

J D Women's College

Course Name- PG vocational MBA

(3rd semester)

Subject- Security Analysis and Portfolio Management

Topic- Industry Analysis (part-2)

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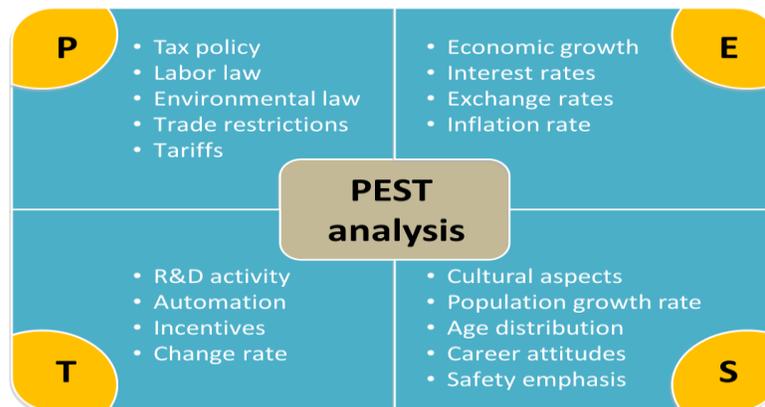
Industry Analysis (part- 2)

There are certain questions that one needs to ask while conducting this **analysis**, which give them an idea of what things to keep in mind. They are:

- What is the political situation of the country and how can it affect the industry?
- What are the prevalent economic factors?
- How much importance does culture has in the market and what are its determinants?
- What technological innovations are likely to pop up and affect the market structure?
- Are there any current legislations that regulate the industry or can there be any change in the legislations for the industry?
- What are the environmental concerns for the industry?

2. PEST Analysis/ Broad Factors Analysis

PEST analysis



A **PEST analysis** is a strategic business tool used by organizations to evaluate, organize, and identify macro-economic factors. These factors have a significant impact on their business now and in the future. With the help of this analysis business examines opportunities and threats due to Political, Economic, Social, and Technological forces. This type of analysis stands for Political, Economic, Social, and Technological or PEST analysis. It is a highly useful framework with which, gain an understanding of the environment within which industry operate. In order to accomplish the complete PEST analysis, each of the four factors analyzed in detail as follows:

Political factors: These are the factors that affect an industry, which are determined by the authorities, that affect the industry either directly or indirectly, such as trade policies, tariffs, environmental regulation, taxes, the ease of doing business, labor laws, and the political stability of the country or region within which the business and industry operate.

Economic factors: These are the economic forces that direct the industry and the country within which the business operates. They include such factors as the ability to access capital, the GDP growth rate, the interest rates, the exchange rates, and so on.

Social factors: These factors are predominant in the society within which the business and industry work. They include such aspects of society as social movements, fashion, health, demographics and population.

Technological factors: This includes all factors that have to deal with any developments or advancements in technology. These factors will have capable to change the operation of the industry or business.

At the time of industry analysis some more factor are considered in the PESTEL analysis PESTEL is the extended form of PEST analysis, which add two more factors, legal and environmental factor.

P	E	S	T	E	L
<ul style="list-style-type: none"> - Government policy - Political stability - Corruption - Foreign trade policy - Tax policy - Labour law - Trade restrictions 	<ul style="list-style-type: none"> - Economic growth - Exchange rates - Interest rates - Inflation rates - Disposable income - Unemployment rates 	<ul style="list-style-type: none"> - Population growth rate - Age distribution - Career attitudes - Safety emphasis - Health consciousness - Lifestyle attitudes - Cultural barriers 	<ul style="list-style-type: none"> - Technology incentives - Level of innovation - Automation - R&D activity - Technological change - Technological awareness 	<ul style="list-style-type: none"> - Weather - Climate - Environmental policies - Climate change - Pressures from NGO's 	<ul style="list-style-type: none"> - Discrimination laws - Antitrust laws - Employment laws - Consumer protection laws - Copyright and patent laws - Health and safety laws

Legal factors

These factors have both external and internal sides. There are certain laws that affect the business environment in a certain country while there are certain policies that companies maintain for themselves. For example, consumer laws, safety standards, labor laws etc.

Environmental factors

These factors include all those that influence or are determined by the surrounding environment. This aspect of the PESTLE is crucial for certain industries particularly for example tourism, farming, agriculture etc. Factors such as climate, weather, geographical location, global changes in climate, environmental offsets etc.

3. SWOT Analysis

The acronym **SWOT** stands for Strengths, Weaknesses, Opportunities, and Threats. With SWOT analysis, business find out what strengths are, according to PEST analysis, what weaknesses are, what opportunities , environment presents, and what threats industry have to deal with.

Strengths are the characteristics your business has that give it some kind of advantage over competitors.

Weaknesses are the characteristics of business have that give it some kind of disadvantage, relative to its competitors.

Opportunities are the elements in business' external environment that allow you to form and implement strategies to make the business more profitable.

Threats are the elements in your business' external environment that could potentially harm the integrity or profitability of your business.

Whenever, conduct any kind of analysis on the industry, considered two types of factors: internal and external.

Internal factors are those that already exist within the business and that have contributed to business' current position and also in near future.

External factors are those that exist outside of the control of the business; these are considered contingencies. They are assessed on the probability of their occurrence and on the kind of impact they would have on the business. The business has the ability as well as the intention of taking advantage of the opportunity and avoiding the threat.