# ESTLE AnalysisA PESTLE Analysis for the Pharmaceutical Industry

January 19, 2011|By: Alan Shaw

It never ceases to amaze me why so many businesses fail to take the time to look at the external environment when completing their business plans and strategies. These external forces will play a big part in shaping the final outcome of the ultimate corporate achievement. Yet, most managers focus only on internal factors and it is fair to say that sales growth and profits remain high on their agenda.

The external environment tends to have a long-term impact and requires extensive research. Couple this with the fact that many managers are over worked and under resourced and we begin to see why the process is often not completed.

The remainder of this article will illustrate an example of a PESTLE analysis for the pharmaceutical industry. It is set at a very general level but it can be used as a template or adapted to be more specific if required:

### Political

There is now growing political focus and pressure on healthcare authorities across the world. This means that governments will be looking for cost savings. Some of the questions the industry should ask are:

* Will the government be looking to increase healthcare prices?
* What healthcare services could be cut?
* Will the same selection of drugs be available to everyone, at a similar price?

In addition to this, could there be more consistency in the healthcare systems across Europe or the USA? And will there be improvements on insurance models?

### Economic

The global economic crisis still exists yet government reports still show that the spending on healthcare per capita (per person) continues to grow. Will the current healthcare models exist tomorrow? The growth in homecare (as seen in the Nutrition sector) demonstrates how nursing services have moved to the private sector and have become a key business offering.

The reduction in consumer disposable income (money available to buy what people want) will have an impact on those countries using health insurance models particularly where part payment is required.

Increased pressure from shareholders has caused a consolidation of the industry: more mergers and acquisitions between pharma companies will take place over the coming years.

### Social / Culture

The increasing aging population offers a range of opportunities and threats to the pharmaceutical industry. The trick will be to capitalise on the opportunities.

There is also the problem of the increasing obesity amongst the population and its associated health risks.

Patients and home carers are becoming more informed. Their expectations have changed and they have become more demanding. Public activism has also increased through the harnessing of new social networking technologies. How can pharmaceutical companies get closer to consumers without over stepping the regulatory boundaries?

### Technological

Technological advancements will create new business prospects both in terms of new therapy systems and service provisions. The online opportunities will see the growth in:

* New info and Communications technologies.
* Social Media for Healthcare.
* Customized Treatments.
* Direct to Patient Advertising.
* Direct to patient communications.

### Legislation

The pharmaceutical industry has many regulatory and legislative restrictions. There is also a growing culture of litigation (people suing doctors) in many countries. The evolution of the Internet is also stretching the legislative boundaries with patient’s demanding more rights in their healthcare programmes.

### Environmental

There is a growing environmental agenda and the key stakeholders are now becoming more aware of the need for businesses to be more proactive in this field. Pharma companies need to see how their business and marketing plans link in with the environmental issues. There is also an opportunity to incorporate it within their Corporate Social Responsibility programmes. Marketing and new product development should identify eco opportunities to promote as well.

The information above illustrates just a fraction of the likely macro factors involved in the pharmaceutical industry. A better way to summarise it would be in a table:

