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Principles of Marketing

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Introduction:

HSBC is a UK based bank that provides financial services. It is concerned with banking and remains the largest bank in Europe and one of the largest globally, remaining a strong market candidate. It provides services such as wealth management, insurance, mortgages, corporate finance, trade and loans. I will be doing a PESTLE analysis of this business to see the influence of factors on HSBC and their implications on the business. This is mostly external factors.

PESTLE Analysis:

PESTLE looks at the influence of politics, economics, social, technological, legal and environmental factors¹ on a business. For HSBC, initially I think economic factors will have the greatest influence on the company as it is in the banking industry and is concerned with economics.

Political Impact

Political factors include government laws, regulations and taxes. The BBC suggest that political factors have large influences on business as it has an “impact on profits”². They draw attention to issues such as corporation tax, labour regulation laws and events such as

1 Trivedi, M. and Rastogi, N. (2016). PESTLE Technique - a Tool to Identify External Risks in Construction Projects. [online] International Research Journal of Engineering and Technology, IRJET, p.2. Available at: https://www.researchgate.net/profile/Manoj-Trivedi-2/publication/363640549_PESTLE_TECHNIQUE_-_A_TOOL_TO_IDENTIFY_EXTERNAL_RISKS_IN_CONSTRUCTION_PROJECTS/links/6326de560a70852150026dfc/PESTLE-TECHNIQUE-A-TOOL-TO-IDENTIFY-EXTERNAL-RISKS-IN-CONSTRUCTION-PROJECTS.pdf.

2 BBC (2023). Political factors - External factors - National 5 Business management Revision - BBC Bitesize. [online] BBC Bitesize. Available at: <https://www.bbc.co.uk/bitesize/guides/zgfrpbk/revision/2>.

Brexit.³ For example, for HSBC, increasing corporation tax would directly hinder the company as it now must spend more on tax, meaning overall sales revenue is decreased and therefore profit is decreased. Moreover, work regulation such as a national minimum wage would require HSBC to provide minimum conditions necessary to staff in accordance with the law. This may increase business costs. Finally, events such as Brexit can negatively affect HSBC. For example, Reuters explains the move HSBC made before the finalisation of Brexit, it moved some staff to Paris globally and shifted focus on their European control as it could no longer operate under the EU single market and customs after Brexit would have been complete.⁴ This could have driven up business costs by shifting operations but in the long term prevented extensive loss as they made the shift before Brexit was done.

Economic Impact

The BBC explains that economic factors that can affect businesses such as HSBC are “unemployment, changes in levels of consumer income, interest rates and tax”.⁵

Unemployment can affect HSBC by causing a decrease in consumer income, meaning people will spend less because they have less capital as they are not working. This, for HSBC, may mean they cannot provide loans to consumers as consumers may not have the money to afford it and it also may be a condition of some loans like mortgages. This negatively affects the business as it cannot provide services that people cannot afford. Moreover, interest rates have a huge influence on the bank. For example, interest rates in the UK are set by The Bank of England and this affects all UK banks.⁶ Higher interest rates encourage consumers to save

3 BBC (2023). Political factors - External factors - National 5 Business management Revision - BBC Bitesize. [online] BBC Bitesize. Available at: <https://www.bbc.co.uk/bitesize/guides/zgfrpbk/revision/2>.

4 White, L. (2018). HSBC shifts European branches to French unit control ahead of Brexit. Reuters. [online] 8 Aug. Available at: <https://www.reuters.com/article/world/uk/hsbc-shifts-european-branches-to-french-unit-control-ahead-of-brexit-idUSKBN1KT1G0/>.

5 BBC (2022). The economic factors that affect business activity - Economic influence on business activity - Eduqas - GCSE Business Revision - Eduqas. [online] BBC Bitesize. Available at: <https://www.bbc.co.uk/bitesize/guides/zjjnnrd/revision/1>.

6 Bank of England (2025). What are interest rates? [online] www.bankofengland.co.uk. Available at: <https://www.bankofengland.co.uk/explainers/what-are-interest-rates>.

their money instead of spending it on loans or example. Low interest rates can encourage the opposite where HSBC consumers may take out more mortgages or loans and withdraw savings. This can affect the source of income for HSBC as different services may be popular at different times according to the contemporary interest rate.

Social Impact

Social factors that can affect HSBC, as detailed by the BBC, can be “demographics, lifestyle, trends and ethics.”⁷ For example, differing attitudes on work-life balance may prompt HSBC to act on employment. They have introduced diversity and inclusion strategies to help with this. For example, HSBC claim these strategies “actively promote flexibility, collaboration, learning and wellbeing.”⁸ showing a shift away from hardcore business competition but prioritising the growing sentiment regarding employment. This affects HSBC as it wants to appeal to people and therefore may spend extra capital on ensuring employee happiness. This may make it seem ethical as well which is appealing to ethic-sensitive customers.

Technological Impact

Technological factors refer to “the ways new practices and equipment can affect businesses.”⁹ This has had a huge impact on HSBC, especially with the rise of digitising everything. For example, online banking is offered by majority of banks as it provides a way for customers to manage their banking online rather than visiting branches. This can ultimately benefit HSBC as it can spend less on staff operating branches and more on digital banking which consumers seem to prefer as it is more accessible and easier to manage. However, HSBC would also have to invest heavily on security and therefore may drive up the business costs. However, online banking is becoming more preferred in this generation and therefore it is a good investment to remain competitive.

Legal Impact

7 BBC (2023). Social factors - External factors - Higher Business management Revision. [online] BBC Bitesize. Available at: <https://www.bbc.co.uk/bitesize/guides/zd3prj6/revision/4>.

8 Hsbc.co.uk. (2025). Inclusion - About HSBC | HSBC UK. [online] Available at: <https://www.about.hsbc.co.uk/hsbc-uk/inclusion>.

9 BBC (2021). Technological factors - External factors - Higher Business management Revision. [online] BBC Bitesize. Available at: <https://www.bbc.co.uk/bitesize/guides/zd3prj6/revision/5>.

Legal factors are closely linked with employment regulation and adhering to the UK law. This can negatively affect HSBC as it places mandatory regulation of HSBC, giving it less freedom to do whatever is possible to increase profits.

Environmental factors

These can include multiple things such as acknowledging climate change in decision making and pursuing environmentally friendly policies. David Carse explains how this can affect banks such as HSBC, through credit and reputational risk.¹⁰ For HSBC, reputation is important and therefore if it engaged in harmful environmental practices, this may negatively affect their reputation, reducing revenue and profits.

Critical analysis

This PESTLE analysis of HSBC is good for analysing external factors but fails to say much about the businesses internal processes and how this can affect the business. Nonetheless, the model still serves as a useful strategic tool as it allows HSBC to observe future possibilities and make decisions accordingly. For example, with Brexit, they were able to reduce their losses by making changes before they were cut off from the EU Single Market and Customs.

A journal states, "Modern businesses need to understand external macro-environmental factors due to their essential role in strategic decision-making process,"¹¹ showing the importance of situational analysis.

Therefore, the model acts as a useful tool.

Conclusion

The analysis shows that HSBC can incorporate policies to uphold their reputation through inclusion programmes and environmentally friendly measures as well as make profit friendly decisions such as cutting losses and investing in new innovations such as digital banking. This reinforces the importance of situational analysis in business as it provides them with knowledge to pursue strategic action, ultimately benefitting the success of a business.

10 David Carse: Environmental issues and their implications for financial institutions in Hong Kong. (n.d.). Available at: <https://www.bis.org/review/r001129c.pdf>.

11 Belsare, H.V. (2020). Article Detail - International Journal of Advanced Research. [online] International Journal of Advanced Research. Available at: <https://www.journalijar.com/article/52427/pestle-analysis/>.

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