



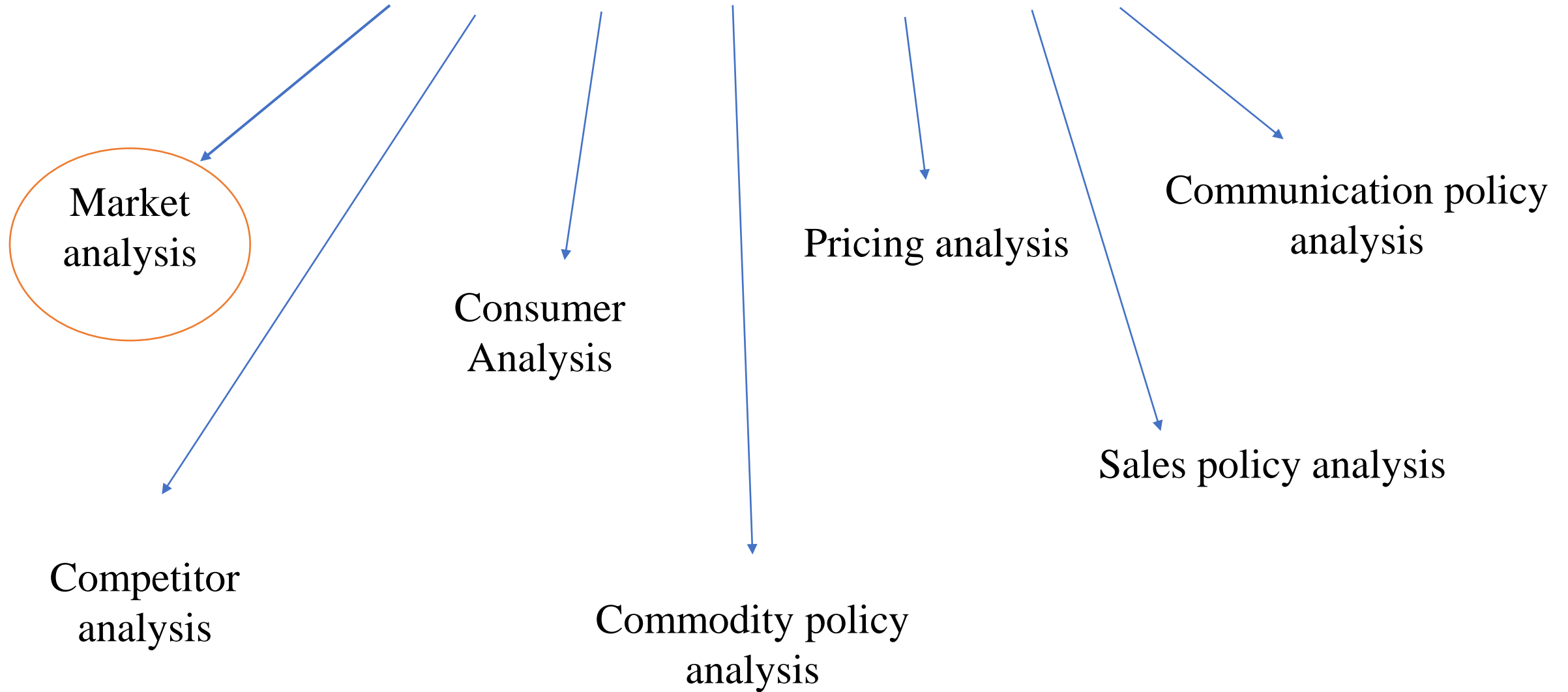
Approaches for market analysis and their tools

LECTURE 4

Agenda

- What is Market Analysis?
- Market Analysis process
- Approaches of MA
- Methods of MA
- PEST analysis

Methodological base for strategic analysis in marketing



1. Market analysis directions/approaches

- prospects, attractiveness of the market;
- assessment of market capacity;
- study of the commodity structure of the market;
- general analysis of the main market participants;
- assessment of supply and demand in the market;
- segmentation and allocation of niches in the market;
- building a market development model and sales forecasting.



Market analysis methods

- GE matrix;
- capacity prediction method;
- method of expert assessments "Delphi";
- formation of a "portrait" of the commodity market;
- comparative analysis;
- methods of statistical analysis;
- SWOT-analysis;
- PEST-analysis;
- demand forecasting method;
- method of flexible segmentation;

PEST is an acronym for **Political, Economic, Social and Technological**. This analysis is used to assess these four external factors in relation to your business situation.

Political – Here government regulations and legal factors are assessed in terms of their ability to affect the business environment and trade markets. The main issues addressed in this section include political stability, tax guidelines, trade regulations, safety regulations, and employment laws.

Economic – Through this factor, businesses examine the economic issues that are bound to have an impact on the company. This would include factors like inflation, economic growth, the unemployment rate and policies, and the business cycle followed in the country.

Social – With the social factor, a business can analyze the socio-economic environment of its market via elements like customer demographics, cultural limitations, lifestyle attitude, and education. With these, a business can understand how consumer needs are shaped and what brings them to the market for a purchase.

Technological – How technology can either positively or negatively impact the introduction of a product or service into a marketplace is assessed here. These factors include technological advancements, lifecycle of technologies, the role of the Internet, and the spending on technology research by the government.

PEST Analysis

Political

- Political stability
- Regulation and de-regulation
- Statutes, laws, codes of conduct
- Government funding, subsidies, support for specific industries
- Fiscal/ monetary policy
- Tax rates
- Trade agreements

Economic

- Economic trends
- Economic stability – inflation, wages growth, GDP, GNP
- Exchange rates
- Trade agreements
- Seasonality and economic cycles
- Consumer confidence
- Consumer purchasing power- discretionary incomes

Social

- Demographic changes – population growth, age distribution, population density, geographic distribution
- Consumer attitudes - tastes and preferences
- Social influencers- role models, opinion leaders
- Shopping habits –preferred channels, channel switching, online & offline shopping

Technological

- Innovation, breakthroughs or technological developments
- New product materials or ingredients, new packaging solutions
- Improved production processes or business models
- New ways of transacting business
- New machinery or software

PEST Analysis Example

Political

- Xiaomi is a Chinese brand.
- Xiaomi has good support from the Chinese political system.

XIAOMI

Economic

- Xiaomi offers quality at a price that is easy on the pockets of budget-conscious customers.
- Unlike Apple and Samsung, Xiaomi offers the same as a pocket-friendly price.

P	E
T	S

Technological

- Xiaomi offers gadgets with the latest technology.
- Now Phones capable of operating the fifth generation of mobile communication.

Social

- More and more customers are switching to smartphones.
- Customers in western nations have a notion of any product labeled 'Made in China' is substandard.

Formation of a portrait of the commodity market

1. Market Characteristics

Basic indicators, assortment, import, export

2. Subjects of the commodity market

- The number of sellers operating within the product boundaries of the market.
- The number of buyers purchasing goods from a particular seller (by means of purchasing goods)
- Grouping buyers in a specific product market

3. Product boundaries of the commodity market

- Characteristics/benefits of the goods
- The level of satisfaction of demand for a product
- Identification of substitute products