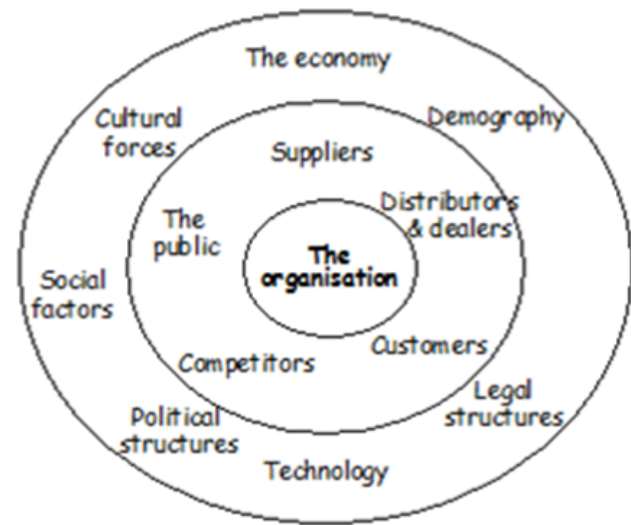


4. BUSINESS ENVIRONMENT

- The awareness of how environment in which company takes place is changing can be considered as the factors of success of each company.
- At its simplest business environment can be divided into **competitive environment** and **macro- environment**.
- Macro – environment – wider environment, social, political and economic setting in which organisations operate.

- **Macro – environment** – wider environment, social, political and economic setting in which organisations operate.
- **Competitive environment** – including company, its immediate competitors and customers (Porter 5 forces)



Source: Oxford college of marketing)

Macro-economic environment – methods of analysis

PESTLE analysis

Politics

- government type and policy, funding grants

Economy

- Inflation and interest rates
- Labour and energy costs

Social

- Population, education, media
- Lifestyle, fashion, culture

Technology

- Emerging technologies, web
- Information and communication

Legal

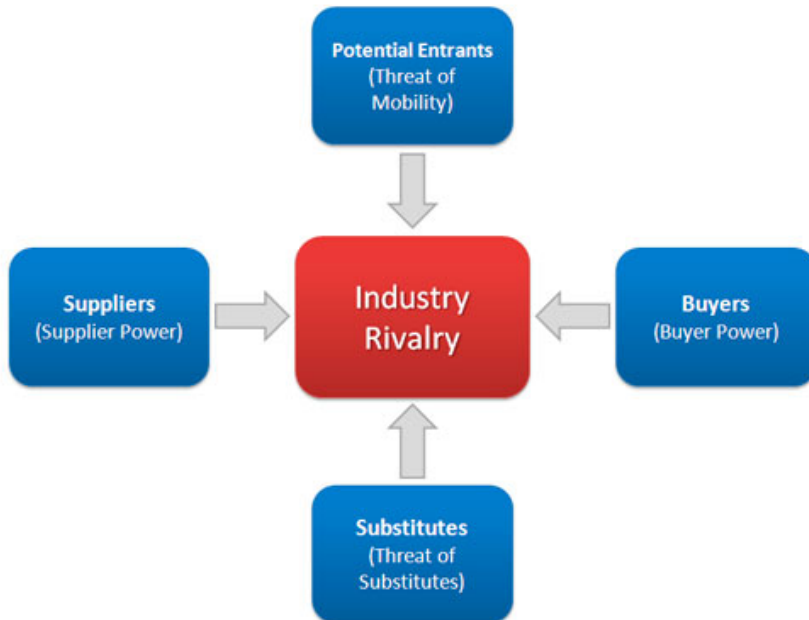
- Regulations and standards
- Employment law

Environment

- Weather, green and ethical issues
- Pollution, waste, recycling

Competitive environment

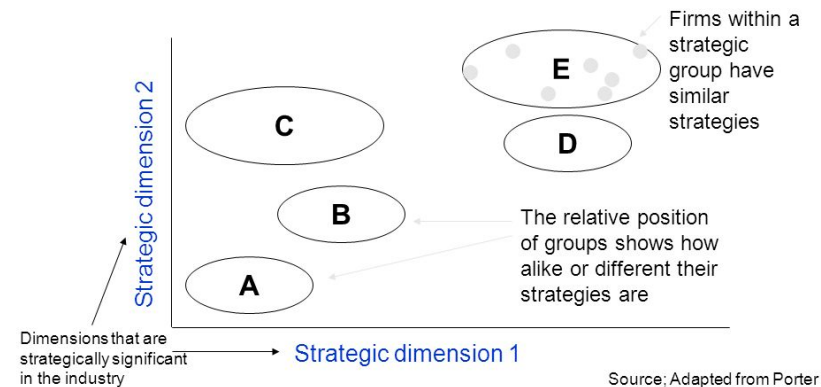
Porter's five forces



Strategic group mapping

(zdroj: Oxford Professional Education Group)

Strategic Group Mapping



Source; Adapted from Porter



Porter's 5 forces - Rivalry among existing companies

- this rivalry is likely to be most intense where a number of conditions prevail:
 - Where the competitors in the industry are roughly evenly balanced in terms of size and/ or market share.
 - During periods of low market growth
 - Where exit barriers are high.
 - Where product differentiation is low
 - Where fixed costs are relatively high.

Porter's 5 forces – The threat of market entry

- Organisation should also consider the potential for new entrants to emerge. Entry barriers can be low where the following hold:
 - Cost of entry are low
 - Existing or new distribution channels are open to use
 - Little competitive retaliation is anticipated.
 - Differentiation is low
 - There are gaps in the market.

Porter's 5 forces – The threat of substitutes

- Substitution can increase competitiveness of an industry for a number of reasons.
 - By making existing technologies redundant
 - By incremental product improvement

Porter's 5 forces - Bargaining power of suppliers

- Suppliers tend to have more bargaining power where the following hold:
 - Suppliers are more concentrated than buyers
 - Cost of switching suppliers are high
 - Suppliers' offerings are highly differentiated.

Porter's 5 forces - Bargaining power of buyers

- Buyers tend to be more powerful in the supply chain where the following is true:
 - They are more concentrated than sellers
 - There are readily available alternative sources of supply
 - Buyers switching costs are low.

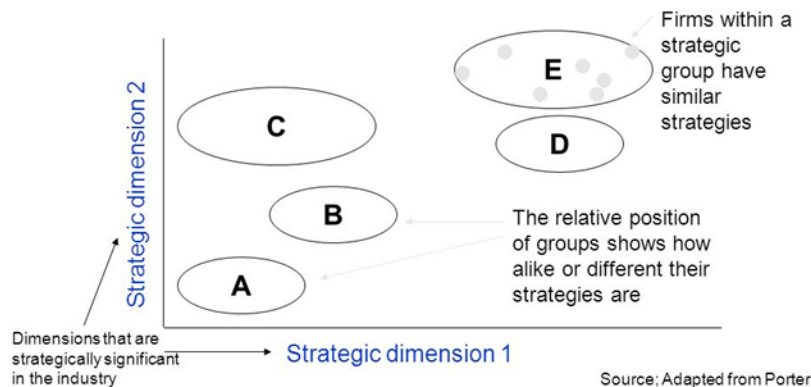
Porter's 5 forces - Competitiveness drivers

- Where the following industry characteristics are present, expect greater levels of competition:
- There is little differentiation between offers
- Industry growth rates are low
- High fixed costs need to be recovered
- High supplier switching costs
- Low entry barriers
- High exit barriers

Map of strategic groups

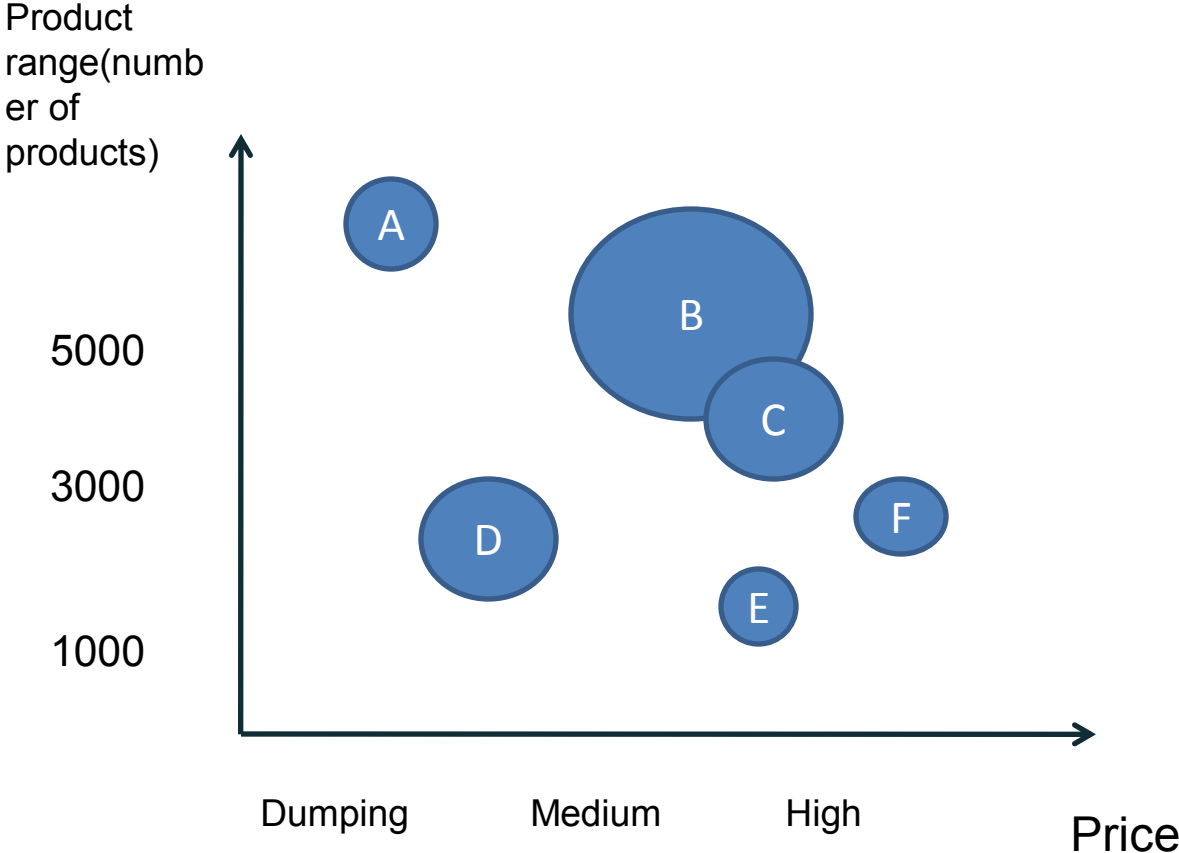
- Strategic group is composed of firms within an industry following similar strategies aimed at similar customers or customers groups.

Strategic Group Mapping



- Variables for the composition of the map of strategic groups:
 - Sales
 - Size of the company
 - Product range
 - Pricing
 - Distribution
 - Targeting and segmentation
 - Etc.
- The identification of strategic groups is fundamental to industry analysis
- Understanding the dynamics of existing strategic groups can be productive to understand their vulnerability to competitive attack.

Mapa strategických konkurenčních skupin



Customer analysis

- What we need to know about customer (market research):
- Current information:
 - Who are the prime market targets?
 - What gives them value?
 - How can they be brought closer?
 - How can they be better served?
- Future information:
 - How will customers and their need and requirement change?
 - Which new customers should we pursue?
 - How should we pursue them?

Current customers

- The roles of current customers may differ as follows:
- The initiator
- The influencer
- The decider
- The purchaser
- The user



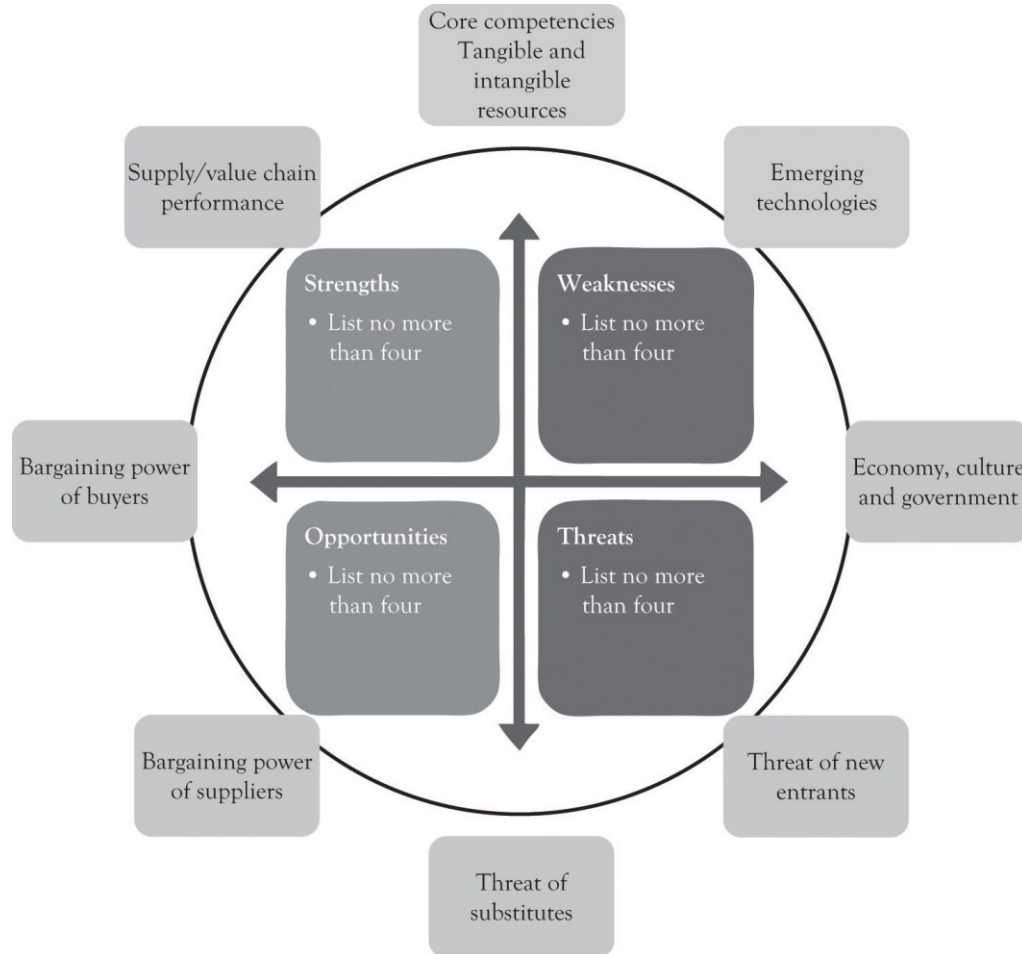
Future customers

- Types of change essential to customer analysis:
- 1) Changes in existing customers: their wants, needs and expectations.
- 2) Changes come from new customers emerging as potentially more attractive targets. (change in living standards etc.)

Competitor analysis

- *„If you know your enemy as you know yourself, you need not fear the result of a hundred battles“ (Sun Tzu, 4th century BC)*
- Competitive benchmarking – the process of measuring company’s strategies and operations against „ best-i-class“ companies, both inside and outside your own industry.
- 4 steps of benchmarking:
 - Identifying who to benchmark against
 - Identifying what aspects of business to benchmark
 - Collecting relevant data to enable processes and operations to be compared
 - Comparison with own processes

Relation between external and internal environment.



- Source: Key Drivers for Quick SWOT Analysis, <http://2012books.lardbucket.org>

Life cycle of product / industry

