

CHAPTER **5**

Situation Analysis

The Context for Strategy Development



❑ A Situational Analysis of a Strategic Marketing Plan

- A situational analysis consists of different methods used with the same goal to figure out the company's capacities, potential customers, and the business environment.
- After that, company owners can generate an appropriate marketing strategy to apply for their business.



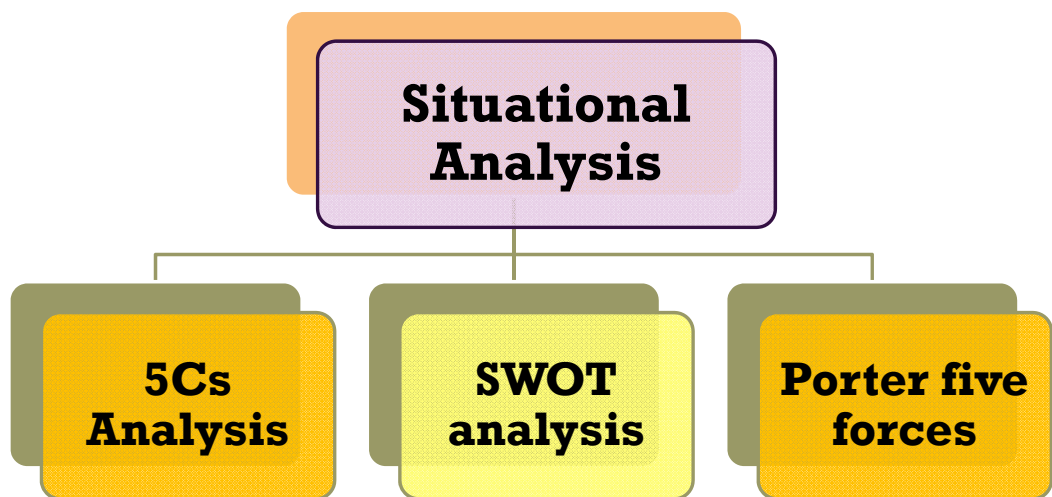
Situation Analysis

■ There are three methods typically used to complete a situational analysis, namely:

- 1) **5Cs Analysis,**
- 2) **SWOT analysis, and**
- 3) **Porter five forces analysis.**

➤ Among them, SWOT analysis is the most popular method used by several companies.

Situation Analysis





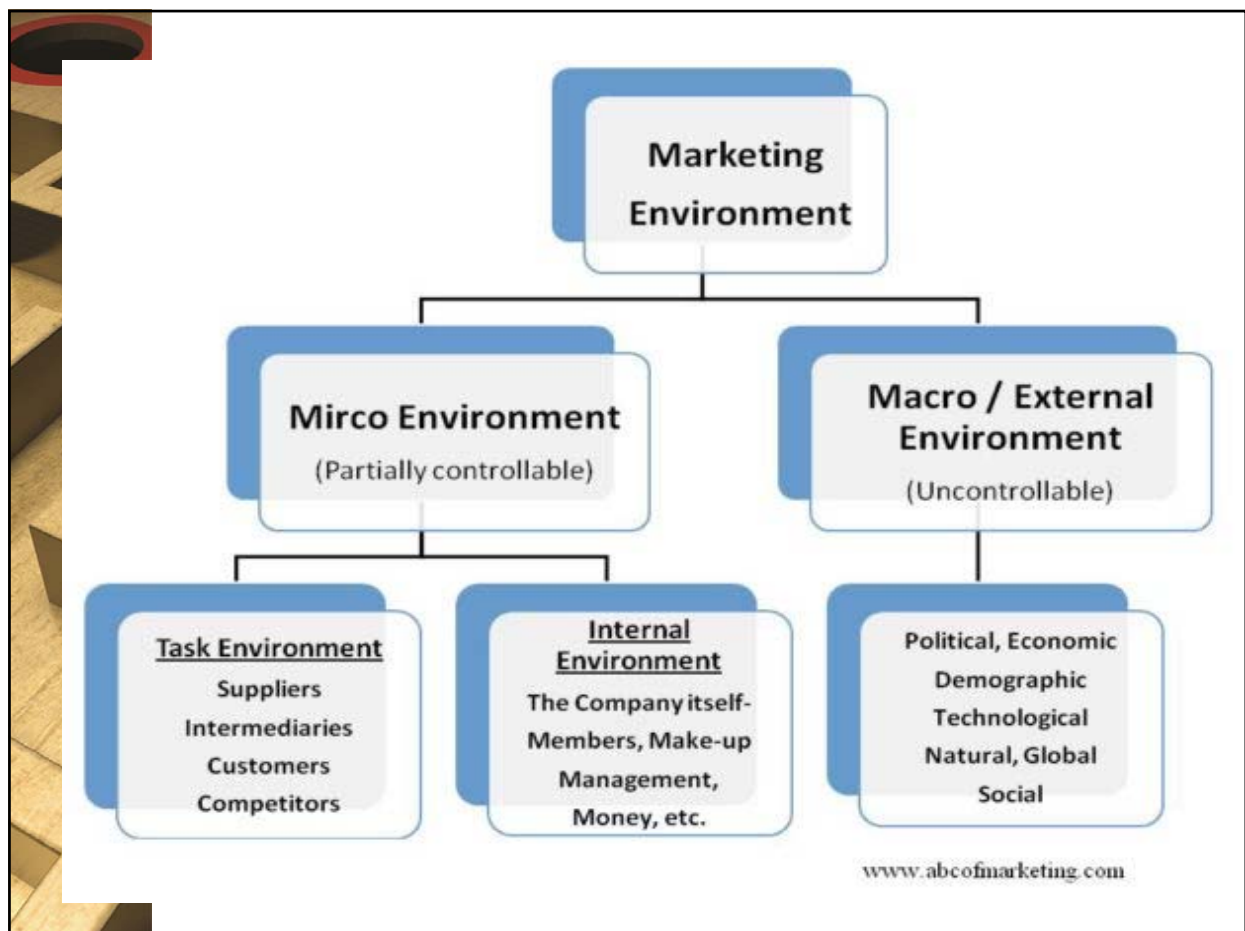
❑ Conducting a Situation Analysis

- Analysis Alone Is Not a Solution
- Data Is Not the Same as Information
 - **Data** – *a collection of numbers or facts that have the potential to provide information*
 - **Information** – *data that have been transformed or combined with other data in a manner that makes them useful to decision makers.*
- The Benefits of Analysis Must Outweigh the Costs.



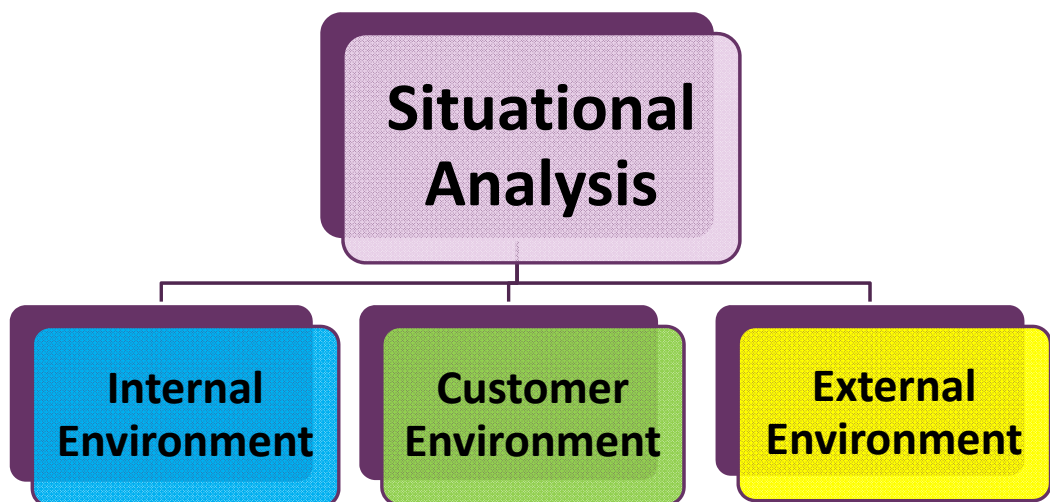
Conducting a Situation Analysis

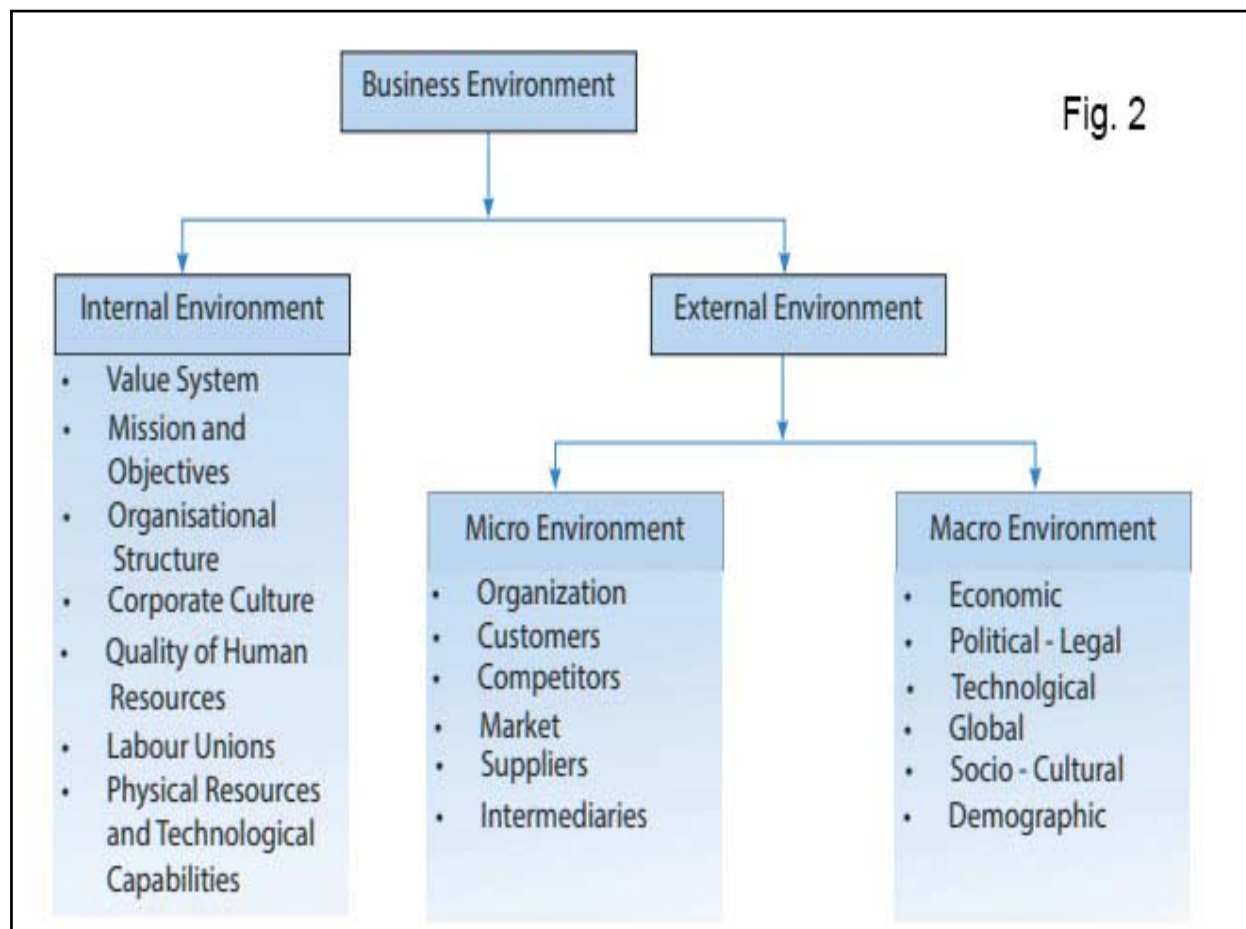
- Conducting a Situation Analysis is a Challenging Exercise.
- Should provide a complete picture of three key environments:
 - 1) Internal,
 - 2) Customer, and
 - 3) External





Conducting a Situation Analysis







Conducting a Situation Analysis

The Internal Environment

- Review of current objectives, strategy, and performance
- Availability of resources
- Organizational culture and structure

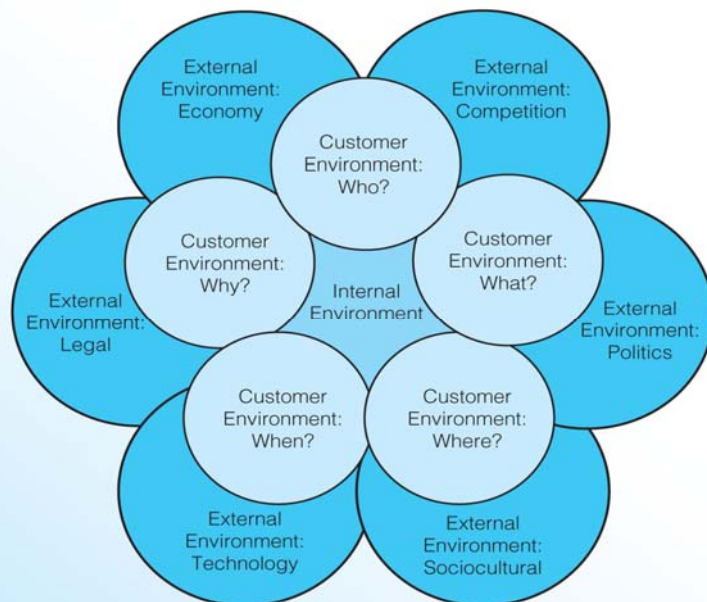
The Customer Environment

- Who are our current and potential customers?
- What do customers do with our products?
- Where do customers purchase our products?
- When do customers purchase our products?
- Why (and how) do customers select our products?
- Why do potential customers not purchase our products?

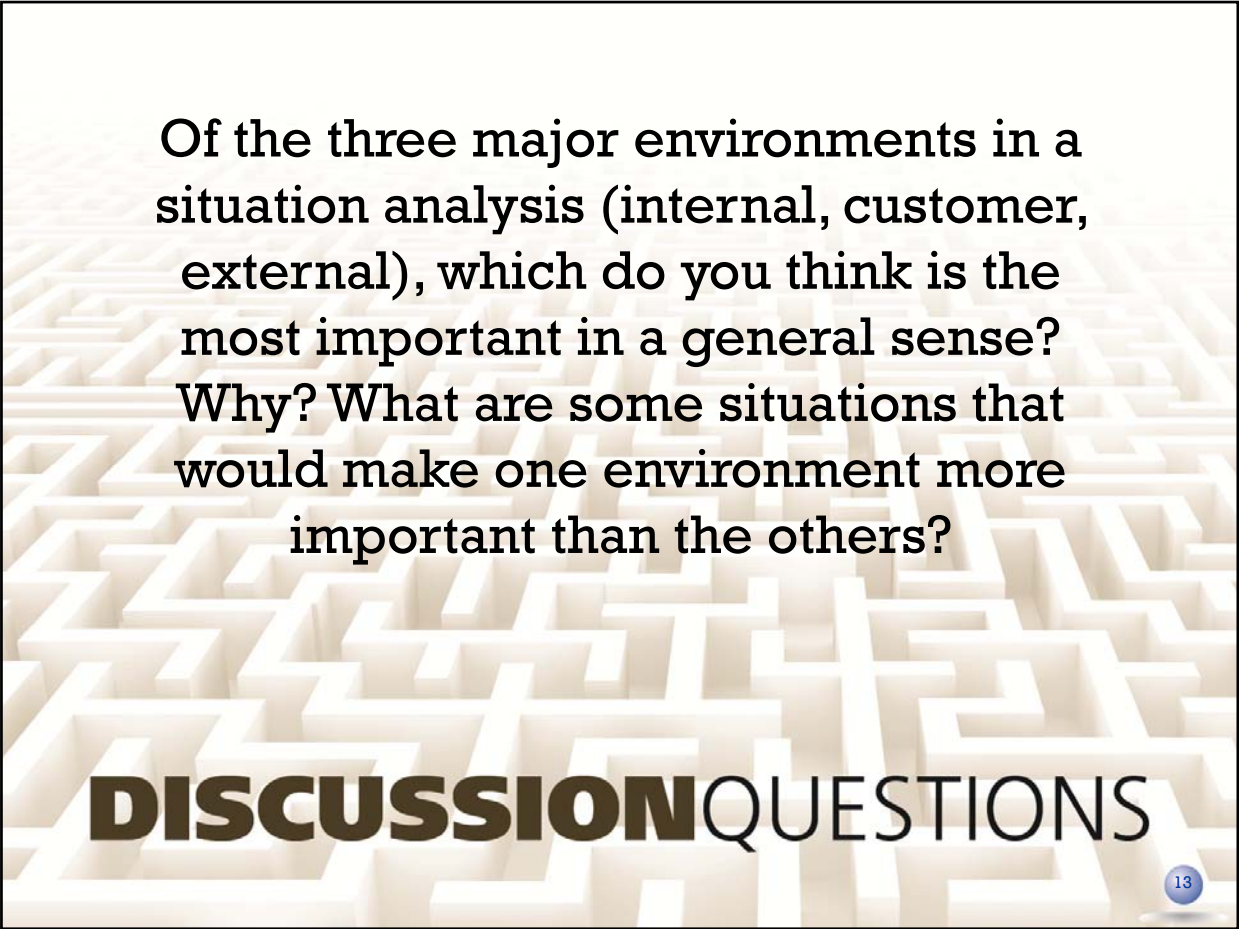
The External Environment

- Competition
- Economic growth and stability
- Political trends
- Legal and regulatory issues
- Technological advancements
- Sociocultural trends

□ Internal, Customer, and External Environments



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Of the three major environments in a situation analysis (internal, customer, external), which do you think is the most important in a general sense? Why? What are some situations that would make one environment more important than the others?

DISCUSSIONQUESTIONS

13



1. The Internal Environment

- *Review of Current Objectives, Strategy and Performance.*
 - *An important input to later stages in the planning process.*
 - ***Poor or declining performance must be the result of:***
 - Goals or objectives that are inconsistent with the customer or external environments.
 - Faulty marketing strategy.
 - Poor implementation.
 - Changes in the customer or external environments that are beyond the control of the firm.

14



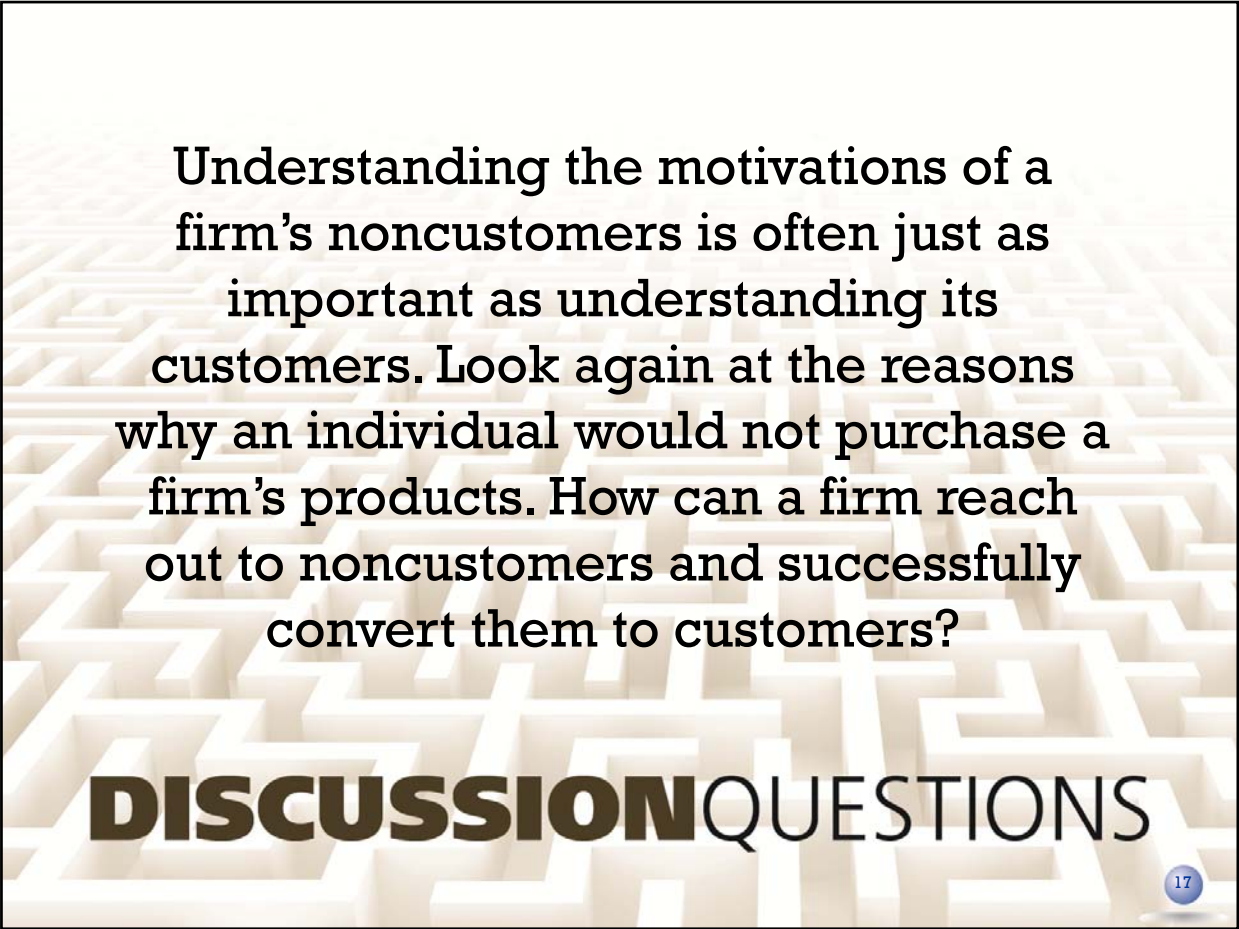
1. The Internal Environment

- **Availability of Resources:**
 - *Includes a review of financial, human, and experience resources, as well as resources from key relationships*
 - *Financial resources tend to get most attention*
- **Organizational Culture and Structure:**
 - *Problems can arise when marketing does not hold a prominent position in the organizational hierarchy.*
 - *Culture and structure are relatively stable but can be affected by mergers.*



2. The Customer Environment

- Who are our Current and Potential Customers?
- What do Customers do with our Products?
- Where do Customers Purchase our Products?
- When do Customers Purchase our Products?
- Why (and How) do Customers Select our Products?
- Why do Potential Customers not Purchase our Products?



Understanding the motivations of a firm's noncustomers is often just as important as understanding its customers. Look again at the reasons why an individual would not purchase a firm's products. How can a firm reach out to noncustomers and successfully convert them to customers?

DISCUSSIONQUESTIONS

17



3. The External Environment

- A. Competition.
- B. Economic Growth and Stability.
- C. Political Trends.
- D. Legal and Regulatory Issues.
- E. Technological Developments.
- F. Sociocultural Trends.



A. The Competitive Environment

■ **Brand Competitors:**

- Market products with similar features and benefits to the same customers at similar prices.

■ **Product Competitors:**

- *Compete in the same product class, but with products that are different in features, benefits, and price.*

■ **Common Competitors:**

- *Market very different products that solve the same problem or satisfy the same basic customer need.*

19

□ Major Types of Competition

Product Category (Need Fulfilled)	Brand Competitors	Product Competitors	Generic Competitors	Total Budget Competitors
Compact SUVs (Transportation)	Chevrolet Equinox Ford Escape Honda CR-V Jeep Compass	Mid-size SUVs Trucks Passenger cars Minivans	Rental cars Motorcycles Bicycles Public transportation	Vacation Debt reduction Home remodeling
Soft Drinks (Refreshment)	Coca-Cola Zero Diet Coke Pepsi Cola Diet Pepsi	Tea Orange juice Bottled water Energy drinks	Tap water	Candy Gum Potato chips
Movies (Entertainment)	<i>Harry Potter</i> <i>Twilight</i> <i>Star Trek</i>	Cable TV Pay-Per-View Video rentals	Athletic events Arcades Concerts	Shopping Reading Fishing
Colleges (Education)	New Mexico Florida State LSU	Trade School Community college Online programs	Books CDs Apprenticeship	New Cars Vacations Investments

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20



□ Stages of Competitive Analysis

■ **Identification:**

- *Identify all current and potential competitors.*

■ **Characteristics:**

- *Assess key competitors' size, strategy, profitability, markets, etc.*

■ **Assessment:**

- *Assess key competitors' strengths and weaknesses.*

■ **Capabilities:**

- *Focus the analysis on competitors' marketing capabilities.*

■ **Response:**

- *Estimate competitors' most likely strategies and responses under different environmental situations*

21



B. Economic Growth and Stability

- Economic change has a deep impact on marketing strategy.
- **General Economic Conditions**
 - *Inflation, employment, income, interest rates, taxes, trade restrictions, tariffs, business cycle,*
- **Consumer Issues**
 - *Willingness to spend, confidence, spending patterns.*



C. Political, Legal, and Regulatory Issues

- The views of elected officials can affect marketing strategy.
 - **Examples :** *immigration, taxes, retirement, healthcare*
 - *Lobbying is vital to marketing strategy in highly regulated industries.*
- Firms must stand by the law, but many laws are unclear and difficult to enforce.
 - **Example key issues:** *court decisions, corporate governance, trade agreements.*




D. Technological Advancements

- Technology refers to the processes used to create “things” considered to be new.
- **Frontstage Technology:**
 - *Advances that are noticeable to customers...what customers think of when they think of technological advancements.*
 - **Examples:** smartphones, GPS, microwave ovens.
- **Backstage Technology:**
 - *Advances that are not noticeable to customers...these advances make marketing activities more efficient and effective.*
 - **Examples:** computer technology, near-field communication



E. Sociocultural Trends

- Social and cultural influences that cause changes in attitudes, beliefs, norms, customs, and lifestyles.
- Sociocultural forces can have a deep effect on the way customers live and buy products.
- Changes in customer demographics and values have a considerable impact on marketing.



□ Example Trends in the U.S. Sociocultural Environment

■ **Demographic Trends**

- *Population growth in Sun Belt states*
- *Increasing population diversity*

■ **Lifestyle Trends**

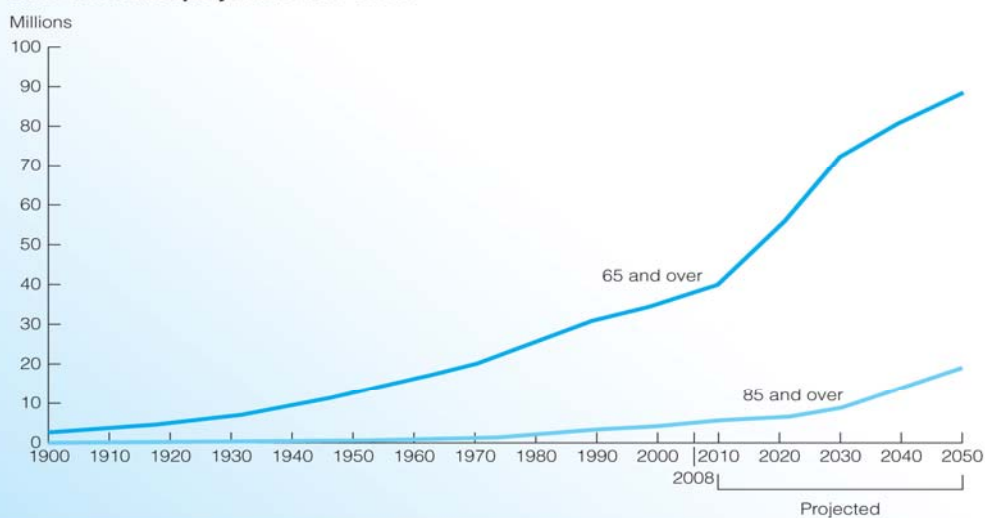
- *Clothing becoming more casual, especially at work*
- *Time spent watching television and reading newspapers has declined*

■ **Value Trends**

- *Greater focus on ethics and social responsibility.*
- *Growing uncertainty about business.*

Growth in the Number of Older Americans

Population age 65 and over and age 85 and over, selected years
1900–2008 and projected 2010–2050



Note: Data for 2010–2050 are projections of the population.
Reference population: These data refer to the resident population.
Source: U.S. Census Bureau, Decennial Census, Population Estimates and Projections.



□ The Growing Importance of Corporate Affairs

- Many firms have corporate affairs specialists on staff to track emerging trends and develop strategies for dealing with external concerns.

- ***Key Corporate Affairs Activities:***

- *Corporate communication*
- *Government relations*
- *Investor relations*
- *Corporate philanthropy*
- *Corporate sustainability*
- *Policy analysis*

□ Situation Analysis- 5Cs: Preview

1. Customers: Determine the *target customers* & their *needs* .

2. Competition: *Analyze others competing for the target customers' needs.*

3. Company: *"SWOT" analysis to meet the customer needs*

4. Collaborators: *Outside sources that can help*

5. Climate/ PESTEL:

P	POLITICAL	T	TECHNOLOGICAL
E	ECONOMIC	E	ENVIRONMENTAL
S	SOCIAL	L	LEGAL



□ ***Situation Analysis : 1. Customer***

■ ***Process:***

- *Determine the **target customers** & their **needs**.*

■ ***Principles:***

- *Value*
- *Satisfaction*
- *Recommendation*

■ ***Examples:***

- *Market segments*
- *Frequency of purchases*
- *Quantity of purchases*
- *Channel (retail, online, ...)*
- *Customer needs*
- *Trends over time*



□ Situation Analysis : 2. Competition

■ **Process:**

- *Analyze others competing for the target customers' needs*

■ **Principles:**

- *Opportunities & Threats*
- *Market Share*
- *Different levels of current/prospective*

■ **Examples:**

- *Is the threat active or potential?*
- *Product features comparisons?*
- *Other strengths and weaknesses vs. competitor*



□ Situation Analysis : 3. Company

■ **Process:**

- “SWOT” analysis to meet the customer needs

■ **Principles:**

- Objectives
- SWOT
- Strategies
- Technology
- Political

■ **Examples:**

- Analysis of Objectives
- Marketing strategy
- Marketing mix (6 Ms)
- Performance & efficiency
- Product line



■ Situation Analysis : 4. Collaborators

■ **Process:**

- *Outside sources that can help .*

■ **Principles:**

- *Shared interests.*

■ **Examples:**

- *Distribution Channels*
 - (Amazon, Alibaba, ...)
- *Complementary businesses*
 - (Airlines, Hotels, Rent-a-car, ...)



□ Situation Analysis : 5. Climate/ PESTEL

■ **P : Political**

- trade *regulations*, labor *laws*, *taxes*, ...

■ **E: Economic**

- Rates of economic *growth*, interest, exchange, inflation
- *Costs* of labor, goods

■ **S: Social**

- *Cultural* aspects, demographics (age, economic, ...), education, trends, ... population growth, education, trends, ...



□ Situation Analysis : 5. Climate/ PESTEL

■ **T : Technological**

- *Automation, technology advances, technological incentives, R&D activity*
 - Can determine **barriers to entry**, production, outsourcing, costs, quality, ...

■ **E: Environmental**

- *environmental aspects (weather, climate change, ...) which may **impact industries** (farming, financial, health, ..)*

■ **L : Legal**

- ***Laws** (consumer, financial, employment, antitrust, safety, ...)*



■ Situation Analysis- 5Cs : Summary

■ **Situation Analysis:**

- **Customers** (*Target*)
- **Competition** (*Threats, Strengths/Weaknesses*)
- **Company** (*SWOT*)
- **Collaborators** (*Outside Sources*)
- **Climate /PESTEL :**

Porter five forces

