

ENVIRONMENTAL SCANNING

Dr.M. Thenmozhi

Professor

Department of Management Studies
Indian Institute of Technology Madras

Chennai 600 036

E-mail: mtm@iitm.ac.in

SOURCES OF INFORMATION

- Documentary or secondary sources
 - Magazines, newspaper, journals, books, trade & industry Assn. publication, Govt. Publication, Annual report of competitor company
- Mass media
- Internal sources - employees, files, MIS, documents

SOURCES OF INFORMATION

- **EXTERNAL AGENCIES** - Customers, marketing intermediaries, suppliers, trade Assn., Govt. Agencies
- **FORMAL STUDIES** - Consultants, Educational Institutions, in-house
- Spying & Surveillance thro' ex employees of competitor or planting 'moles' in competitor company

COMPETITIVE ENVIRONMENT SCANNING

- **ENVIRONMENT TURBULENCE**

Hyper competition - Competitive intensity is high “In hyper competition, the frequency, boldness & aggressiveness of dynamic movement by the players accelerates to create a condition of constant disequilibrium and change.

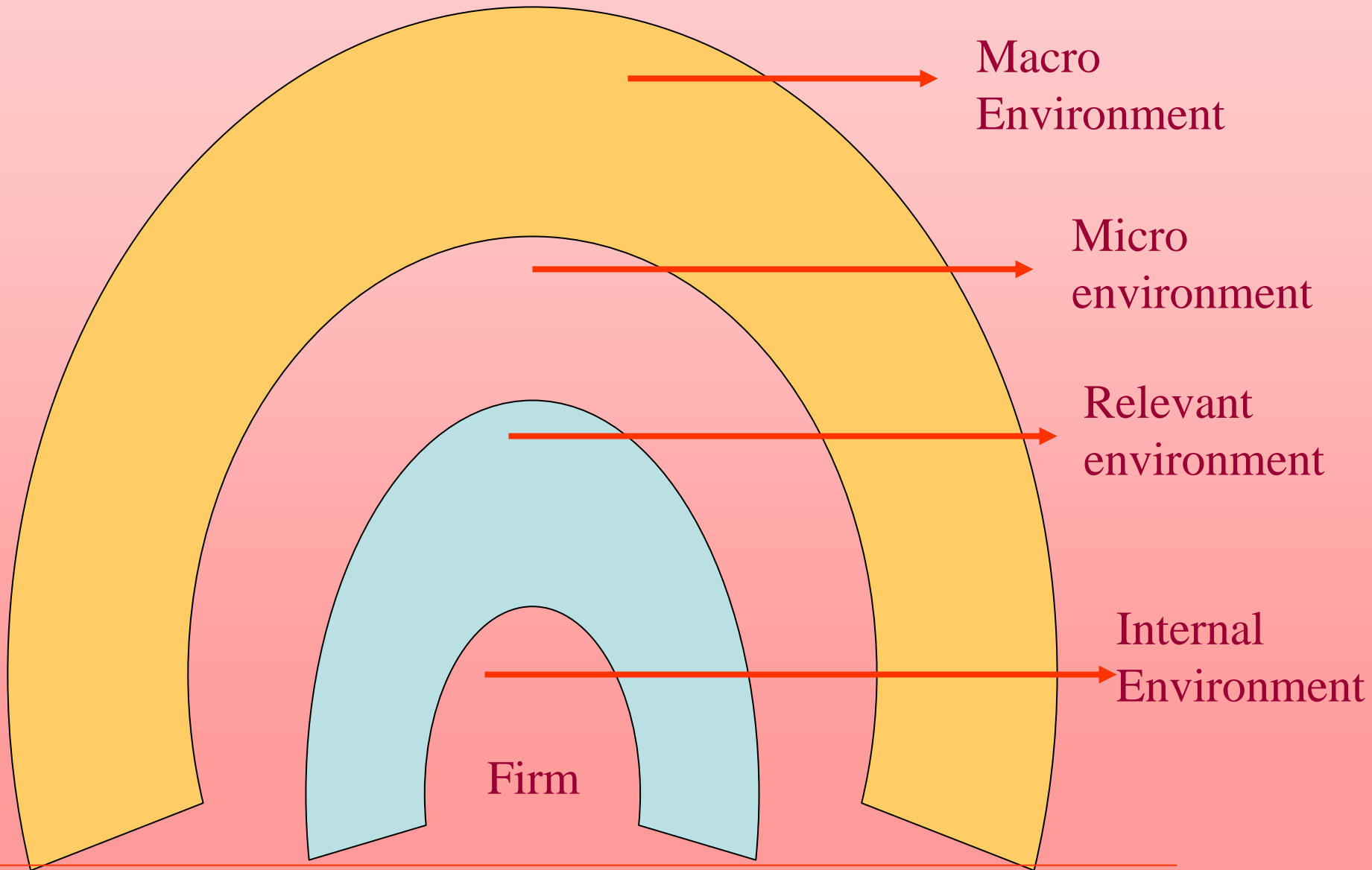
COMPETITIVE ENVIRONMENT SCANNING

- Market stability is threatened by short product life cycles, short product design cycles, new technologies, frequent entry by unexpected outsiders, repositioning by incumbents and tactical redefinition market boundaries as divers industries merge.
- The environment escalates toward higher & higher levels of uncertainty, dynamism, heterogeneity of players & hostility”
- eg. Computers - cannibalize their own product

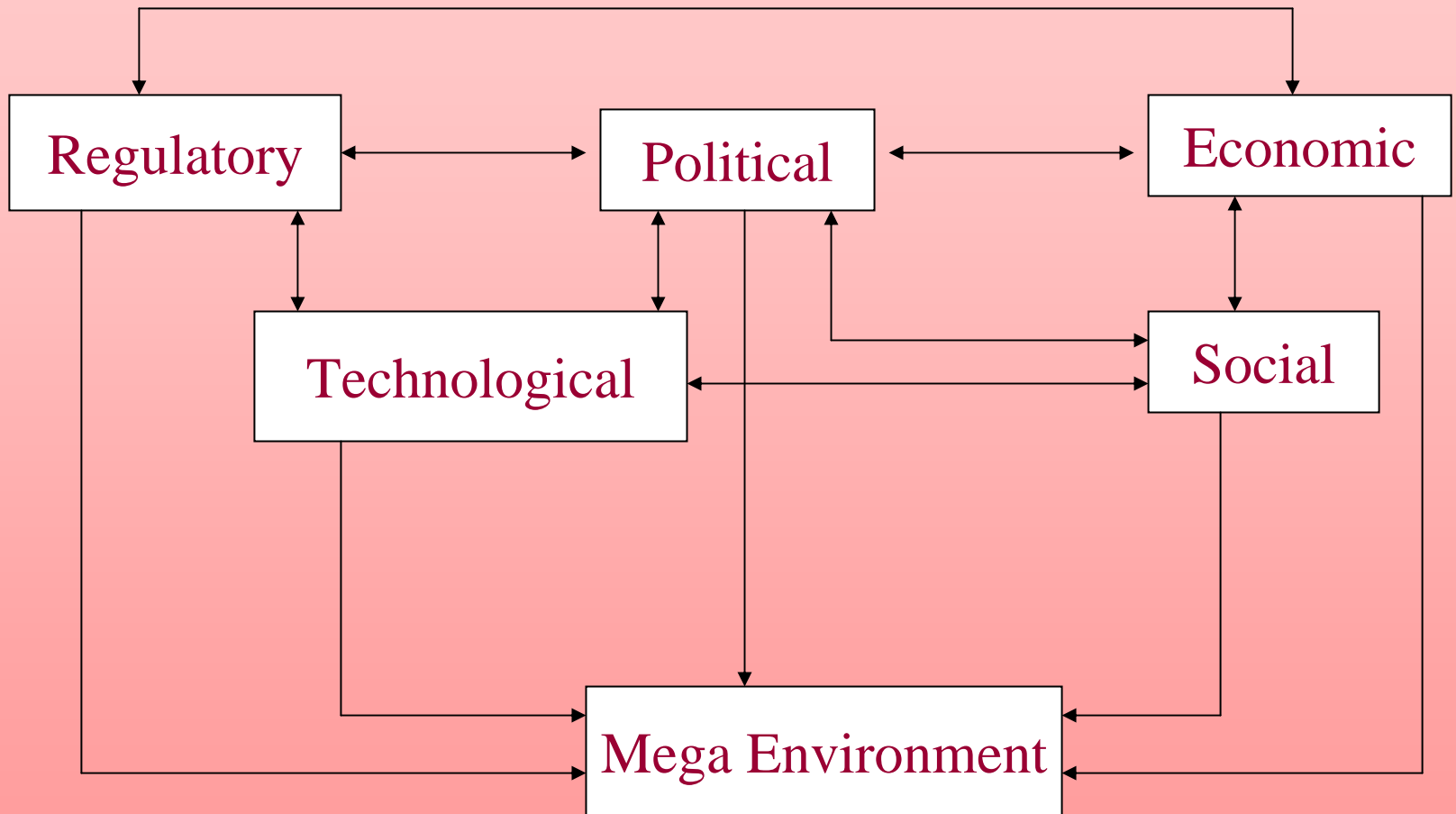
COMPETITIVE ENVIRONMENT SCANNING

- **ENVIRONMENTAL THREAT**- Challenges posed by an unfortunate trend - lead to erosion of company's position
- **ENVIRONMENTAL OPPORTUNITY** - an attractive arena - that company enjoys a competitive advantage

INDUSTRIAL ENVIRONMENT



COMPONENTS OF MEGA ENVIRONMENT



CHARACTERISTICS OF VARIOUS ENVIRONMENT

TECHNOLOGICAL

- Transportation capability
- Mastery over energy
- Ability to alter character of material
- Mechanization of physical activities
- telecommunication network

SOCIAL

- Population, demographic data
- Spread of literacy
- Income distribution
- Social Values
- Ethical standards
- Concern for health

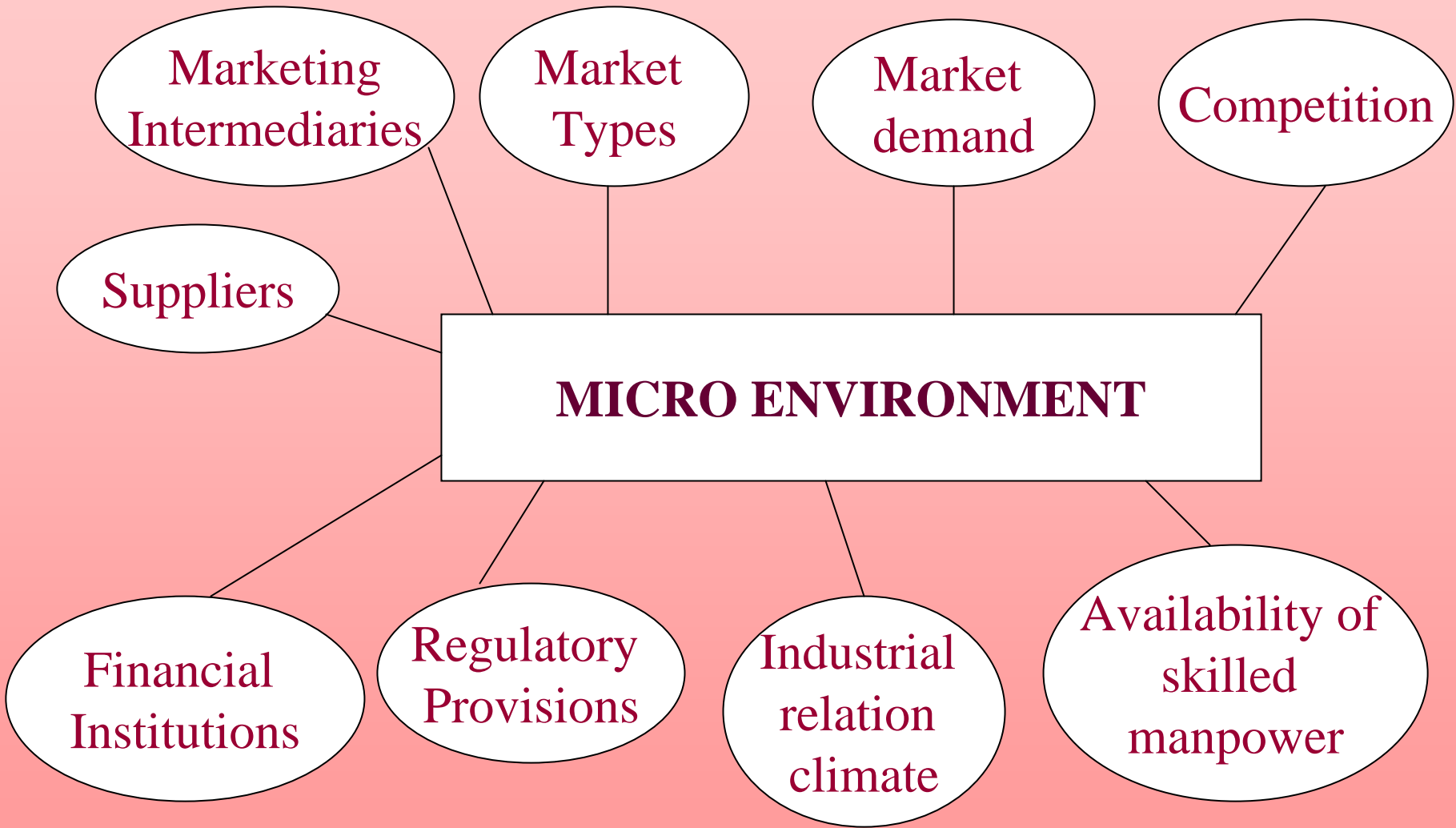
CHARACTERISTICS OF VARIOUS ENVIRONMENT

ECONOMIC

- GDP, Growth rate
- Money supply
- BOP
- Policies and regulations

POLITICAL

- Regulatory
- Legal provisions
- Stability of Government



- Indication where the opportunities exist
- Grasp of the major sources of threats to the industry
- Indication of the critical requirement for success in the industry
- **SUPPLIERS** - shortage, location, cost, quality
- **MARKETING INTERMEDIARIES** - distribution channels, transporters, advertising & marketing research firms
- absence or presence

• **MARKET TYPES** - consumer markets, industrial markets, institutional markets, international markets, resellers markets - stable or volatile

• **MARKET DEMAND**

Quantum - Volume / value

Behaviour - Seasonally

Structure - OEM + replacement, household consumers, concentration of consumers

- **FINANCIAL CLIMATE** - Availability of funds, Incentives, exemptions
- **REGULATORY ENVIRONMENT** - Free trade zones, sales tax, tax rebates - central/state Govt.

SWOT

- **STRENGTH** - Inherent capacity which an organization can use to gain strategic advantage over its competitors
- **WEAKNESS** - Inherent limitations or constraints which create a strategic disadvantage
- **OPPORTUNITY** - a favorable condition in the organization's environment which enables it to consolidate and strengthen its position
- **THREAT** - an unfavorable condition in the organization's environment which creates a risk or causes damage to the organization

OPPORTUNITY - THREAT PROFILE BY A PASSENGER CAR FIRM IN INDIA

I. MACRO ENVIRONMENT

POLITICAL ENVIRONMENT

- Country remains a democracy; era of coalition government
- fair amount of political stability despite the absence of single party rule
- Political consensus on higher target of growth of the economy
- Political consensus on economic reforms

OPPORTUNITY - THREAT PROFILE BY A PASSENGER CAR FIRM IN INDIA

SOCIAL ENVIRONMENT

- Burgeoning middle class
- Major changes in life style
- Increased urbanization
- More & more consumption orientation
- Double income & nuclear family on rise
- Living on credit become trend
- Boom in leisure activities
- Upwardly mobile social class on the rise

OPPORTUNITY - THREAT PROFILE BY A PASSENGER CAR FIRM IN INDIA

ECONOMIC ENVIRONMENT

- Continuation of economic reforms & liberalization
- Encouragement to foreign investment
- Big growth in service sector
- Inflation continue as a problem, but no excessive rise in recent times
- exchange rate remains reasonably stable
- Energy especially petroleum energy becoming more scarce & costly

OPPORTUNITY - THREAT PROFILE BY A PASSENGER CAR FIRM IN INDIA

ECONOMIC ENVIRONMENT

- labor situation attractive - Abundance of skilled workers, passenger car industry and auto ancillaries well endowed with skilled workforce, wages on the increase now, but by global standards low

TECHNOLOGICAL ENVIRONMENT

- More liberal approach to technology import
- Significant efforts at internal technology development

OPPORTUNITY - THREAT PROFILE BY A PASSENGER CAR FIRM IN INDIA

II. MICRO ENVIRONMENT

CONSUMER / DEMAND

- Increasing affluence of urban consumers
- Larger consumer base
- Increasing purchasing power
- Changes in lifestyle support products
- Changes in buying behaviour - more choosy - cars e.g. Style, comfort apart from fuel efficiency

OPPORTUNITY - THREAT PROFILE BY A PASSENGER CAR FIRM IN INDIA

COMPETITION

- Total change in competitive scenario
- Intense competition

SUPPLIER

- India - major producer of steel - raw material - no problem

LEGAL

- perceived sound by world players
Hence Foreign Direct Investment.

OPPORTUNITY - THREAT PROFILE BY A PASSENGER CAR FIRM IN INDIA

TECHNOLOGY

- Major changes
- It is in hands of world majors in the industry
- Very few players have technology for small cars

THE INDUSTRY

- Passenger car industry - GROWTH INDUSTRY (short term & medium term)
- Industry structure changing - delicensing & opening up of industries for foreign investment
- Gaining an expert orientation
- Industry attractiveness - reasonably good in short term & medium term

OPPORTUNITY MATRIX

High	Very Attractive	Moderately Attractive
Attractiveness	Moderately Attractive	Least Attractive
Low	High	Low
	Probability of occurrence	

THREAT MATRIX

High Seriousness	Major Threat	Moderate Threat
	Moderate Threat	Minor Threat
Low		
	High	Low
	Probability of occurrence	

IMPACT MATRIX

Trends	Probability of occurrence	Impact on strategies			
		S1	S2	S3	S4
T1					
T2					
:					

Degree of quality of impact of each trend on different strategies using impact scale

+2 Extremely favorable Impact

+1 Moderately favorable Impact

0 No Impact

+1 moderately unfavorable Impact

-2 Extremely unfavorable Impact

ENVIRONMENTAL THREAT &

OPPORTUNITY PROFILE

- **Glueck**

(E TOP)

Bicycle company

Environmental
sector

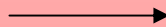
Impact of each Sector

Social

Customer preference -
fashionable, easy to ride &
durable - sports cycles

Political

Nil/Not significant



- Economic Growing affluence-Urban
 consumers exports potential
 high
- Regulatory Thrust area for exports

ENVIRONMENTAL THREAT & OPPORTUNITY PROFILE

- **GLUECK**

(E TOP)

Market



Industry growth rate in 7%-8%
p.a.sports cycle - 30% p.a
Unsaturated demand

Supplier



Mostly ancillaries & associated
companies - Spare parts &
components - REP license for
imported raw materials
available

Technological



Technological upgradation in
progress import of m/c under
OGL

SYNTHESIS OF EXTERNAL FACTORS

- I. List 8 -10 Most important opportunities & threats facing the company
- II. Assign weight to each factor 0 -1 (Not important to important) based on that factor's probable impact on a the Company's strategic position (All weight sum to 1.00 regardless of number of factors)
- III. Assign a rating to each factor from 1-5 (poor to outstanding) based on the company's current response to that particular factor

SYNTHESIS OF EXTERNAL FACTORS

IV. Get the weighted score - Weight x rating

1- poor, 3 - average, 5 - Outstanding

Total weighted score - how well the company is responding to current and expected factor in external environment

V. Comments - Why a particular factor was selected and how weight and rating were estimated