How to do a Market Analysis and Environmental-Trend Analysis

Modified from the following source:
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What’s Involved in a Market Analysis

- Decide on your target market
- How many of them, how fast growing (or declining), how dispersed?
- How do they buy and use the product, where do they buy, how do they respond to various advertising and promotion, how price-sensitive are they?
- What are their needs (basis for your value proposition), and are these changing over time?
Target Market

Can be defined…

- Geographically—global, national, local, etc.
- Demographically—using variables such as age, income, sex, households
- Business type or size—“middle-market banks,” “businesses employing >100 people”
- By need—two-income families need convenience, Internet companies need exposure, people on low-carb diets
Collecting Data on the Target Market

- Have to do a lot of research
  - The research pays off in your greater knowledge about your market
- For consumer markets
  - Census data
  - State and local government data
- For business markets
  - Research the industry segment that comprises your market
Behavior of the Target Market

- Find out everything you can about these customers
  - How do they buy?
  - Where do they buy?
  - How do they use the product?
  - How do they respond to stimuli?
  - How price-sensitive are they?
  - How often do they buy?
  - Is the user the buyer?
Needs of the Target Market

- What needs, desires, or wants do these customers have that your product satisfies?
  - Are these needs changing?

- What is the (customer) value proposition for your company?
  - Why should customers buy *your* product and not competitors’ products?

- Remember, people buy **benefits**, not products
  - They buy **vision**, not glasses
  - They buy **heat**, not firewood
  - They buy the **ability to communicate anywhere**, not a cell phone
Two External Environments

The Task Environment
- Industry analysis
- Competitors and competitive analysis
- Market analysis (customers)

General Environment
- Demographic
- Economic
- Political/legal
- Regulatory/legislative
- Technological
- Socio-cultural
- Lifestyles, attitudes
Why Must We Do This?

- Businesses don’t exist in a vacuum
- What’s changing out there could affect us
  - Unforeseen competition could wipe us out
  - Unforeseen costs could cripple us
  - So could a downturn in the economy
  - Let’s not talk about a new regulation to comply with
- We need to get a sense of changes that might occur in the next five years
How Is the Analysis Done?

- Through doing research
  - The Internet
  - Articles in the Business Press (Internet again)
  - Trade publications and people in the industry
  - Hiring competitive-intelligence professionals (not you)
  - Don’t forget to cite your sources, and don’t cut and paste—that’s plagiarism

- For information you simply cannot get
  - Make informed/educated guesses
  - Make inferences
  - Go to the next topic…