



## Chapter 3: IDENTIFYING MARKETING OPPORTUNITIES



# Learning outcomes

After reading this chapter, you should be able to:

- Conduct an external environmental analysis by taking into account social and demographic, technological, economic, environmental, political, legal, and ethical factors – i.e. a STEEPLE analysis
- Identify opportunities for a company using an opportunity identification template
- Identify strategic groups in a specific industry

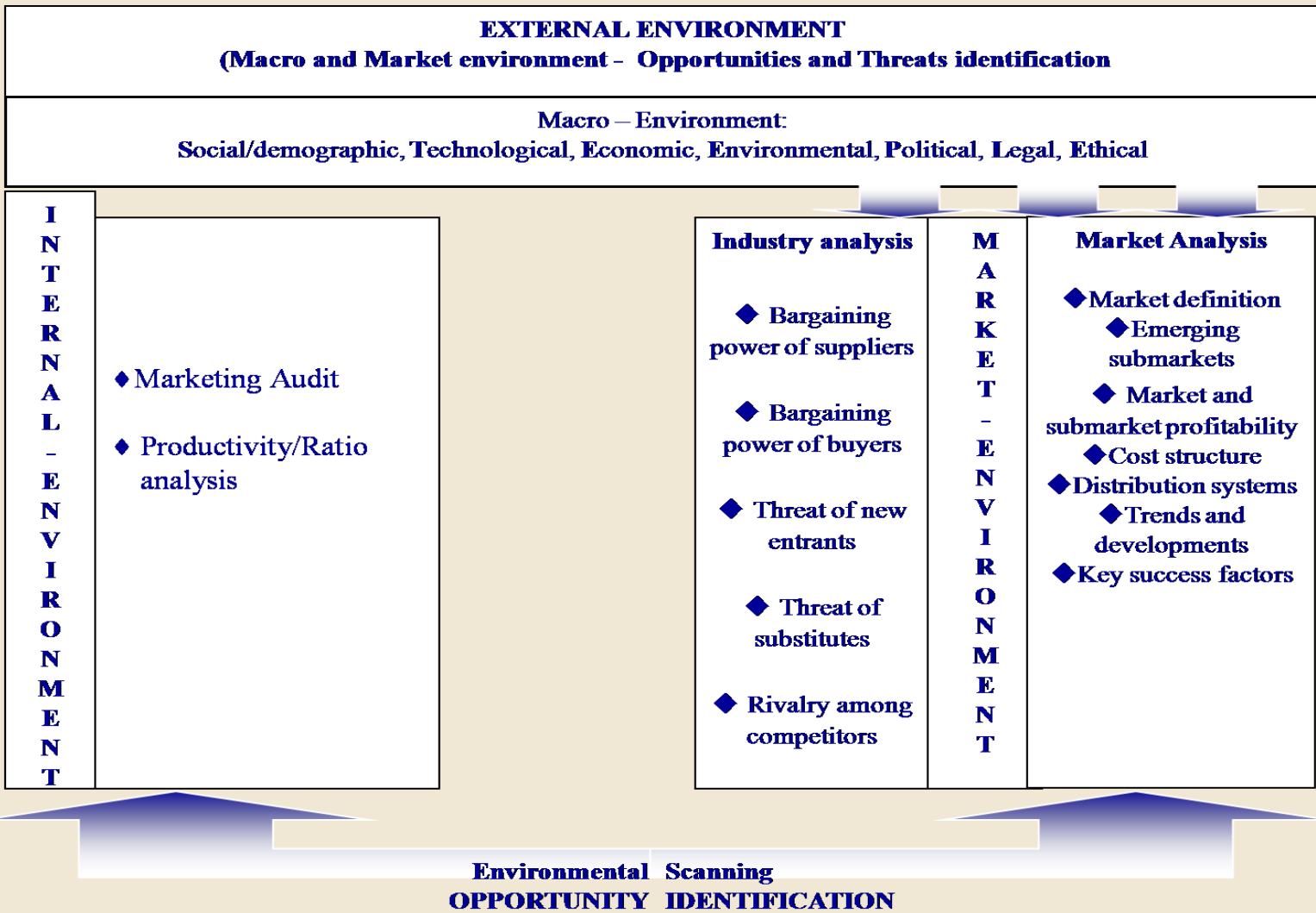


# Learning outcomes (cont.)

- Conduct an industry analysis using Porter's Five Forces model
- Perform a market analysis
- Identify a company's weaknesses and strengths based on an analysis of its internal environment
- Use a marketing audit table to conduct a marketing audit
- Analyze a company's financial situation using key financial ratios.



# Environmental scanning and identification of opportunities





# Table 3.1 Context and elements of the opportunity model applied to strategic marketing


Context	Application	Elements	Application
<p><b>Problem/challenge</b> Conditions for opportunities are problems, challenges, obstacles, or threats arising from the market or macro environment.</p>	<p>E.g. obesity in children.</p>	<p><b>Time constraint</b> Limited time is available to make a decision once the opportunity has been offered.</p>	<p>Obesity in children is a current concern that plays a critical role in legislation such as the Consumer Protection Act – e.g. regarding consumer protection in terms of labelling and advertising. Therefore the organisation must act immediately.</p>
<p><b>Choice</b> Opportunities involve choices between alternatives (marketing strategies) as effective solutions to a problem or challenge identified in the marketing environment. More than one option should be present; otherwise, it is not considered an opportunity.</p>	<p>Choice for marketers involves investigating the marketing mix to identify areas where they can play a role in reducing obesity – e.g. deciding whether to adapt product content, product mix, labelling, or advertising.</p>	<p><b>Sacrifice</b> Recognising opportunities may involve sacrifice. This ‘opportunity cost’ may include making additional effort, ignoring other goals, or exhausting resources, e.g. time and money.</p>	<p>Opportunity cost for Cadbury may include increased investment in social responsibility programmes relating to children, which may incur additional costs, resulting in reduced profitability.</p>
<p><b>Value</b> Scarce resources are used to improve the organisation’s position by finding advantageous solutions to problems, and may provide the organisation with a competitive advantage.</p>	<p>Cadbury’s 12-point plan that contributes towards preventing obesity and positively influencing consumer health may become a competitive advantage.</p>	<p><b>Risk</b> In pursuing an opportunity, failure is always a possibility and risks should be regarded as an integral part of the process.</p>	<p>Consumer perception regarding the healthiness of Cadbury’s products may not change, and investments made in this regard may be in vain.</p>





# Table 3.1 (cont.)

Context	Application	Elements	Application
<p><b>Organisational mission</b> An organisation's mission or strategic plan will establish the parameters for the marketing strategy that will in turn establish the parameters for marketing opportunities.</p>	<p>Cadbury views corporate social responsibility and sustainability as key to its future success. It has identified six commitments to ensure growth in a responsible and sustainable way; these include promoting responsible consumption through considerate marketing, product innovation, and better nutritional labelling.</p>	<p><b>Catalyst</b> Something that prompts an organisation to view a problem from a different angle – e.g. change, altered circumstances, unanticipated events, or uncertainty – that may alter how problems and their possible solutions are evaluated, and can trigger opportunities.</p>	<p>The Consumer Protection Act and increased scrutiny on how responsible companies are towards the environment are forcing companies to act and incorporate these developments into their marketing strategies – e.g. Cadbury is acting with its 12-point plan for obesity and its 'Purple Goes Green' campaign.</p>
		<p><b>Possibility of regret</b> To act on or fail to act on an opportunity may lead to regret.</p>	<p>If it fails to act on these developments, competitors will, and Cadbury will lose market share as a result.</p>



# Environmental analysis guide

- Prioritizing trend categories
- Monitor information about macro trends (scanning the macro environment – STEEPL)



# STEEPLE

- **S**ocial/demographic factors
- **T**echnological factors
- **E**conomic factors
- **E**nvironmental (physical/natural) factors
- **P**olitical factors
- **L**egal factors
- **E**thical factors.





# Market and industry analysis

## Strategic Group analysis

- Bargaining power of suppliers
- Bargaining power of buyers
- Threat of new entrants
- Threat of substitutes
- Rivalry among competitors.



# Market analysis dimensions

- Clear market definition
- Emerging submarkets
- Market and submarket profitability analysis
- Distribution systems
- Market trends
- Key success factors.



# Internal analysis

- The marketing audit
- Financial analysis.



# The marketing audit

- Comprehensive
- Systematic
- Independent
- Periodic
- Refer to Table 3.15.



# Financial analysis

- Summary of key financial ratios – refer to Table 3.16
- 4 basic steps when conducting a ratio analysis:
  - o Step 1: Choose the appropriate ratios
  - o Step 2: Compute the ratios
  - o Step 3: Compare the ratios
  - o Step 4: Check for problems or opportunities.