



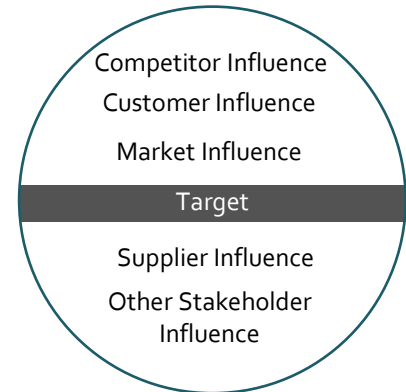
DISCON Specialists

EA Enabling Technique

Environmental Analysis < Target >

Investigate the Target Factors

There are a number of Target Environmental factors that we need to investigate per scenario. The Target Environment contains factors that both affect and can be affected by the business.



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Competitor Influence

A Competitor is any entity in the same industry or a similar industry that offers a similar product or service. A competitor can also be an entity outside our industry that competes for the same wallet of our customer. We need to continuously monitor our competitors and how they are performing, how they are changing, how they failed and what are they doing differently. There are a number of issues that are important or that could provide valuable information in terms of competitors:

- Who are our main competitors?
- What is different between their DNA and ours and in what respect are they weaker or stronger?
 - Competitor products
 - Market positioning
 - Cost of running their business
 - Technology usage
 - Information Systems
 - Business Systems
 - Financial Affiliation
 - Strategic Alliances
 - Competitor Strategy
- Do we have something in our arsenal which differentiates us from our competitors? If not, should we?
- How large are they in relation to us?
- What do we think their assessment is of us as a player?
- How can we build walls in their path?
- What can we do to strategically differentiate ourselves from them?
- What is our game plan to compete with new players if they regard our space as theirs?

Supplier Influence

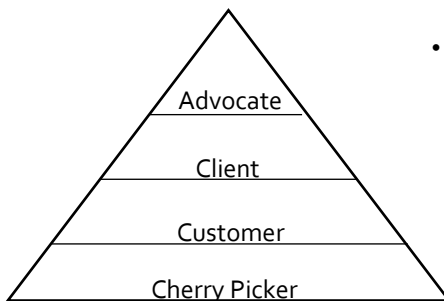
We need an understanding of all our current and potential suppliers. Their direction and sustainability affects us directly. We need to influence their structure to be better aligned with the other components of the value chain. It is useful to anticipate a number of factors relating to a supplier when viewed against future scenarios:

- Who are our suppliers? Are they assisting us in winning the game? When last did we have a heart-to-heart conversation in terms of our respective games?
- What is the turnover rate of our suppliers? In other words, do we have long-term stable relationships built on trust or do we keep our suppliers on their toes by chopping and changing them?
- How are they positioned with our competitors?
- What volumes will they be able to produce?
- How are they affected by cyclic need cycles or seasons?
- What are their strengths and weaknesses? What significant risk, if any, do they face (we will inherit all these as we are downstream)? Who will their competitors be?
- What do and will their services levels look like (Historical performance, lead-time, price, volume, cost, and efficiency)?
- Are any of your suppliers malfunctioning and causing our company real grief? If so, what are the alternatives?
- Are some of our suppliers larger than us and taking advantage of that in negotiating? Do we treat smaller suppliers well by paying them promptly and having simple tender procedures?
- What systems do and will they have?
- What are their future products and product strategies?
- Are we exposed to our particular supplier spread?
- What percentage of our sourcing do we do through what percentage of our suppliers?
- What criteria do we use in choosing our suppliers (price, quality, consistency of delivery, service excellence, track record on the environment, safety and health, BEE status, etc.)?

Customer Influence

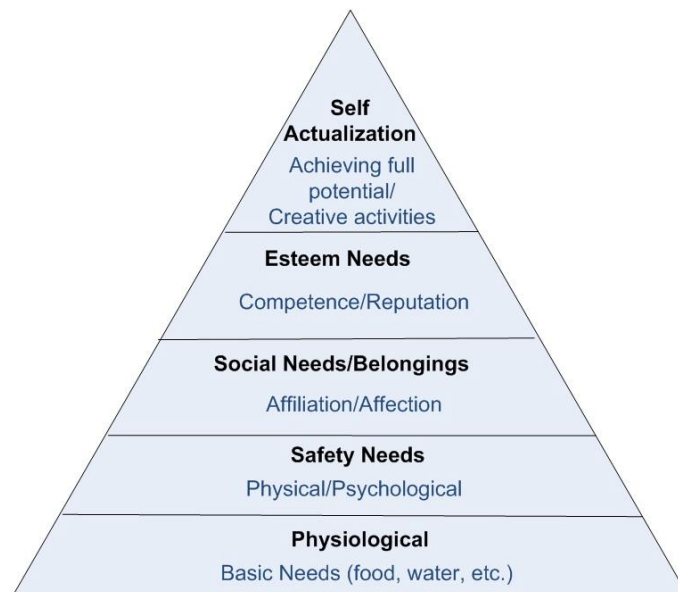
A customer is an entity that receives or consumes our products or services and has the ability to choose between different products and suppliers and is the only reason for our existence. The relationship with customers has to be managed as well as possible in order to create the best possible relationship. The ideal situation is where we can manipulate or affect the behavior of our customers to suit our organisation better. Customer factors should be anticipated in terms of future scenarios. Markets continually change and demographics play an essential role in changing the customer base and should therefore be monitored for any shifts that could impact the game. It has to be noted that sometimes our customers and consumers are not the same entity.

- Who are and will be our major customers? If they are businesses, what do we know about them? If they are end consumers, have we worked out their DNA so that we can second guess what they want next?
- Who will their financial affiliation be with?
- In which market segments will they be classified? In the event of expanding the market segment, what is the DNA of our potential customers?



- Where in the hierarchy of delivery can our customers be classified? We need to classify our customers in the hierarchy of delivery in order for us to better understand how to engage or approach them. Our strategy should be aiming to progress our customers upwards in the hierarchy. The hierarchy descriptions in ascending order are:
 - Cherry Pickers – will buy from us, or whoever else, if it is convenient.
 - Customers - will buy most of their products from one supplier.
 - Clients - will buy all of their products from one supplier.
 - Advocates - will convince their friends to only buy our products.

- What will their market share be?
- What will their service level requirements be?
- What will their needs be in terms of the needs cycle?
- What will their needs be in terms of our offerings? The customer needs must always dictate the attributes of the product we deliver and his will also dictate our business model.
- What volumes will they require?
- Who are their competitors?
- What delivery mechanisms will they require?
- What business systems/functions will they have?
- With which channels are they associated and why?
- Should we ban an exporter; do we cater for the different DNAs of the different nationalities of our consumer in the design and promotion of our products?
- Have there been advances in technology affecting consumer behavior in our market.
- If we have one industry as a dominant client, what is the prospect for that client in terms of the future?
- What percentage of our customer base represents what percentage of our revenue?
- What future potential does our current customer base represent to us?
- Should we structure ourselves in terms of our customers to increase our customers intimacy?
- Would we diversify our customer base to reduce our exposure to our customer's strategies?



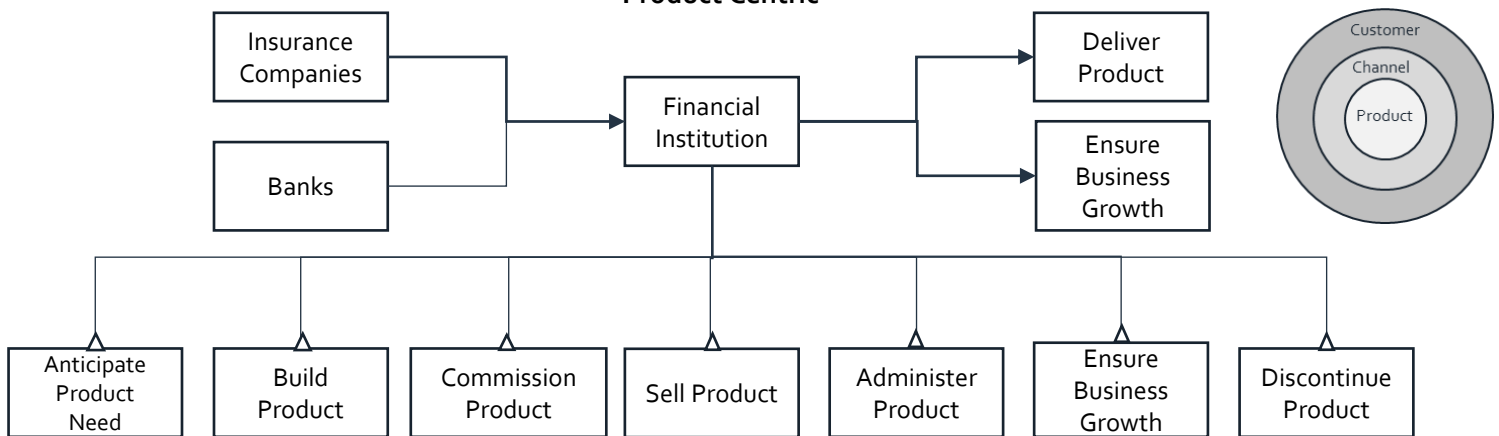
Market Influence

Markets are made up of the current and potential customer/consumer base. Markets dictate offering trends, pricing policies, protocols and strategies. The market is a place in the commercial world where forces of supply and demand operate, and where buyers and sellers interact (directly or through intermediaries) to trade goods, services, or contracts or instruments, for money or barter. When we view markets we are attempting to classify them in as many categories as possible so that we can understand the required influences per category better.

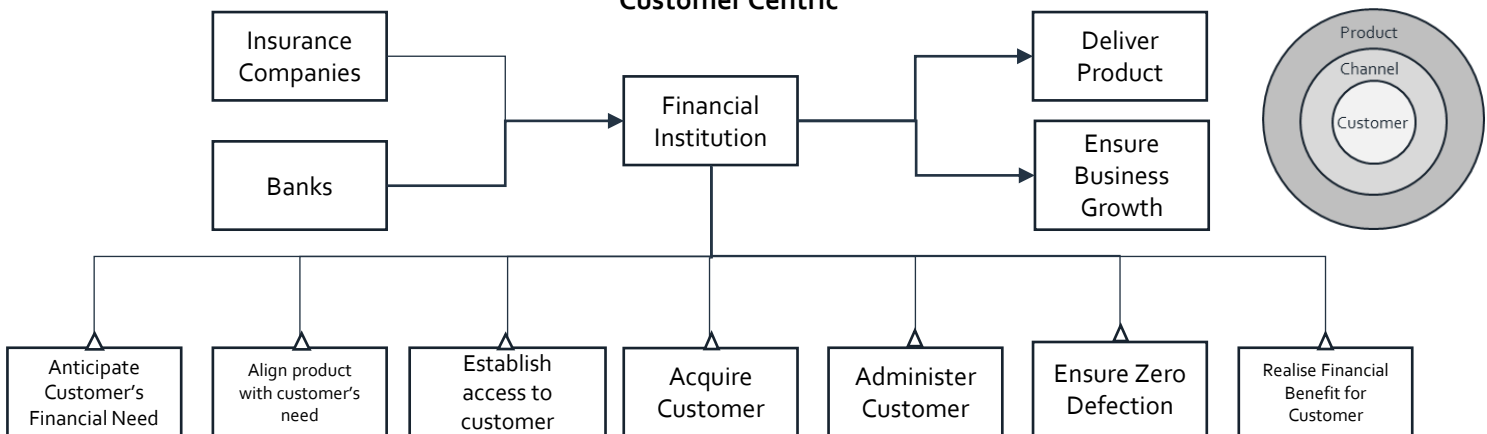
There are a number of factors relating to the market that we should investigate in terms of the different scenarios we are considering:

- Who are the players in the market (customers, consumers, competitors, suppliers and other stakeholders)?
- What are the positions of the players (size, health, unit volume)?
- What are the market trends?
- Product specialisation
- Shift from product focus to service focus
- Niche market focus
- Product centric vs customer centric.

Product Centric



Customer Centric



- Have there been psychological shifts in the market segment that could influence consumer taste for our products and services?
- Have there been changes in the demographics of our market which may increase or reduce demand?
- Are there shifts in the spending power between layers of society?
- Does our brand still match the changing playing field? Do we have to change our brand to expand our existing market?
- Is our product mix aligned with the demands of the markets?
- What is our market segmentation? People with similar attributes tend to display similar propensities in their purchasing behaviors. This is often accompanied by social fads and trends that may be specific to certain market segments.

Markets, like customers can be better understood and investigated by compiling a profile of the market for the scenario in terms of what is called a 'Marketing Mix'. It will enable us to get a better idea of the market blend, which is a combination of different factors:



Marketing Mix

- Price – What is our pricing strategy?
- Place – What are our mechanisms through which goods and/services are moved to the customer or consumer.
- Product – What does our product look like?
- Promotion – What are the tools available to the marketer for 'Marketing Communication'?
- Physical Evidence – What is the physical evidence that forms part of the service or product?
- People – What value does our people add to our service experience as part of the marketing mix?
- Process – What are our processes that integrate together to create an overall marketing process?

Other Stakeholder Influence

This is the set of entities, apart from the customers and suppliers, which are going to be affected by everything that impacts the business. Unions are definitely stakeholders, so are all shareholders, associates, partners and employees.

- Who are all our stakeholders and why are they there?
- What is their declaration of interest?
- What is their statement of intent?

Stakeholders need to be plotted over the different relevant scenarios so we can understand how these factors will change for them, or result from them, across scenarios.

Some of these stakeholder include:

Governments & Parastatals

Government is a key player and demands careful analysis and can be broken down into tiers and departments, all of which can affect our game. We have to distinguish between government players that affect us directly and indirectly. We need to establish an ongoing relationship with government players that affect us directly because they can make our game unplayable. Parastatals have a major impact on the game. If they don't perform it has direct impact on our game.

Employees

Are our employees for or against us or just plain neutral? Do they enthusiastically buy into our organisation's philosophy or do they just come to work in an uninterested manner? Are we aware of how different the post-yuppie generation are to the people recruited 10 or 20 years ago, and have we adapted our management systems accordingly? What type of culture do we have in the company, and does it match the game and how we want to play it?

Communities & Non-Government Organisations

They all can influence and change the local rules of the game. In many instances their approval has to be sought before projects can be undertaken.

Shareholders

Are the shareholders for or against us (management) or are they neutral? Who are the major shareholders and what is our relationship with them? Are there divisions between our major shareholders? If so, what are we doing to resolve the matter?

Other

- Unions
- Media
- Non-Executive Directors
- Investment Community
- Industry Associations
- Representative Bodies
- Advertising Agencies
- Etc.

Investigate the External Environmental Factors

There are a number of External Environmental Factors that we need to investigate per scenario, these are factors affecting the business but cannot be affected by the business. The amount of data one could gather is enormous. It is required to focus the environmental analysis around the major forces affecting the organisation.



Political

The Political arena has a huge influence upon the regulation of businesses. Political factors are about how and to what degree a government or related bodies intervenes in the economy, as an example. We need to understand the relationship between governmental strategy or development plans and the organisation.

- **Are there political or government stability risks? The extent to which the political system is stable or poised to undergo significant change.**
- **What are the changes in government policy that might affect the business?**
- **Are there any national and international political trends, alliances, events and direction that have immediate implications on the organisation in terms of events, product and offering sets, process and market changes as well as suppliers and customers.**
- **What tax or other incentives are being developed that might affect strategy development?**
- **Whether the political context of the organisation directly involves the legal context: some organisations require specific legal status to operate, to receive external funding, and to import equipment in support of research.**
- **The extent to which government and its bureaucracy supports and contributes resources to the organisation. Are government inputs anticipated to support increased staffing, maintenance, or other recurring costs?**

Demographics

Specific demographic factors which identify and distinguish a target population or market. It also refers to selected population characteristics. These factors include statistical socio-economic characteristics or variables of a population, such as age, sex, education level, income level, marital status, occupation, religion, birth rate, death rate, geographical spread or concentration, average size of a family, average age at marriage, etc. A census is a collection of the demographic factors associated with every member of a population.

- What demographic trends will affect the market size of the industry? (growth rate, income, population shifts).
- Have there been changes in the demographics of your market which may increase or reduce demand?
- What are those specific demographic factors which identify and distinguish a target population or market for our organisation?

Legislative, Regulative & Compliance

The way in which legislation in society affects the business. It includes any Law, Act, Governance Framework, etc. The rules and regulations created by the legal system provide the framework on which the organisation runs.

- What are the rules of the game that are likely to govern our strategy under all scenarios? Every game has rules.
- What changes in regulation are possible? What will their impact be on our industry?
- What are the constitutional restrictions that govern the goals and structures of the organisation?
- What are the specific regulations that govern the goals and structures of the organisation?
- Is there a legislative mandate that restricts leadership of the organisation?

Natural Resources

Identifying factors concerned with the sustainable and innovative use of, or influence on natural resources, as well as the consequences of our resource use in terms of impact on the environment.

- Community Value Shift – values are increasingly driven by environmental awareness.
- Severe changes in weather patterns – worldwide recognition of “one globe, one life”.
- Tightening Sulphur specifications.
- Trading in carbon credits implemented.
- Gas to liquid growth in environmental niche markets.
- Environmental issues and greener products are legitimately used as non-tariff barriers.
- Drives towards energy efficient, environmentally friendly products.

Technology Trends

The development of technology has significant impact on processes, customers, value chains and business strategies. Both the types and the level of technology in society give insight into understanding an organisation. It is important to understand the level of relevant technology in the organisational context.

- To what extent are existing technologies maturing?
- What technology developments or trends are affecting or could affect our industry?
- How does the rapid pace of change in production processes and product innovation affect our business?

Economic

How the economy affects a business in terms of trade, taxation, government spending, general demand, interest rates, exchange rates and global economic factors. What economic trends might have an impact on business activity? The following are examples of economic influences that impact organisations severely:

- Interest Rates
- Inflation
- Unemployment Levels
- Energy Availability
- Disposal Income
- Tax Structures
- Rand to Dollar exchange rates
- Recession.

Industrial

The manufacturing, trade and engineering aspects relating to the industry the business operates within: the size of the industry, its relative complexities, industrial directions, segmentation of industries and its relative positioning.

- **Alternative Energy Sources – breakthrough on safe and smaller nuclear reactors as well as electric vehicles.**
- **The basket of petrochemical and energy commodities does not change.**
- **Conventional petroleum dominates the transport sector**
- **Emphasis is on survival and domestic economic priorities rather than the environment.**
- **It is a decade of consolidation, with little prospect of new market and product potential.**
- **SA business increasingly involved with the government in distance learning and training.**
- **Cost effective solar energy distributed via room temperature super conducted cables.**

Socio - Economical

Socio-economical factors are the combination of social and economic conditions that influence the operation and performance of an organisation. What are the social (human) factors influencing the economy? This is how consumers, households and communities behave, as well as their beliefs and value sets. There are a number of issues that are important or that could provide valuable information in terms of socio-economical factors. What are the current or emerging trends in lifestyle, fashions, etc.?

- Reduced funding for education results in declining standards.
- Education starts to improve. More funds for education due to wealth tax that is implemented.
- As crime declines and job opportunities increase, the brain drain reverses and SA also benefits from the influx of skills from Africa.
- The employment effect from HIV/Aids. AIDS has a devastating effect on the SA population.
- High unemployment rates.

Directional Trends

Directional factors identify the industry's direction for the future and will influence the operation and performance of the business.

- What are the significant industry trends and future events?
- What is the future path to follow or direction that the industry segments are being forced or channeled into?
- What are the key areas of uncertainty as to trends or events that have the potential to impact strategy?
- What will the look and feel of the future business be?

Cultural

Factors identifying the diversity of cultures, religions, ethics, etc. Differences in cultural focuses amongst workforce, customer base, supplier base and competitors imply products, processes, business protocol, policies, process and data are affected.

- What is regarded as morally right or wrong for a business to do? For instance should it trade with countries which have a poor record on human rights?
- Tribal chiefs are being used to act as mechanisms to employ labourers.
- The Pacific Rim countries generally work differently and more productively than the average African country.
- Work ethics are different between East & West.

Geographical

The geographical location of raw material, globalisation and geographical spread of customers, markets and product requirements affect strategies, processes, products, pricing, technology, protocols and policies in order to accommodate and capitalise on this influence.

- Availability of networking and communication infrastructure.
- Geographical concentration of resources (oil).
- Gauteng representing the majority of the South African Economy.