

# What is steep analysis?

Business



A STEEP analysis is a tool commonly used in marketing to evaluate different external factors which impact an organization. It is essential for every business to consider some external forces before they can take decisions.

Many people have limited imagination as it is shaped by their own experience and beliefs. This tendency often leads an individual to neglect the reality or to refuse to recognize the critical changes around them. In the world of business, there is immense pressure to take quick decisions and to act on the judgment and instinct instead of careful analysis of the situation.

The STEEP analysis is often conducted by firms to get a detailed overview on what external factors determine the trends. It also helps to predict what might happen in the future. STEEP is basically an acronym which stands for Social, Technological, Economical, Environmental, and Political. It is also known around the world as PEST, PESTEL, PESTLE, STEPJE, STEP, STEEPLED, and LEPEST.

**Social:** The social developments include factors like consumer behavior demographics, religion, lifestyles, values, and advertising.

**Technological:** The technology aspect of STEEP analysis focuses highly on technological advancements. It includes factors like innovation, communication, energy, transport, research and development, patent regulations and life-cycle of products.

**Economic:** The economic condition is strongly associated with the consumers' buying position. In this step, factors such as interest rates,

international trade, taxes, savings, inflation, subsidies, availability of jobs and entrepreneurship are considered.

**Environmental:** Environmental developments involve ecosystem factors such as water, wind, food, soil, energy, pollution and environmental regulations.

**Political:** The Political developments can highly influence individuals and organizations. It is important to be aware of likely upcoming shifts in power. Political developments can affect environmental, antitrust, financial markets, trade, and other kinds of laws. Factors to be considered include political stability, regulation of monopolies, tax policies, price regulations consumer protection, jurisdiction and trade unions.

STEEP is commonly used to gain an insight into past, current and future of the external environment developments during times of uncertainty, times of information overload and times of disorganization.

So, STEEP analysis is conducted when members are unsure about how the market will react to changes in particular elements. It's also used when there is a constant flow of information from the external environment for a company or when firms seem confused about the external environment.

Which STEEP factors you should rely on more depends highly on your field of interest or aim. B2C firms, for example, are most likely to focus on the social factors. Large non-profit companies, on the other hand, would perhaps be more concerned about the political factors. The factors which are most likely to alter and affect entities directly are the most crucial ones.

The analysis can be conducted by anyone who wants to control developments in the contextual factors. It can be carried out by an individual but is most commonly done by a firm's corporate level or a division.

Educational institutes may also choose to do STEEP analysis.

However, it is important to follow some steps to get the best results in the time invested in executing the analysis. A 5-step plan has been given below:

#### Step 1: Understand the elements being analyzed

This step urges the analyst to comprehend the factors of the environment which are being evaluated. Individuals or companies should try to answer questions about the following:

- What are the key trends and events within the element and what evidences support these trends?
- How have these trends evolved historically?
- What is the nature of change in the trends you noticed?
- What kind of effects do the trends have on the firm?

#### Step 2: Assess the interrelationship between different trends

This step entails properly assessing the interrelationship that trends have with the external environment elements. As an analyst, you are expected to find out what the conflicts between the trends are and what the interrelationships between the trends are like.

#### Step 3: Relate the trends to issues

Analysts should identify the trends which play a significant role in boosting or hindering the company's process to reach its objectives. It is recommended that the best approach to executing this step is to create a list of possible trends and then gradually shrinking it down to what the main issues are.

#### Step 4: Forecast the upcoming direction of issues

At this stage, you are expected to take the analysis beyond the information you collected in prior steps. Using your expertise and collected data to determine what the driving forces behind the issues are. Try to identify the causes and symptoms of the trends to find the driving forces.

It is true that this task can be quite time-consuming and even frustrating at times. Yet, when the step is completed it can offer a wealth of insights which will guide the firm's decision-making process.

#### Step 5: Derive the implications

Deriving implications is a crucial step. It will provide a unique opportunity to make conclusions or decisions about the external environment. It can help deduce how the factor can affect any present and future strategic initiatives.

Remember, good conclusions will leave your organization with "food for thought" and the implications which should be dealt with when executing a strategic plan.

When external environment factors like downturns in the economy and lack of investment have their toll on a company's strategic options, the STEEP

analysis can help get a better understanding of how each factor affects the planning process. The tool helps take better decisions.

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