

The Environmental Climate - Analysing the environment

The business and marketing environment comprises six major factors which may have an effect on your business or project, both currently and in the future:

1. Demographics
2. Economic conditions
3. Competition
4. Social and cultural forces
5. Political and legal forces
6. Technology

The environmental climate

It is not hard to identify current strategic planning programs that have been highly disrupted by a changing environmental climate.

In recent times the Asian currency crisis and the bitter wharf strike together with pollution, safety and consumerism concerns, can bring many such examples to mind. For the year 2000 two major issues of concern were the Y2K bug and the effect of the Olympic Games. The point is that the environment is constantly changing and those organisations which can adapt to change are the ones which enjoy long-run successes.

Analysis areas and questions

- 1) What are the relevant social, political, economic and technological trends?
- 2) How do you evaluate these trends?
Do they represent opportunities or problems?

Do you understand?

- Who your key customers are?
- What their real requirements are?
- What they use the product for?
- Its key benefits?
- Buying features your key customers consider important?

Are you aware of your competitors?

- Mission statement
- Strategies
- Goals and objectives
- Their current market position
- Any plans they may have for expansion or changes in operations
- Operating capacity
- Current compared to available capacity
- Their width of product range
- Their capabilities
- Any possible changes?

Analysing the Business Environment

The business environment of any organisation consists of many forces close to it, which affect its ability to serve its customers, such as other internal departments, channel members, suppliers, competitors and publics.

It also includes broader demographic economic, political, legal, technological, ecological, social and cultural forces. The organisation needs to consider all of these when developing its strategic plan.

Analysing the environment

- What are the main factors in the remote environment (Economic, Political, Technological, Legal, Social/cultural, Demographic) which will affect the industry?
- What will that effect be and when will it be felt?
- Is the industry profitable now?
- Is it likely to be profitable in the future?
- Which aspects of the industry have relative power or will develop power in the future?
- What strategic groups exist in the industry?
- What are the critical success factors required to be in the industry?
- What are the critical success factors required to lead the industry?
- What is the level of turbulence within the industry?
- What factors will push the industry towards being an international or global industry or prevent it from becoming international or global?

Analysis should include the:

- Threat of new entrants
- The relative power of suppliers to the industry
- The relative power of buyers from the industry
- The existence of substitutes

Research shows that industry profitability will be very high if:

- Entry to the industry is difficult
- There are many suppliers of small size whose contribution to the final product is not important
- There are many small buyers
- There are few substitutes
- There are few competitors, each of which is satisfied with its position in the market