

Small Business **Strategic Planning Tools**

P.E.S.T.L.E Analysis Overview

What is a PESTLE Analysis?

A P.E.S.T.L.E analysis is an approach used in the process of strategic planning to **review the external environment** affecting a business now & in the future. The P.E.S.T.L.E analysis reviews this through a broad range of factors and stands for:

- P - Political environment
- E - Economic environment
- S - Social & consumer Trends
- T - Technological & scientific environment
- L - Legal & Regulatory Environment
- E - Environmental & Green trends

PESTLE is only one format that is used for this type of analysis. There are several variants of this type of approach e.g. PEST, STEEP, STEEPLE etc.

The larger and more complex a business becomes, the more likely it is that an analysis such as PESTLE will be useful. However, even in a small company, the PESTLE analysis may uncover a few key trends that make a significant difference.

The External Environment Analysis

The other parts of an external review include a market review and competitor reviews. These provide the base for assessing opportunities and threats in strategic planning for a business; often then summarised in a S.W.O.T analysis in the business' marketing plan.

Why do we need this?

Whether you use the P.E.S.T.L.E. format or another, the important thing is that it is critical to understanding what environment your business will be facing in the future and how that may affect the market your business operates in and the business itself.

Do I need to cover every factor listed in the PESTLE Analysis?

The short answer is 'yes'. However, when completing these external factors, unless your business is operating specifically in a related industry or area, then some environmental factors will probably involve a limited number of trends that impact your business. You may

not at first be able to think of any factors (in some cases). The better quality time you provide to doing this exercise, the more likely you will be to identify meaningful trends and changes for your business. The idea is to check across each area in case there is something that may present a potential opportunity or a threat.

However, if you operate in a related area, then detailing the specific trends and factors that will currently or potentially impact your business, is critically important.

For example, a legal firm would need to understand in detail all future legislation changes etc that would impact their business and their clients, to accurately assess their future performance as a business. Likewise accountants, mortgage brokers and financial planners will need to accurately understand what impact that changing economic conditions will have on their businesses and their clients in future.

How to do this exercise successfully

The key to doing this well is to prepare. To help your environmental scanning to be optimal, it is advisable to spend time prior reviewing general business trends, industry trends and read related journals and newspapers to get your thinking into gear. As you do this, make some notes of possible changes that are forecast by business and economics commentators, social researchers and other leading opinions in related fields.

Then set aside quiet time in a place where you will be undisturbed by interruptions and in the blank tables provided in these worksheets, list out all the key ideas you have divided between 'opportunities' and 'threats'. When you get to the end you will need to **distil down your list to include only:**

- The factors with **highest impact** on the market you operate in or on your business directly
- The factors likely to **impact in the planning period you are reviewing** e.g. usually any factor impacting in next 3 years or so would be considered to have a short term impact

You should also try to abbreviate your words to fit into your word table easily - use 5-8 words maximum if possible, as long as the meaning is still clear. This saves the table from being too big.

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External Review – Political Environment

Review any potential future factors or changes that may occur as a result of political changes. Examples may include: a change of government locally or at federal or national level; changing government policies; different taxation schemes or levels being introduced e.g. GST, import taxes etc; privatisation of certain bodies e.g. NSW Energy or changes in nationalised industry structure e.g. Telstra.

Political Environment	
Opportunities	Threats
<ul style="list-style-type: none">••••••	<ul style="list-style-type: none">••••••

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External Review – Economic Environment & Trends

Review any economic issues that may impact your business. Examples may include a fall in consumer spending; housing boom; change in interest rates or inflation; unemployment rate changes; changes in economic growth etc.

Economic Environment	
Opportunities	Threats
<ul style="list-style-type: none">••••	<ul style="list-style-type: none">••••

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External Review–Social & Customer Trends

Social Trends

Social trends are extremely important to most business directly or indirectly. Examples may include:

- Movement of certain demographic groups to different geographic localities
- Increase in certain generational groups and decrease of others e.g. Generation Y versus Baby Boomers in the workplace
- An aging population and resultant implications in areas such as spending, services, changes in working hours or patterns
- Need for improved life/work balance
- Trend towards small business start-ups as mothers look for alternative work sources
- Disposable income amongst certain groups and resultant impacts this makes on spending habits etc.

Consumer Trends

Although all consumer trends may be interesting, review each with the mindset that, you should record only information that can be acted on in helping develop your competitive strategy as a business. Examples may include:

- Need for instancy and time saving products or services
- Changing media consumption patterns – TV usage decreasing versus other digital media
- Increasing internet usage and all things digital
- Social network usage increasing at 'light speed'
- Interest in 'experiences' and try before you buy ('Try-sumers')

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External Review – Social and Consumer Trends

Social Trends	
Opportunities	Threats
<ul style="list-style-type: none">•••	<ul style="list-style-type: none">•••

Consumer Trends	
Opportunities	Threats
<ul style="list-style-type: none">•••	<ul style="list-style-type: none">•••

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External Review – Technological and Scientific Environment

Review any technological or scientific changes that may impact your market or business currently or in the future. Unless your business is heavily technology-based, these are likely to be general trends. General trend examples may include: internet usage, mobile usage and mobile advertising; cloud computing; use of webinars and other technology for meetings, presentations and networking.

However, if you are in IT for example, then there could be several more specific factors that would probably be expected to impact future demand and market environment.

Technology & Scientific Environment	
Opportunities	Threats
<ul style="list-style-type: none">•••••	<ul style="list-style-type: none">•••••

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External Review – Legal and Regulatory Environment

Review any pending or future legislation or legal issues that may affect your market or business. Examples may include: changes to BAS requirements or taxation; industrial relations; occupational health & safety legislation; financial legislation; superannuation changes; laws governing pharmaceuticals or foods and their distribution or status.

Legal & Regulatory Environment	
Opportunities	Threats
<ul style="list-style-type: none">••••	<ul style="list-style-type: none">••••

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External Review – Environmental and Green Trends

While some businesses may think this has no relevancy to them, think about how this affects your market or business whether through customer behaviour, legislation, social trends, competitor promotional behaviour (using environment as a platform for incentives or promotions)

Climate change, the use of fossil fuels, pollution and recycling are all key issues for the community and this includes business. Measuring a business' carbon footprint and providing carbon credits in some form is becoming very popular in many industries.

Environmental and Green Trends	
Opportunities	Threats
<ul style="list-style-type: none">••••	<ul style="list-style-type: none">••••

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P.E.S.T.L.E Analysis Summary Worksheet

Summary Page

You will now need to distil **the most important and relevant points from each key heading area into the summary table below used to record your PESTLE Analysis.**

The PESTLE summary table below is also found in our Marketing Plan format available at www.southsidemarketing.com/Resources. You can cut and paste this into your next Marketing Plan using this summary table below or transcribe your notes onto the table.

External Review

Environmental Scan: P.E.S.T.L.E analysis		
Political	Economic	Social & Consumer
•	•	•
Technology & Science	Legal & Regulatory	Environmental
•	•	•