



Lesson: Business tools

Activity: Get to know the business tools

Template: Article Pestle Analysis

What is PESTLE Analysis?

A PESTLE analysis is an extension of the model used for environmental scanning and includes the elements of Political, Economical, Social, Technological, Legal and Environmental factors that could have a direct or long lasting impact on the organization.

This method is used as part of a strategic planning or risk management process and provides an oversight to the team about what is current in their environment and what should be considered in light of these factors. 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 a certain idea/plan.

Who is involved in a PESTLE analysis?

A PESTLE analysis is useful in all industries at the strategic, departmental, and project level to assess current and future markets. Use it as a key input for planning, marketing, organizational change, business and product development, project management, and research reports.

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.

Political Factors

These are all about how and to what degree a government intervenes in the economy. This can include – government policy, political stability or instability in overseas markets, foreign trade policy, tax policy, labour law, environmental law, trade restrictions and so on.

It is clear from the list above that political factors often have an impact on organisations and how they do business. Organisations need to be able to respond to the current and anticipated future legislation, and adjust their marketing policy accordingly.

Economic Factors

Economic factors have a significant impact on how an organisation does business and also how profitable they are. Factors include – economic growth, interest rates, exchange rates, inflation, disposable income of consumers and businesses and so on.

Social Factors

Also known as socio-cultural factors, are the areas that involve the shared belief and attitudes of the population. These factors include – population growth, age distribution, health consciousness, career attitudes and so on. These factors are of particular interest as they have a direct effect on how marketers understand customers and what drives them.

Technological Factors



We all know how fast the technological landscape changes and how this impacts the way we market our products. Technological factors affect marketing and the management thereof in three distinct ways:

New ways of producing goods and services

New ways of distributing goods and services

New ways of communicating with target markets

Environmental Factors

These factors have only really come to the forefront in the last fifteen years or so. They have become important due to the increasing scarcity of raw materials, pollution targets, doing business as an ethical and sustainable company, carbon footprint targets set by governments (this is a good example where one factor could be classed as political and environmental at the same time). These are just some of the issues marketers are facing within this factor. More and more consumers are demanding that the products they buy are sourced ethically, and if possible from a sustainable source.

Legal Factors

Legal factors include - health and safety, equal opportunities, advertising standards, consumer rights and laws, product labelling and product safety. It is clear that companies need to know what is and what is not legal in order to trade successfully. If an organisation trades globally this becomes a very tricky area to get right as each country has its own set of rules and regulations.

Ethical Factors

The most recent addition to PESTEL is the extra E - making it PESTELE or STEEPLE. This stands for ethical, and includes ethical principles and moral or ethical problems that can arise in a business. It considers things such as fair trade, slavery acts and child labour, as well as corporate social responsibility (CSR), where a business contributes to local or societal goals such as volunteering or taking part in philanthropic, activist, or charitable activities.



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