

# PESTEL Analysis

- PESTEL analysis is one important tool that executives can rely on to organize factors within the general environment and to identify how these factors influence industries and the firms within them.



# PESTEL Analysis

- PESTEL is an anagram, meaning it is a word that created by using parts of other words. In particular, PESTEL reflects the names of the six segments of the general environment: (1) political, (2) economic, (3) social, (4) technological, (5) environmental, and (6) legal.



# PESTEL Analysis

- P Is for “Political.”
- E Is for “Economic”.
- S Is for “Social”.
- T Is for “Technological”.
- E Is for “Environmental”.
- L Is for “Legal”.

# P Is for “Political”

- The political segment centers on the role of governments in shaping business. This segment includes elements such as tax policies, changes in trade restrictions and tariffs, and the stability of governments.





# **E Is for “Economic”**

The economic segment centers on the economic conditions within which organizations operate. It includes elements such as interest rates, inflation rates, gross domestic product, unemployment rates, levels of disposable income, and the general growth or decline of the economy.



# S Is for “Social”

- Social factors include trends in demographics such as population size, age, and ethnic mix, as well as cultural trends such as attitudes toward obesity and consumer activism.



# T Is for “Technological”

The technological segment centers on improvements in products and services that are provided by science. Relevant factors include, for example, changes in the rate of new product development, increases in automation, and advancements in service industry delivery.





# **E Is for “Environmental”**

The environmental segment involves the physical conditions within which organizations operate. It includes factors such as natural disasters, pollution levels, and weather patterns.





# L Is for “Legal”

- The legal segment centers on how the courts influence business activity. Examples of important legal factors include employment laws, health and safety regulations, discrimination laws, and antitrust laws.

