

Lecture 2. Situational analysis of the enterprise

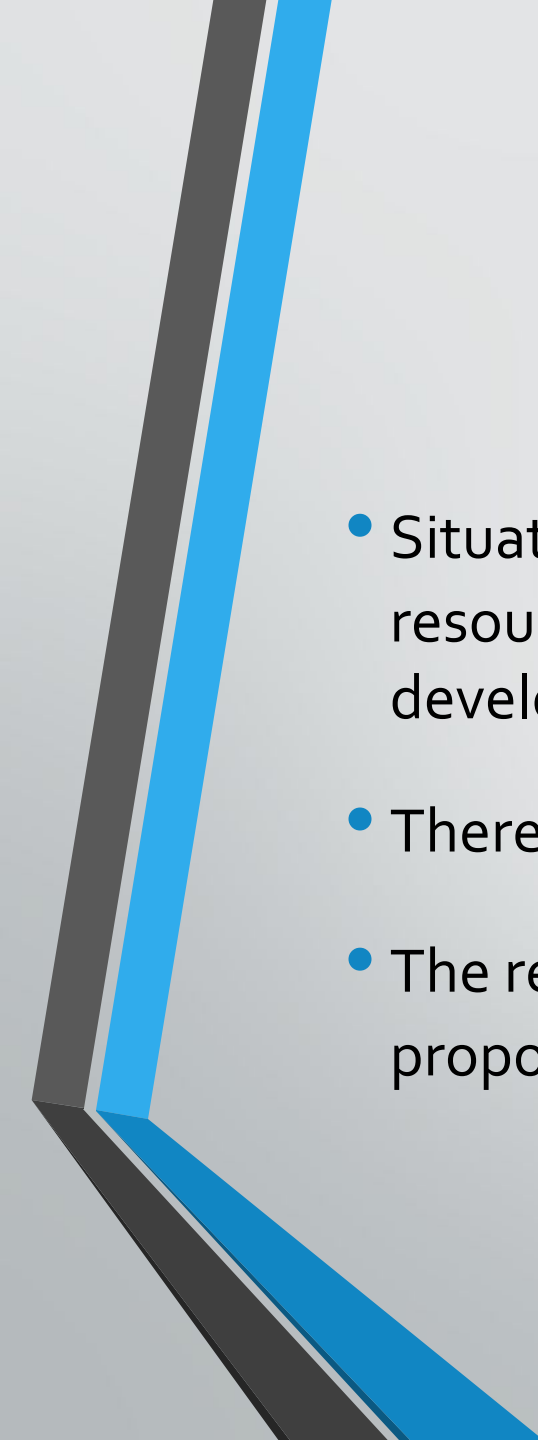


Agenda

- 2.1 Situational analysis: meaning
- 2.2 Analysis of the strategic position;
- 2.3 Analysis of market segments;
- 2.4 Analysis of competition;
- 2.5 Positional analysis.

What is Situational analysis

- Designed to determine the situation in which the enterprise is located, i.e. the place it occupies in the general business space, the main factors affecting the functioning of the enterprise, as well as its aggregated characteristics in general.
- Situation analysis is a comprehensive analysis of capturing all relevant information and factors (internal and external) that affect the current and future situation of the organization.

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- Situational analysis contributes to a better awareness of the company resources, products, the prosperity, the market situation and possible future development directions.
 - Therefore it helps significantly during strategic decision processes.
 - The result of situational analysis as a basis for creating strategies, plans or proposals of possible scenarios for the future conduct of the company.

situation analysis

- SWOT-analysis;
- analysis of the strategic position occupied by the company;
- analysis of market segments;
- analysis of competition;
- positional analysis.

Internal environment

Strengths

Excellent sales staff with strong knowledge of existing products
Good relationship with customers
Good internal communications
High traffic location
Successful marketing strategies
Reputation for innovation

Weaknesses

High rental costs
Market research data may be out of date
Cash flow problems
Holding too much stock

External environment

Opportunities

Similar products on the market are not as reliable or are more expensive
Loyal customers
Product could be on the market for Christmas
Customer demand - have asked sales staff for similar product

Threats

Competitors have a similar product
Competitors have launched a new advertising campaign
Competitor opening shop nearby
Downturn in economy may mean people are spending less

2.2 Analysis of the strategic position of the company

- is identifying strategic economic zones, their interrelationships, surroundings and other important characteristics.
- strategic analysis,
- analysis of the strategic portfolio,
- analysis of the strategic set

Strategic Economic Zones

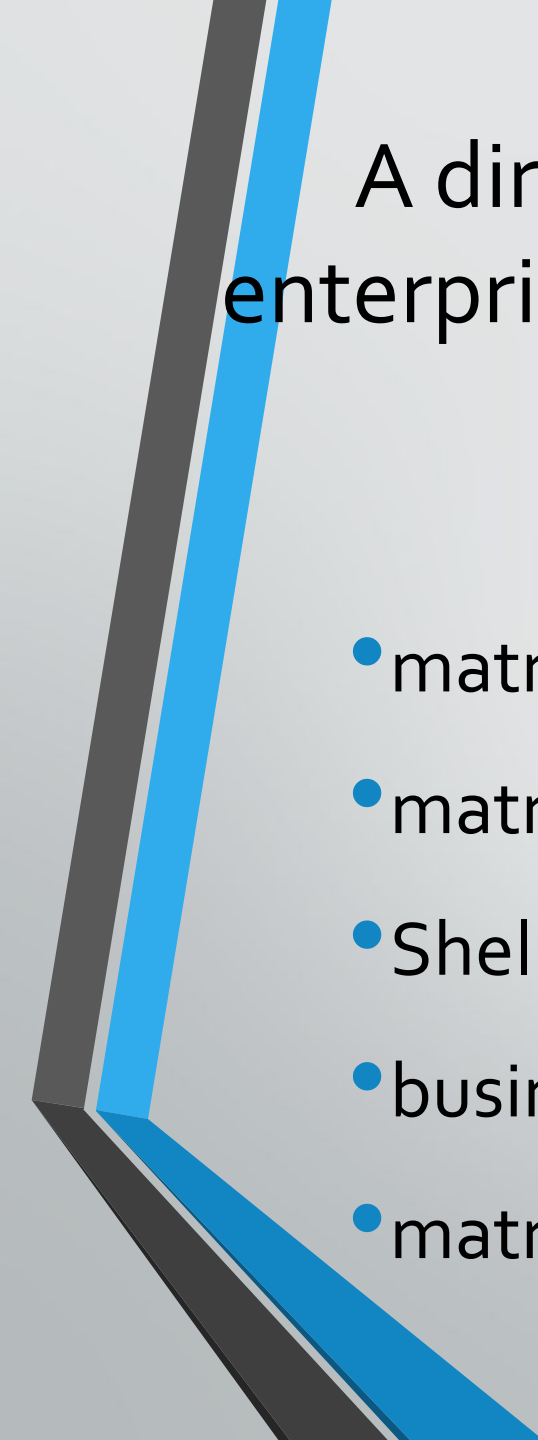
- the Strategic Economic Zones is a segment of the company's environment for which it has an outlet or plans to get such an outlet.
- The location of resources for different Strategic Economic Zones, the relationship of Strategic Economic Zones between themselves and the external environment determine the strategic position of the company.

The detection of the Strategic Economic Zones occurs in the following order. The strategic zone is determined by the needs of the market, technology, customer type and geographic area.

The defining indicators of the development of Strategic Economic Zones are:

- phase of development (phase of the life cycle);
- market size;
- purchasing power (solvent demand);
- existing barriers to entry;
- habits of customers;
- the composition of competitors;
- type and intensity of competition;
- the main distribution channels;
- state regulation;

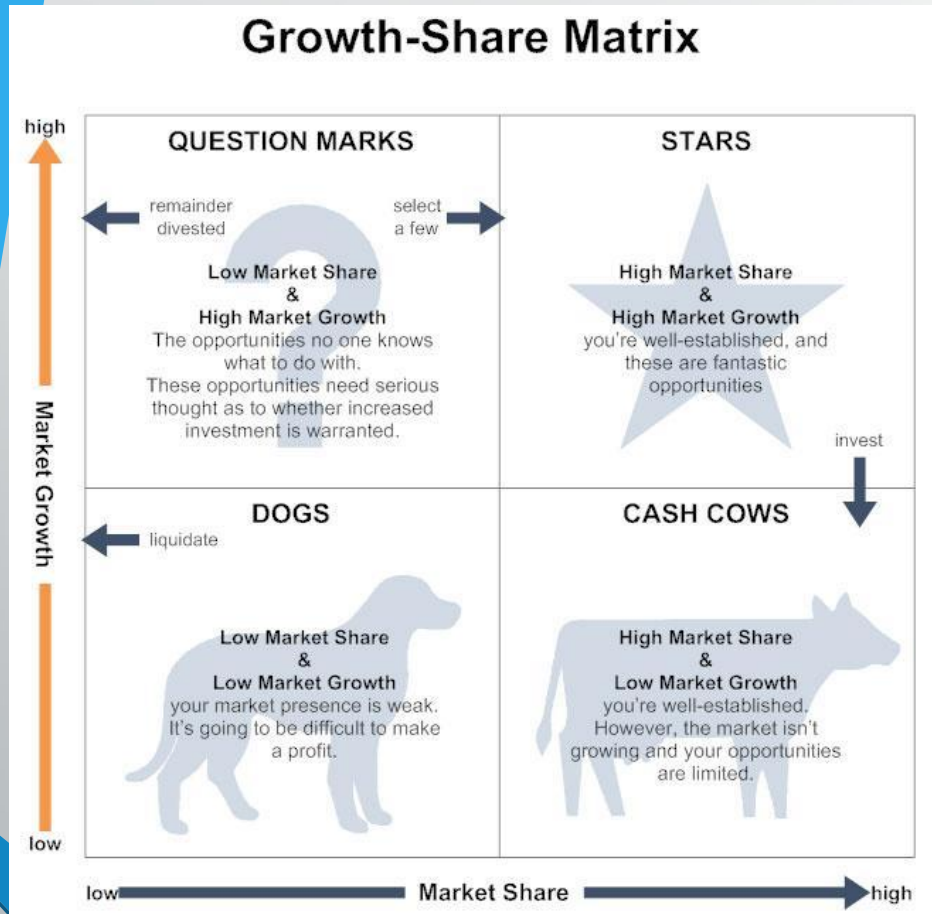
Indicators of external environment development (economic, social, political, technological)



A direct analysis of the strategic position of the enterprise is carried out through the following means:

- matrix BCG;
- matrix AD Little;
- Shell matrix;
- business screen McKinsey / GE;
- matrix Ansoff and Porter.

Boston Consulting Group matrix



Such "stars" generate a large volume of positive cash flows, but at the same time, there are large investment needs.

These strategic zones produce more money than they consume

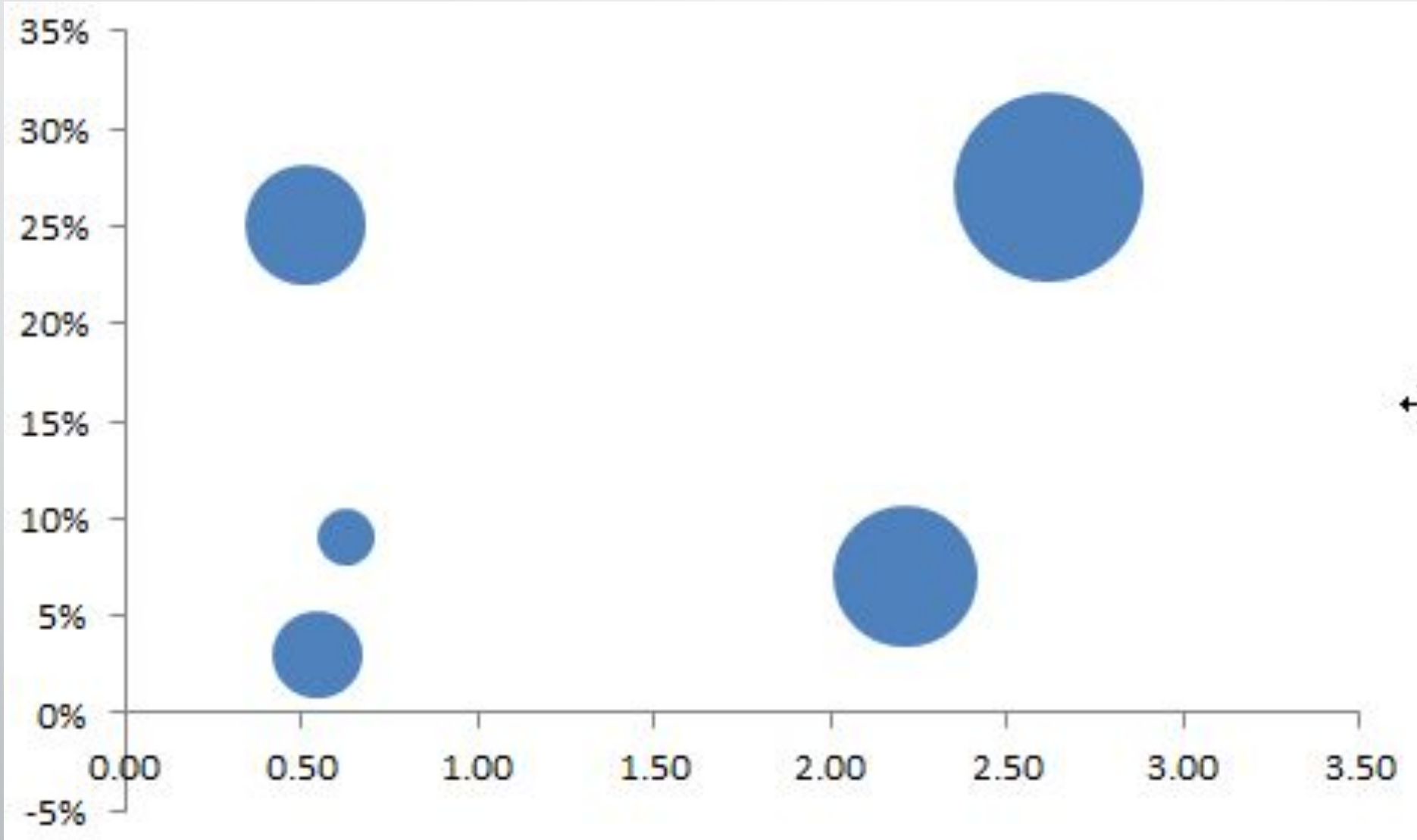
this category more require investment, rather than generate cash

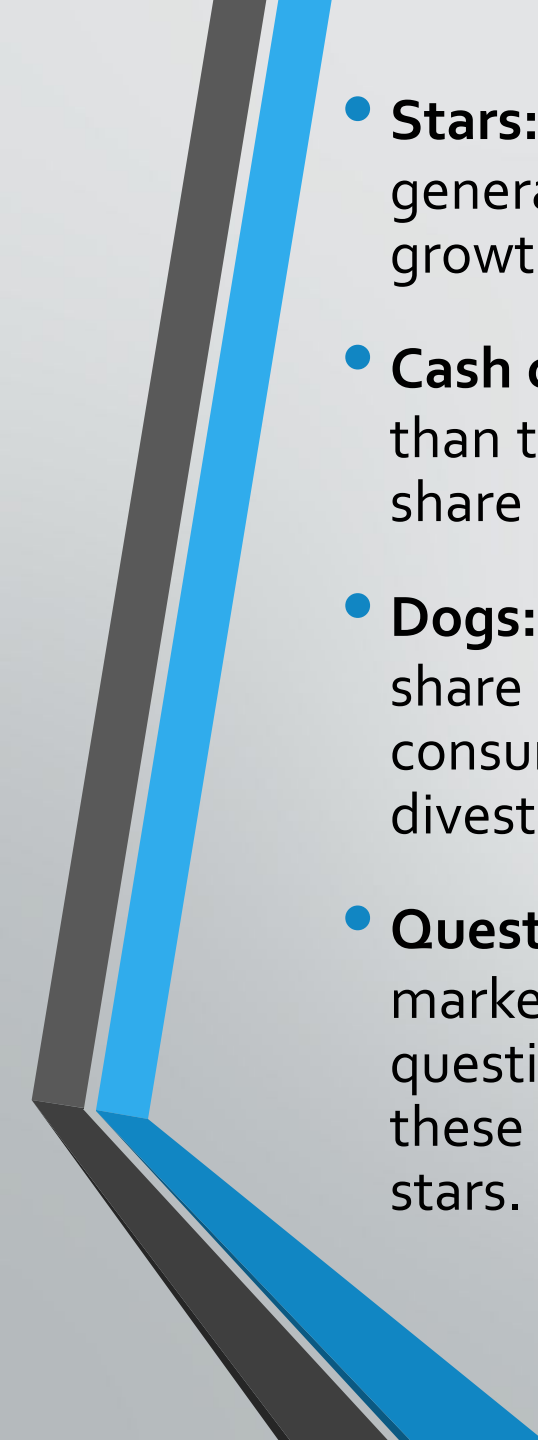
how to build and analyze bcg matrix

- 1. The first step is to make a list of those goods, units or companies that will be analyzed using the BCG matrix.
- 2. Defining the market is one of the most important things to do in this analysis
- 3. **Calculate relative market share.** Relative market share can be calculated in terms of revenues or market share. It is calculated by dividing your own brand's market share (revenues) by the market share (or revenues) of your largest competitor in that industry.
- 4. **Find out market growth rate.** The industry growth rate can be found in industry reports, which are usually available online for free.
- 5. **Draw the circles on a matrix.** After calculating all the measures, you should be able to plot your brands on the matrix. You should do this by drawing a circle for each brand.

how to build and analyze BCG matrix

Brand	Contingent of students		Number of students of a key competitor 2018	Relative market share	Market growth rate
	2017	2018			
School					
College					
Baccalaureate					
Magistracy					



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- **Stars:** The business units or products that have the best market share and generate the most cash are considered stars. However, because of their high growth rate, stars also consume large amounts of cash.
 - **Cash cows:** Cash cows are the leaders in the marketplace and generate more cash than they consume. These are business units or products that have a high market share but low growth prospects.
 - **Dogs:** Also known as pets, dogs are units or products that have both a low market share and a low growth rate. They frequently break even, neither earning nor consuming a great deal of cash. These business units are prime candidates for divestiture.
 - **Question marks:** These parts of a business have high growth prospects but a low market share. They consume a lot of cash but bring little in return. In the end, question marks, also known as problem children, lose money. However, since these business units are growing rapidly, they do have the potential to turn into stars.

managerial and commercial decisions

- Stars - maintaining the leading positions;
- Cash cows - to get the maximum possible profit, for as long as possible;
- Wild cats - for perspective products, investment and development;
- Dead dogs - stopping their support and / or leaving the market (decommissioning).



Pros and cons of BCG matrix

- Advantages
 - **Easy to Understand**
 - **Identification of Opportunities**
 - **Helpful in Removing the Weak area of Business**
- Limitations
 - **Ignores other Factors of Business**
 - **No Middle Path**

AD Little matrix

- To gain more insight into the competitive position of organizations, [Arthur D. Little](#) developed the **strategic condition matrix**, which is also known as the ADL Matrix. The **ADL Matrix** consists of two important dimensions: the competitive position and industry maturity (maturity of the product).

Industry life cycle stage

		Embryonic	Growth	Mature	Ageing
Competitive Position	Dominant	All out push for share. Hold position.	Hold position. Hold share.	Hold position. Grow with industry.	Hold position.
	Strong	Attempt to improve position. All out push for share.	Attempt to improve position. Push for share.	Hold position. Grow with industry.	Hold position or harvest.
	Favourable	Selective. Selectively attempt to improve position.	Attempt to improve position. Selective push for share.	Custodial or maintenance. Find niche and attempt to protect it.	Phased out withdrawal or harvest.
	Tenable	Selectively push for position.	Find niche and protect it.	Phased out withdrawal or find niche and hang on.	Phased out withdrawal or abandon.
	Weak	Up or out.	Turnaround or abandon.	Turnaround orphaned out with drawal.	Abandon

		Уровень зрелости отрасли, рынка, сегмента			
		Стадия зарождения	Стадия роста	Стадия зрелости	Стадия старения
Конкурентная позиция компании в отрасли	Доминирующая	<p>Стратегия на агрессивный захват доли рынка.</p> <p>Цели по росту продаж: выше роста рынка</p> <p>Конкурентные преимущества: разрабатывать инновации</p> <p>Уровень инвестиций: высокий. Инвестировать более высокими темпами, чем рост доли рынка.</p>	<p>Стратегия удержания позиции и сохранение доли рынка в отрасли</p> <p>Цели по росту продаж: удерживать рост немного выше или равным росту рынка</p> <p>Конкурентные преимущества: разрабатывать инновации</p> <p>Уровень инвестиций: соответствует росту компании, только на поддержание темпа роста</p>	<p>Стратегия удержания позиции и сохранение доли рынка в отрасли</p> <p>Цели по росту продаж: удерживать рост равным росту рынка</p> <p>Конкурентные преимущества: сохранять на существующем уровне</p> <p>Уровень инвестиций: сокращать, только на удержание доли рынка</p>	<p>Стратегия удержания позиции и сохранение доли рынка в отрасли</p> <p>Цели по росту продаж: максимально длительное время сдерживать падение.</p> <p>Инвестировать только при сокращении продаж.</p>
	Сильная	<p>Стратегия на агрессивный захват доли рынка.</p> <p>Цели по росту продаж: выше роста рынка</p> <p>Конкурентные преимущества: укреплять существующие качества товара или услуги</p> <p>Уровень инвестиций: высокий. Инвестировать более высокими темпами, чем рост доли рынка. Высокое внимание уделить инвестициям в укрепление конкурентных преимуществ.</p>	<p>Стратегия удержания позиции и сохранение доли рынка в отрасли</p> <p>Цели по росту продаж: удерживать рост немного выше или равным росту рынка</p> <p>Конкурентные преимущества: укреплять существующие качества товара или услуги</p> <p>Средний уровень инвестиций; сохранять только те инвестиции, которые напрямую приведут к росту рынка (в кратко-среднесрочном периоде)</p>	<p>Стратегия удержания позиции и сохранение доли рынка в отрасли</p> <p>Цели по росту продаж: удерживать рост равным росту рынка</p> <p>Конкурентные преимущества: сохранять на существующем уровне</p> <p>Инвестировать только при сокращении продаж.</p>	<p>Стратегия удержания позиции и сохранение доли рынка в отрасли</p> <p>Цели по росту продаж: максимально длительное время сдерживать падение.</p> <p>Сокращение затрат для максимизации прибыли.</p> <p>По возможности отказаться от реинвестиций.</p>
	Благоприятная	<p>Стратегия выжидания. Ждать благоприятной ситуации для быстрого захвата доли рынка.</p> <p>Цели по росту продаж: выше и равный росту рынка</p> <p>Конкурентные преимущества: укреплять существующие качества товара или услуги</p> <p>Выборочное инвестирование, только в проекты, способные значимо улучшить конкурентное преимущество компании в отрасли.</p>	<p>Стратегия выжидания. Ждать благоприятной ситуации для быстрого захвата доли рынка.</p> <p>Цели по росту продаж: равный росту рынка</p> <p>Конкурентные преимущества: укреплять существующие качества товара или услуги</p> <p>Выборочное инвестирование, только в проекты, способные значимо улучшить конкурентное преимущество компании в отрасли.</p>	<p>Стратегия захвата рыночных ниш и сильной дифференциации.</p> <p>Цели по росту продаж: равный росту рынка</p> <p>Конкурентные преимущества сохранять на существующем уровне.</p> <p>Сократить инвестиции до минимально необходимого уровня.</p>	<p>Стратегия сокращения затрат и подготовки выхода с рынка.</p> <p>Инвестиции минимальны, либо отсутствуют</p>
	Неустойчивая	<p>Стратегия выживания и сохранения доли рынка.</p> <p>Цели по росту продаж: равный росту рынка</p> <p>Конкурентные преимущества: укреплять существующие качества товара или услуги</p> <p>Выборочное инвестирование, только в проекты, способные значимо улучшить конкурентное преимущество компании в отрасли.</p>	<p>Стратегия захвата рыночных ниш и сильной дифференциации.</p> <p>Цели по росту продаж: равный росту рынка</p> <p>Конкурентные преимущества: укреплять существующие качества товара или услуги</p> <p>Выборочное инвестирование, только в проекты, способные значимо улучшить конкурентное преимущество компании в отрасли. Более аккуратно с инвестициями, возрастает риск низкой окупаемости.</p>	<p>Стратегия захвата рыночных ниш и сильной дифференциации. При невозможности выход с рынка</p> <p>Цели по росту продаж: равный росту рынка</p> <p>Конкурентные преимущества сохранять на существующем уровне.</p> <p>Инвестиции минимальны, либо отсутствуют</p>	<p>Стратегия сокращения затрат и подготовки выхода с рынка.</p> <p>Инвестиции отсутствуют</p>
	Слабая	<p>Стратегия: либо инвестировать и развивать конкурентные преимущества, либо уходить с рынка</p>	<p>Стратегия: либо инвестировать и развивать конкурентные преимущества, либо уходить с рынка</p>	<p>Стратегия: либо инвестировать и развивать конкурентные преимущества, либо уходить с рынка</p>	<p>Выход с рынка, закрытия бизнеса с минимальными затратами</p>

Competitive position

Dominant. At this stage there is little or no competition because a brand-new or unknown product is brought to market.

Strong. The market share is strong and stable, regardless of what the competition is doing.

Favorable. The organization enjoys competitive advantages in certain segments of the market. There are many competitors.

Tenable. The position of the organization in the overall market is small and market share is based, among other things, on a niche or some other form of product differentiation.

Weak. The organization experiences continual loss of market share and its business line is too small to maintain profitability.

Shell International matrix

- This tool is used for strategic analysis and solving strategic and political issues of the enterprise and is based on two dimensions: the profitability of the Strategic Economic Zones and the competitive position held by the firm in this strategic zone

Матрица Shell

		Перспективная прибыльность сектора		
		Непривлекательная	Средняя	Привлекательная
Конкурентная позиция	Слабая	Дивести́рование	Постепенный уход	Удвоение инвестиций или уход
	Средняя	Постепенный уход	Поддержание и развитие бизнеса	Увеличение инвестиций
	Сильная	Генера́ция доходов	Развитие бизнеса, лидерство	Инвести́рование

business screen McKinsey / GE

- The GE-McKinsey nine-box matrix. A systematic approach for the multibusiness corporation to prioritize investments among its business units.
- It helps multi-business corporations evaluate business portfolios and prioritize investments among different business units in a systematic manner.
- This technique is used in brand marketing and product management. The analysis helps companies decide what products need to be added to a product portfolio as well as what other opportunities should continue to receive investments.

GE / McKinsey Matrix

Business Unit Strength

High

Medium

Low

Industry Attractiveness

High

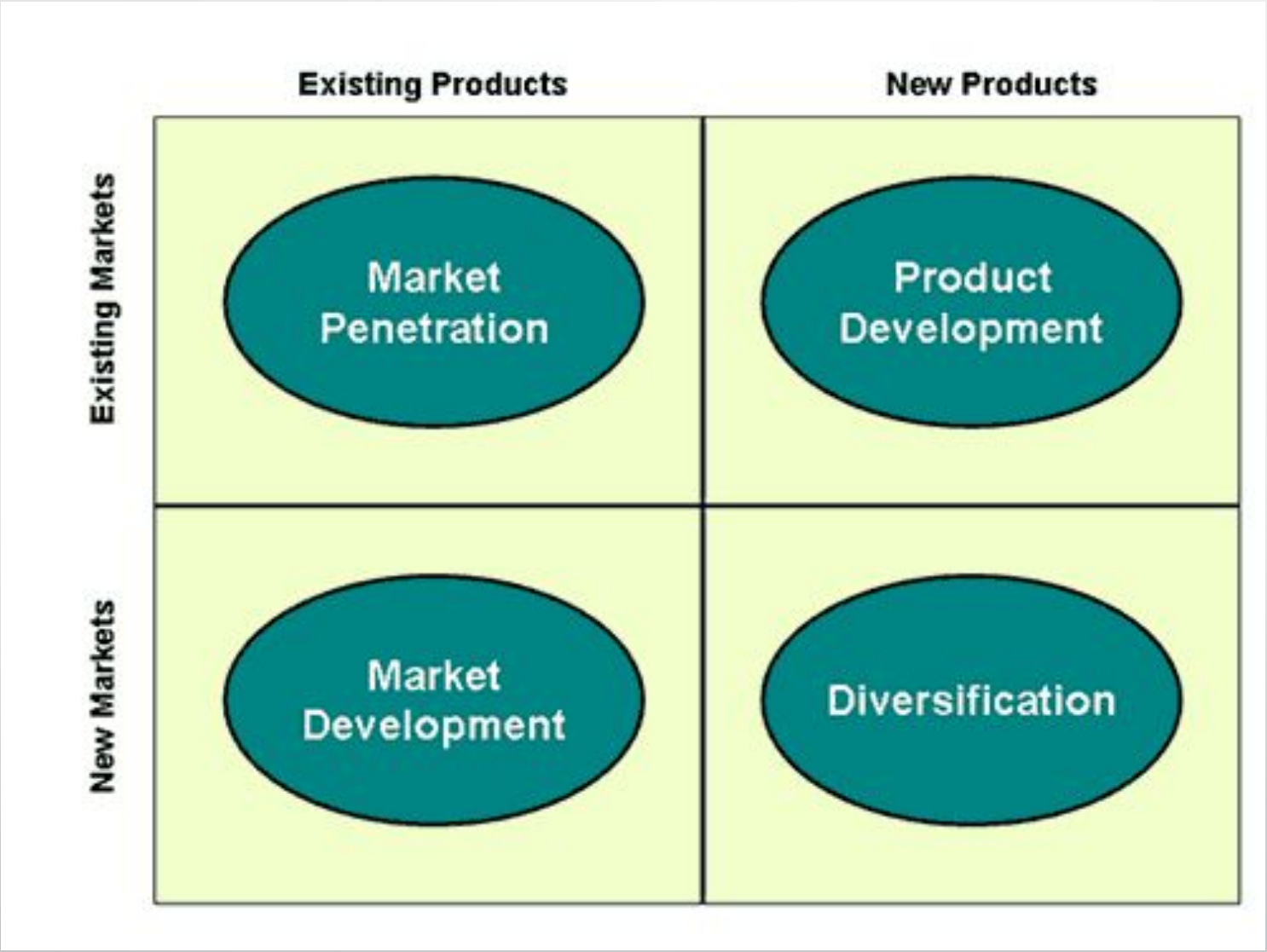
Medium

Low



Ansoff's growth strategy matrix

- A model that describes possible strategies for the company's growth in the market.
- The matrix is also called the "commodity-market" matrix.
- The Ansoff matrix is widely used in practice in the process of strategic enterprise management.



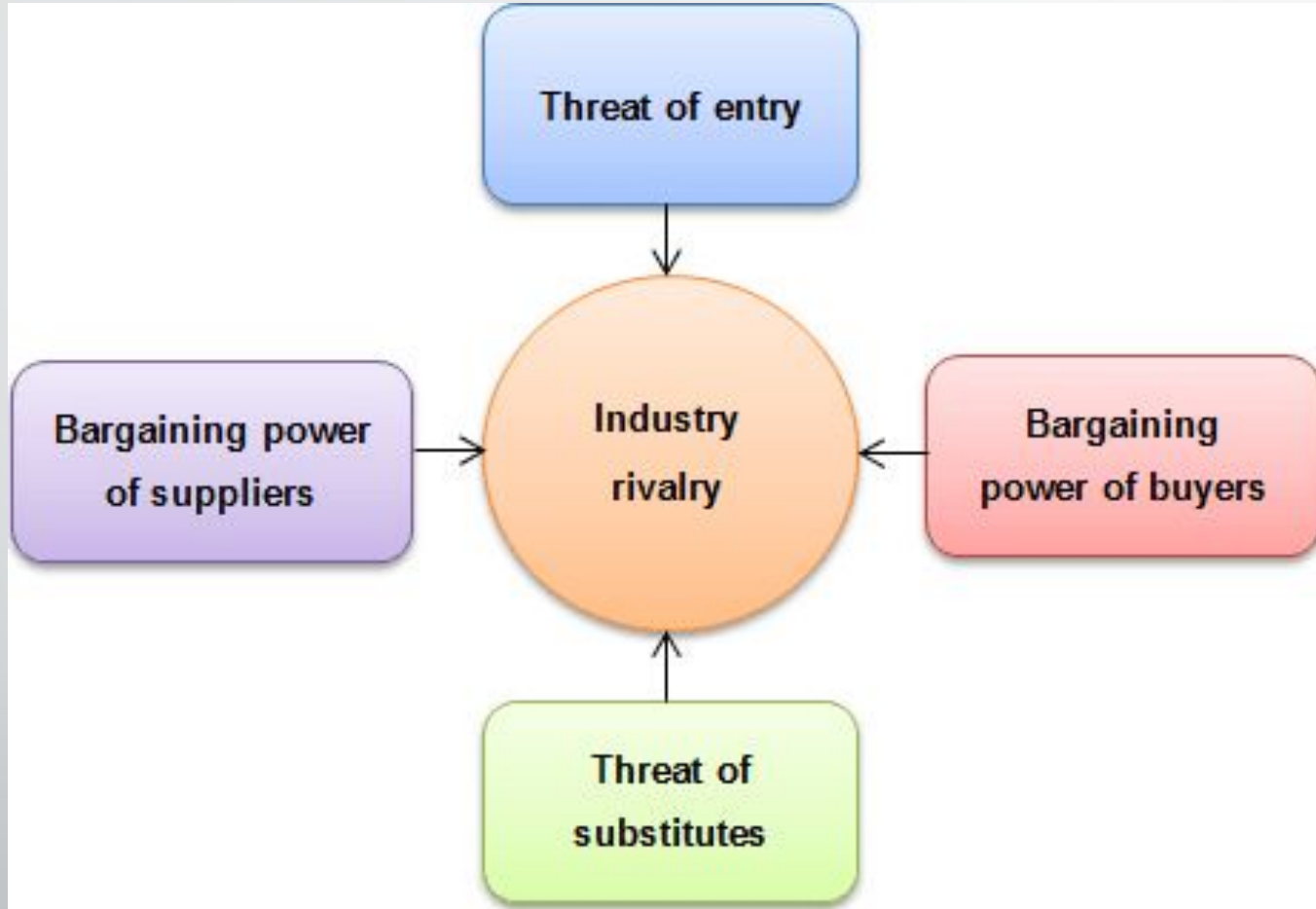
Ansoff's matrix provides four different growth strategies:

- **Market Penetration** - the firm seeks to achieve growth with existing products in their current market segments, aiming to increase its market share.
Market Development - the firm seeks growth by targeting its existing products to new market segments.
Product Development - the firm develops new products targeted to its existing market segments.
Diversification - the firm grows by diversifying into new businesses by developing new products for new markets.



The analysis model of Michael Porter's five competitive forces

- Porter's Five Forces is a simple but powerful tool for understanding the competitiveness of your business environment, and for identifying your strategy's potential profitability.



- **Competitive Rivalry.** This looks at the number and strength of your competitors. How many rivals do you have? Who are they, and how does the quality of their products and services compare with yours?
- **Supplier Power.** This is determined by how easy it is for your suppliers to increase their prices. How many potential suppliers do you have? How unique is the product or service that they provide, and how expensive would it be to switch from one supplier to another?
- **Buyer Power.** Here, you ask yourself how easy it is for buyers to drive your prices down. How many buyers are there, and how big are their orders? How much would it cost them to switch from your products and services to those of a rival? Are your buyers strong enough to dictate terms to you?
- **Threat of Substitution.** This refers to the likelihood of your customers finding a different way of doing what you do. For example, if you supply a unique software product that automates an important process, people may substitute it by doing the process manually or by outsourcing it. A substitution that is easy and cheap to make can weaken your position and threaten your profitability.
- **Threat of New Entry.** Your position can be affected by people's ability to enter your market. So, think about how easily this could be done. How easy is it to get a foothold in your industry or market? How much would it cost, and how tightly is your sector regulated?

2.3 ANALYSIS OF MARKET SEGMENTS

- Segmentation is the process of dividing potential markets or consumers into specific groups. Market research analysis using segmentation is a basic component of any marketing effort.
- **Market segmentation** is a strategic **marketing** tool to define **markets** and then allocating resources appropriately. Using a statistical techniques called factor **analysis** and cluster **analysis** combines attitudinal and demographic data.

S-T-P approach

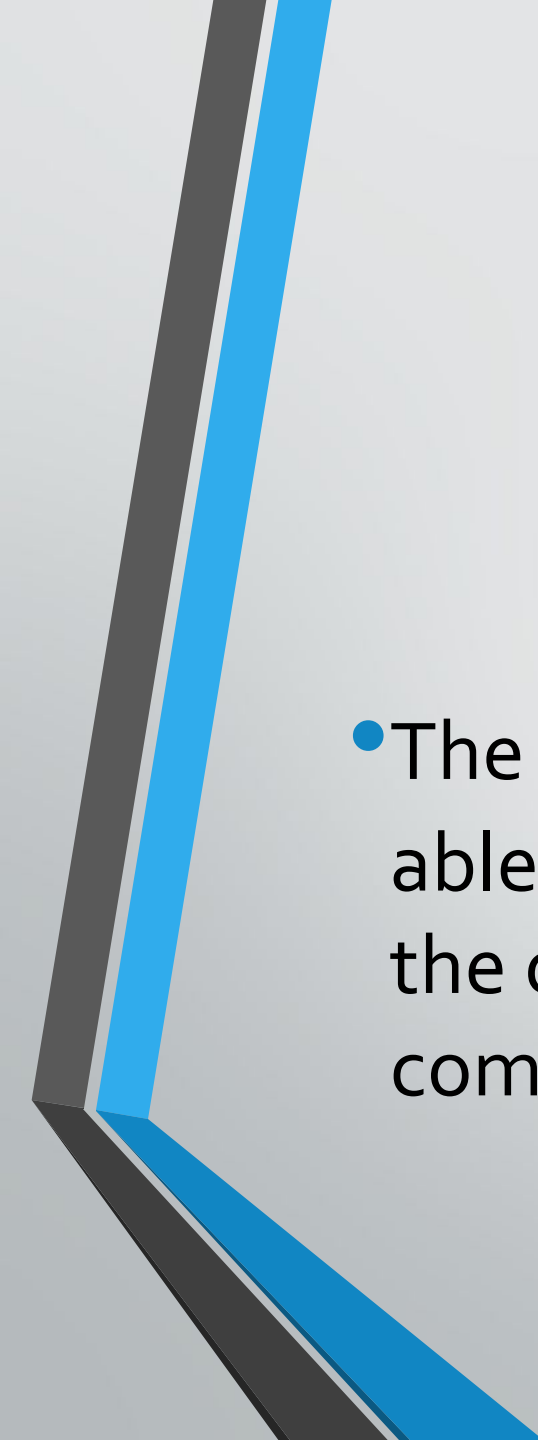
- Today, Segmentation, Targeting and Positioning (STP) is a familiar strategic approach. It is one of the most commonly applied marketing models in practice

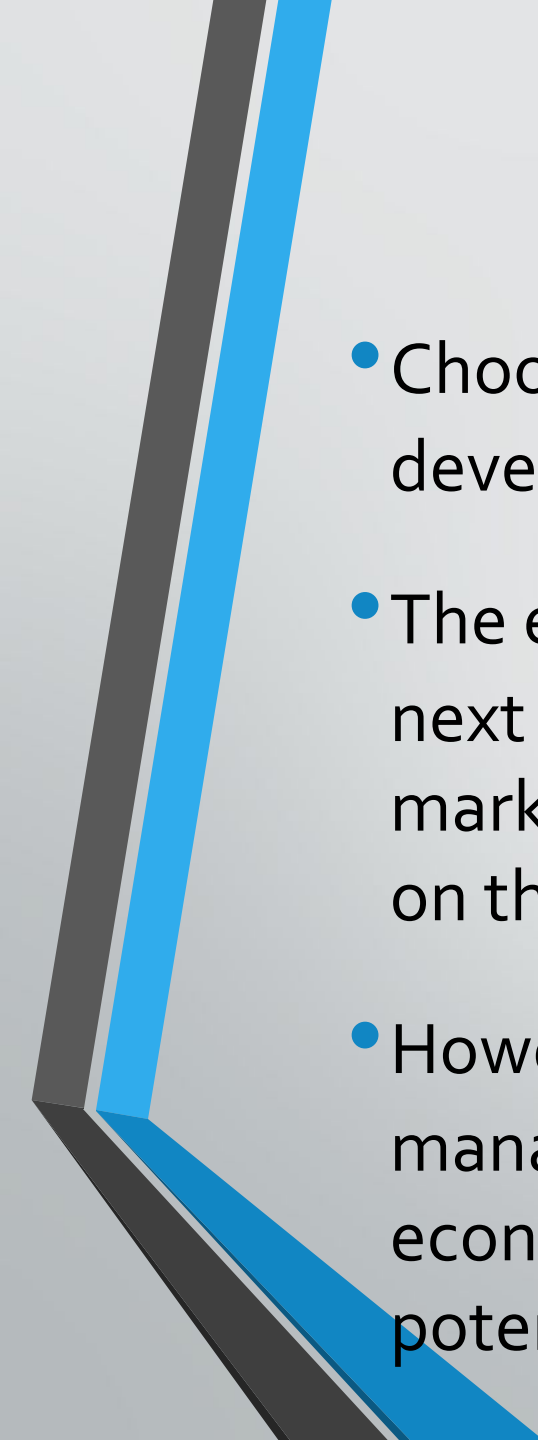
Types of market segmentation



Types of segmentation

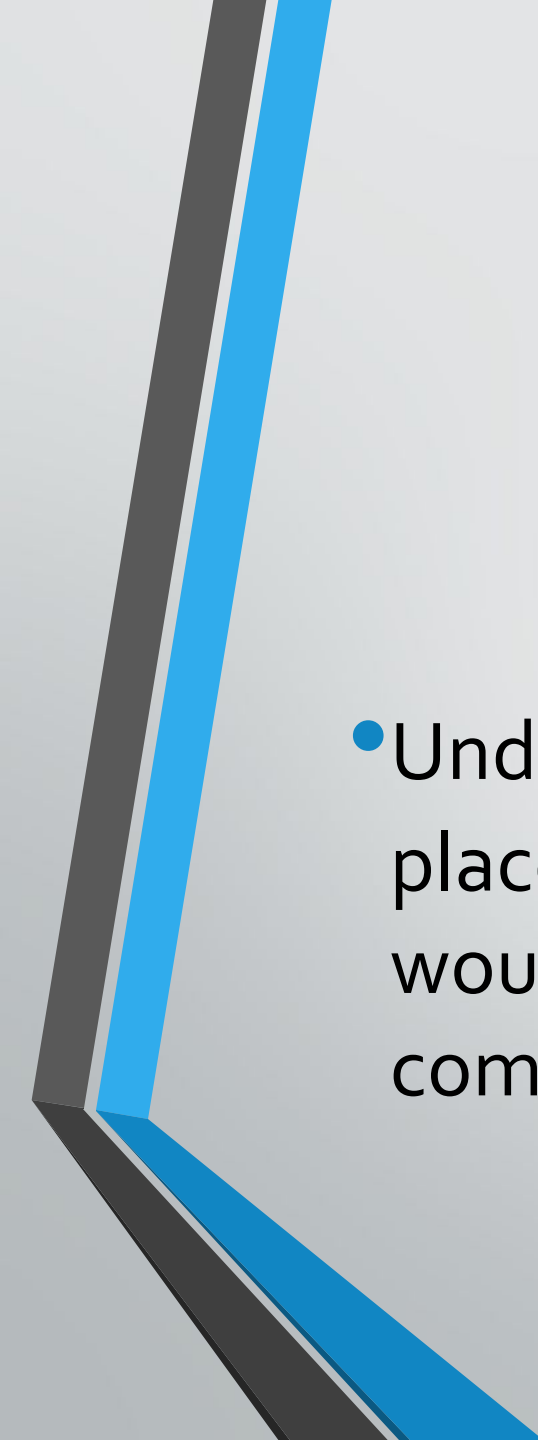
- **1. Demographics** (age, gender, income, education, ethnicity, marital status, education, household (or business), size, length of residence, type of residence or even profession/Occupation)
- **2. Psychographics.** While demographics explain 'who' your buyer is, psychographics inform you 'why' your customer buys
- **Interviews, Surveys, Customer data,**
- **3. Lifestyle** (Hobbies, recreational pursuits, entertainment, vacations, and other non-work time pursuits)
- **4. Belief and Values** (Religious, political, nationalistic and cultural beliefs and values)
- **5. Life Stages**
- **6. Geography**
- **7. Behaviour** (the nature of the purchase, brand loyalty, usage level, benefits sought, distribution channels used, reaction to marketing factors.
- **8. Benefit** is the use and satisfaction gained by the consumer.

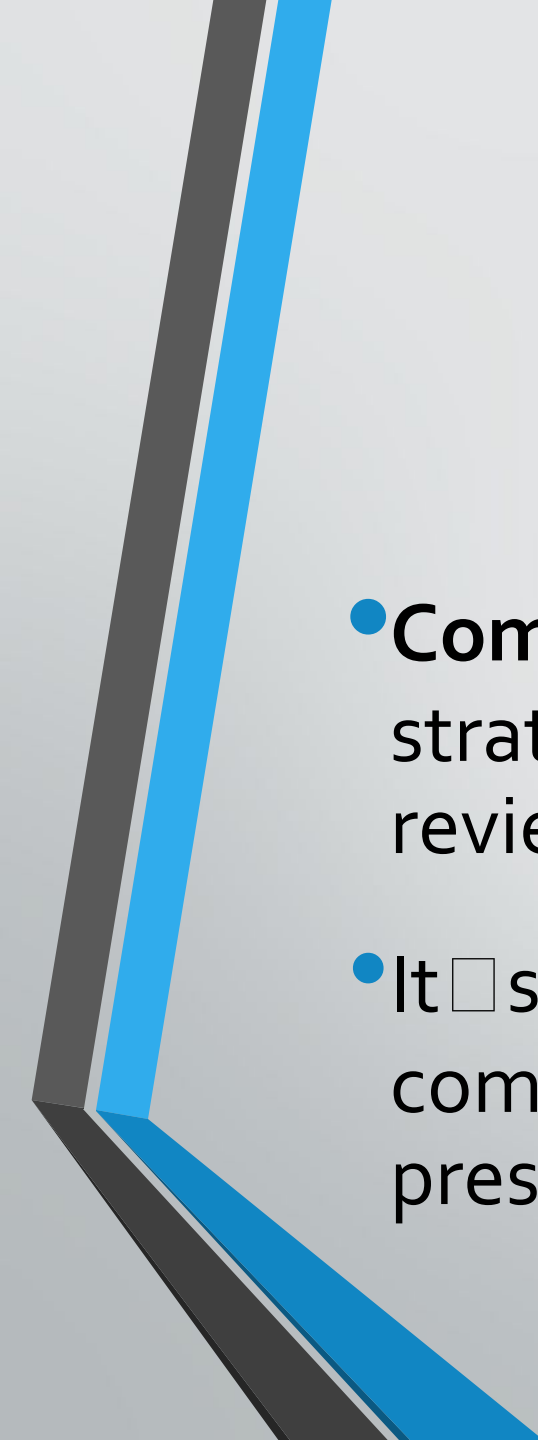
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- The essence is that the company's management will be able to choose the right segment of the market, where the company will be able to make the best use of its comparative advantages.

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- Choosing the best segment to operate, the company should develop a strategy for penetrating this segment.
 - The enterprise has two ways. The first is to position the company next to one of the existing competitors and start a fight for market share, the second is to develop a product that is not yet on the market.
 - However, before making such a decision, the company's management must make sure of the availability of technical, economic opportunities and the sufficiency of the number of potential buyers of the proposed product.

2.4 ANALYSIS OF COMPETITION



- 
- Understanding the existing state of the company, the place and the situation in which it is currently located, would be incomplete without studying the surrounding competitive environment.

- 
- **Competitive analysis** or competitive research is a field of strategic research that specializes in the collection and review of information about rival firms.
 - It is an essential tactic for finding out what your competitors are doing and what kind of threat they present to your financial well-being.

How to Conduct Your Competitive Analysis

- **1. Identify Your Top Ten Competitors** (If you need a little help identifying your competitors, Google is a great resource.)
- **2. Analyze and Compare Competitor Content**
- **3. Analyze Their SEO Structure**
- **4. Look at their Social Media Integration**
- **5. Identify Areas for Improvement**

2.5 Positional analysis

- The goal of position analysis (or positioning) is to determine the place occupied by the company, products, brand in the market in relation to other companies, products, brands and consumers.
- Positioning is based on the structuring of a set of products or companies based on the perception or preferences of consumers.
- Objective similarities and differences of products, brands and companies
- The attitude of consumers is more for companies, than real characteristics of product.

