality labor force. Most of the Dutch citizens have received high education or job training, and master one or two foreign languages[5]. Moreover, they are qualified with the complex skills that are needed in the high-tech economy.

The Netherlands has a small but advanced telecom market. The broadband, Internet and mobile penetrations are all far ahead of the EU average. The Netherlands has consistently ranked among the top rated telecommunications markets within Western Europe. Broadband services will supply greatest opportunities for growth, while fixed lines are expected to continue to decline. Mobile broadband connections in the Netherlands have increased to 882, 000 in the middle of 2010 and Mobile penetration reached about 130% in early 2010.[6] Despite the recessionary conditions such like economy slowdown and debt crisis in Euro zone, Dutch subscribers have shown that they will continue spending, especially due to their desire for the latest technologies.

## **Technological Factors**

The Netherlands has the leading communication networks and IT technologies in the Europe, which mainly benefits from the government support and technological development[7]. Now consumers in the Netherlands can enjoy a variety of communication methods and an increased range of services, such as network and wireless network operation. The industry has evolved the past previous limits that confined services to voice related ones, which makes the computer and based IT and telecom technologies become the part of the normal life[8]. As a result, it is becoming more efficient to do Internet trading among companies in different countries due to the rapid development of communication and IT technologies. Moreover, the Netherlands' perfect commercial laws and well-operating consumer market have provided a good business environment for

the telecom companies to develop their technologies and make broader distribution channels.

Besides, the Netherlands is among the world's most wired countries with a state-of-the-art, 100 percent fiber-optic infrastructure, the largest bandwidth and Internet Exchange on the European continent, and a pro-technology government that is committed to continued research and development.

[9]Telecom providers in the Netherlands offer a wide range of services and are keen to introduce new technologies. The Netherlands' telecom market has one of the most advanced infrastructures in Europe, which providing a solid foundation for emerging bundled services offerings.

## **Legal Factors**

The legal institution of the Netherlands is also highly praised because of its business laws which take laws letter as main body and assisted with legal principle theories (L Zeng 2008). The Independent Post and Telecommunications Authority of the Netherlands (OPTA) promote competition, encourage innovation and protect consumers in telecom markets. OPTA also issues licenses for telecom operators, sets interconnection prices for providers and end-users', and solve disputes between telecom carriers. Radio communications Agency Netherlands is responsible for obtaining and allocating frequency space and monitoring its use. Dutch Media Authority upholds the rules which are formulated in the Dutch Media Act as well as in the regulations based on this act for example the Media Decree.[10]

Dutch Telecommunication Act entered into force in December 1998. The Dutch government adopted the EC Electronic Communications Framework (IRIS 2002-3: 4) and amended the Act in 2004. Major modifications include:

- 1) Adoption of electronic communications in various fields;
- 2) Expansion of OPTC's authority in rule making;
- 3) Improvement of consumer protection, anti-spam regulations, application of competition law;
- 4) Single framework applies to all kinds of electronic communication networks including cable TV networks. The revised Act entered into force on May 19, 2004.

## **Environmental Factors**

In the Netherlands, very high densities of both population and economic activities have led to very intense pressures on the country's environment. In addition to levying environmental taxes, governmental administrations, like Water Boards, have the possibility to charge fees. Companies and households are charged directly for some polluting activities, for instance the discharge of waste water to the sewers and the production of waste (Statistics Netherlands, 2012). For companies, these fees would be accounted as parts of environmental costs which are quite high each year.

Care for the environment is an integral part of KPN's business operations.

KPN is particular focus on responsible energy use, because the

telecommunication and ICT sector consumes a lot of energy and ICT can help to reduce its customers' energy consumption. They aim to continuously enhance their environmental performance and to become an example in this sector, as well as to observe relevant regulations and legislation[11]. In addition, KPN is dedicated to proper management of cables, reduction of waste, and other issues that contribute to make a better environment.

In the Netherlands and Germany, KPN has a certified environmental management system (ISO14001). This international standard is used to develop environmental policy, to manage environmental aspects and to improve the environmental performance of an organization.

## **7. 2 PESTLE analysis of Deutsche Telekom**

### **Political Factors**

Germany has a very stable government which provides a safe environment for business. The efficient regulatory regime and open-market policies treat the foreign business investments much the same as German investors[12]. Its political system is open to international business and strives to find ways in which to attract new businesses and investors, such as recently lowering its corporate profit taxes[13].

The main challenge for the government of Germany is dealing with the debt crisis in the Eurozone, which had a significant negative impact on public finances and economic growth. The bailout of financially weak European countries is unpopular among German taxpayers which also represents a political risk[14]. Despite there is a challenging external economic environment aggravated by the European debt crisis, Germany is still one of



the world's most dynamic and powerful economies. The foundations for long-term competitiveness and stable economy growth have been deeply rooted in the high quality of the judicial regime, which maintains a strong rule of law.

## **Economy Factors**

Germany is the world's fourth-largest economy by nominal GDP and fifth by GDP (PPP) in 2011. Germany is also the largest national economy in Europe, accounting for about one-fifth of the gross domestic production (GDP) of the European Union (EU)[15]. Germany is the world's third largest exporter with \$1. 408 trillion exported in 2011 (Eurozone countries are included)[16].

Germany is one of the world's high-income countries and the largest European trade and investment partner of the United States. Although its economic and commercial policies are increasingly determined within the EU, Germany plays a key role in influencing EU policies (Paul Belkin 2009).

Germany's economy has been on a lower growth rate in recent years, and unemployment has also risen steadily. Especially hit by the international financial crisis, which led to a steep 5% decline in the GDP growth of Germany in 2009[17]. The crisis also raised questions about the long-term vitality and strength of the German economy. After resuming in 2010, economy growth in Germany slowed down again in 2011 as a result of the debt crisis in the Eurozone and the specter of recession. With declining economic growth and rising expenditures on social protections, Germany is facing significant budgetary issues and resource constraints.

The telecom industry plays an important part of the Germany's economy and has important strategic significance for the economy's development. So the aim of market liberalization in Germany includes not only the benefits to consumers of improved prices, choice, quality of service and widened product range, but also overall economic development[18]. The government recognizes that investment in communications infrastructure, services and broadband will mainly come from the private sector. And pro-competitive regulatory reform is considered the most effective way to promote the private sector investment and innovation. Economic slowdown in Germany makes these broader aims more pressing and important.

## **Social Factors**

Germany has the largest population in the European Union with 81.8 inhabitants in January, 2011. The prosperous German economy attracts millions of immigrants from around the world as it is the third largest country in terms of immigration[19]. Germany has a modern and open society; most people are well-educated and enjoy a high standard of living. Germany is also famous for its well social security system which mainly due to their flourishing economy. Besides, there are more than 40 million workforces in Germany which making it the largest pool of labor in the EU. Germany's world-class education system ensures that the students will receive the highest-standard education. More than 80 percent of the German workforce has received formal professional training or owned an academic degree[20]. Germany is also the largest and most mature mobile market in Western Europe, with average penetration in the broadband and mobile sectors. Its

high levels of literacy, urbanization and strong economic performance make Germany a welcoming telecommunications market.

In Germany, the mobile penetration reached more than 135% by early 2011[21]. Regulatory pressure on voice roaming and termination rates will encourage operators to further promote their development of data applications to improve profits. In 2011, Deutsche Telekom saw a growth in its German customer base and data use, with more than one million new mobile contract customers, although there was a historical low in the number of line losses in its fixed network of 21 per cent during the year[22].

## **Technical Factors**

New technologies and innovation are significant to maintain Germany's international competitive power. German companies are one of the global leaders in the development of new technologies. Depending on high quality and innovation, the "Made in Germany" brand has been a guaranty of quality. Moreover, Germany is the number one location for research in Europe. Germany's unique scientific tradition and great variety of research fields offer ideal conditions. Research-intensive products and services contribute 45 percent to the creation of value in Germany, more than in any other industrialized country[23]. As one of the world's leading exporters, Germany clearly understands that science and technology lay the foundation for its future position on the world markets. They are the key to competitiveness and sustainable economic growth.

The German Information Communication Technology (ICT) industry is the largest in Europe and fourth largest internationally. The sector plays a

significant role in promoting successful R&D outcomes in Germany: over 80 percent of innovations in key industries are reliant on ICT technologies. A number of ICT industry segments display significantly positive growth rates; the foremost being the outsourcing services, mobile data services, and gaming market sectors. High levels of public sector investment in broadband and a significant number of private sector innovations made possible by healthy R&D incentives levels all contribute to creating a flourishing and dynamic investment environment[24].

## **Legal Factors**

Germany has a favorable legal environment which is world-famous for its stability and high transparency. The Germany's effective enforcement system and solid codifications provide investors with a strong legal framework to enforce their rights. Its commercial law is strongly respected, because all property rights are well protected and the judiciary is highly professional. As a result, Germany is generally considered to have a secure environment for international investment and business.

The German Telecommunication Act was published in 1996. The main content are not only adapt for the development of German telecom, but also show the EU commission's requirements to establish European unified telecom market and the development planning. This is still the basic law of telecom regulation in Germany. The purpose of this Act is, through technology-neutral regulation, to promote competition and efficient infrastructures in telecommunications and to guarantee appropriate and adequate services throughout the Federal Republic of Germany[25].

(1) Telecommunications regulation shall be under federal authority.

(2) The aims of regulation shall be-

To safeguard user, most notably consumer, interests in telecommunications and to safe guard telecommunications privacy;

To secure fair competition and to promote telecommunications markets with sustainable competition in services and networks and in associated facilities and services, in rural areas as well;

To encourage efficient investment in infrastructure and to promote innovation;

To promote development of the internal market of the European Union;

To ensure provision throughout the Federal Republic of Germany of basic telecommunications services (universal services) at affordable prices;

To promote telecommunications services in public institutions

To secure efficient and interference-free use of frequencies, account also being taken of broadcasting interests;

To secure efficient use of numbering resources;

To protect public safety interests.

## **Environmental Factors**

In Germany, environmental protection continues to be a major public concern and a high policy priority. This is mainly due to pressures on the

<https://assignbuster.com/pestle-analysis-is-an-external-analysis-economics-essay/>

environment resulting from its high population density, level of industrialisation and strong dependence on fossil fuels[26]. Changes in the climate and atmosphere system are the greatest political and environmental challenges in the 21st century. In the international arena, Germany is a forerunner in climate and energy policies and aim to achieve ambitious emission-reduction goals[27], while climate change which mainly caused by human activities is broad considered all over the world.

The ICT industry plays a key role when it comes to curbing climate change. Deutsche Telekom discussed this fact at the United Nations' COP 17 climate protection conference[28], which was held in December 2011 in Durban, emphasizing the necessity of setting specific and mandatory targets. As a forerunner, Deutsche Telekom is developing the products and services in line with these criteria, making it possible for the customers to engage in green consumption with their innovative ICT services and solutions. The company is also investing heavily in the development of a environmental and climate friendly network infrastructure. Moreover, Deutsche Telekom takes a lot of measures to reduce the impacts which their own business activities have on the climate and environment. Reducing the Group's CO2 emissions in Germany is a key point of the climate protection strategy[29].

## **PESTLE analysis of China Telecom**

### **Political Factors**

China telecom industry started from state-run business, it was directly influenced by national economy policy, macro development environment and national control policy. Due to the monopoly of telecom economy in China

(Yang Yubinge. a. 2011), the telecom companies have closely connection with government and supervisory institution.

Since reform and opening-up, the telecommunication industry of China has been developed at full speed, its achievement having attracted people's attention in the world (Wang 2000). The system reform of the Chinese telecommunication industry is being deepened constantly in recent years as well. The government promised open up the telecom market when China joined WTO in 2001. Then scores of abroad companies applied for the add-value businesses in China and invested in the domestic provider. But there is no one applies to open the network provider company in China because of the high development cost and policy risk.

In order to develop the telecom industry, the state formulated and promulgated a series of policies such as " 2006-2020 National informatization development strategy", " The information industry 115 planning" and " Telecom industry adjust and revitalization plan 2009-2011". " The information industry 115 planning" showed that the telecom provider should enhance the interaction with manufacturing industry. " Telecom industry adjust and revitalization plan 2009-2011" emphasized that the industry's independent innovation of information technology was the most important strategy objective.

With the improvement of control policy and sustaining reform, there will be an increasing number of abroad provider join in the Chinese telecom market. The telecom provider in China will be confronted with a free and pro-

competition environment, which indicates that more incentive competition will come into being.

## **Economy Factors**

The People's Republic of China (PRC) is the world's second largest economy by normal GDP and by purchasing power parity after the United States[30]. It is the world's fastest-growing major economy, with growth rates averaging 10% over the past 30 years[31]. China is also the largest exporter and second largest importer of goods in the world. On a per capita income basis, China ranked 90th by nominal GDP and 91st by GDP (PPP) in 2011, according to the International Monetary Fund (IMF). The provinces in the coastal regions of china tend to be more industrialized, while regions in the hinterland are less developed. As China's economic importance has grown, so has attention to the structure and health of the economy.

After the reform and opening-up policy in China, the national economy is developing fast and steady, the consumer power of society is also expanding fast. This is also promoting the development of telecom industry. The Chinese telecommunication sector's growth rate was about 20% between 1997 and 2002. China fixed-line and mobile operators have invested an average of 25 billion US dollars on network infrastructure in the last years, which will be more than all western European carriers combined. As a result, with 13 billion citizens, China owns the world's largest fixed-line and mobile network in terms of both network capacity and number of subscribers. As of March 2012, there were a total of 284.3 million fixed-line telephone subscribers and 1.01 billion mobile phone subscribers in China.[32]



## **Social Factors**

As the people's living standard continuing to improve and communication consumption capacity is continuing to grow, there are more and more consumers like to enjoy a variety of telecommunications services. This requires telecom companies' network equipment continual upgrading (ZhangLei 2007); meanwhile develop the enormous potential new business to be excited to meet new consumer demands, which gives China's telecommunications equipment market tremendous demand potential.

As a state-run telecom operator shouldering the heavy tasks of national information infrastructure construction and modern telecommunications services, China Telecom has always been adhered to the faith of " All-round innovation, seeking truth through pragmatic practice, taking human being as the basis and jointly creating value".[33]China Telecom is repaying the society, serving the customer, taking care of the staff, and repaying the shareholders while keeping the company steadily developed and grown under the concept of scientific development and in line with the ever-changing environment. China Telecom carried out its social responsibility in all the operation processes while providing services and products, and makes its great efforts in realizing the coordination and harmonious unity between the corporate development and social development, and environment protection while contributing to the social progress[34].

In short, China is still belonging to the developing countries; the penetration rate of the telecommunications business is still lower (Liu 2007). In the future, the telecommunications market will continue to expand the scale.

## **Technological Factors**

In the aspect of technological, China has launched its own domestic 3G mobile technology standard TD-SCDMA, which will challenge CDMA2000 and W-CDMA.[35]The development and usage of new technologies like “clouding” and “IPv6” will promote the internet network penetrating into the real economy and traditional industry. Computer, television and telephone will be fused into one new business. (Wang Xiaochu 2010)

“ Report on China’s Telecom Industry in 2010-2012” predicts that in 2011-2012, China will accelerate the combination of telecom network, broadcast network and Internet, and promote interoperability, resource sharing, and the development of information and cultural industries, by using of related policies. This interoperability is not only an opportunity but also a challenge for the telecom industry.

Since the completion of recombination and the issue of 3G licenses, China’s telecom industry has set up a three-way struggle, and the competition of the telecom industry has entered a new stage of development. The year of 2009 became the start of this stage. The development of the telecom industry so far is observed to be driven by investment. Since 2010, China’s investment in 3G will be reduced gradually, and the telecom industry will enter a “ post-3G” era. Additionally, there will be a slowdown of investment-led growth, and the development of the telecom industry will be driven mainly by consumption.

## **Legal Factors**

The State Council is the government body in charge of all legislative issues in China, including those regarding telecommunications. Regulations and administrative measures issued in 2000 and 2002 lay out the principles and requirements for telecom licensing, interconnection, service standards and charges, network construction, telecom security, and penalties for violating the regulations. However, many regulations are unclear, subject to interpretation, and sometimes ignored by provincial authorities or the carriers themselves[36].

The legal system of telecom industry in China is not perfect now. The only law now is the “telecommunication regulation of the People’s Republic of China” which promulgated in 2000. And the “Telecommunication Act” is still on the drafting process, but neither its specifics nor a timetable for its enactment has been made public. Telecom industry will go through from full monopoly to full competition or effective competition. China telecom industry is on the period of transition - limited competition period[37]. It is expected the telecom industry in China will have a better development situation af