

# Importance and Process of Marketing Environment Analysis as Strategic Analysis Tool of Business

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## ABSTRACT

Strategic analysis is an important tool for managerial decision making. It is important in creation strategic plans, because it deals with the internal as well as external environment of the company and its factors. It analyses various factors that affect the company's position in the market and identifies potential threats to the company. It also deals with the strengths and weaknesses of the company, which the company then evaluates and strengthens or eliminates. Quality strategic analysis is the basis for the successful existence of a company in a market environment. Strategic analysis has several tools that are focused on the analysis of the external environment of the company, the industry or the internal environment of the company. The aim of the paper is to elaborate the theoretical background related to the field of strategic analysis with emphasis on the importance, significance and process of marketing environment analysis, which is one of its tools.

**Keywords:** Marketing, marketing analysis, marketing environment, strategy, strategic analysis

## 1. INTRODUCTION

In today's global business environment, internal and external factors have a significant impact on the success of the organization [1]. The strategic analysis considers the internal and external factors that affect the company. The information obtained from this analysis can be used by the company in planning the future development of the company. The company's strategy is based on information obtained about the industry, the competition and the strengths and weaknesses of the company. According to Krizanova et al. [2] the concept of marketing strategies is changing with the process of technical progress, globalization and changes in customer requirements. As there are currently many companies in the national as well as in the international market, which results in a significant impact of competition, companies must include in their activities the strategic analysis that is necessary to create a successful strategy. The advent of digital technology, internet, networked and smart devices offers mechanisms for a fast and smooth response to changing consumer demand [3] which also has an important role in the strategic decisions of the company. One of the main goals of every company is to achieve the highest possible position on the market and to achieve the greatest possible competitiveness. Each business entity is influenced by its surroundings and, therefore, it is very important to be distinguished from competition [4]. If company wants to achieve this, it must have developed a strategic plan, which is the output of strategic analysis.

## 2. BACKGROUND

### 2.1. Strategic Analysis

A strategy is generally the result of strategic management. It is a process to achieve goals and gain a competitive advantage. Analysis is a separation of a complex fact into individual parts. The aim of strategic analysis is to identify, analyse and evaluate relevant factors that may affect the final strategy of the company [5]. The company's strategy includes plans and decisions that lead the company to profitability and success [6]. Strategic analysis deals with the analysis of the internal situation of the company and its surroundings. According to Lukasova [7] the aim of strategic analysis is to identify and analyse the factors affecting companies and their confrontation with the company's capabilities. The main division of the strategic analysis is the analysis of the external and internal environment. Analysis of external environment includes the analysis of the macro-environment and micro-environment. Factors that affect a company and its ability to meet its basic goals are referred to as the microenvironment and factors influencing wider societal influences that result in a process of change with the target market and the ability to respond to changes in business trends are the macroenvironment. The second main strategic analysis is the analysis of internal resources and capabilities of the company. According to Kliestikova [8] internal and external factors can motivate consumers to interact with company. The internal environment includes factors related to the internal ties and relationships in the

company. Valaskova et al. [9] state internal or psychological factors, social factors, cultural factors, economic factors and personal factors. According to Sedlackova and Buchta [5] strategic analysis contains various analytical techniques used, for example, to identify relationships between the company's environment, industry, competitive forces, market, competition.

## **2.2. Marketing Environment Analysis**

Marketing environment is an environment in which an organization's marketing activities take place [10]. It includes all factors that affect the company, its production processes, its technologies, its business, the behaviour of their current and potential customers. Marketing strategy [11] needs to be developed in as much detail as possible. It should consider the strengths and weaknesses as well as the opportunities and threats, the identification of which is called SWOT analysis. Company must decide which business activities should be allocated investment and should set priorities regarding this analysis [12]. The external marketing environment provides the company with many opportunities, but also several threats. On the other hand, strengths and weaknesses can be identified in the company's internal environment, so a systematic analysis of the marketing environment is important in the company. The company should also use methods that allow the individual components to be searched, identified and analysed. The company can then choose the appropriate and correct strategy. The marketing process is underway in companies. It begins with an analysis of the environment, its own analysis and analysis of opportunities for further development in the market. It systematically examines the situation of the company and its position in the past, present and an estimate of possible future developments. The results of the analysis determine the company's capabilities and serve as a basis for setting marketing goals, strategies and marketing plans [13].

## **3. PROCESS OF MARKETING ENVIRONMENT ANALYSIS**

As individual companies differ, whether in product portfolio, market targeting or competition, it is not easy to determine an analytical procedure for all companies. Each company must adapt the analysis to its own conditions. First, it is necessary for the company to identify and analyse the factors using PESTLE analysis. PESTLE analysis is a tool for analysing the external environment. PESTLE analysis consists of 6 categories of global factors: political, economic, social, technical, legal and environmental [14]. These factors can create opportunities as well as threats that can affect any business sector to some extent. As Krizanova et al. [15] state, significant developments have taken place in recent decades in world trade due to changes in economic, political, technological, social and other conditions. Political factors are

government regulations that affect business activities and operations. Managers should consider national policy, but also international policy that can affect business environment. Political factors also include for example stability of the government and import and export regulations. Economic factors include relevant economic and market data. In the context of economic factors Valaskova et al. [16] state that market subjects demand greater profits for risky investments. When analysing the marketing environment, managers do not have to consider all economic factors, but those that can negatively or positively affect them. Factors include local, national and world economic impact, rates of economic growth, unemployment [17]. Social factors include social, cultural and demographic factors of the external environment [18]. Social factors should be chosen by the company according to its business needs. These factors include, for example, the structure and size of the family, the level of income and purchasing behaviour of customers as well as potential customers, brand and price awareness, and attitudes toward savings and investment. Technological factors are an important part of the entire business environment. This is mainly due to constant changes and innovations in technology, which have a significant impact and impact on the activities of companies. The technological aspect covers the technological developments and innovations [19]. Businesses are introducing innovative technologies that can improve their competitive advantage and market position. Legal factors affect business. Companies need to identify and analyse the legal issues that affect their business and in all the countries in which they operate. Businesses must comply with regulations such as business laws, consumer protection laws and the occupational safety and health act. Factors include also local, national and global legislation affects [17]. Last group of factors are environmental factors. Environment [20] includes natural resources that the company uses as inputs. In the environment is 4 groups of trends that marketing managers should not forget. These trends include a lack of natural resources, increased energy costs, an increase in pollution and state interventions in the management of natural resources [21]. These trends can also be referred to as environmental problems [22]. The second step of the process of marketing environment analysis is realization of OT (Opportunities-Threats) analysis that is part of SWOT analysis. The aim is to monitor changes that have a positive impact on the business environment and identify threats that may adversely affect the company's activities. Opportunities in the context of consumer behaviour include, for example, behavioural, interest-based or attitude-based targeting [23]. Opportunity is the driving force and advantage and for business activity. It is the reason it can have a positive benefit for the business. Threats refers to a disadvantageous situation in relation to the business environment. It can have a negative impact on business. A threat is an element that can make it difficult or impossible to achieve business goals [24]. Regarding opportunities and threats, it is essential that companies identify opportunities and seek to use them for the benefit of the business, and it is also necessary to identify

potential threats and take all necessary steps to avoid the negative impact of the threat on business. The last step is to use the identified opportunities and threats to influence the future activities of the company. Based on this analysis, the company can adjust and determine further steps in its activities.

#### 4. CONCLUSION

Business management is very important to ensure successful operation of the company. It is not easy to know how to make the right decision. Managers must think in perspective and continuously develop a long-term strategy for the development of the company so that they can adapt in time to changes in conditions in the internal and external environment of the company. There is no single strategy suitable for all types of companies, because each company must find its own strategy with respect to its surroundings and situation. In order to determine the appropriate strategy, a characteristic of the environment, a thorough knowledge of the market, its segmentation, the creation of the right strategy and a suitable combination of necessary and correct tools are essential for the company.

#### ACKNOWLEDGMENT

This paper is an output of scientific project VEGA no. 1/0718/18: The impact of psychographic aspects of pricing on the marketing strategy of companies across products and markets.

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