

External and Customer Analysis

The purpose of an enterprise is to create and keep a customer.
—Theodore Levitt

Consumers are statistics. Customers are people.
—Stanley Marcus

Before you build a better mousetrap, it helps to know if there are any mice out there.
—Mortimer B. Zuckerman

Developing or adapting strategy in a dynamic market logically starts with external analysis, an analysis of the factors external to a business that can affect strategy. The four chapters of Part One present concepts and methods useful in conducting an external analysis. The Appendix contains a complete template for internal firm analysis.

EXTERNAL ANALYSIS

A successful external analysis needs to be directed and purposeful. There is always the danger that it will become an endless process resulting in an excessively descriptive report. In any business there is no end to the material that appears potentially relevant. Without discipline and direction, volumes of useless descriptive material can easily be generated.

Affecting Strategic Decisions

The external analysis process should not be an end in itself. Rather, it should be motivated throughout by a desire to affect strategy. As Figure 2.1 shows, an external analysis can impact strategy directly by suggesting strategic decision alternatives or influencing choices among them. More specifically, it should address the following questions:

- Should existing business areas be liquidated, milked, maintained, or targeted for investment?
- Should new business areas be entered?