



**SILESIA
UNIVERSITY**

SCHOOL OF BUSINESS
ADMINISTRATION IN KARVINA

External Micro Analysis

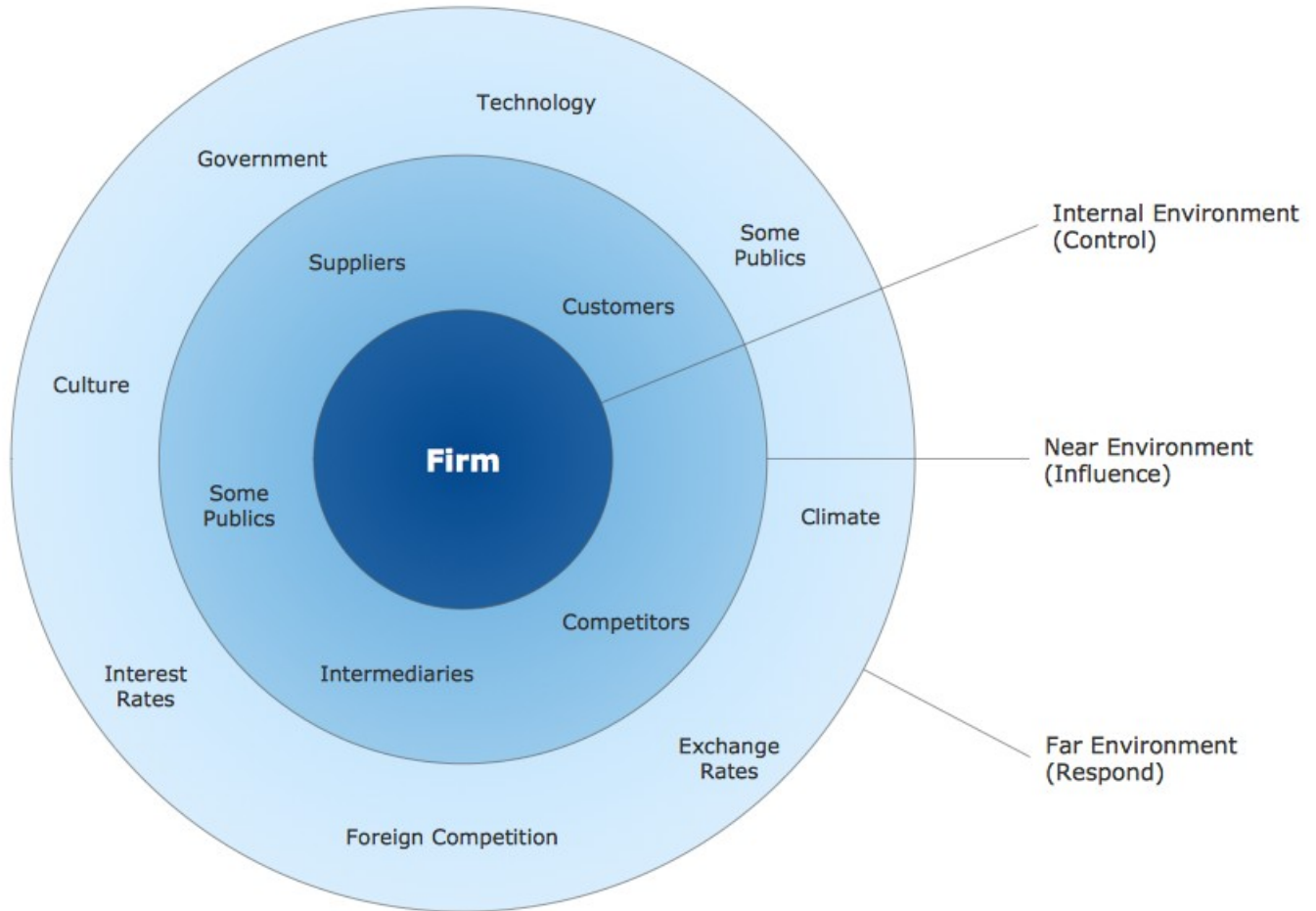
Ing. Michal Stoklasa, Ph.D.
Strategic Marketing/subject code

OUTLINE OF THE LECTURE

1. The STP process.
2. External Micro Analyses.
3. Specific Analyses.

MARKETING ENVIRONMENT

Macro-Micro Environmental Forces Diagram Example



1. STP PROCESS – A. SEGMENTATION

- **STP Process** = Segmentation – Targeting – Positioning.
- **Segment** = part of market.
- Groups that have similar characteristics and behavior are called **market segments**.
- Development of technologies enables better adjusting of services offer according to the different segments requirements.
- The segments should be:
 - enough large,
 - measurable,
 - stable,
 - similar (homogeneous) within the group,
 - and dissimilar (heterogeneous) across the different group.

SEGMENTATION CRITERIA

- **Demographic** – organization provides products and services only to segments chosen on the bases of age, gender, marital status, education, disposable income, occupation, religion etc.
- **Geographic** – organization decides to provide the products only in limited area (cities x villages, seaside area x inland etc.).
- **Psychographic** - social class, lifestyle, personality.
- **Behavioural** – buying opportunity (regular purchases, special occasion), expected utility (quality, service, savings), user status (non-users, ex-users, potential users, inexperienced users, regular users), frequency of use (rare, medium often, frequently), loyalty (none, medium, strong, absolute), readiness to buy (ignorant of the product, realizing the existence of product, informed, concerned with option to purchase, wishing to buy, decided to buy), attitude to the product (enthusiastic, positive, indifferent, negative, hostile).

B. TARGETING

- **Target segment** – part of market which is selected by the company.
- Target marketing, in other words, is where the organization identifies market segments, selects one or more of them, and develops products and marketing mixes tailored to each.
- In evaluating different market segments, an organization should examine two broad issues: market attractiveness and the company's capability to compete in the segment.

TARGETING – MARKET ATTRACTIVENESS

- **Competitive factors** (nature of competition, new entrants, competitive differentiation).
- **Political, social and environmental factors** (trends).
- **Market factors:**
 - Segment size
 - Segment s rate of growth
 - Segment s profitability
 - Customers price sensitivity
 - Stage of industry life cycle
 - Predictability
 - Pattern of demand
 - Potential of substitution

TARGETING STRATEGIES

- **Undifferentiated targeting**, through which the firm directs the same marketing mix (same product, price, distribution, marketing communication) at all potential customers.
- **Differentiated targeting**, through which the firm offers a unique marketing mix to each distinct segment, a mix tailored to the needs and wants of consumers in those segments.
- **Concentrated (Niche) targeting**, through which the firm picks out a single segment or very limited number of similar segments on which to concentrate its efforts.
- **Customized targeting**, a more recent strategy through which the firm crafts specific offers for each individual consumer.
(Automarketing – customers search info themselves)

C. POSITIONING

- It is the placing of a product (brand) in the mind of a customer, in relation to other products (brands) in the market.
- Marketing positioning is arranging for a brand or product to occupy a clear, distinctive and desirable place in the minds of targeted customers relative to competing products or brands.
- Positional map (perceptual map) – graphic presentation how consumer feels the similarity or dissimilarity of brand of specific product in comparison with competitive products in the marketplace.

POSITIONING EXAMPLES 1

- **Product attributes:** Heinz positions its products on the attributes of no artificial colouring, flavouring or preservatives.
- **Product benefits:** Volvo positions itself using the product benefits of safety and durability.
- **Usage occasions:** The convenience store SPAR eight-till-late shops are positioned on the usage occasion. Customers use the shops when they need to shop out of normal hours or near to their home.
- **Users:** Ecover cleaning products are positioned as environmentally friendly products for the green customer.
- **Activities:** Lucozade is positioned as an isotonic drink for sporting activities.

POSITIONING EXAMPLES 2

- **Personality:** Harley Davidson motorbikes are positioned as a macho product with a free spirit.
- **Origin:** Audi clearly illustrates its German origins in the UK market by the use of the “Vorsprung durch technik” slogan. The hope is the product will be linked to the German reputation for quality engineering.
- **Competitors:** Pepsi-Cola positions itself as the choice of the next generation, reflecting the fact that in blind tasting tests younger people preferred Pepsi over competitors offerings.
- **Product class:** Kellogg s Nutrigrain bars are positioned as “morning bars”, a substitute for the traditional breakfast.
- **Symbol:** Esso petrol has used the symbol of the tiger to position itself in the market.

FACTORS FOR SUCCESSFUL POSITIONING

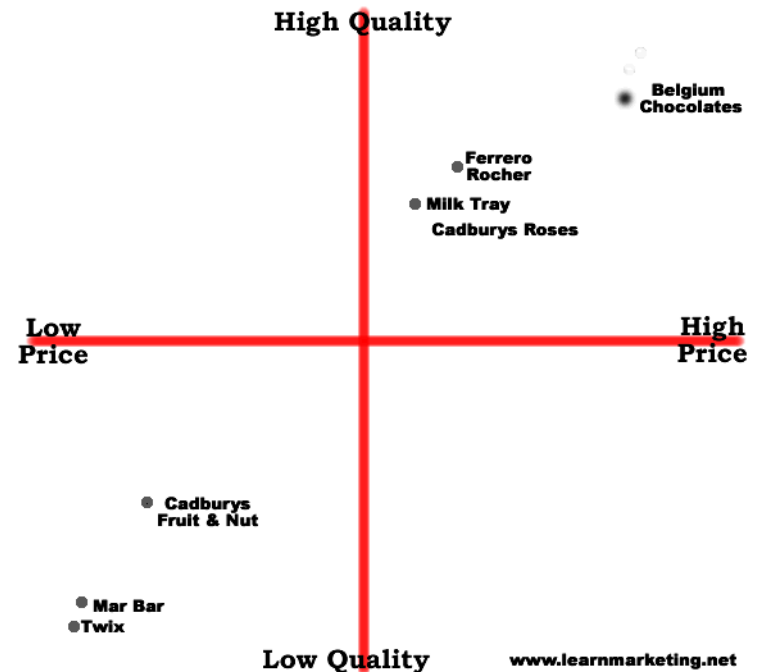
- **Credence:** The attributes used to position the product have to be perceived to be credible by the target customers.
- **Competiveness:** The product should offer the consumer benefits which competitors are not supplying.
- **Consistency:** A consistent message over time is invaluable in helping to establish a position against all the other products and services fighting for a share of the consumer's mind.
- **Clarity:** The positioning statement an organization chooses has to create a clearly differentiated position for the product in the minds of the target market. Complicated positioning statements are unlikely to be remembered.

FAILED POSITIONING

- **Underpositioning** – there is no sufficient difference among competitive products (Kia, Hyundai – very similar!)
- **Overpositioning** - excessive pointing out to only one benefit of certain product (IKEA, Lidl – cheap, price!)
- **Confused** – result of the inadequate marketing communication or the choice of bad distribution channels (branded goods – supermarket, discount outlets!)

SOLUTION? REPOSITIONING!

- It responds to the change of market demand or it s aimed to reach more profitable segments.
- It uses the same tools as positioning, i.e. marketing communication in order to establish new image or product.



2 EXTERNAL MICRO ANALYSIS

- There are many concepts of how to analyze microenvironment!
- Marketing micro environment involves according to Kotler and Armstrong following factors:
 - Corporate environment.
 - Supplier-customer relationships.
 - Service providers.
 - Features of the target market.
 - Competition.
 - Public relations.
- We will use the co-called 3C analyses that consists of:
 - Consumers - Consumers (A).
 - Collaborators - Collaborators (B).
 - Competitors - Competitors (C).

A. CONSUMERS

- **Consumers** are individuals or organizations who purchase products for their own use or for its further integration into another product. However, it does not involve actions of buying for resale.
- We thought about consumers during segmentation!
- **Customers** - consumers, producers, traders, state, foreign customers. (motivation to buy, place, time)
- Furthermore, we are interested in:
 - selection process,
 - shopping process,
 - use and consumption process.

ISSUES RELATED TO CUSTOMERS 1

- **Who** is the decision-making unit? Who plays what role in deciding and also who plays what role in the purchase? Who actually uses the product in the end? Indeed it may well be someone completely different than the one who purchased or made the decisions!
- **What** is the product? What is the functional point of view, what emotions does it create? Where does its use classify us within the society? Is the product environmentally friendly?
- **Why** are customers buying? Why the product is used or consumed? Is it a generic product, basic goods, FMCG or a long-term sophisticated product?

ISSUES RELATED TO CUSTOMERS 2

- **How** does the process of decision / purchase work? What process leads to the selection and purchase? What was the initial impulse and where was its source? And what happened during decision-making process? And how the product was used, consumed and ultimately disposed of? Was it then replaced by a new one?
- **When** (at what time in life, during the year, month, week, day), people make decisions or are they buying? When the product is used, consumed, disposed of?
- **Where** are decisions being made? In what store (type of business) people buy? Where is the product used, consumed, destroyed?

DECISION-MAKING PROCESS

- 1. Phase - discovering the problem.
 - 2. Phase - finding information.
 - 3. Phase - evaluation.
 - 4. Phase - decision to purchase.
 - 5. Phase - after purchase experience.
 - 6. Phase - rejection.
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- Whether the customer goes through all the phases of the buying process and how much time they spend at various stages, depends on the product type / situation.
 - Influencing factors: perceived risk, alternatives, mistakes, experience, frequency of purchase, emotions etc.

ANALYSIS OF CUSTOMER BEHAVIOR

- Analysis of customer behavior is systematic analysis of behavior, thoughts and feelings of consumers in connection with the properties of the product.
- Factors that may affect this behavior:
 - cultural factors (culture, subculture, social class),
 - social factors (family, family life cycle, reference groups, influencers),
 - individual factors (employment, income, personality, values, lifestyles),
 - psychological factors (motivation, perception, learning, attitude).

SOCIAL INFLUENCE - ROGERS ADOPTION CURVE

- **Innovators** - about 2.5% of customers are pioneers who must always have the latest products first.
- **Highly adaptable** - about 13.5% of customers who are often influencers. Adopt product quickly, but evaluate it very well before purchase. Therefore, they can provide further relevant information.
- **Early most** - about 34% of customers. They are cautious people who are often influenced by opinion leaders. In terms of marketing communication is a very important group.
- **Late most** - also about 34%, it is the skeptics who buy the new product only when it was already bought by the majority. Therefore it is important to obtain the two previous groups.
- **Latecomers** - conservatives, people who have an aversion to change. Prefer those products that have become part of the tradition.

PERSONAS AND NARRATIVES

- But that's not all! It is no longer enough to process segmentation based on basic characteristics – we would rather like to work with so called personas, i.e. one typical representative of a given segment (e.g. this is Klara, 23, studies university, likes horses, spends 300 on coffee each week, likes to hang out with girlfriends).
- Later on, whole stories (Narratives) were added to personas, which take a persona and assign it a whole specific life and put it in a specific context, so that it is clearly visible what tasks it solves in life, what problems arise there, and what value it is therefore looking for (see the value canvas from the previous lectures).
- [Templates!](#)

PURCHASE ROLES

- **Initiator:** a person who initiates the first purchase.
- **Influencer:** consultant whose views have some weight in the selection process.
- **The decision maker:** the person who makes the final decision and who decides whether to buy or not. If yes, then what, how and where.
- **Buyer:** the person who performs the purchase of the product.
- **User:** the person who ultimately uses, or consumes the product.
- **Preparer:** the person who prepares the product for use or consumption.

B. COLLABORATORS

- **Collaborators:** all entities that assist us in ensuring the operation of our company and achieving our goals.
- These include:
 - **Intermediaries** (brokers) - distributors, dealers, agents and commission.
 - **Suppliers** - related companies that may also be competitors. (speed, quality, reliability, etc.)
 - **Marketing agencies** - collaboration with various marketing agencies, which include advertising agencies, companies providing sales support, direct shipment, public relations activities etc.
 - **Logistics companies** – company may rely on these specialized companies in the field of shipping, transportation and storage.
- We are interested in:
 - Suppliers - references, quality, certification, price, terms, contract terms, speed, availability, counseling, guarantees.
 - Distributors - logistics, traders, the same things at suppliers.

ANALYSIS OF 5 FORCES - PORTER

- Analysis 5F is the work of Michael E. Porter. It is a way to analyze the industry and its risks. The model works with five elements. The essence of the method is forecasting the competitive situation in the surveyed sector based on estimates of the possible behavior of these subjects and objects operating in a given market and the risks threatening the company from their side:
 - **Existing competitors** - their ability to influence the price offered and the quantity of the product / service.
 - **Potential competitors** - the possibility to enter the market and affect the price and offered quantity of the product / service.
 - **Suppliers** - their ability to influence the price offered and the number of necessary inputs.
 - **Buyers** - their ability to influence the price and quantity demanded of the product / service.
 - **Substitutes** - the price and quantity of offered products / services or at least partially able to replace the product / service.

C. COMPETITION

- **Competitors** - offer products satisfying the same need. (where to get data sources?, benchmarking, Porter's five forces analysis)
- *"Competition is the engine of developed markets.,,"*
- Competitors need to be monitored.
- The principles of fair play.
- The problem of ethics and the unavailability of information vs. the need for rapid response.
- For many industries, competition is maintained by apparatus of supervisory bodies - monopolization is better for companies.

ANALYSIS OF COMPETITION

- **The performance of competitors** - what are their results in terms of market share, turnover, profit and share of purchases.
- **Target group of competitors** – what segment do they target? Are they connected to the whole market, several attractive segments or only to one segment?
- **Marketing mix strategies by competitors** – „what marketing efforts“ do they utilize to realize their performance in these target groups? What is their budget? How do they use it? Do they have a wide or narrow range of products, high or low quality, high or low price? Is their distribution carried out by many or few channels?
- **Commercial strength / weakness of competitors** - what are the relative strengths and weaknesses of the competition? What are their advantages and disadvantages?

BENCHMARKING

- Benchmarking is a method based on systematic measurement and comparison of selected indicators.
- Its use is not limited to strategic management but it can be used at any level of management and for almost any indicator (indicators).
- The basis for the comparison of selected indicators to other reference values, which can be either historical, or can be compared against another reference entity (e.g. different departments or similar organization). Comparison is always relative, you can not say that higher or lower values of the indicators are good or bad.
- The biggest benefit of benchmarking is that these different values are provoking questions about what is causing them, and this cause should undergo further investigation.

TASK FOR NEXT TIME

- PEST – choose a company and a country, try doing PEST.
- Customer analysis - choose a company and try to do customer analysis any way you want.
- Choose a company and create personas for them.

MARKET ANALYSIS

- **Market** - a place where forces of demand and supply operate, and where buyers and sellers interact (directly or through intermediaries) to trade goods, services, or contracts or instruments, for money or barter.
- Market analysis in practice reflects an overall analysis of demand and competition, customer behavior and needs.
- Industry analysis is often used - industry structure, specifics and relationships, inputs / outputs of the sector, the business cycle, regulation of the industry, competitive, innovative performance etc.

DETERMINING AND CALCULATING THE SIZE OF THE MARKET

- **Market potential** = total absorption capacity of the market.
- **Market share** = turnover of the company: the turnover of the total market.
- **Relative market share** = turnover of the company: turnover of its main competitor.
- **Market growth** = market size in the current period: market size in the base period.
- **The attractiveness of the market** = sum of critical success factors, respectively failures.
- **The penetration rate** = in% how many consumers own product.

3.X SPECIFIC ANALYSES

- In the following sections 3.x, you can find specific analyses that the company is forced to make because it has specific information needs.
- Within the macro and micro analysis, we found some information, but some areas we surveyed only superficially. In the operation of our company we have some very specific needs – that is why we need to do some analyses aimed at a deeper understanding of context.
- E.g. We have a company in the IT industry. In the macro environment, we examined the technology, but only superficially, we need literally daily update of what's new, so we are able to create revolutionary products for our customers.

3.1 ANALYSIS OF SCIENTIFIC AND TECHNOLOGICAL DEVELOPMENT

- Identifying the direction of current developments.
- What new insights are in our field.
- What is going to come out in the future and will it somehow be useful for us?
- Charting techniques that are used by competing firms (competition analysis).
- Considering own options.

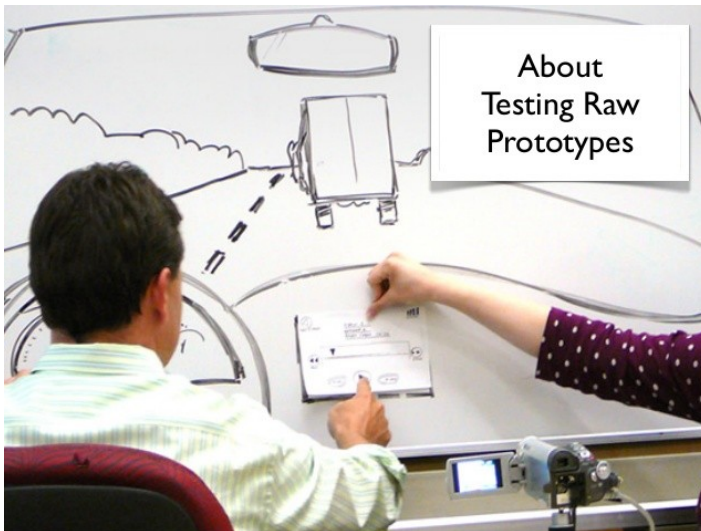
- How? Where? How much?

3.2 ANALYSIS OF REGION

- Demographic and geographic options.
- Employment.
- Natural sites - NP, PLA.
- Collaboration with various environmental and governmental agencies.
- Possibilities of energy and infrastructure networks.
- Consideration of ecological approach-spending vs. environmental resources.

3.3 SPECIFIC PRODUCT ANALYSES

- New product ideas, prototypes.
- Packaging testing.
- Brand analyses.
- Sensorical analyses.
- Benchmarking our products to market/competitors.
- Perception analyses.
- Market analyses – size, shares etc.



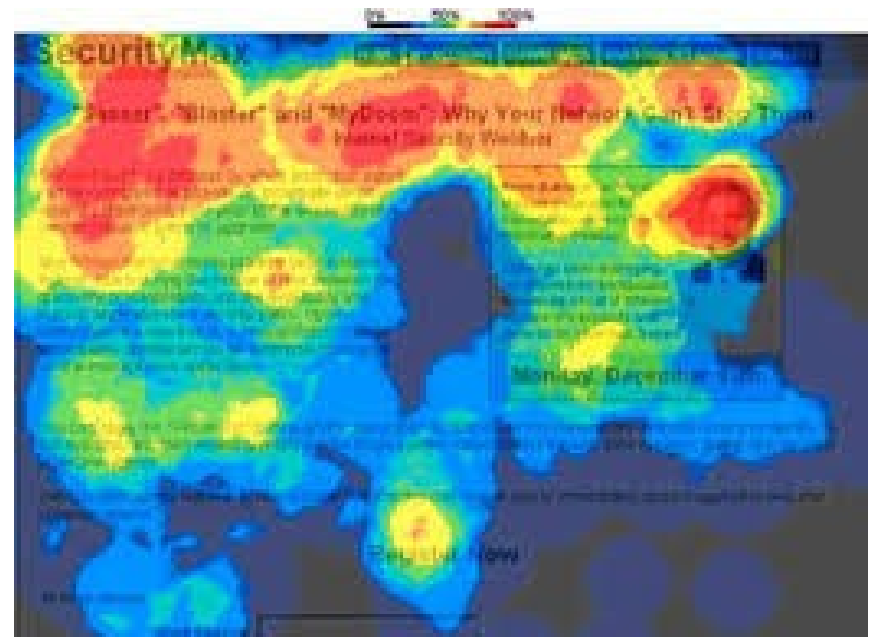
3.4 SPECIFIC PRICE ANALYSES

- Price perception analyses.
- Price elasticity analyses.
- Price barriers analyses.
- Price positioning analyses.
- Price acceptance analyses.



3.5 SPECIFIC DISTRIBUTION ANALYSES

- Logistics analyses, aimed at warehouse locations, routes, packaging etc.
- Stores locations analyses.
- Analysis of products inside the stores.
- Distribution channel analysis.



3.6 SPECIFIC COMMUNICATION ANALYSES

- Analysis of media channels.
- Analysis of perception of communication tools.
- Analysis of messages, message sources, graphical designs, logos, advertisements, radio spots etc.
- UX testing.



3.7 BRAND ANALYSIS

- Brand = "*brand name, title, character, creative expression, or a combination of the preceding elements. Its purpose is to distinguish the goods or services of one seller or group of sellers of goods or services from competing vendors.*", (Vysekalová, 2011, p. 136) Brand has emotional and rational part (brand name, logo, slogan, story, message).
- Tracking studies - monitors the strength / brand health over time (life cycle), sometimes compares with the competition. The study should therefore include steady questions and be on a sample of current customers. Based on four indicators, see further.
- Brand audit - a comprehensive brand audit, covers all parts of brand. The audit is performed on end-use customers, employees, but also in the actual premises of the company (reveal internal / external view of the brand).

BRAND AUDIT SHOULD FOCUS ON

- Logo - association with images (Renault). Association test with all other conceivable alternatives, test characteristics of likeability.
- Brand name - word association. Association test, comparing variations, hidden meanings.
- Slogan - suitability, hidden meanings.
- Story - created history and stories with which the brand operates.
- Message - basic communication message, which the brand uses (both to the user and about the user).

WHAT DO I WANT TO MEASURE

- Ideally, everything, but it's not realistic, so I measure at least the important parts (Kozel, 2011, p. 254):
 - Brand awareness - knowledge (spontaneous / aided), TOM, popularity, knowledge of communication / campaigns.
 - Emotional evaluation of the brand - credibility, likeability, respect, innovation.
 - Rational assessment of brands - reliability, satisfaction, relevance, differentiation from competitors.
 - Preference of brands - brands that consumers prefer and why.
- The result is a perceptual map (map of positioning), or brand pyramid.

TRACKING STUDY INDICATORS

- Awareness – TOM, spontaneous/aided knowledge.
- Usage – usage how, where, why, frequency etc.
- Brand Attitudes and Perceptions – brand image, satisfaction, loyalty, perception etc.
- Purchase intent – the intent to purchase brand now, in the future, after seeing our communication, willingness to refer to a friend.

3.8 MARKET ANALYSIS (DEMAND)

- Market – the place, where we realize the exchange of goods and services. Supply meets demand.
- In practice – market analysis is about the demand, competition, consumer behaviour.
- Often we use industry analysis as our basis, where we measure the industry structure, relationships, inputs and outputs, economic cycle, regulation, competitiveness, innovation potential etc.
- We can measure market from three perspectives:
 - Producer – production + import – export.
 - Trade – amount of stores x average turnover x share of turnover of store in %.
 - Consumer – number of consumers x average consumption.

MARKET INDICATORS

- Market potential = total absorption capacity of the market. (But available market = have the money for it) (overall potential / regional)
- Market share = turnover of the company: the turnover of the total market.
- Relative market share = turnover of the company sales: its main competitor.
- Market growth = market size in the current period: market size in the base period.
- Attractiveness of the market = sum of critical success factors, respectively. failures.
- The penetration rate in % = how many consumers own the product.

HOW DO WE DO THAT?

- Estimating demand can be done in-house (we do it ourselves) or bought from an agency – [GlobalData](#), [Euromonitor](#), [AC Nielsen](#).
- We do macro forecast, then the development of the industry, sales of the company.
- We survey consumers - research on purchasing intents.
- Expert estimates of sellers - personal selling advantage is the contact with the customer.
- Opinions of experts - experts, dealers, consultants, suppliers, industry associations.
- Analysis of historical sales - time series analysis + prognosis for the future.
- The market test - experiment!

THE END

Thank you for your attention.

