

PESTLE ANALYSIS

PESTLE analysis, which is sometimes referred to as **PEST analysis**, is a concept in marketing principles. Moreover, this concept is used as a tool by companies to track the environment they'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** olitical
- **E** conomic
- **S** ocial
- **T** echnological
- **L** egal
- **E** nvironmental

It gives a bird's eye view of the whole environment from many different angles that the organization wants to check and keep a track of while contemplating on a certain idea/plan.

1. **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.
2. **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.
3. **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.

4. **Technological:** These factors pertain to innovations in technology that 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.
5. **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.
6. **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 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.