Situation Analysis: A Company and Its Market

Originally developed as an assignment by Dr. Elena Bernard, University of Portland

The Situation Analysis: examines your company's situation and its market. Consider what your company offers and why. The most important single point is the market need. Every marketing plan should take a market-oriented strategic planning approach that focuses on the market need.

1. Market Needs

Tangible benefits would include product/service performance, features, and functionality (e.g., what do people look for in a toaster? It has to toast bread (basic performance), it should come in different sizes and colors (features), it should be able to toast bagels, frozen waffles, etc. (functionality)).

Intangible benefits include savings in time, effort, and money (e.g., toasters save time and effort; they also save money because they are cheaper than ovens); ability to enhance the customer’ net worth, self-confidence, and potential (the toaster example does not apply here, but clothing such as jeans can enhance a customer’s self-confidence); ability to enrich the customer’s skills, sense of security, and self-esteem (e.g., education from a good university does that); and/or minimize the customer’s real or perceived risks, fears, or liabilities (e.g., alarm system, insurance, video surveillance).

If the market has several important segments, you should first summarize general market needs and then discuss specific needs of each segment. A great way to get some insight into the needs of a specific market segment is to conduct a survey or interviews with a sample made up of customers from this market segment (not required for this assignment but can be very helpful).

**Library Resources:**

**Product reviews –** Academic OneFile, Small Business Resource Center allow limiting to Document Type: Product / Service Evaluation.Also reviews in local papers, web sites, blogs.These can be a great way to find out what’s wrong with current products so that your company can improve.

1. The Market

This paragraph is a summary about your market(s). Be concise. You should generally describe the different groups of users included in your market analysis. You may also want to summarize market growth and cite highlights of some of your growth projections, if this information is available.

**For example:**

The automobile market consists of several important segments such as minivan, small car, sports car, SUV… Some of these segments can be further segmented by user (family minivan vs. business minivan), income (low, medium, high), and psychographics (electric vs. hybrid vs. fuel). In the following section we will discuss each segment in terms of its demographic, geographic (if applicable), psychographic, and behavioral profile.

**Library Resources:**

**Business & Company Resource Center**

**Encyclopedia of American Industries**: “detailed, comprehensive information on a wide range of industries in every realm of American business.” (Gale website)

**Encyclopedia of Emerging Industries: “**rare insight into the inception, emergence and current status of new and established industries and business segments that are pioneering new technologies, introducing break-through marketing strategies or implementing innovative means of serving new markets.” (Gale website)

[**Yahoo Industry Center**](http://biz.yahoo.com/ic/ind_index.html)-- A part of [Yahoo! Finance](http://finance.yahoo.com/), the Industry Center is a good, free, resource for researching industries. Industries can be browsed by sector, or you can search for an industry by a company. The [industry index](http://biz.yahoo.com/ic/ind_index.html) allows you to browse all industries by sector or by alphabet. The [industry browser](http://biz.yahoo.com/p/s_conameu.html) allows you to browse industries by performance rankings, including ROE, P/E ratio, market cap, price change, price to book value, profit margin, price to book value, long term debt, and more. Contains industry news, financial analysis, and links to company profiles

[**Census Bureau Economic Census reports by industry sector**](http://www.census.gov/econ/industry/)-- All reports for an industry sector, at all available intervals from monthly to every 5 years

[**Oregon Business Information Center**](http://www.qualityinfo.org/olmisj/BIC)-- economic, demographic, and workforce information for each county in Oregon, by industry sector.

* 1. Market Description

Markets can be described in terms of geographic, demographic, psychographic, and behavioral attributes. Analyzing your market from this perspective can be a useful way to categorize what you know about the people that you want as customers and lead to identifying and confirming opportunities the market presents.

Market Demographics - Demographics consider information about your market's age, gender, nationality, education, household composition, occupation, and income. Think about the demographics of the people in your market.

**Library Resources:**

**Trade Associations** will sometimes have this type of data. For example [The Entertainment Software Association](http://www.theesa.com/facts/index.asp) or [National Needle Arts Association](http://www.tnna.org/resource/resmgr/pdf/2010reportsummary9-23.pdf). Web search: [ [industry] association]. Also try [ [industry] demographics].

Market Geographics - This factor addresses where your customers are physically located. A landscape architect may serve those people within a specific climate or region. If you are marketing your services over the Internet, your client's physical location may be irrelevant.

**Library Resources:**

[**American FactFinder**](http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml) – search by Geographies and enter a business address to see various geographic locations around that address – zip code tabulation area (ZCTA), census block, census tract, county or county subsection, school district, etc. View a whole report for that geography, or limit to specific demographic characteristics using the Topics search. [**American FactFinder educational resources**](http://www.census.gov/mso/www/training/library_aff.html)

Market Psychographics - Psychographics categorize people on the basis of their lifestyle or personality attributes. For example, the lifestyles and personality attributes of people in a large metropolitan city are going to be quite different from those of a small agricultural-based community. Consider the general lifestyles or personalities that best describe your market.

**Library Resources:**

[**PRIZM**](http://www.claritas.com/MyBestSegments/Default.jsp) – search by zip code to receive a narrative profile of populations.

Market Behaviors - Buyers can also be analyzed based on their knowledge, attitude, use, or response to a product. These behavioral variables may include the occasions that stimulate a purchase, the benefits they realize, the status of the user, their usage rate, their loyalty, the buyer-readiness stage, and their attitude toward the service you offer.

**Business & Company Resource Center** for articles about consumer psychology

consumer behavior

consumer preferences  
market surveys  
marketing research  
motivation research (marketing)

**For example, a market may be described in these terms:**

Demographic - Of this predominately female group, most have attended college, are between the ages of 35 and 50, and have children at or out of the home.

Geographic - This area has a population of 65,000.

Psychographic - They consider time as their most limited resource and security, both physical and financial, is important to them.

Behaviors - After checking with people they know and trust, they choose professionals and services that have been "tested" and remain loyal to service providers that offer good value, regardless of cost. The relationship they develop with the professional is critical to a successful ongoing experience.

If your market consists of several segments, you should provide a complete profile (demographic, geographic, psychographic, and behavioral) for each segment.

* 1. Market Trends

Market trends could involve changes in demographics, changes in customer needs, a new sense of style or fashion, or other factors that may influence purchasing behavior of your market. Much of this depends on what business you are in. For example:

* A construction business might note the trend toward more rooms in larger houses, despite smaller families, because of home offices, dens, media rooms and exercise rooms.
* A restaurant business might note a trend toward fresher, healthier foods, or development of a new restaurant district in a different part of town.
* An accounting practice might note demographic trends, as baby boomers age, leading toward more need for estate planning and retirement planning.

Understanding market trends may enable you to "get ahead" of your market and allow you to know where it is going before it gets there. It will also help you identify market segments that have the most potential to grow and become profitable.

**Library Resources:**

[**Pew Research Center**](http://pewresearch.org/topics/)(and similar research institutes / think tanks) – Find reports on Demography, Social Trends, Internet & Technology

[**Census and American Community Survey**](http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml)-- Compare different years of data

* 1. Market Growth

Use this topic to explain and discuss market growth. Is the market growing, is it static, or is it shrinking? If you have identified several market segments, you should try to estimate growth potential of each segment. This will also help you with selecting a target market when you start working on your strategy.

Documented market growth enhances the implied value and potential of the organization. Ideally you will be able to cite experts, a market research firm, trade association, or credible journalists describing projected growth. This may be particularly important when a marketing plan is used to communicate with those outside the marketing department or outside the organization, such as investors, board members, or advisors.

Cite growth rates in terms that fit the available information and the company’s industry. Determine if growth is best expressed in the number of potential customers, projected sales, projects completed, website projects, tax reporting hours, yards to landscape, or whatever best fits the business and the company’s audience.

If you are projecting the market will experience growth, briefly describe how your company can leverage its strengths to take advantage of the market growth. If the market is static or shrinking, your task is much more challenging. Your company will need to take away market share from its competitors to experience growth.

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1. Macro-environment

Economic Indicators

This section describes the broad macro-environment trends that may affect your company’s ability to generate revenues. This considers the demographic, economic, technological, political/legal, and social/cultural changes that may impact your company, its suppliers and distributors, and its customers. Some of these changes may create opportunities and suggest potential markets. Other changes may create threats for the company in the future.

**Library Resources:**

[Census Bureau Economic Indicators Briefing Room](http://www.census.gov/cgi-bin/briefroom/BriefRm) – Look here for latest Economic Indicator releases. Select the indicator you want to see, note at a glance the change from last month

[Economics and Statistics Administration Blog](http://www.esa.doc.gov/blog) – narrative presentation of some of the more interesting recently-released indicators.

[Oregon Economic Forum Economic Indicators](http://econforum.uoregon.edu/indexes.html) -- UO Index of Economic Indicators and the Oregon Measure of Economic Activity

1. SWOT Analysis

This section summarizes your analysis of the research findings you produced as a result of interviewing the company’s management (if you chose a local company), surveying customers from different market segments (if you chose to do that), in-depth research of your company (if you chose a publicly traded company), and conducting environmental scanning (i.e., other secondary research).

* 1. Strengths

Strengths are internal. They refer to the company’s resources and capabilities that enhance its ability to take advantage of market opportunities. These include assets, capital, employees’ skills and experience, effective management, organizational culture, brand reputation, brand awareness, etc. If you chose a local company, you must interview the company’s management to gain better understanding of its resources and capabilities. If you chose a publicly traded company, you should research its annual report (call the company and ask for it), financial statements, its website, company blog and other blogs that mention the company, and articles about the company that were published elsewhere (e.g., Wall Street Journal, Business Week, etc.). It is not enough to list everything the company has and can do. You should analyze how these resources and capabilities can help the company compete successfully in the marketplace.

* 1. Weaknesses

Weaknesses are also internal. They refer to the company’s lack of resources and capabilities. For example, some of the company’s weaknesses could be inability to gain access to capital, lack of brand awareness, a lot of debt and accounts receivables (because these affect the company’s ability to borrow and its cash flow), poorly developed product, poor customer service, low customer satisfaction, high employee turnover, etc. If you chose a local company, you must interview the company’s management to learn about its internal challenges. If you chose a publicly traded company, you should research its annual report (call the company and ask for it), financial statements, its website, company blog and other blogs that mention the company, and articles about the company that were published elsewhere (e.g., Wall Street Journal, Business Week, etc.). As I mentioned earlier, it is not enough to provide an exhaustive list of the company’s weaknesses. You should analyze these weaknesses to determine how they could potentially hurt the company’s ability to compete successfully.

* 1. Opportunities

Opportunities assess the attractive factors that represent the reason for the company’s business. These opportunities reflect the potential your company can realize through implementing your marketing strategies. Opportunities may be the result of market growth, lifestyle changes, resolving problems associated with current solutions, positive market perceptions about the company, or technological advances that could enhance your company’s ability to offer greater value thus creating a demand for its products or services.

If it is relevant, place timeframes around the opportunities. Does it represent an ongoing opportunity, or is it a window of opportunity? How critical is your timing?

As you write this section, you should refer to your findings from the macro-environment research and determine what opportunities the changes in the macro-environment present for your company.

Keep in mind that opportunities are external to the company. If you have identified "opportunities" that are internal to the organization and within its control, you should classify them as strengths.

* 1. Threats

Threats include factors beyond your company’s control that could place your marketing strategy, or the business itself, at risk. A threat is a challenge created by an unfavorable trend or development that may lead to deteriorating revenues or profits. Competition -- existing or potential -- is always a threat. Other threats may include intolerable price increases by suppliers, government regulation, economic downturns, devastating media or press coverage, a shift in consumer behavior that reduces the company’s sales, or the introduction of a "leap-frog" technology that may make your company’s products, equipment, or services obsolete.

What situations might threaten your company’s marketing efforts? It may be valuable to classify threats according to their "seriousness" and "probability of occurrence." The better the company is at identifying potential threats, the more likely it can position itself to proactively plan for and respond to them.

Library Resources:

Glean this information from newspaper and magazine articles, as well as resources consulted above.

1. Competition

Use this topic to summarize your company’s competition. How strong is the competition? How much does it affect your company’s business?

Every company has competition. Even the newest most innovative brand-new product or service has to deal with potential competition from other providers whose position would be affected. If nobody is in your company’s market and nobody will ever enter it, then it must have an extremely unattractive market.

* 1. Direct Competition

Direct competitors offer similar or identical services. Use this topic to list the specific competing service providers, and the strengths and weaknesses of each.

Describe your company’s major competitors in terms of the factors that most influence their impact. This may include their size, the market share they command, their comparative quality, their growth, available funding and resources, image, marketing strategy, target markets, and any attributes you consider important.

Discuss how your company’s service compares to the others. What, if any, special benefits does you company offer, to whom, and how does your marketing mix compare to others? Think about specific kinds of benefits, features, and market groups, comparing where you think you can show the difference.

* 1. Indirect Competition

Don't ignore indirect competition. Other products compete with your company’s product, or will compete in the future. For example, business planning software competes with books, local courses, and Internet websites. Automobiles compete with mass transit, bicycles, and telecommuting programs.

Particularly if your company does not have much direct competition, you should use this section to look at comparative offerings, the strengths and weaknesses of each, and the potential benefits and attractiveness to your company’s buyers. Comparison is critical; include as much comparison as you can because that leads you to strategy.

Library Resources:

[Google Maps](http://maps.google.com) – Search around a business location for similar businesses

ReferenceUSA – Not free but a great resource for identifying competitors.

LexisNexis Academic – “Create a Company List” function. Also not free.

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**To locate additional marketing resources try these web sites:**

[Best of the Business Web at J J Hill Library](http://www.jjhill.org/research_online/best_of_the_business_web.cfm)

[ALA / RUSA / BRASS “Best of the Business Web”: Advertising and Marketing](http://brass.libguides.com/AdMarketingWebsites).