

Dr. Shyama Prasad Mukherjee University

DEPT. OF COMMERCE

M.COM SEM – 2

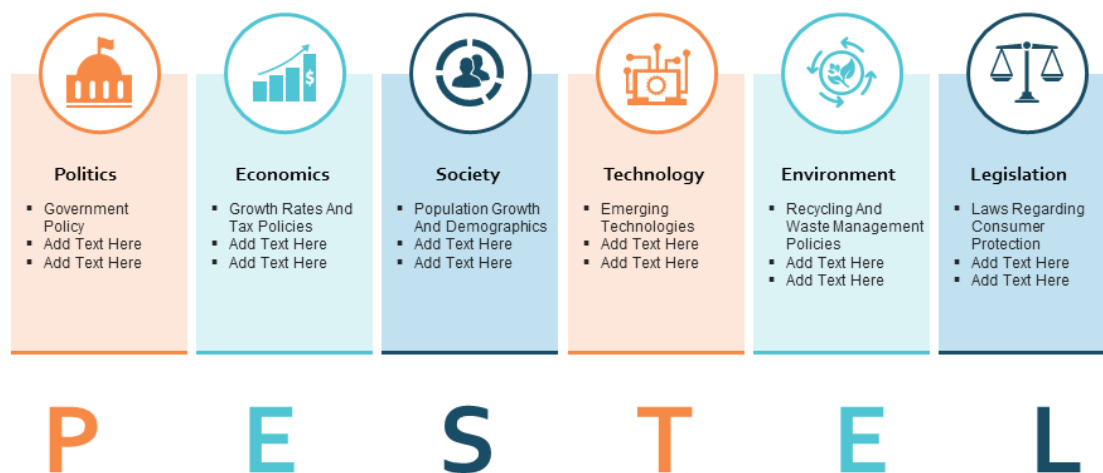
PAPER: BUSINESS ENVIRONMENT

TOPIC: PEST OR PESTEL ANALYSIS

By: Harsha

'PEST or PESTEL Analysis':

PESTEL Analysis



Definition: PEST OR PESTEL Analysis is a measurement tool which is used to assess markets for a particular product or a business at a given time frame. PEST stands for Political, Economic, Social, and Technological factors with common addition of legal and environmental factor. Once these factors are analysed organisations can take better business decisions.

Description: PEST OR PESTEL Analysis helps organizations take better business decisions and improve efficiency by studying various factors which might influence a business such as political, economic, social, and technology. PEST analysis helps in making strategic business decisions, planning marketing activities, product development and research. It is similar to SWOT analysis, which stands for Strength, Weakness, Opportunities, and Threats.

- Let's study each individual factor of PEST analysis in detail. In PEST analysis, 'P' stands for Political environment. It includes government regulations or any defined rules for that particular industry or business. It also involves study of tax policy which includes exemptions if any, employment laws, environment laws, etc.
- The letter 'E' in PEST analysis stands for economic factors. It gauges the economic environment by studying factors in the macro economy such as interest rates, economic growth, exchange rate as well as inflation rate. These factors also help in accessing the demand, costing of the product, expansion, and growth.
- 'S' stands for social factors that form the macro environment of the organisation. It includes the study of demographics, as well as the target customers. These factors help in gauging the potential size of the market. It includes study of population growth, age distribution, career attitude, etc.
- The letter 'T' in PEST analysis stands for technology. As we all know, technology changes very rapidly, and consumers are hungry to adopt new technology. It involves understanding factors which are related to technological advancements, rate at which technology gets obsolete (Example: the operating system in mobile phones), automation, and innovation.

Adding two more factors and it becomes PESTEL analysis-

- The letter 'E' in PESTEL analysis stands for Environment. Environmental factors concern the ecological impacts on business. As weather extremes become more common, businesses need to plan how to adapt to these changes.

Key environmental factors include the following:

- Weather Conditions
- Temperature
- Climate Change
- Pollution
- Natural disasters (tsunami, tornadoes, etc.)
- Additionally, there is increasing importance for businesses to be environmentally friendly with their operations, as evidenced by the rise of Corporate Sustainability Responsibility (CSR) initiatives. Examples of CSR initiatives include carbon footprint reduction efforts and transitions into renewable material and energy sources.
- Environmental Factors Example: An agricultural company has to adjust its harvest forecasts due to unexpectedly dry seasonal conditions that will prevent crop growth.
- The letter 'L' in PESTEL analysis stands for Legal Factors. There is often uncertainty regarding the difference between political and legal factors in the context of a PESTEL analysis. Legal factors pertain to any legal forces that define what a business can or cannot do. Political factors involve the relationship between business and the government. Political and legal

factors can intersect when governmental bodies introduce legislature and policies that affect how businesses operate.

Legal factors include the following:

- Industry Regulation
- Licenses & Permits
- Labor Laws
- Intellectual Property
- Legal Factors Example: A restaurant is forced to shut down after not meeting food safety standards set out in state law.

FEW EXAMPLES OF PEST or PESTEL ANALYSIS ARE AS FOLLOWS:

PEST Analysis Example

Political	XIAOMI		Economic
<ul style="list-style-type: none"> ○ Xiaomi is a Chinese brand. ○ Xiaomi has good support from the Chinese political system. 	P	E	<ul style="list-style-type: none"> ○ Xiaomi offers quality at a price that is easy on the pockets of budget-conscious customers. ○ Unlike Apple and Samsung, Xiaomi offers the same as a pocket-friendly price.
Technological	T	S	Social
<ul style="list-style-type: none"> ○ Xiaomi offers gadgets with the latest technology. ○ Now Phones capable of operating the fifth generation of mobile communication. 			<ul style="list-style-type: none"> ○ More and more customers are switching to smartphones. ○ Customers in western nations have a notion of any product labeled 'Made in China' is substandard.



PESTLE ANALYSIS OF UBER

Leading Shared Taxi Service Provider

Political Factor

- Need to make its stand clear about drivers' insurance.
- Have to follow minimum wage rules.
- Have to have deal with bans in many countries.

Economic Factor

- Easily accessible.
- Affordable fare charges
- Offers jobs opportunities, but pay may not be convincing.

Social Factor

- User friendly
- Quick pick up
- Gives better ride experience than taxis

Tech. Factor

- Excellent mobile app for users
- Using social media and other electronic media well for promotion

Legal Factor

- Need to prevent ban in many countries
- Need to follow labor and employee safety laws well
- Copyright laws need to be looked at as well

Environ. Factor

- Fuel usage may increase
- Traffic congestion is a concern as well

Tesco PESTEL Analysis

