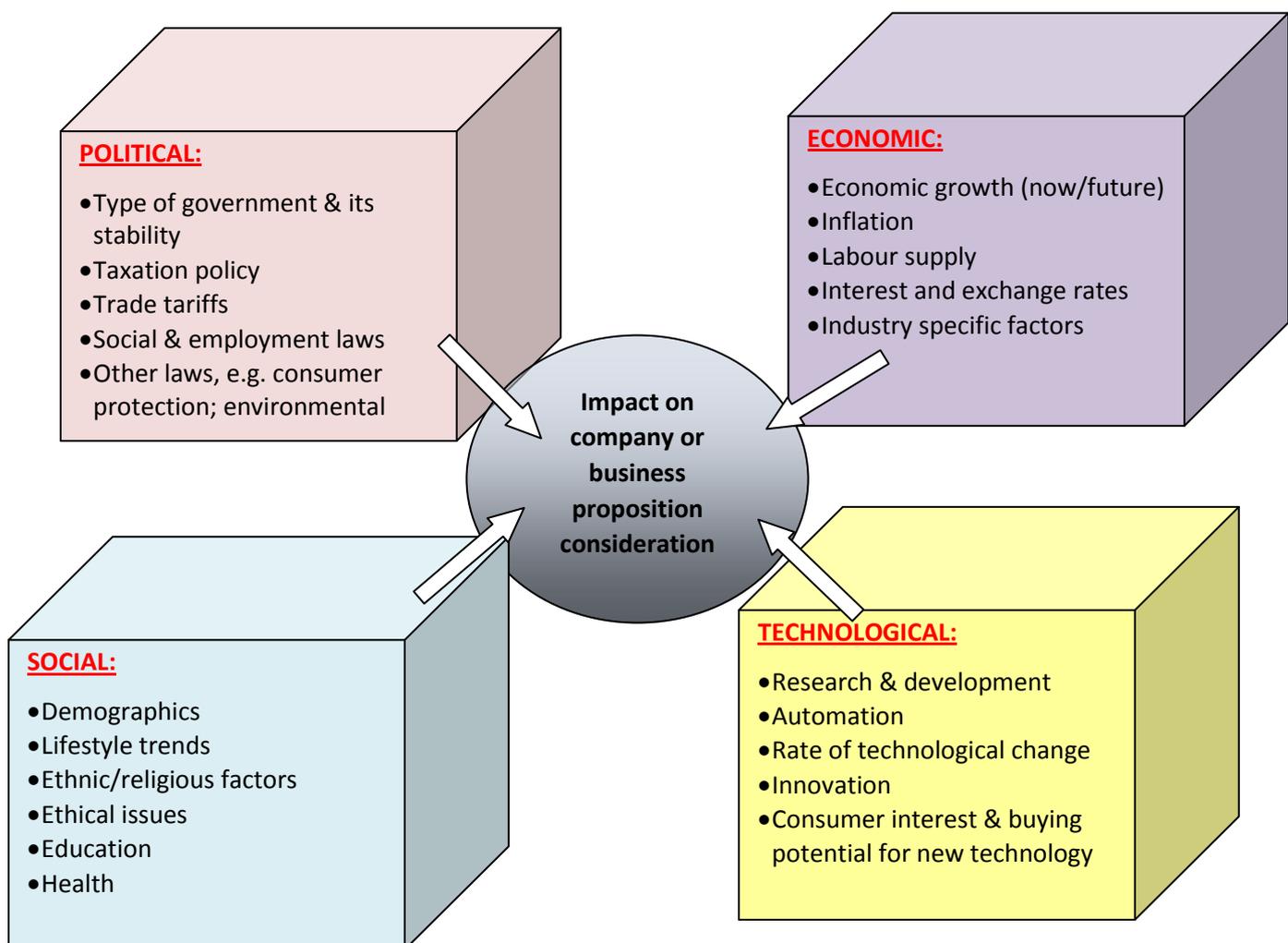


PEST Analysis

PEST analysis is a tool used by organisations to understand **external factors** which impact upon them. It can be used to consider factors impacting upon a company, or an existing product, a new product, a possible partnership, an acquisition, or entry into a new market, etc. The analysis allows the business to consider whether the market is growing or declining, and to consider how to position the business in the market-place.

PEST is an acronym and stands for **P**olitical factors, **E**conomic factors, **S**ocial factors and **T**echnological factors. It can be extended to include Legal and Environmental factors (PESTLE or PESTEL).



By undertaking PEST analysis a business can consider how these factors will impact upon the business. Then it can decide on policies and actions which will allow the business to positively align itself in relation to the external factors. PEST analysis is particularly useful for organisations which are present in several different countries or considering expansion into other countries and in analysing the external environment of other organisations (which may be complex) such as major customers, competitors or suppliers.

The PEST factors will affect different businesses to a differing extent, depending on the type of industry they are operating in and the nature of the goods or service which they offer. For example, a company working in defence-manufacturing is more vulnerable to political factors; a company involved in import/export of goods will be sensitive to trade tariffs and currency fluctuations, whilst a company involved in consumer products is more likely to be affected by social factors.