Economics and pestle analysis

PESTLE analysis, which is sometimes referred as PEST analysis is a concept in marketing principles. Moreover, this concept is used as a tool by companies the world over to track theenvironmentthey're operating in or are planning to launch a new project/product/service etc.

PESTLE is a mnemonic which in its expanded form denotes P for Political, E for Economic, S for Social, T for Technological, L for Legal and E for Environmental. It gives a bird's eye view of the whole environment from many different angles that one wants to check and keep a track of while contemplating on a certain idea/plan.

The framework has undergone certain alterations, as gurus of Marketing have added certain things like an E for Ethics to instill the element of demographics while utilizing the framework while researching the market.

There are certain questions that one needs to ask while conducting this analysis, which give them an idea of what things to keep in mind. They are:

What is the political situation of the country and how can it affect the industry? What are the prevalent economic factors?

How much importance doesculturehas in the market and what are its determinants? What technological innovations are likely to pop up and affect the market structure? Are there any current legislations that regulate the industry or can there be any change in the legislations for the industry? What are the environmental concerns for the industry?

All the aspects of this technique are crucial for any industry a business might be in. More than just understanding the market, this framework represents one of the vertebras of the backbone of strategic management that not only

defines what a company should do, but also accounts for an organization'sgoalsand the strategies stringed to them.

It may be so, that the importance of each of the factors may be different to different kinds of industries, but it is imperative to any strategy a company wants to develop that they conduct the PESTLE analysis as it forms a much more comprehensive version of the SWOT analysis.

It is very critical for one to understand the complete depth of each of the letters of the PESTLE. It is as below:

Political: These factors determine the extent to which a government may influence the economy or a certain industry. [For example] a government may impose a new tax or duty due to which entire revenue generating structures of organizations might change. Political factors include tax policies, Fiscal policy, trade tariffs etc. that a government may levy around the fiscal year and it may affect the business environment (economic environment) to a great extent. Economic: These factors are determinants of an economy's performance that directly impacts a company and have resonating long term effects. [For example] a rise in the inflation rate of any economy would affect the way companies' price their products and services. Adding to that, it would affect the purchasing power of a consumer and change demand/supply models for that economy. Economic factors include inflation rate, interest rates, foreign exchange rates, economic growth patterns etc. It also accounts for the FDI (foreign direct investment) depending on certain specific industries who're undergoing this analysis. Social: These factors scrutinize the social environment of the market, and gauge determinants like cultural trends, demographics, population analytics

etc. An example for this can be buying trends for Western countries like the US where there is high demand during the Holiday season. Technological: These factors pertain to innovations intechnologythat may affect the operations of the industry and the market favorably or unfavorably. This refers to automation, research and development and the amount of technological awareness that a market possesses. Legal: These factors have both external and internal sides. There are certain laws that affect the business environment in a certain country while there are certain policies that companies maintain for themselves. Legal analysis takes into account both of these angles and then charts out the strategies in light of these legislations. For example, consumer laws, safety standards, labor laws etc. Environmental: These factors include all those that influence or are determined by the surrounding environment. This aspect of the PESTLE is crucial for certain industries particularly for example tourism, farming, agriculture etc. Factors of a business environmental analysis include but are not limited to climate, weather, geographical location, global changes in climate, environmental offsets etc. There are many templates available for companies to conduct PESTLE analysis. Many organizations have provided information regarding their PESTLE analysis as case studies available on the Internet.