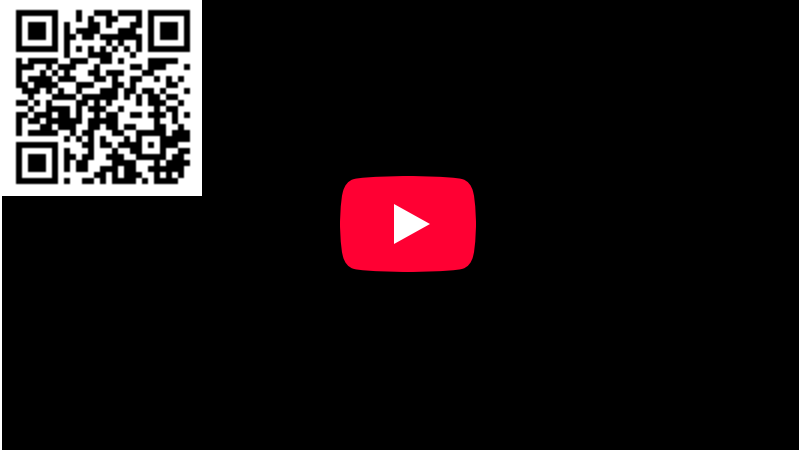


5.16: Situation Analysis

Learning Objectives

- Describe how a situation analysis illuminates the opportunities and threats in a business environment

How to Perform a SWOT Analysis



Situational analysis helps decision-makers in the firm understand what to do and when to do it. At its most basic level, it's a consideration of the context, organizational capabilities, customer needs, and competition. These factors describe the business environment, how our own abilities can deliver value relative to consumer needs and the likely actions/reactions of our competitive set.

Specifically, context refers to the over-arching business environment, as influenced and affected by macro-level trends like technology, government regulation, social movements and economic forces. For example, you've read that consumers are using convenient digital interfaces and low-cost fulfillment to order product on-line and in-app for at-home delivery. This change in consumer behavior has an effect upon the retail grocery industry as well. Thus, forward-looking retail strategy should include a consideration of technology and consumer trends are shaping the shopping experience from search through fulfillment to service.

Government regulation and social movements may also converge to create powerful forces that shape the business environment. Consider, for example, that social activism around environmentalism and sustainability has led to laws prohibiting the use of plastic bags at check-out in California. Or, how concerns about high-calorie drinks have led to restrictions in some places, either by law or by activism. At the University of California San Francisco, for example, retailers on-campus have been required to remove sugar-sweetened beverages, replacing them with zero-calorie beverages and non-sweetened drinks with nutritional value. This initiative started at UCSF's medical center on its Mission Bay campus site, but had support to roll out across all campuses. These are clear examples of how government regulation and social movements can have significant impact upon the competitive environment. Thus, effective situational analysis should identify and quantify, if possible, these threats.

Organizational capabilities considers the relative strengths and weaknesses of the organization. This should be a practical and pragmatic assessment of what the firm does and does not do well. It should reflect how it makes investments and allocates resources, mindful of its priorities and stakeholders. Dollar General, for example, wouldn't describe capabilities for attracting consumers interested in a high-touch shopping experience—that's not what they do well. By the same token, Whole Foods wouldn't claim capabilities around low-cost retailing.

Customer analysis includes consideration of the needs of current and future consumer, as well as their characteristics. But, because robust strategic planning includes a step dedicated to customer analysis, the assessment of the customer within the situational analysis does not require the same rigor. Instead, it is reasonable to describe which consumer segments are the best fit for the firm's products/services, using broad segmentation criteria. However, during the customer analysis, it's important to consider which specific targets will be targeted and how the firm will position themselves for them.

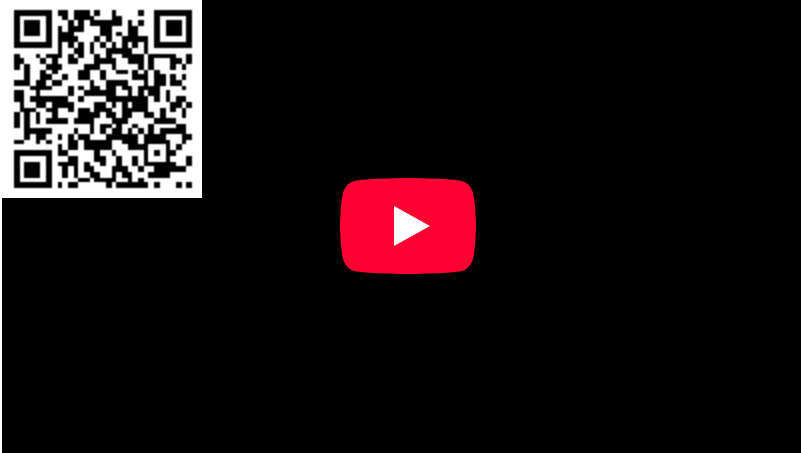
For examples, within the situational awareness, a retailer like Kroger might describes its core customer as a weekly grocery shopper with a product mix of fresh and packaged products and an average bill of \$xx.xx per week. However, in the customer

analysis, Kroger might refine this further to describe specifically consumer needs around convenience or value or wellness, described by the segments' specific behavior.

And, competition includes assessment of the strengths and weaknesses of the competitive set. But, just as the assessment of organizational capabilities requires practical and pragmatic assessment of what the firm does and does not do well, that same objectivity needs to be applied to the competitive assessment. Because we've acknowledged that we cannot be all things to all shoppers, it is natural and appropriate that competitors will have strengths in some areas where we do not. That's okay because the flip-side is also true—we'll have strengths where the competition does not.

By thinking in this multi-dimensional way, decision-makers can assess the factors that have direct influence on their strategic opportunities and threats. Thus, they'll be better equipped to identify where to make investments to capitalize on opportunities.

How Starbucks Became An \$80B Business



Practice Questions

<https://assessments.lumenlearning.co...sessments/9182>

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