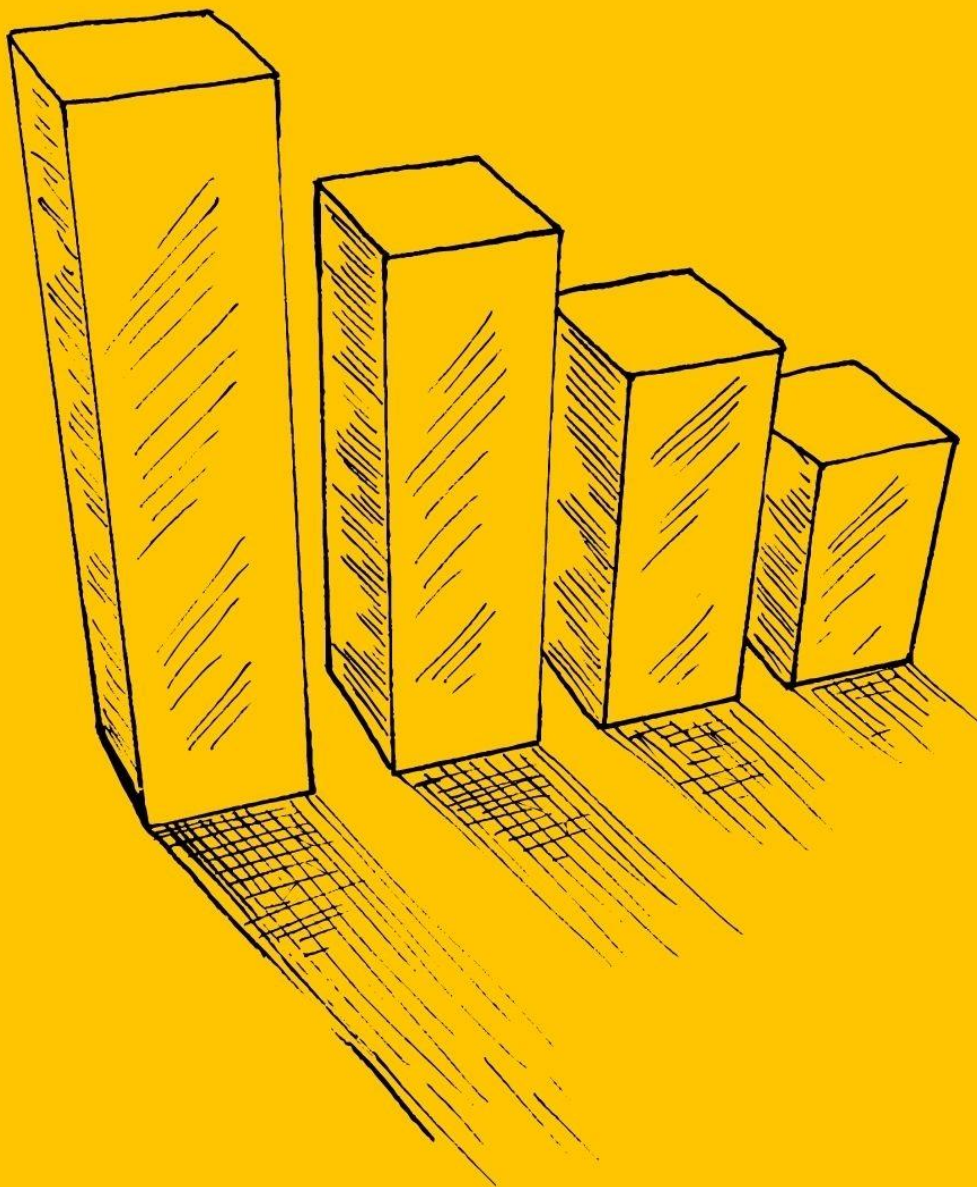


Market Analysis

A Different Approach



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The aim of an external and internal business analysis exercise is to build a bank of reference data on which to base business decisions. If that analysis is out of date (or worse, incorrect) it will lead to either inertia (don't know what to do) or bad decisions.

The problem is the analysis (audit) is at a set point in time. In slow-moving markets and business environments that is not a problem. But in turbulent markets the audit is soon out of date, meaning business decisions based on that data could be invalid. However, there is another way.

Where To Start

First, you need to follow the standard process. There are both external and internal issues to assess and (where possible) quantify.

External issues include competition and the market environment (Political, Environmental, Social, Technological and Legal). For some businesses demographic issues may also be relevant. The impact of each of these factors may affect your business more (or less) than competitors.

Many tools have been developed over the years to aid the external analysis process. A list of the standard analysis tools and their application can be found here: <http://hundredoctopus.com/marketing-analysis/>

Internal analysis covers a number of issues including:

Strategy – Was the existing strategy acted upon? If not, then why not? At a top-level what were the goals and objectives and what were the results.

Structure – How does the marketing department interact with the rest of the business, particularly the sales function? How effective are communication channels?

Productivity – A major area for analysis. What was tried, what were the objectives and what were the results? What changes would improve efficiency?

Systems – Are your systems followed and are they effective? What tools are used, how are they integrated and are they effective?

Product and Customers – Analyse historic data on key products and product groups including quantity and price trends. Current key customer analysis including establishing why they first became customers and what it is that stops them migrating to the competition.

Service levels

Analysis should be performed across the business, including marketing. Again, comparisons against competition will be relevant.

Find Your Value Points

The next step is to assess the value you offer your target market and compare it with your competitors' offer.

You should have a clear, top-level, view of what it is you offer the marketplace. You need to understand what basic customer needs you satisfy. You should have a clear understanding of who your ideal customer is and why. With this in place you need to clearly define your value chain.

This is an often neglected part of the analysis process. When an attempt at value chain analysis is trialled it is often over complicated. An example from history may help illustrate what value chain is and why it is so important.

At the battle of Crecy in 1346, the French army was devastated by English Longbowmen. At the battle of Agincourt sixty-nine years later the same result. The French army was cut down under a hail of English arrows.

So the question is this. Why didn't the French decide in 1346, you know what we need some of those longbow things? Why at Agincourt was it not French longbowman against English longbowman? The French did have crossbowmen but their range and speed of fire were much lower than the longbow.

The answer is the French probably did covert the longbow but English archers trained from childhood. Firing a longbow needed skill and strength. Remains of English archers show that years of longbow practice led to physical deformities. The French could not simply copy the longbow and put it into service.

The relationship to a business should be clear. Oh, that's easy, I will copy what (insert competitor here) do. The problem is it is never that easy and the reason is their value chain. There is usually something about their systems, materials, purchasing power or the skills of their people that means they can do what they do and you can't. You might be able to copy but not quickly.

The really important point to note is that the same applies to you. Your competitors cannot easily copy what you do. Why not? You need to know.

What is your value chain? Whatever it is, strengthen it and protect it. It might not be one thing, it might be the linkages between several things that are important. Knowing your competitors value chain gives you an indication of areas to attack.

There is a thought exercise to help known as VRIO. You can read more about it here <https://www.process.st/vrio/>

Develop Scenarios

'Scenarios are stories about how the world may turn out tomorrow' - Peter Schwartz. They are a way to describe what might happen and how you will deal with issues you might face. The scenario building process is not straightforward and it is resource intensive. If the scenarios never transpire you might feel you have wasted your time but if they do the fact you are prepared could save your business from destruction or take it to the next level.

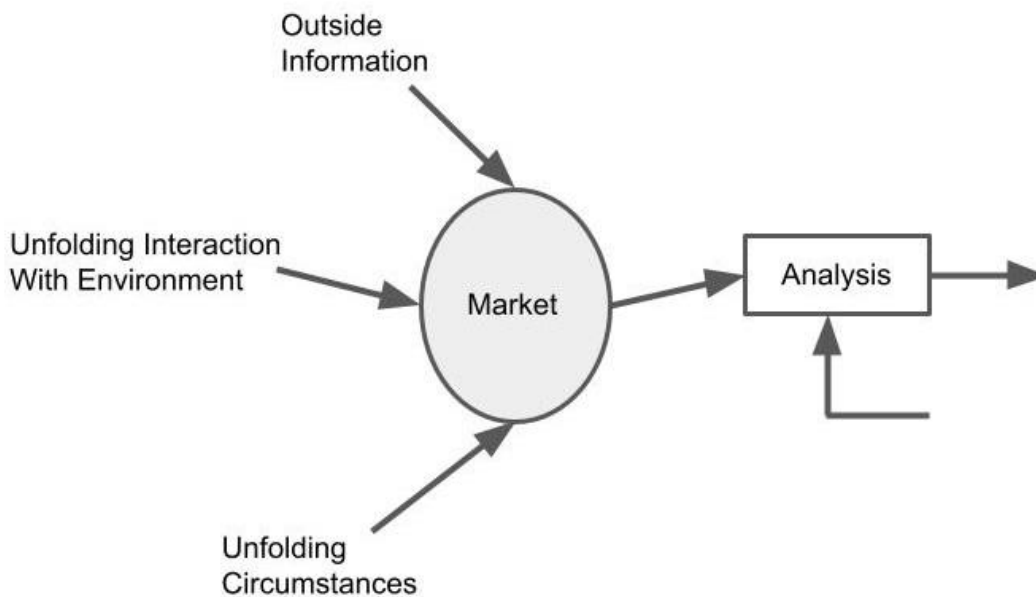
With scenarios in place you will be better placed to act on information delivered by the feedback process (see below). Will your scenarios match the threats and opportunities you will be faced with in reality? Probably not, but the thought processes you have been through will ensure you are better prepared for whatever events you do face.

The Feedback Process

You now have a core set of data (both internal and external) and a clear understanding of your value and how you rate against competitors. The problem is this data is valid at a set point in time. In a relatively stable environment and a slowly developing market that is not an issue. The problem is the business environment and markets are increasingly turbulent.

To carry out a full analysis process as described above is time consuming. To re-assess quarterly is an onerous task. To re-evaluate monthly is not practical.

One solution is to allocate a person (or team) to the task of real-time market analysis. Give them the authority to ensure they are heard. Take the data they provide and assess it against your analysis data bank (described above) and, most importantly, take action.



Based on ORIENT element of OODA Loop - John Boyd

Unfolding circumstances is real time data provided by internal and external sales teams coupled with some desk research. It relates to customers, projects, products and competitors.

Unfolding interaction with the environment could be legislative changes, financial, social influences (a pandemic!) or government policy related, among others. These tend to be longer term but could be something that needs an immediate response.

Outside information has two elements, intelligence and periphery. Intelligence often comes from those in the field but can come from research. It can relate to customers or competitors or be something related to the market. This information can have a real impact on the business and often needs to be acted upon without delay.

Acting on the periphery tends to be longer term. This is about looking for 'distant signals' that are not an opportunity or threat today but could become significant in future. The challenge is sorting through the many signals to find those worth attention.

Competitive Advantage

Access to quality information and the ability to rapidly act on that information delivers a significant competitive advantage. If competitors have access to the same information as you, they interpret that information correctly and they act on it without delay, then they have a distinct advantage. All you can hope is that they interpret the information incorrectly.

Or you could block your competitors access to information, you could interfere with that information to your advantage. You could react quicker to the incoming information flow.

How We Can Help

We help businesses build an analysis process that develops and reacts to inputs from the marketplace. We help build a process for monitoring and reacting to the periphery.

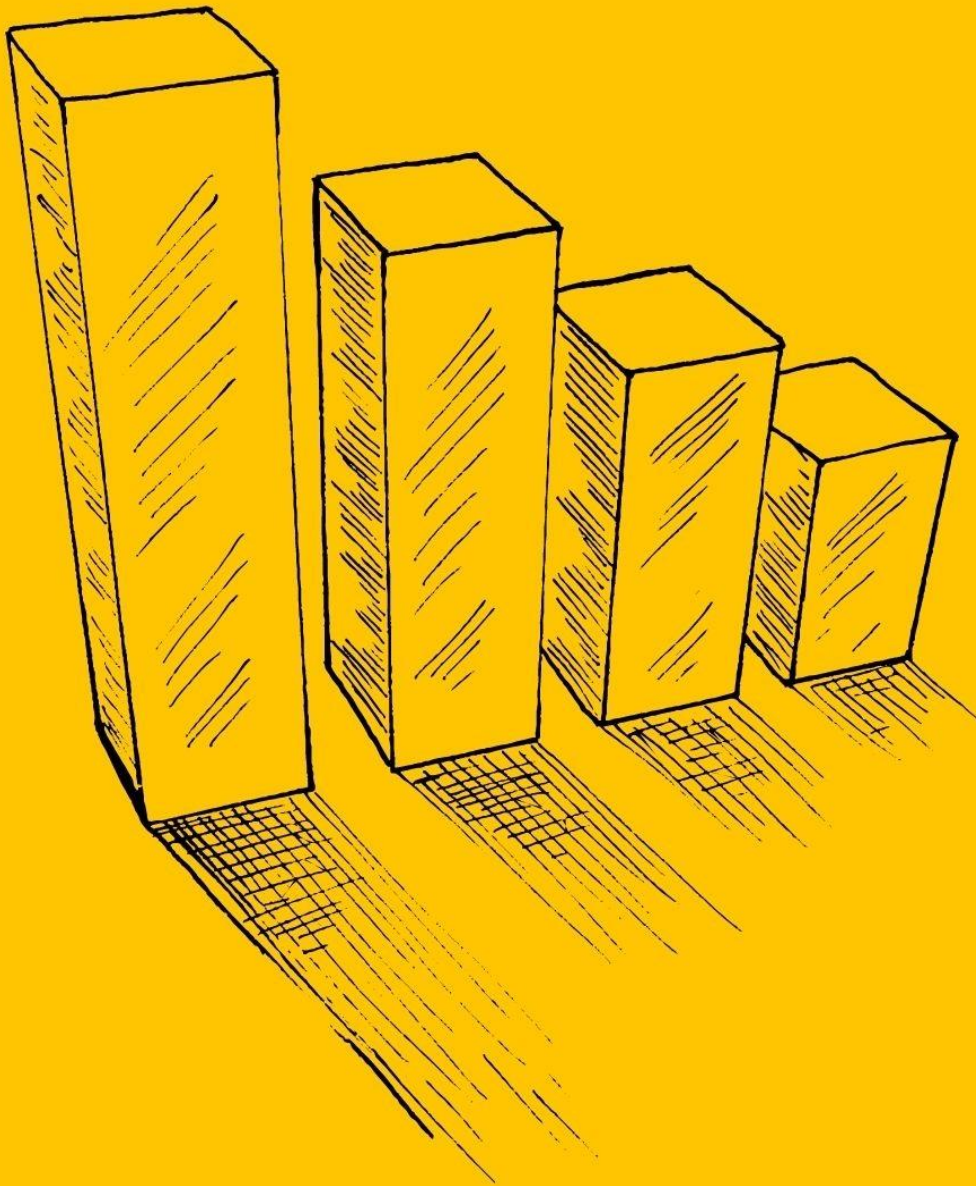
We act as a guide and mentor, working with your team to install an analysis process. We look into areas your team may miss. As an outside agency, we surface the difficult issues to address.

To learn more email phil@hundredoctopus.com or call 07747 042320.

We work with you to develop an agile marketing strategy. We then help you create the structure and process to implement that strategy. With a process in place, we help businesses exploit that process to maximise their competitive advantage.

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Appendix A
Business Strategy
A Different Approach



We covered our view of the standard business strategy and why it fails in this post. <http://b2bmarketingmentor.co.uk/business-strategy-process-why-fails/>. A copy is included in an appendix B. This guide sets out our approach to business strategy. A strategy and planning process that overcomes many problems with the standard approach, reacts to the marketplace and develops over time.

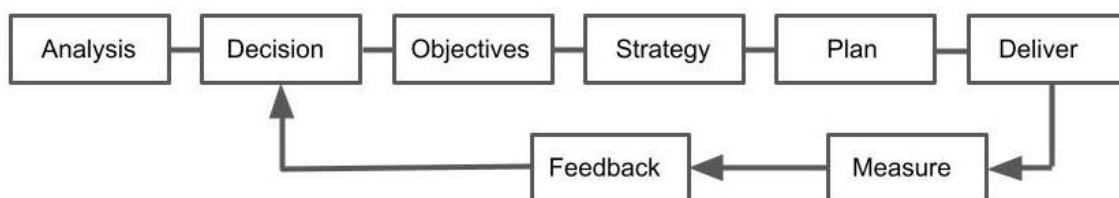
What Is Strategy?

There is a lot of confusion over what is (and what is not) strategy. To keep it short and simple strategy is thinking through a way to get from point A to point B avoiding (or finding a way around) any roadblocks that may be in the way. A strategy is the best guess (a hypothesis) on the best way forward given the information available to you.

You have goals and (measurable and time-limited) objectives. You need to map out a way to achieve your objectives. Those are your strategies.

Criticism Of The Standard Model

A simplified version of the standard strategy model is shown below:



A well established and proven process. Except, what happens if someone throws an (unexpected) roadblock in the way. “The solvable systems are the ones shown in textbooks - they behave.” (James Gleick- Chaos). Unfortunately, people, markets and competitors do not.

If you are in a slow-moving market it's not a problem. You simply go through the feedback loop and revise your strategy. But what if the marketplace is more dynamic? If competitors react to your efforts and try to push you off course? What happens then?

The information available to you constantly changes and so must your direction. That is, we suggest, where the standard strategy process falls down.

Your organisation needs to be able to react in as near to real-time as possible. Better still it needs to react to changing circumstances before competitors.

The Issue With Turbulent Markets

What is turbulence? It is a mess of disorder at all scales.... It is unstable..... It is highly dissipative, meaning that turbulence drains energy and creates drag. It is motion turned unstable (James Gleick - Chaos). Sound familiar?

Its cause is rapid, unexpected changes in the environment. With changes driven by random events that by their very nature are unpredictable. In a turbulent environment, we suggest, the standard planning process is invalid.

It can cope with one unexpected event, or several unexpected events spread over an extended period of time, but it cannot cope with turbulence.

Given the above, the temptation may be to abandon strategy. Why bother when linear models are so ineffective?

The ideas discussed above are not new. See, 'The age of discontinuity (first edition 1970), Thriving on chaos (1987), 'Only the paranoid survive' (1998), Chaotics (2009). All suggest a possible way forward but all seem to have been ignored.

A Potential Way Forward

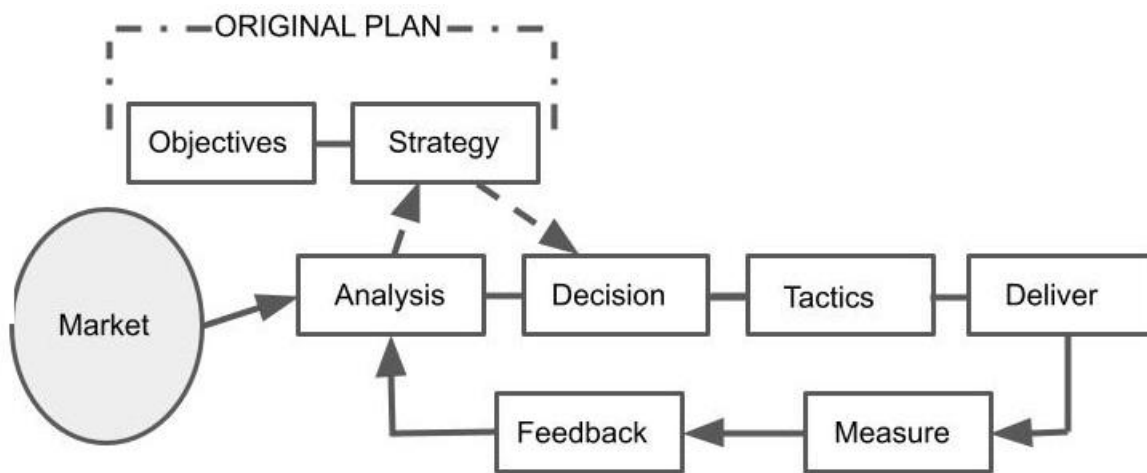
What is needed is a framework to work to rather than a rigid plan.

You know what you have to achieve. You know what tools you have in your armoury and you know what stands in your way. You can build a plan and take the first steps. From that point forward, in turbulent markets, your plan is useless.

You cannot assume C follows B, follows A as the environment will shift around you. Perhaps this is what Eisenhower meant when he said, “Plans are worthless but planning is everything”

So what’s the alternative? You can’t sit around and wait for events to propel you forward (or sideways, or backwards). You do need to analyse the situation, that is essential. You also need to decide what is important.

We suggest the following. First, you follow the process outlined above. From analysis through to delivery. Once delivery and measurement are underway the processes evolves to:



The analysis is no longer a one-off (yearly) activity but is an ongoing process taking various real-world inputs. Based on those inputs, you make decisions, modify tactics (where necessary) and take action. Your initial plan becomes a reference document that guides your decisions.

Orient Observe Decide Act

Again, the above is not new. It is a simplified version of the OODA concept developed by the military strategist John Boyd. Often (wrongly) called a loop, it is a framework used to understand the nature of strategic decisions in turbulent environments. It also helps identify areas of potential competitive advantage.

Unfortunately, John Boyd never explained his framework fully in print. It has been left to his contemporaries (primarily Chuck Spinney and Chet Richards) to explain it and apply it to business.

Approaches to Turbulence

There are various potential approaches to dealing with turbulence, they include:

Early warning systems.

Deal with the difficult truths.

Get involved where change is happening - understand the implications.

Flatten the organisational structure.

Build and evaluate 'what if' scenarios.

The need for an effective early warning system is obvious but is useless if any difficult truths it surfaces are ignored (or buried). If it is possible to identify initial signs of where change is happening, get involved and try to understand the potential opportunities or threats.

A flat organisational structure and the elimination of silos aids information flow.

What Do You Need

Strategy and tactics are useless without the people and organisation to deliver them. Again to quote John Boyd - People, ideas and technology, in that order, where ideas relate to strategy and tactics. People need direction and that requires effective (and consistent) leadership.

You need to ensure your people are aware of their responsibilities and the ultimate goal. You need well-trained people able to make decisions in real-time based on the data available to them at that time.

You need the best market and environment monitoring system you can build. This delivers your competitive advantage.

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Appendix B

The Business Strategy Process And Why It Fails

In many mid-sized B2B organisations there is no formal business strategy process. There may be a rough guide to the future direction and a financial plan, but that is all. If a strategic analysis process does exist, it is often little more than a box-ticking exercise.

If we believed the theory we learned in our college days we should recoil in horror at this situation. Surely a business that does not assess its market, identify threats and opportunities and plan a way forward will fail?

The reality is most businesses without a strategic process don't die. Many thrive, at least in the short term.

So what is the point in allocating time and effort to developing a strategic direction for a business? Let's start by looking at what strategy is, and is not.

What Is Strategy?

In essence, it's simple. Let's take an example. Let's suppose next year you want to publish your first book on Amazon. That is your goal.

To achieve your goal you calculate you will need to write 2,000 words per day, 6 days a week. That is your objective. It is quantifiable and time-limited.

Your strategy is how you are going to achieve that objective. Where are you going to work? What proportion of your time will you spend on research?

Crucially, a strategy is also about dealing with obstacles. How will you lockout distractions? If you know you are prone to procrastination how will you deal with that?

A strategy is the best guess (a hypothesis) on the best way forward given the information available to you.

So Why Bother With A Strategic Process?

Survival is one issue to consider (see above). It is also important to reflect on business performance. Could a business achieve better results and higher ROI if they had a strategic plan in place?

Taking survival first, the issue is survival over what timeframe. There are many examples of once very successful businesses that no longer exist. They made bad decisions or something changed around them that they did not expect.

A business founder is likely to care about the long term survival of his/her business. To be blunt, a CEO brought in to run a company is (in general) less concerned about the long-term. It follows, therefore, they are less concerned about strategic analysis and longer-term threats.

Moving on to consider if a business could do better if it completed regular strategic reviews. Here, I submit, yes it could.

Market analysis should identify both threats and opportunities. Strategies implemented to capitalise on those opportunities should deliver improved business performance.

Where The Standard Strategy Process Fails

The information available to you constantly changes and so must your direction. That is, I suggest, where the standard strategy process fails.

If you do believe a strategic planning process benefits your business you have probably encountered a major problem. The standard process fails to take into account market turbulence and imperfect information.

Many years ago, I attended a short talk given by Malcolm McDonald. Yes that Malcolm McDonald the author responsible for Marketing Plans (How to prepare them and how to use them) and many other leading texts on marketing practice.

I remember that talk, it was both entertaining and enlightening. I particularly remember his comments on SWOTs. That he shuddered as he walked down the halls of hotel conference rooms, peered inside and saw that cross on the whiteboard time and again.

His point was (from memory) the SWOT process was generally badly implemented. It was full of fluff, built on sand, with no focus. Too often the strategic analysis process fails to identify the key issues. Or if it does, they are often conveniently pushed aside.

If a SWOT is superficial (at best) any decisions on the strategic direction will fail to take account of the key roadblocks to progress. They will fail to address the real opportunities.

That said, I argue there is a greater problem with the standard strategy process even with a perfect SWOT analysis.

Business Strategy, Turbulence And Chaos

The way markets, competitors or individuals operate is not linear. The situation businesses find themselves in is often turbulent, even chaotic. A quote from James Gleick excellent book – Chaos “the solvable systems are the ones shown in textbooks – they behave.” Unfortunately, people, markets and competitors do not.

The strategy and tactics exercise assumes some level of stability and predictability that does not exist. While it is true some markets are more stable than others, all can be knocked into a turbulent state by some unexpected event.

Worse still, the input (the analysis) is also constantly shifting. Too often businesses carry out a strategic planning exercise yearly. That is way too slow. The only part of the process that remains fixed for more than a few months is mission and goals.

Dealing With Market Turbulence

So what's the alternative? You know what you have to achieve. You know what tools you have in your armoury and you know what stands in your way. You can build a plan and take the first steps. From that point forward, your plan is useless.

You cannot assume C follows B, follows A as the environment will constantly shift around you.

A scenario planning exercise can help. This, at least, allows you to look further out at trends that may cause turbulence in your market.

So what is the solution? Part of it is organisational, part relates to communication and part relates to the speed of response. Trust and value chain and the skills of the workforce are key.

For businesses happy to focus only on the short term a formal business strategy process may have little value. But for businesses worried about both maximising opportunities and avoiding longer-term threats analysis, strategy and planning are vital.

I suggest the standard business strategy process fails to address market turbulence, but there is a different approach.

About the author:

Phil Smith is an experienced B2B marketer and strategist with a background in technology and manufacturing business marketing. Learn more at <http://hundredoctopus.com>

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