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Pest Market Analysis Tool

The PEST analysis is a useful tool for understanding market growth or decline, and as such the position, potential and direction for a business.

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pest market analysis tool

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PEST analysis method and examples, with free PEST template

The PEST analysis is a useful tool for understanding market growth or decline, and as such the position, potential and direction for a business. A PEST analysis is a business measurement tool. PEST is an acronym for Political, Economic, Social and Technological factors, which are used to assess the market for a business or organizational unit. The PEST analysis headings are a framework for reviewing a situation, and can also, like [SWOT analysis](#), and [Porter's Five Forces model](#), be used to review a strategy or position, direction of a company, a marketing proposition, or idea. Completing a PEST analysis is very simple, and is a good subject for [workshop sessions](#). PEST analysis also works well

in [brainstorming meetings](#)"><https://www.businessballs.com/problem-solving-and-decision-making/brainstorming-for-team-building-and-problem-solving-how-to-109/>">brainstorming meetings. Use PEST analysis for business and strategic planning, marketing planning, business and product development and research reports. You can also use [PEST analysis exercises for team building games](#). PEST analysis is similar to [SWOT analysis](#) - it's simple, quick, and uses four key perspectives. As PEST factors are essentially external, completing a PEST analysis is helpful prior to completing a [SWOT analysis](#) (a [SWOT analysis](#) - Strengths, Weaknesses, Opportunities, Threats - is based broadly on half internal and half external factors).

free pest analysis template tool

[PEST analysis template - doc format](#) (thanks N Silva)

[PEST analysis template - pdf format](#)

pest variations

The PEST model, like most very good simple concepts, has prompted several variations on the theme. For example, the PEST acronym is sometimes shown as STEP, which obviously represents the same factors. Stick with PEST - nearly everyone else does.

More confusingly (and some would say unnecessarily) PEST is also extended to seven or even more factors, by adding Ecological (or Environmental), Legislative (or Legal), and Industry Analysis, which produces the PESTELI model. Other variations on the theme include STEEP and PESTLE, which allow for a dedicated Ethical section. STEELED is another interpretation which includes pretty well everything except the kitchen sink: Political, Economic, Social and Technological - plus Ecological or Environmental, Ethical, Demographic and Legal.

It's a matter of personal choice, but for most situations the original PEST analysis model arguably covers all of the 'additional' factors within the original four main sections. For example Ecological or Environmental factors can be positioned under any or all of the four main PEST headings, depending on their effect. Legislative factors would normally be covered under the Political heading since they will generally be politically motivated. Demographics usually are an aspect of the larger Social issue. Industry Analysis is effectively covered under the Economic heading. Ethical considerations would typically be included in the Social and/or Political areas, depending on the perspective and the effect. Thus we can often see these 'additional' factors as 'sub-items' or perspectives within the four main sections.

Keeping to four fundamental perspectives also imposes a discipline of considering strategic context and effect. Many potential 'additional' factors (ethical, legislative, environmental for example) will commonly be contributory causes which act on one or some of the main four headings, rather than be big strategic factors in their own right.

The shape and simplicity of a four-part model is also somehow more strategically appealing and easier to manipulate and convey.

Ultimately you must use what version works best for you, and importantly for others who need to understand you, which is another good reason perhaps for sticking with PEST, because everyone knows it, and you'll not need to spend half the presentation explaining the meaning of STEELED or some other quirky interpretation.

If you have come across any other weird and wonderful extended interpretations of PEST I'd love to see them.

On which point (thanks D Taylor) I am informed of one such variation, which featured in some 2010 coursework: PEST LIED. The PEST element represents the usual factors - Political, Economic, Social and Technological. The LIED add-on stands for Legal, International, Environment and Demography. Suggestions of origin gratefully received, and any other variations of the PEST model.

pest or swot

A **PEST analysis** most commonly measures a **market**; a **SWOT analysis** measures a **business unit, a proposition or idea**.

Generally speaking a **SWOT analysis** measures a business unit or proposition, whereas a PEST analysis measures the market potential and situation, particularly indicating growth or decline, and thereby market attractiveness, business potential, and suitability of access - market potential and 'fit' in other words. PEST analysis uses four perspectives, which give a logical structure, in this case organized by the PEST format, that helps understanding, presentation, discussion and decision-making. The four dimensions are an extension of a basic two heading list of pro's and con's ([free pro's and con's template here](#)).

PEST analysis can be used for marketing and business development assessment and decision-making, and the PEST template encourages proactive thinking, rather than relying on habitual or instinctive reactions.

Here the PEST analysis template is presented as a grid, comprising four sections, one for each of the PEST headings: Political, Economic, Social and Technological.

As previously explained, extended variations of PEST (eg., PESTELI and STEEP, etc) include other factors, such as Environmental, Ethical, Legal or Legislative, etc., however in most situations you will find that these 'additional' factors are actually contributory causes or detailed perspectives which then manifest or take effect in the form of one or several of the original four main PEST factors. For example, Ethical and Environmental factors will always tend to produce an effect in at least one of the main four headings (Political, Economic, Social, Technological), but it will tend not to work the other way. Hence why the basic PEST model is often the most powerful - it puts more pressure on strategic appreciation and analysis than a longer list of headings. When you next see a PESTELI or a STEELED analysis ask yourself (or the author): "Okay, I understand that customers tend to be more ethically minded now, but what does that mean in terms of the basic four PEST factors - what's the effect going to be?..." or: "Okay we know that carbon emissions is an issue, but tell me where in the main four PEST factors will it impact..?"

You will gather I am not a fan nor a particular advocate of extending the PEST model. It works great as it is - why make it more complicated and less specific? If you are worried about missing or forgetting a crucial point of ethics or legislation (or anything else) keep a reference list of these headings, and only build them into the model if you are sure that doing so will make it work better as a strategic tool.

The free PEST template below includes sample questions or prompts, whose answers can be inserted into the relevant section of the PEST grid. The questions are examples of discussion points, and obviously can be altered depending on the subject of the PEST analysis, and how you want to use it. Make up

your own PEST questions and prompts to suit the issue being analysed and the situation (ie., the people doing the work and the expectations of them). Like **SWOT analysis**, it is important to clearly identify the subject of a PEST analysis, because a PEST analysis is four-way perspective in relation to a particular business unit or proposition - if you blur the focus you will produce a blurred picture - so be clear about the market that you use PEST to analyse.

A market is defined by what is addressing it, be it a product, company, brand, business unit, proposition, idea, etc, so be clear about how you define the market being analysed, particularly if you use PEST analysis in workshops, team exercises or as a delegated task. The PEST subject should be a clear definition of the market being addressed, which might be from any of the following standpoints:

- a company looking at its market
- a product looking at its market
- a brand in relation to its market
- a local business unit
- a strategic option, such as entering a new market or launching a new product
- a potential acquisition
- a potential partnership
- an investment opportunity

Be sure to describe the subject for the PEST analysis clearly so that people contributing to the analysis, and those seeing the finished PEST analysis, properly understand the purpose of the PEST assessment and implications.

PEST analysis template

Other than the four main headings, the questions and issues in the template below are examples and not exhaustive - add your own and amend these prompts to suit your situation, the experience and skill level of whoever is completing the analysis, and what you aim to produce from the analysis.

Ensure you consider the additional PESTELI/STEEPLED headings, and any others you feel are relevant, but avoid building these into the final analysis model unless you gain some strategic planning or presentation benefit from doing so.

If helpful refer to a list of these other 'headings', for example: Ecological/Environmental, Legislative/or Legal, Demographic, Ethical, Industry Analysis. Apply some strategic consideration and pressure to the points you list under these 'additional' headings. Ask yourself what the effects of each will be on the 'big four' (Political, Economic, Social, Technological). Often your answers will persuade you that the original four-part PEST model is best and that using a more complex series of headings makes it more difficult to complete the analysis fully and strategically.

The analysis can be converted into a more scientific measurement by scoring the items in each of the sections. There is are established good or bad reference points - these are for you to decide. Scoring is particularly beneficial if more than one market is being analysed, for the purpose of comparing which market or opportunity holds most potential and/or obstacles. This is useful when considering business development and investment options, ie, whether to develop market A or B; whether to concentrate on local distribution or export; whether to acquire company X or company Y, etc. If helpful when comparing more than one different market analysis, scoring can also be weighted according to the more or less significant factors.

(insert subject for PEST analysis - market, business, proposition, etc.)

political

- ecological/environmental issues
- current legislation home market
- future legislation
- international legislation
- regulatory bodies and processes

economic

- home economy situation
- home economy trends
- overseas economies and trends
- general taxation issues

- government policies
- government term and change
- trading policies
- funding, grants and initiatives
- home market lobbying/pressure groups
- international pressure groups
- wars and conflicts

social

- lifestyle trends
- demographics
- consumer attitudes and opinions
- media views
- law changes affecting social factors
- brand, company, technology image
- consumer buying patterns
- fashion and role models
- major events and influences
- buying access and trends
- ethnic/religious factors
- advertising and publicity
- ethical issues

- taxation specific to product/services
- seasonality/weather issues
- market and trade cycles
- specific industry factors
- market routes and distribution trends
- customer/end-user drivers
- interest and exchange rates
- international trade/monetary issues

technological

- competing technology development
- research funding
- associated/dependent technologies
- replacement technology/solutions
- maturity of technology
- manufacturing maturity and capacity
- information and communications
- consumer buying mechanisms/technology
- technology legislation
- innovation potential
- technology access, licencing, patents
- intellectual property issues
- global communications

more on the difference and relationship between PEST and SWOT

PEST is useful before SWOT - not generally vice-versa - PEST definitely helps to identify SWOT factors. There is overlap between PEST and SWOT, in that similar factors would appear in each. That said, PEST and SWOT are certainly two different

perspectives:

PEST assesses a market, including competitors, from the standpoint of a particular proposition or a business.

SWOT is an assessment of a business or a proposition, whether your own or a competitor's.

Strategic planning is not a precise science - no tool is mandatory - it's a matter of pragmatic choice as to what helps best to identify and explain the issues.

PEST becomes more useful and relevant the larger and more complex the business or proposition, but even for a very small local businesses a PEST analysis can still throw up one or two very significant issues that might otherwise be missed.

The four quadrants in PEST vary in significance depending on the type of business, eg., social factors are more obviously relevant to consumer businesses or a B2B business close to the consumer-end of the supply chain, whereas political factors are more obviously relevant to a global munitions supplier or aerosol propellant manufacturer.

All businesses benefit from a **SWOT analysis**, and all businesses benefit from completing a **SWOT analysis** of their main competitors, which interestingly can then provide some feed back into the economic aspects of the PEST analysis.

Related Materials

- [BALANCED SCORECARD, THEORY, TEMPLATE, EXAMPLES](#)
- [BUSINESS AND MANAGEMENT DICTIONARY](#)
- [BUSINESS PLANNING AND MARKETING STRATEGY, PROCESS AND TEMPLATES](#)
- [CONTRACTS AND LEGAL TERMS GLOSSARY](#)
- [FINANCIAL BUSINESS TERMS AND RATIOS EXPLAINED](#)
- [MARKETING GUIDE, FROM START-UP TO ADVERTISING](#)

- [PORTER'S FIVE FORCES OF COMPETITIVE POSITION](#)
- [SOSTAC® - PR SMITH'S BUSINESS MARKETING PLANNING SYSTEM](#)
- [SWOT ANALYSIS - THEORY, HISTORY, TEMPLATES AND EXAMPLES](#)
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