

### **3. Situation Analysis**

In order to profitably satisfy customer needs, the firm first must understand its external and internal situation, including the customer, the market environment, and the firm's own capabilities. Furthermore, it needs to forecast trends in the dynamic environment in which it operates.

A useful framework for performing a situation analysis is the **5 C Analysis**. The 5C analysis is an environmental scan on five key areas especially applicable to marketing decisions. It covers the internal, the micro-environmental, and the macro-environmental situation. The 5 C analysis is an extension of the 3 C analysis (company, customers, and competitors), to which some marketers added the 4th C of collaborators. The further addition of a macro-environmental analysis (climate) results in a 5 C analysis, some aspects of which are outlined below.

#### **Company**

- Product line
- Image in the market
- Technology and experience
- Culture
- Goals

#### **Collaborators**

- Distributors
- Suppliers
- Alliances

#### **Customers**

- Market size and growth
- Market segments
- Benefits that consumer is seeking, tangible and intangible.
- Motivation behind purchase; value drivers, benefits vs. costs
- Decision maker or decision-making unit
- Retail channel - where does the consumer actually purchase the product?
- Consumer information sources - where does the customer obtain information about the product?
- Buying process; e.g. impulse or careful comparison
- Frequency of purchase, seasonal factors
- Quantity purchased at a time
- Trends - how consumer needs and preferences change over time

#### **Competitors**

- Actual or potential
- Direct or indirect
- Products
- Positioning
- Market shares
- Strengths and weaknesses of competitors

### **Climate (or context)**

The climate or macro-environmental factors are:

- Political & regulatory environment - governmental policies and regulations that affect the market
- Economic environment - business cycle, inflation rate, interest rates, and other macroeconomic issues
- Social/Cultural environment - society's trends and fashions
- Technological environment - new knowledge that makes possible new ways of satisfying needs; the impact of technology on the demand for existing products.

The analysis of the these four external "climate" factors often is referred to as a PEST analysis.

### **Information Sources**

Customer and competitor information specifically oriented toward marketing decisions can be found in market research reports, which provide a market analysis for a particular industry. For foreign markets, country reports can be used as a general information source for the macro-environment. By combining the regional and market analysis with knowledge of the firm's own capabilities and partnerships, the firm can identify and select the more favorable opportunities to provide value to the customer.