

PEST Analysis

What is a PEST analysis?

- A PEST analysis is a strategic business tool used by organizations to discover, evaluate, organize, and track macro-economic factors which can impact on their business now and in the future.
- The framework examines opportunities and threats due to Political, Economic, Social, and Technological forces. Outputs from the analysis inform strategic planning processes and contribute to market research.
- The output from a PEST analysis is useful for informing other business management processes such as SWOT analysis, SOAR analysis, risk analysis, or a Business Model Canvas.
- There are many variations of this framework, which look at different external factors, depending on which industry or market the organization operates in.

Examples include PESTLE, STEEPLE, STEER, and STEEP.

Why do a PEST analysis?

- Helps to evaluate how your strategy fits into the broader environment and encourages strategic thinking
- Provides an overview of all the crucial external influences on the organization
- Supports more decisive and knowledgeable decision making
- Assists planning, marketing, organizational change initiatives, business and product development, project management, and research papers

Pestle analysis template PowerPoint



Political

Political or politically motivated factors that could impact the organization.

Examples include:

Government policy, political stability or instability, bureaucracy, corruption, competition regulation, foreign trade policy, tax policy, trade restrictions, labor/environmental/copyright/consumer protection laws, funding grants & initiatives, etc.

Questions to ask:

What government policies or political groups could be beneficial or detrimental to our success?

Is the political environment stable or likely to change?

Economic

Overall economic forces that could impact on your success.

Examples include:

Economic trends, growth rates, industry growth, seasonal factors, international exchange rates, International trade, labor costs, consumer disposable income, unemployment rates, taxation, inflation, interest rates, availability of credit, monetary policies, raw material costs, etc.

Questions to ask:

What economic factors will affect us moving forward?

How does the performance of the economy affect us at the moment?

How are our pricing, revenues, and costs impacted by each economic factor?

Social

Social attitudes, behaviors, and trends that impact on your organization and target market.

Examples include:

Attitudes and shared beliefs about a range of factors including money, customer service, imports, religion, cultural taboos, health, work, leisure, the environment; population growth and demographics, immigration/emigration, family size/structure, lifestyle trends, etc.

Questions to ask

How do our customer's beliefs and values influence their buying habits?

How do cultural trends and human behavior play a role in our business?

Technological

Technology that can affect the way you make, distribute, and market your products and services.

Examples include:

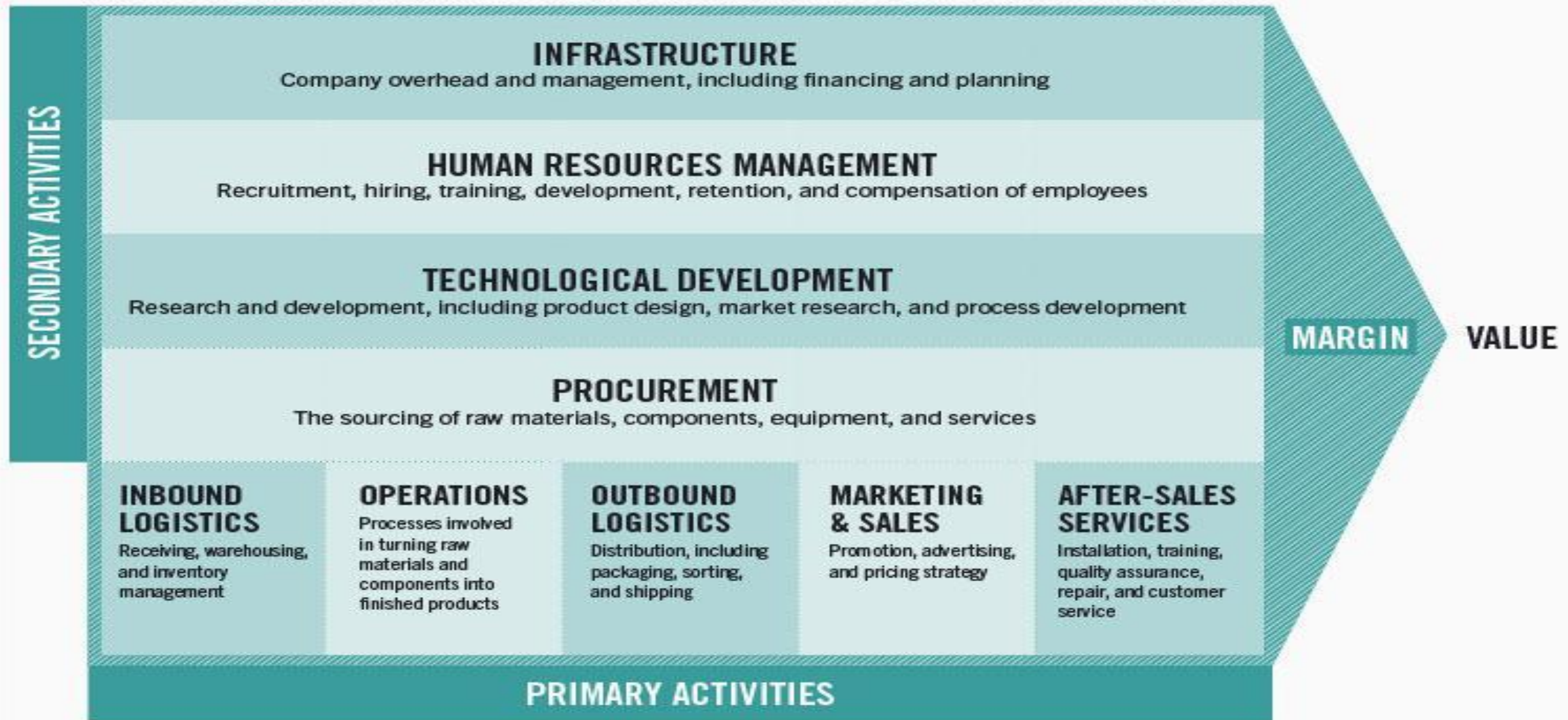
Technology and communications infrastructure, legislation around technology, consumer access to technology, competitor technology and development, emerging technologies, automation, research and innovation, intellectual property regulation, technology incentives, etc.

Questions to ask:




What technological advancements and innovations are available on the horizon?

How will this technology impact on our operations?

THE VALUE CHAIN



Internal Analysis: Value Chain

			
Distribution	Superior - #1 in fast food industry. Financially strong. Intellectual property.	Inferior	Inferior
Operations	Superior – Standardized processes	Inferior	Inferior
Marketing & Sales	Superior – Known as industry marketing leader - New upscale restaurants - McCafe, Free Wi-Fi - Economies of scale passed on to customers (\$1 Menu)	Inferior	Inferior
Supply Chain-Management	Superior • major advantage to lock in prices from suppliers. • Own many of their own sources of inputs. (cattle herds in Brazil)	Inferior	Inferior