

# Inflation and pestle analysis

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**Pestle Analysis** A pestle analysis is one of the most popular and effective methods of analysing the external macroeconomic factors that could impact on a business within a specific industry. Commonly, a pestle analysis will be used alongside other analyses that focus on internal factors. The combination of the pestle analysis with other factors will allow a company to create a strategic management plan of how to move its business forward in a way that maximises the opportunities available to it, externally.

A pestle analysis comprises of six factors, namely political, economic, socio-cultural, technological, legal and environmental. The latter two have been recent additions to the pestle analysis (formerly known as pest) and reflect the growing importance of the environment and regulation to companies across all industries. **Pestle Analysis - Political** Political issues as part of the pestle analysis include all sorts of factors that normally derive from the government in the form of policies or legislation.

For the purposes of the pestle analysis of a self-employed beautician, there is little in the way of trade restrictions and tariffs to be concerned about. With the government currently encouraging parents (and specifically single parents) back to work the beauty industry should see a growing number of workers available. As peak times generally evenings and weekends, this could certainly fall in line with the political drive to encourage mothers back to work as this would be the times where alternative childcare would not be available.

**Pestle Analysis - Economic** The pestle analysis then goes on to look at the economic impact on beauty industry. Key areas for the pestle analysis include inflation rates, interest rates and general economic conditions. The <https://assignbuster.com/inflation-and-pestle-analysis/>

Beauty therapies are usually considered luxury products; therefore, when there is an economic downturn, the number of customers is likely to reduce. Where individuals have less disposable income due to high inflation levels, they will be less inclined to spend money on luxuries.

The current economic climate is relatively weak and individuals are not feeling sufficiently wealthy to spend large amounts of their income on beauty treatments. As the pestle analysis has indicated, this to be a particular threat to the beauty industry and this should be something that management looks at mitigating. Typically, this could include reduction in costs and enhanced services for clients. Pestle Analysis - Social When conducting a pestle analysis on beauty therapy, the area of socio-culture represents a much more positive outlook.

This part of the pestle analysis considers demographics such as age and wealth as well as issues including career aspirations and general interest in beauty issues. In this case, the beauty industry is doing extremely well. With a growing number of young women carving lucrative careers, there is an increasing demand for beauty therapy. Not only are greater numbers of younger individuals earning good wages, but the grey pound is also increasing in strength. There is a growing demand from older people for beauty treatments and an increasing ability by these individuals to be able to afford such treatments.

These changing demands have led to substantial diversification and new opportunities within the beauty industry. Pestle Analysis - Technological On the face of it, technological developments may not appear to be particularly relevant to a beauty business. However, in conducting a more detailed pestle <https://assignbuster.com/inflation-and-pestle-analysis/>

analysis, it becomes clear that the beauty industry as it stands has relatively high barriers to entry by virtue of the level of expertise and technology required. As established in the earlier part of the pestle analysis, consumers are becoming more demanding and experimental in the area of beauty therapy.

As such, there is a growing need for beauty treatments to ensure not only that they have the latest technology, but also that beauticians are trained to use such equipment. Whilst basic beauticians may find that they are not prohibited from entering the market by virtue of their lack of technology, the pestle analysis in relation to socio-cultural issues has shown that in order to establish a truly competitive position, companies will have to offer the latest technology and a wide range of options.

**Pestle Analysis - Legal** When looking at the beauty industry from a pestle point of view, it is not surprising that health and safety legislation is both plentiful and restrictive. It is necessary for all beauticians to comply with the basic health and safety regulations, but they should also pay attention to treatment specific requirements. All beauticians will have to be suitably qualified. Insurance will have to be maintained and all necessary employment law provisions complied with.

As the workforce is likely to be largely part time and possibly even self-employed, attention will have to be paid to ensure that the correct taxes and paperwork requirements are complied with.

**Pestle Analysis - Environmental**  
The issue of environmental factors has only just been added to the pestle analysis in a bid to recognise how important this factor can be to the success

of a business. Traditionally, in the pestle analysis, a company would consider the environmental issues with which it must comply.

In the case of a beauty therapy, this is largely likely to be in relation to dangerous substances such as massage oils and cleaning chemicals. However, a slightly different approach which the pestle analysis reveals is that the environment could, in fact, bring opportunities to a beauty therapy with a growing demand for organic and natural products. Many consumers (as previously analysed in the pestle analysis) will pay a premium for natural products and, as such, being seen to be environmentally friendly will not only ensure regulatory compliance, but may also encourage more customers at a higher value.