Writing and Presenting the Business Plan

Market and Competition Analysis – SWOT & PESTEL Tools

Why do we analyze the market and competition?

- The analysis helps identify the project's position in the market.
- It contributes to defining the project's competitive advantages.
- It enables making realistic and well-informed decisions before launching the project.

Components of Market Analysis

- **Market Size:** How many potential customers are there?
- **Market Trends:** Is the market growing or declining?
- **Customer Segments:** Who are the target customers?
- **Consumer Behavior:** How do consumers make purchasing decisions?
- **Competitors:** Who are they? What are their strengths and weaknesses?

Business Environmental analysis

Business Environmental analysis is a strategic tool. It is a process to identify all the external and internal elements, which can affect the organization's performance. The analysis entails assessing the level of threat or opportunity the factors might present. These evaluations are later translated into the decision-making process. The analysis helps align strategies with the firm's environment.

Businesses are greatly influenced by their environment. All the situational factors which determine day to day circumstances impact firms. So, businesses must constantly analyze the trade environment and the market.

Introduction to Market Analysis

01 **Identify Trends**

Understanding emerging market trends helps businesses adapt and plan strategically for future opportunities.

02 **Customer Insights**

Analyzing customer preferences and behaviors enables targeted marketing strategies that enhance customer engagement.

03 **Competitive Analysis**

Monitoring competitors allows businesses to identify strengths and weaknesses, facilitating strategic positioning in the marketplace.

04 **Risk Assessment**

Conducting market analysis helps assess potential risks associated with new projects or market ventures, ensuring informed decision-making.

There are many strategic analysis tools that a firm can use, but some are more common. The most used detailed analysis of the environment is the PESTLE analysis. This is a bird's eye view of the business conduct. Managers and strategy builders use this analysis to find where their market currently. It also helps foresee where the organization will be in the future.

PESTLE analysis consists of various factors that affect the business environment. Each letter in the acronym signifies a set of factors. These factors can affect every industry directly or indirectly.

The letters in PESTLE, also called PESTEL, denote the following things:

Political factors
Economic factors
Social factors
Technological factors
Legal factors
Environmental factor

P	E	S	T	E	L
Government policy	Economic growth	Population growth rate	Technology incentives	Weather	Discremination laws
Political stability	Exchange rates	Age distribution	Level of innovation	Climate	Antitrust laws
Corruption	Interest rates	Career attitudes	Automation	Environmental policies	Employment laws
Foreign trade policy	Inflation rates	Safety emphasis	R&D activity	Climate change	Consumer protection laws
Tax policy	Disposable income	Health consciousness	Technological change	Pressures from NGO’s	Copyright and patent laws
Labour law	Labour law	Lifestyle attitudes	Technological awareness		Health and safety laws
Trade restrictions	Unemployment rates	Cultural barriers			

PESTEL model to analyze business external environment

Following slide exhibits assessment of external macro environment that helps to find new business opportunities. It includes factors such as political, economic, social, technological etc.

Factors	Description	Example
Political	○ Political powers influencing business such as • Tax policies • Political stability • Environment regulations • Trade barriers and tariffs	Special tax on iron will increase business cost of manufacturing
Economic	○ Current state of economy includes • Inflation • Standard of living • Unemployment rate • Interest rates	Rise of unemployment due to recession results in business sales decline
Social	○ Factors that influence target market such as ○ Cultural trends ○ Social classes ○ Demographics ○ Religious beliefs ○ Literacy rate	Increase in population of diet conscious people results in sales decline of fast food restaurants

PESTEL model to analyze business external environment contd..

Following slide exhibits assessment of external macro environment that helps to find new business opportunities. It includes factors such as political, economic, social, technological etc.

Factors	Description	Example
Technological	○ Technical development that impact business such as ○ Use of 5G internet • Evolution of robotic automation • Engine efficiency • Computer calculations	Use of gesture recognition to help people with disabilities that promote convenience and results in enhances goodwill
Legal	○ Laws followed by company such as • Consumer laws • Labor laws • Copyrights and patents • Import/export regulations	Use of safety guidelines by automobile company to manufacture high quality vehicles
Environmental	○ Reflect business ecological environment such as • Geographical location • Global climate effects • Carbon emissions • Energy consumption	Rise in global warming encourage companies to switch in sustainable energy resources

This slide is 100% editable. Adapt it to your need and capture your audience's attention.

Political
- How stable is the government now and in the future?
- Is the political regime favourable to foreign investment?
- Is membership of the EU planned and likely in the near future?

Economic
- Is there a favourable economic framework within which to engage in business?
- Is the economy likely to remain stable over the longer term?
- Is there a favourable business infrastructure?

Social
- How will the structure of the population impact upon the demand for the product and/or the supply of labour?
- Are economic conditions likely to provide increased market opportunities?
- What skills currently exist within the labour force?
- Are the welfare and educational systems supportive of the planned investment?

Technological
- What is the current state of technological advance?
- Is technology transfer feasible?
- Will the current (or future) infrastructure help or hinder the investment process?
- What facilities exist for technological training?

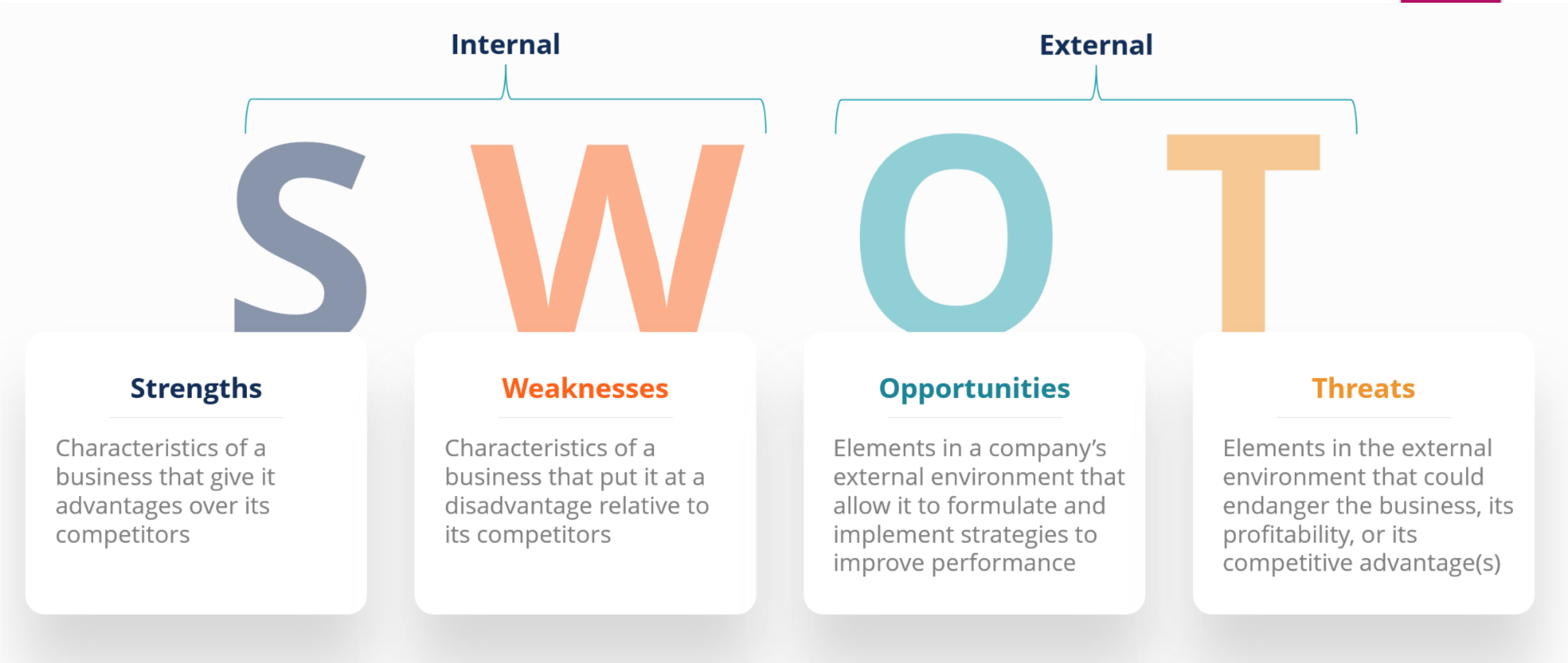
Legal
- Is the current legal framework likely to support or hinder business operations?
- Do the current (or planned) employment laws provide an advantage or disadvantage to the business?
- Do the current tax laws favour the organisation?

Ethical
- Are the ethical standards in a chosen location likely to affect the operations of the business favourably or unfavourably and/or the company's image?
- How will the organisation be affected by current (or planned) environmental standards and regulations?

SWOT Analysis

SWOT is an acronym for Strengths, Weaknesses, Opportunities and Threats. By definition, Strengths (S) and Weaknesses (W) are considered to be internal factors over which you have some measure of control. Also, by definition, Opportunities (O) and Threats (T) are considered to be external factors over which you have essentially no control.

SWOT Analysis is the most renowned tool for audit and analysis of the overall strategic position of the business and its environment. Its key purpose is to identify the strategies that will create a firm specific business model that will best align an organization's resources and capabilities to the requirements of the environment in which the firm operates.


Internal
External
S
W
O
T
Strengths
Characteristics of a business that give it advantages over its competitors
Weaknesses
Characteristics of a business that put it at a disadvantage relative to its competitors
Opportunities
Elements in a company's external environment that allow it to formulate and implement strategies to improve performance
Threats
Elements in the external environment that could endanger the business, its profitability, or its competitive advantage(s)

A SWOT matrix

INTERNAL ASPECTS EXTERNAL ASPECTS	**Strengths (S)** List major organisational strengths (e.g. quality products)	**Weaknesses (W)** List major organisational weaknesses (e.g. poor distribution)
Opportunities (O) List major organisational opportunities (e.g. new markets)	**SO strategies**	**WO strategies**
Threats (T) List major organisational threats (e.g. competition)	**ST strategies**	**WT strategies**

1. **Strengths -** Strengths are the qualities that enable us to accomplish the organization's mission. These are the basis on which continued success can be made and continued/sustained.

2. **Weaknesses -** Weaknesses are the qualities that prevent us from accomplishing our mission and achieving our full potential. These weaknesses deteriorate influences on the organizational success and growth. Weaknesses are the factors which do not meet the standards we feel they should meet.

3. **Opportunities -** Opportunities are presented by the environment within which our organization operates. These arise when an organization can take benefit of conditions in its environment to plan and execute strategies that enable it to become more profitable. Organizations can gain competitive advantage by making use of opportunities.

4. **Threats -** Threats arise when conditions in external environment jeopardize the reliability and profitability of the organization's business. They compound the vulnerability when they relate to the weaknesses. Threats are uncontrollable

Example:

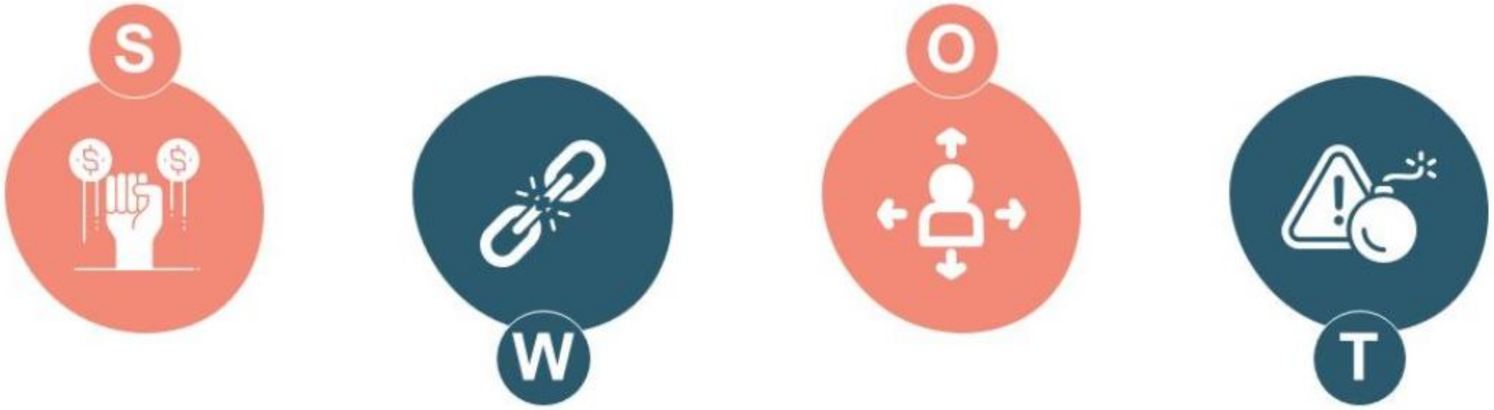
SWOT Analysis in Market Evaluation

- Strong brand recognition helps attract loyal customer base consistently.
- Diverse product range caters to various market segments effectively.

Strengths

- Emerging markets provide expansion possibilities for increased revenue.
- Technological advancements can improve operational efficiency significantly.

Opportunities



Weaknesses

- Limited online presence reduces reach to potential digital customers.
- High production costs affect overall profit margins significantly.

Threats

- Intense competition from established brands jeopardizes market share.
- Economic instability may lead to decreased consumer spending habits.

Market Analysis Importance and Benefits

01 **Identify Trends**

Recognize emerging market trends for timely strategy adjustments.

02 **Customer Insights**

Understand customer preferences to enhance product offerings.

03 **Competitive Edge**

Analyze competitors to pinpoint advantage areas in your strategy.

04 **Risk Mitigation**

Assess market risks to develop contingency plans effectively.

05 **Growth Opportunities**

Uncover new market segments for targeted business expansion.

06 **Resource Allocation**

Optimize resource distribution based on market demand insights.

07 **Data-Driven Decisions**

Incorporate data analysis to support strategic decision-making processes.

08 **Performance Measurement**

Evaluate business performance against market benchmarks for improvement.

Defining Target Markets and Segmentation

	Age	Location	Lifestyle	Buying Habits
Demographics	18-24	Urban	Active	Frequent
Geographics	25-34	Suburban	Tech-savvy	Occasional
Psychographics	35-44	Rural	Family-oriented	Seasonal
Behavioral	45+	Mixed	Budget-conscious	Rare

Summary Points

01

Market Size

18-34 segment comprises 35% of market.

02

Location Impact

Urban areas show 20% higher spending.

03

Lifestyle Trends

Tech-savvy consumers drive 40% of growth.

Research Methods for Market Analysis

01 Surveys

Collect customer preferences through targeted questionnaires.

02 Focus Groups

Gather insights from diverse participants discussing products.

03 Interviews

Conduct one-on-one conversations for in-depth opinions.

04 Observations

Analyze consumer behavior in natural shopping environments.

05 Competitor Analysis

Evaluate competitors' strategies to identify market gaps.

Qualitative vs Quantitative Research Approaches

COMPARISON

Qualitative

Nature

01 Focuses on understanding underlying reasons and motivations behind behaviors.

Data

02 Relies on non-numerical data such as interviews, observations, and open-ended questions.

Outcome

03 Generates in-depth insights and detailed descriptions of social phenomena.

Quantitative

Nature

01 Emphasizes measurement and statistical analysis to test hypotheses.

Data

02 Utilizes numerical data from surveys, experiments, and structured questionnaires.

Outcome

03 Produces statistically valid conclusions to identify patterns and correlations.

Market Trends and Growth Opportunities

Insights

- Understanding evolving consumer preferences drives potential profitability.
- Increased online presence enhances visibility and customer engagement.
- Emerging markets present lucrative avenues for business growth.
- Eco-friendly products are gaining traction among consumers.

Trends

01 Consumer Behavior

Shift towards personalized products is increasing market dynamics.

02 Technological Advancements

Innovative tools are reshaping how markets operate and compete.

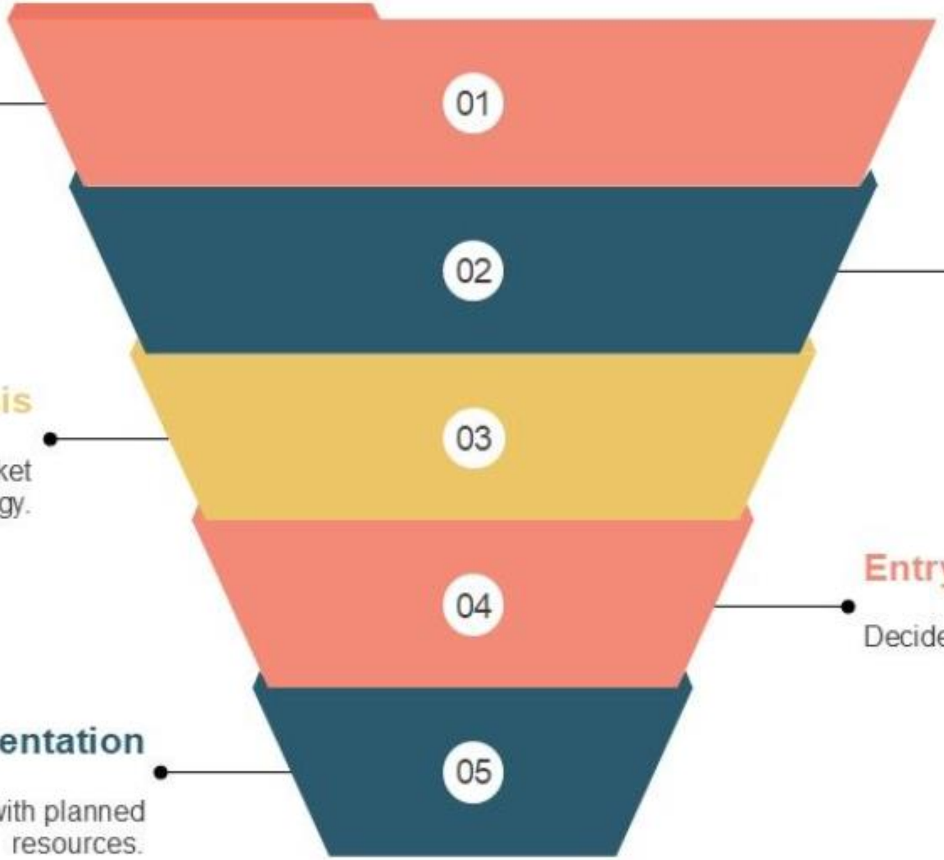
03 Regulatory Changes

Legislation impacts market strategies and operational approaches.

04 Competitive Landscape

Tracking competitors offers insights for strategic positioning.

Market Entry Strategies and Planning



Market Research

Gather data to understand consumer preferences and trends.

Target Market

Identify and define specific customer demographics to focus.

Competitive Analysis

Evaluate competitors to determine market positioning strategy.

Entry Strategy

Decide on the best method for market entry approach.

Implementation

Execute the market entry strategy with planned resources.

Competitive Landscape and Benchmarking

Core Findings

01
Market Leader
Company A has 25% market share currently.

02
High Growth
Company A's growth rate is 12% annually.

03
Diversity
Six major firms dominate this market space.

Utilizing Technology in Market Research

Efficiency 01

Data analytics tools enhance market research efficiency and accuracy.

Accessibility 02

Online surveys broaden participant reach, improving data quality and diversity.

Speed 03

Real-time data collection accelerates decision-making in market strategies.

Cost-Effectiveness 04

Technological solutions reduce expenses associated with traditional methods.

Points

Impressions

01 **Improved Accuracy**

Technology minimizes human error in data analysis processes.

02 **Broader Reach**

Digital platforms allow access to diverse demographics globally.

03 **Faster Insights**

Instant data retrieval aids timely strategy adjustments.

04 **Lower Investment**

Automation cuts down on labor costs in research projects.

Best Practices for Effective Market Analysis

Define Objectives

Clearly outline goals for the market analysis process and scope.

Gather Data

Collect relevant quantitative and qualitative data from reliable sources.

Analyze Competitors

Evaluate strengths and weaknesses of key competitors in the market.

Identify Trends

Look for patterns and shifts in consumer behavior and preferences.

Segment Market

Divide the market into distinct segments based on customer characteristics.

Use Tools

Utilize analytical tools and software for efficient data processing and visualization.