

MARKET AND ENVIRONMENTAL ANALYSIS OF A LEADERSHIP AND  
MANAGEMENT CONSULTING AGENCY  
PROJECT COMPONENT TWO

by

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## Abstract

Doing an effective market and environmental analysis takes time and plenty of thorough research. There are many factors and aspects that must be considered when putting together an effective marketing strategy. Evaluating competition, market trends, economics, costs, culture and technology are all components to developing an effective and competitive marketing strategy for a leadership and management consulting agency or similar such businesses. This paper outlines the basics of gaining an understanding of what are necessary and common practices for doing an effective market and environmental analysis.

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Dimensions of a Market Analysis

Market analysis builds on customer and competitor analyses to make judgments about a market or submarket and its components. Determining if a market is appropriate for a particular firm and finding the correct one are the primary reasons for doing a market analysis. David Aaker, author of *Strategic market management* (2001) suggests that a second objective of market analysis is to understand the dynamics of the market with a need to identify emerging key success factors, trends, threats, opportunities and strategic uncertainties that can guide information gathering and analysis (p. 76). Market trends can include identification of customers and competitors.

This paper will describe both market analysis and environmental analysis processes as they pertain to a leadership and management-consulting agency whose clientele are primarily retail corporations or who supply to retail companies. The intended focus is applicable to similar consulting business too.

David Aaker suggests that a market analysis should include evaluation of actual and potential market size, market growth, market profitability cost structure, distribution systems, trends and developments. Also, key success factors should be assessed (Aakers, 2001, p.77).

Key success factors are determined by asking what are the key success factors, assets, and competencies needed to compete successfully? How will these change in the future? How can the assets and competencies of competitors be neutralized by strategies (Aakers, 2001)? Although, these factors may be difficult to determine, questions may be asked of potential customers that may help determine the answers to these question to paint a clearer picture.

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Potential Market

Potential market size can be assessed through government sources and trade association materials. Filings with SEC are a great resource to assess the businesses of competitors and current and future customers. Surveys could also be conducted of customers to project their usage of consulting services. Leadership and management consulting could be considered an unneeded expense by many retail organizations that do not currently utilize the service. However, educating potential customers of the long-term value of such a service and through effective marketing could prove effective in tapping into new business opportunities.

Growth in a market could involve risk. Price of services may be the primary determinant to potential customers. Some potential customers may feel the services are over-priced and not worth the investment. Others, on the other hand, they may question the worthiness and quality of the potential service if the price is significantly lower than the competition. Finding the right price may be a matter of being the highest in the area and being able to come down depending of on the current financial profitability of the customer's success and current market trends.

Forecasting growth can also be an important element of market analysis. It may be very useful to look at historical data of the market. Look for trends caused by fluctuations or by short-term economic conditions (Aaker, 200s, p.80). What turning points and indicators are available that may give a clearer picture of how and when the best times are to seek doing business with a customer?

A turning point in market potential are indicated by price pressure caused by overcapacity and the lack of differentiation, by how much the buyer knows about his

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business and yours, by other similar services he or she has familiarity with. Also, a look at if the market is saturated, penetrated may be useful. Getting a feel of whether the customers are truly interested may be the best determinant of which way to proceed.

### Market Profitability Analysis

Michael Porter of Harvard University has an approach to determining market profitability. Information found in his article found in the *Financial Analysis Journal* (July, 1980) is still useful today in assessing profitability. Factors of this analysis are based upon five influences. The intensity of the competition among existing competitors is the first influencing factor. The second, the existence of potential competitors who will enter if profits are high. The third, substituted products [services] that will attract customers if prices become high. The bargaining power of the customers is the fourth. Finally, the bargaining power of suppliers is the fifth factor.

Existing competitors should be identified. Determining how intense of a competition is also important. How many competitors are there? What is their size and commitment? Are there product offerings and strategies similar? What are the costs involve? These questions should be asked in order to properly analyze market profitability.

### Key Success Factors

Ideas about determining key success factors (KFSs) of the market come from Jorge Alberto Souse de Vasconcellos and Donald Hambrick from their July 1989 article, “Key success factors: test a general theory in the mature industrial-product sector,” found in *Strategic Management Journal*. These five factors include analyzing the relations with the producers and looking at the balance between established and emerging talent. The

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capacity to market and resulting product [service] and how quickly the response to it when it occurs is another factor. The ability to control fixed and marginal costs and to obtain scale economies should be assessed. Relationships with the distribution channel are important to maintain and evaluate. The final factor is an evaluation of an Internet strategy (pp. 376-382).

Other key aspects that leadership consultants should consider in doing a market analysis include looking at value added components of the service and products produced by the agency. What are the distribution channels and trends? What are the growth-market challenges involved, including threat by competitors, market changes and firm limitations (Aakers, 2001)? Leadership consultants should know these things and assess them by doing research, including surveys by competitors' customers and potential customers.

### Environmental Analysis

Environmental analysis includes evaluation of seven major areas including: technology, government, economics, culture, demographics, and scenarios. Environmental analysis is a major component of strategic marketing must be included in the formation processes of a new leadership and consulting agency.

According to David Aakers (2001), technology should be considered in an environmental analysis. To what extent are existing technologies maturing and what technological developments or trends are affecting or could affect the industry?

Government rules and regulations may have an effect on the consulting industry. Consultants should consider what changes in regulations may occur and the impact of

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such changes. Taxes and political risks related to operation may also need to be considered. What are the financial and image costs of the strategies of the business?

Consultants need to look at economic data and concerns as well. How could inflation affect the business' strategy? What costs can be increased or decreased and still maintain a profitable existence?

Demographics and culture are also included in analyzing the environment of the market for leadership consulting. What are the components of culture, who are the potential clients' workforce and people they are serving? Are there opportunities or threats that are associated with the demographics and culture?

David Aaker's (2001) data on scenario analysis should also be considered by leadership consultants. Scenario analysis is a vehicle to explore different assumptions about the future. It involves the creation of two to three plausible scenarios, the development of strategy appropriate to each, the assessment of scenario probabilities, and the evaluation of the resulting strategies across the scenarios (Aakers, 2001, p. 110). Scenarios may be unique to each client of the leadership consultant and should be evaluated on a per-client-basis.

Conclusion

Leadership consultants must evaluate their current and future market possibilities in order to create a successful marketing strategy. Market analysis should assess the attractiveness of the market, its structure and dynamics. Five factors that must be considered are: existing competitors, supplier power, customer power, substitute services, and potential entrants. Cost may have a bearing on the success of the plan and should be considered on a per-client-basis. Market trends, culture, demographics,

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technology and competition have an effect on the effectiveness of strategies and success of the business. Therefore, careful analysis should be done using the practices and factors of focus to succeed in marketing a successful leadership and management-consulting agency.

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