

## **THE IMPORTANCE OF PEST ANALYSIS FOR BUSINESS**

Any business is in close interaction with the environment in which it exists. A wise entrepreneur competently adapts to external factors. "Catches a wave", as in surfing, and it carries him to success.

And a businessman who tries to swim against the current naturally fails. Everything is like in nature – the one who has adapted better to the environment survives.

PEST analysis is a comprehensive study that can be used to review and assess the degree of influence of external factors on the business. External factors mean phenomena, events and processes that affect the activities of an organization in a certain way at each stage of its existence and are beyond control [1]. The abbreviation is formed from the name of the factors: P – political; E – economic; S – social; T – technological.

PEST analysis is a comprehensive study, its results are valuable for many areas of development of small, medium or large businesses. According to statistics, 2 out of 10 new businesses close in the first year of operation (Bureau of Labor data), and 9 out of 10 startups fail (Startup Genome data). And all this is due to the fact that there is no clear and comprehensive analysis of possible negative impacts and threats to business.

That is why using the PEST analysis of the company, you can find out:

- Will the product be in demand in the market
- What advantages of competitors could our company use
- Is it worth entering the market of another country
- What could negatively affect business development in the future

Tasks that PEST market analysis solves:

- Identification of factors that can most strongly affect the organization
- Forecasting the company's development opportunities
- Structuring information about the impact on the business of the macro environment [2]

Conducting this type of analysis, we consider the external environment of the organization from four different sides:

### 1. Political factors

- the internal policy of the state;
- model of interaction between the state and business;
- tax legislation;
- the country's foreign policy;

- the political situation in the world;
2. Economic
    - inflation rate;
    - national currency exchange rate;
    - unemployment rate;
    - average salary in the country and regions;
    - level of competition;
  3. Social
    - cultural traditions and customs of the area;
    - religious affiliation of people;
    - average age of the population;
    - level of education;
    - salary expectations.
  4. Technological
    - scientific discoveries;
    - development of new technologies;
    - innovations in patent legislation;
    - research conducted by competitors [3].

PEST analysis should not be confused with STEP analysis. In both types of studies, the same macro-environment factors are considered, but the sequence indicating the priorities in the study differs. [4]

Thus, by detailing each of these factors and analyzing its consequences, an entrepreneur can prevent the collapse of his business, properly allocate available resources and will always be one step ahead of his competitors.

It should be noted that this type of analysis is not carried out by one person or even a couple of people. It is necessary to gather a group of specialists from different fields of economics in order to comprehensively and fully assess the impact of these factors.

#### REFERENCES

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