ENVIRONMENTAL SCANNING

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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

- Macro Environment
- Micro environment
- Relevant environment
- Internal Environment

Firm
COMPONENTS OF MEGA ENVIRONMENT

Regulatory

Political

Economic

Technological

Social

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 constraint which creates 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 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
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<thead>
<tr>
<th>Attractiveness</th>
<th>High Attractiveness</th>
<th>Low Attractiveness</th>
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<tbody>
<tr>
<td>High Probability of occurrence</td>
<td>Very Attractive</td>
<td>Moderately Attractive</td>
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<tr>
<td>Low Probability of occurrence</td>
<td>Moderately Attractive</td>
<td>Least Attractive</td>
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<tr>
<td>Seriousness</td>
<td>High Threat</td>
<td>Moderate Threat</td>
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<td>Low</td>
<td>Moderate Threat</td>
<td>Minor Threat</td>
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High Probability of occurrence

Low Probability of occurrence
## IMPACT MATRIX

<table>
<thead>
<tr>
<th>Trends</th>
<th>Probability of occurrence</th>
<th>Impact on strategies</th>
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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 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