

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.

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.

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.

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

<p><b>political</b></p> <ul style="list-style-type: none"> <li>• ecological/environmental issues</li> <li>• current legislation home market</li> <li>• future legislation</li> <li>• European/international legislation</li> <li>• regulatory bodies and processes</li> <li>• government policies</li> <li>• government term and change</li> <li>• trading policies</li> <li>• funding, grants and initiatives</li> <li>• home market lobbying/pressure groups</li> <li>• international pressure groups</li> <li>• wars and conflict</li> </ul>	<p><b>economic</b></p> <ul style="list-style-type: none"> <li>• home economy situation</li> <li>• home economy trends</li> <li>• overseas economies and trends</li> <li>• general taxation issues</li> <li>• taxation specific to product/services</li> <li>• seasonality/weather issues</li> <li>• market and trade cycles</li> <li>• specific industry factors</li> <li>• market routes and distribution trends</li> <li>• customer/end-user drivers</li> <li>• interest and exchange rates</li> <li>• international trade/monetary issues</li> </ul>
<p><b>social</b></p> <ul style="list-style-type: none"> <li>• lifestyle trends</li> <li>• demographics</li> <li>• consumer attitudes and opinions</li> <li>• media views</li> <li>• law changes affecting social factors</li> <li>• brand, company, technology image</li> <li>• consumer buying patterns</li> <li>• fashion and role models</li> <li>• major events and influences</li> <li>• buying access and trends</li> <li>• ethnic/religious factors</li> <li>• advertising and publicity</li> <li>• ethical issues</li> </ul>	<p><b>technological</b></p> <ul style="list-style-type: none"> <li>• competing technology development</li> <li>• research funding</li> <li>• associated/dependent technologies</li> <li>• replacement technology/solutions</li> <li>• maturity of technology</li> <li>• manufacturing maturity and capacity</li> <li>• information and communications</li> <li>• consumer buying mechanisms/technology</li> <li>• technology legislation</li> <li>• innovation potential</li> <li>• technology access, licencing, patents</li> <li>• intellectual property issues</li> <li>• global communications</li> </ul>

**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.

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