

**Economic environment and change**

A PEST analysis is an investigation of the important factors that are changing which influence a business from the outside.

PEST stands for:

Political changes

A change in government, or a change in government policy.

Economic changes

Relate to changes in the wider economy such as rises in living standards or the general level of demand, rises or falls in interest rates, etc.

Social changes

Relate to changes in wider society such as changes in lifestyles e.g. more women going out to work, changes in tastes and buying patterns.

Technological changes

Relate to the application of new inventions and ideas such as the development of the Internet and websites as business tools.

**Examples of PEST**

The railway industry in this country has changed in many ways in the last 30 years. The industry was privatised by the previous Conservative government (a political decision) moving from being run by British Rail (a public corporation) to a new structure where the track and stations are maintained by Railtrack and there are a range of private railway companies seeking to make a profit in the various regions of the UK.

As people's living standards have risen (an economic change) most families now have cars, so the rail companies are having to compete vigorously with road transport for customers.

A major social change has been that many people are working from home today using home computers to communicate with their offices. This has led to a reduction in demand for rail transport, although many office workers commute by rail on the days when they visit their offices (for example, in London).

Changes in technology mean that on some rail lines we are seeing the development of high speed trains, as pioneered for example, by Richard Branson's Virgin Rail.

These trains reduce the time taken for long distance travel and are helping to win back customers to rail.

A technological change is one which involves the practical application of scientific or other new ideas in a business or industrial context.