

IMPORTANCE OF THE MARKETING ENVIRONMENT ANALYSIS IN THE PROCESS OF STRATEGIC MARKETING DECISION MAKING

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Abstract

The analytical activity aims to increase company's competitiveness and establish its strategic position in the business. Timely diagnosis of threats, identification of key success factors and competitive advantages enables company management to constantly review its marketing goals and strategies by taking proper and timely strategic marketing decisions.

In this regard, the main objective of the article is to examine the characteristics and main directions of marketing analysis, emphasizing their importance in the process of strategic marketing decision making. A survey was used as a main method for collecting primary data. The evaluation of the studied indicators is performed on a 5-point Likert-type scale. The obtained results show the underestimated role of the environment analysis in the companies' marketing activity and its necessity in decision making for a long-term development and prosperity. The conclusion includes a summary concerning the overcoming of these problems.

Keywords: marketing analysis, marketing environment, strategic marketing decisions, strategic marketing decision making process

JEL Codes: M10, M30, M31

Introduction

In today's dynamic market conditions and relationships, the optimization of marketing efforts is invariably associated with successful strategic marketing planning. A key role in this process is the analytical direction of marketing activity that helps company to get acquainted with the state and capabilities of its own business, trends in economic conditions and market, power and strength of stakeholders. Due to this, a real and timely assessment of the marketing environment impact on the company's condition and development could be made.

The main aspects of the analytical activity are the research of the economic, social, technological and other factors; examination of the market characteristics, trends and opportunities; analysis of consumers, competitors, suppliers; assessment of the company's potential, problems, etc.

Pehlivanov (2006, p. 67) defines the research function as the main one in the process of marketing management. According to the author it allows to find the most profitable for the company opportunities for the products' realization and determination of the strategy and tactics based on the previously diagnosed market risks. Kyurova (2014) notes its importance for the entrepreneurial business as it allows control of external factors and identification of strategic alternatives (p. 86). It can also be added that marketing analysis serves as a starting point for defining marketing goals.

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“The companies of twenty-first century increasingly need managers who can think and act strategically” (Planellas & Muni, 2019). The strategic decision process has three main stages: analysis, decision and implementation (Planellas & Muni, 2019, p. 2). Therefore, strategic marketing decisions aim to create a system of preventive measures and protective mechanisms to counteract the negative effects of the dynamic external and internal business environment. They are based on the idea of creating sustainable competitive advantages and key competencies by finding strategic opportunities for company development. This is unthinkable without the use of reliable timely market information and appropriate marketing mechanisms and approaches. In this regard, Karakasheva, Mencheva and Markova (2001, p. 16) emphasize that the effect of any marketing and management decision is determined by the quality, volume, specificity and content of the information that is collected and processed for the purpose.

Based on the above, it can be concluded that marketing analysis is the basis for the right strategic marketing decision making. However, in order to better understand the importance of marketing analysis, it is necessary to consider their main characteristics and directions.

1. Features of marketing analysis

An important condition for understanding the analytical activity and its importance in the process of making strategic marketing decisions is the consideration of its main functions - descriptive, explanatory and predictive. The obligatory parameters are purposefulness, objectivity, timeliness and orderliness (Zaharchenko & Kuznetsov, 2005, p. 20-22).

The effective analysis of the marketing activity is determined by the established and maintained marketing information system of the company (MIKS). Its main components include a variety of equipment, technology, capabilities, organization, management (Karakasheva et al., 2001, p. 17), procedures, methods and marketers (Kotler, 1994). Extremely important for the detection of the condition, trends, deviations and reasons for the obtained results is the marketing primary and secondary information. It can be said that the strategic orientation of the company's activity is built on its basis. It is no coincidence that Tsiakis (2015) argues that “strategic information, domain knowledge and guidance within systematic strategic analysis are vital for managers to support strategic operation of firms such as marketing strategy development”.

The algorithm of the marketing analysis process consists of seven main stages:

- determination of the marketing analysis object (symptoms causing discrepancy in the company management system);
- setting goals;
- creation of a plan of the analysis;
- developing a schedule for collecting and processing information;
- systematization of the received data;
- information analysis;
- development of conclusions and recommendations based on the conducted analysis (Zaharchenko & Kuznetsov, 2005).

An important aspect, in relation to the studied issues, is the Feasibility Study Model. In order to move from current state to desired state, the company must study a number of factors such as risks, options, resources, time frame, location and stakeholders. The key role in the model is played by the feasibility analysis levels: departmental/unit factors, business level factors, industry and market segment level factors and macroenvironment factors – PESTEL (Kampira, 2018).

At the same time, it is necessary to consider the main directions of marketing analysis. The literature review shows a diversity of the opinions of the authors. Based on the literature review, there is a divergence in the opinions related to the main directions of the marketing analysis. For a number of authors they include market analysis, analysis of the market opportunities and consumer behavior; industry analysis; competitor analysis (Madgerova et al., 2012). Marinova (2014) considers that analytical activity should be viewed through the prism of the external marketing environment (general economic, market and competitive environment); marketing activity (sales volume, market share, profit, marketing procedures, marketing organization, control, marketing mix) and the marketing system (marketing goals, strategy, rights and obligations of marketing specialists, information system, planning, control, interaction, profitability analysis, etc.). However, Kyurova (2014) maintains that the marketing environment is crucial in this process. The author considers two main types of analysis - the external environment (industry and competitive analysis) and the internal environment (analysis of the market, market share, sales, marketing costs and marketing potential).

Our opinion is that the marketing environment is a reliable indicator for the analysis of the company's marketing activity. Including all the driving forces that influence business directly or indirectly (Palmer & Hartley, 1999), marketers prioritize factors such as the emergence of new consumer tastes and needs, the development of information and communication technologies, free access to information, global and multicultural relations, analysis of company resources, opportunities and potential.

In this regard, our thesis is that it is appropriate to consider the main directions of marketing analysis as: external macro, external micro and internal marketing environment.

2. Main directions of marketing analysis

2.1. Analysis of the external macro marketing environment

The macro-environment consists of difficult to predict factors that are not subject to control by the enterprise. They are highly dependent on each other, and their influence is different for each company (Kyurova, 2014).

After the literature reference, the major factors - the subject of the study, are grouped into economic, demographic, socio-cultural, technological, political and legal, climatic and ecological. Among them, special attention should be paid to the indicators of market conditions, financial stability, industry attractiveness, lifestyle changes, culture and perceptions, innovation and technological development, climatic and environmental changes, regulatory measures, restriction and promotion of business, etc.

The choice of method for analysis and evaluation of the external macro environment depends on the experience, capabilities and views of the company management. Looking for changes in the pre-defined profile of environmental factors, it is appropriate to use econometric modeling, extrapolation, risk forecasting, correlation and regression method, scenario methods, experiment, PEST-analysis, PESTLE-analysis.

2.2. Analysis of the external micro marketing environment

The micro environment includes all actors close to the organization that influence (positively or negatively) on its ability to serve customers - to create value and build relationships with them (Kotler & Armstrong, 2010, p. 90). The literature review reveals that these are consumers, shareholders, investors, owners, company employees, competitors, suppliers, government agencies and other organizations. It is evident that the main importance of this type of analysis is the acquisition of knowledge about the state and trends in the market situation, the competitive company position in the market, changing tastes and increasing requirements of consumers, the supply system, etc.

The analyzes that must be applied to study the external micro environment are analyzes of the industry, consumers, competitors and suppliers.

The main parameters related to the industry and subjected to research are its structure, dynamics and attractiveness. The aim is to identify threats, drivers and key success factors. Emphasis is placed on employment, competition, life cycle, production, sales, profitability, investment, innovation, etc. Milusheva (2012, p. 106-108) groups them into five categories: factor conditions, demand conditions, related and supporting industries, company strategies, structure and competition, government. Mladenova (2006, p. 87) also raises the question of the process algorithm including the determination of the structure-determining conditions - supply and demand; market and industry structure; functioning and results.

The comparative analysis of competitors is aimed at a detailed study of their number, concentration, market share, profitability, sales, corporate image, goals, strategies, tactics, etc. This would help to determine the state of competition, thus will stabilize the market position of the company, build its competitive advantages and choose the most profitable competitive strategy that will help to increase the company's competitiveness.

For the purposes of this article, it is appropriate to consider the consumer survey. An important condition is to analyze comprehensively consumer needs and tastes. This is necessitated by the development of the „4P“ concept which has become „4C“ concept in recent years. At its center is placed the consumer with the customer value, customer costs, convenience and communication (Ivanov, 2015, p. 4). The main indicators that are subject to analysis and evaluation are the attitude of customers to the company and brand, level of satisfaction with products and services, motivation for purchase, interests and preferences, etc. Thus, with the help of the developed customer profile, the company will build an effective model of consumer behavior that will help it to make the right strategic marketing decisions.

Regarding to the suppliers' analysis, it is necessary to study the supply system and suppliers - their company image, experience, financial stability, quality of materials, scope, contract terms, prices, deadlines, after-sales service, etc.

2.3. Analysis of the internal marketing environment

The need to study of the internal marketing environment factors is related to their direct impact on the company's activities and prosperity. The main analyzed indicators are market efficiency, production capacity, financial resources (Havaladar, 2005, p. 26), company culture and corporate image.

Detailed examination of the literature on the issue shows the use of a variety of analyzes: market analysis, analysis of the business portfolio, market share, sales, distribution, costs, profit, etc. However, in clarifying the nature of the internal analysis, the importance of both quantitative and qualitative parameters should be mentioned.

In our opinion, the key role in the strategic decision-making process is played by the study and evaluation of the company's resources, opportunities and potential. They are the basis for building sustainable competitive advantages, which is a prerequisite for permanent establishment of the company on the market.

Grant (2015, p. 116-119) has contributed to the theory, which considers company resources as tangible, intangible and human resources. The indicators that can be used in their analysis are financial (profit, financial return, liquidity), production (productivity, number of hours of equipment operation), marketing (sales volume, sales costs, degree of customer satisfaction, number new customers) and indicators related to management (efficiency of orders, efficiency of personnel management).

The building of key competencies is the basis of the study of company opportunities. Functional analysis and value chain analysis are essential for their understanding. The first type of analysis identifies the organizational capabilities in each of the company functional areas (Grant, 2015, p. 123). The value chain matrix is considered by Porter (1985) as a starting point for the development of company strategies. The author argues that through the main operations (incoming logistics, operations, outgoing logistics, marketing, sales, services) and supporting activities (infrastructure, technological development, HRM, delivery), the construction, establishment and stabilization of the company's competitive advantages is achieved.

The analysis of the company potential deals with the construction of a company profile, based on the identified problems and opportunities for the company development. The objective is to achieve the set goals by laying the foundations for building a corporate strategy and making strategic decisions for business success.

The company's potential should be considered in the following areas: financial and economic, potential of production opportunities, technological, market and human resources. Factors that the marketing team must consider are finance, personnel, leadership style, marketing, goods and services, production, market, supplies, exclusive opportunities, efficiency (Goncharuk, 2000). According to Linkevich and Gulmanov (2011, p. 29) the main analyzed indicators are summarizing (potential efficiency), differentiating (labor productivity) and functional indicators (market activity, market share).

In this case, the role of the Analytical Hierarchic Process (AHP) approach, considered by Tsvetanova & Veleva (2014), is also very important. It helps not only to define the market potential and key competencies, but also to determine the relative position in relation to competitors and the sustainability of the company's potential.

From the above it is clear that marketing analyzes are directly related to the strategic planning and management of the company and play a key role in the process of strategic marketing decisions. However, it is necessary to study what marketing analyzes are performed in Bulgarian companies and what is their role according to the company management.

3. Results and Discussion

The study used data from a questionnaire-based survey, conducted in June - July 2019, of 132 managers and owners of enterprises in the field of production, trade and services in Blagoevgrad district, Bulgaria. The object of the study is to reveal the extent to which the analytical activity in the company's marketing management is represented and whether its importance in the process of strategic marketing decision making is realized.

The distribution of the enterprises in the sample according to their field of activity shows a predominance of those in the field of services (59.1%). The rest are manufacturing (9.1%) and trading companies (31.8%). It is established that micro-enterprises are 52.3%, small - 27.3%, medium - 6.8%, and large companies - 13.6% of respondents. The distribution of enterprises according to the period of their establishment is as follows: 2.3% - up to 1 year, 25.1% - from 1 to 5 years, 18.2% - from 5 to 10 years and 54.4% - over 10 years.

An important point is the organization of the company's marketing activities, as in our opinion it shows the level of perception of the marketing approach in corporate management.

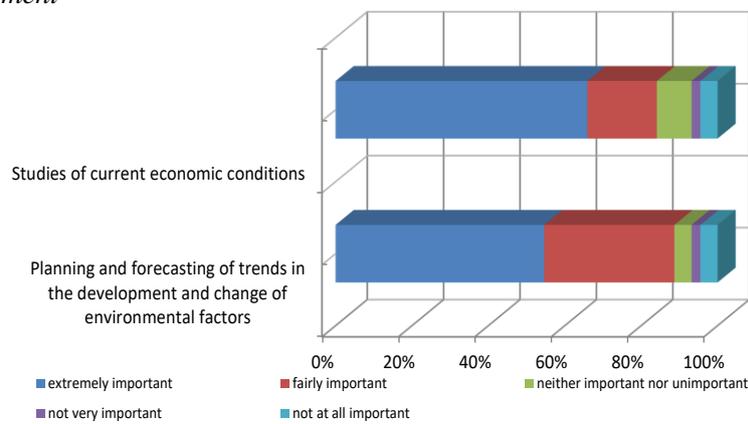
Presented results of the study show the lack of a reliable company marketing structure. It is found that only 22.7% of the companies have a marketing department. 4.5% of the enterprises have one marketer. Marketing activities in many companies are carried out by other company departments (27.3%) or marketing agencies (50%). In 9.1% these activities are performed by the manager and in 2.3% - by the owner. It is noteworthy that 22.7% of the

companies give priority to their marketing activities only when a problem is identified. In these cases, a temporary working group of employees is formed.

Regarding the analyzes performed by the companies, it turns out that the companies study mainly the external micro environment. The least attention is paid to the analysis and evaluation of the internal company environment. Let us take a closer look at the different areas of the company's analytical activity.

The majority of managers claim that they mainly monitor the current state of the external macro-marketing environment. 65.9% of them believe that it is very important for the company's prosperity. At the same time, for 54.6% it is extremely important to study the trends in its future development. 34.1% of managers believe that this type of analysis is partly significant and for 4.5% it is absolutely irrelevant.

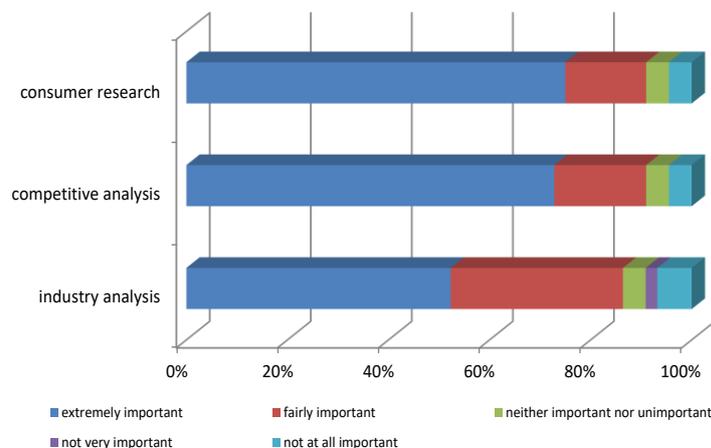
Figure 1. Importance of the researches of the external macro marketing environment for the enterprise development



Source: own calculation based on surveys' results

As regards the external micro-environment, increased attention is paid to consumer research. It is defined as extremely significant by 75% of the respondents. However, it is necessary to consider what this type of analysis contains.

Figure 2. Importance of the researches of the external micro marketing environment for the enterprise development



Source: own calculation based on surveys' results

In the first place is the analysis of consumer demand and current consumer preferences (79.5%), followed by studies of trends and changes in needs (72.7%) and the

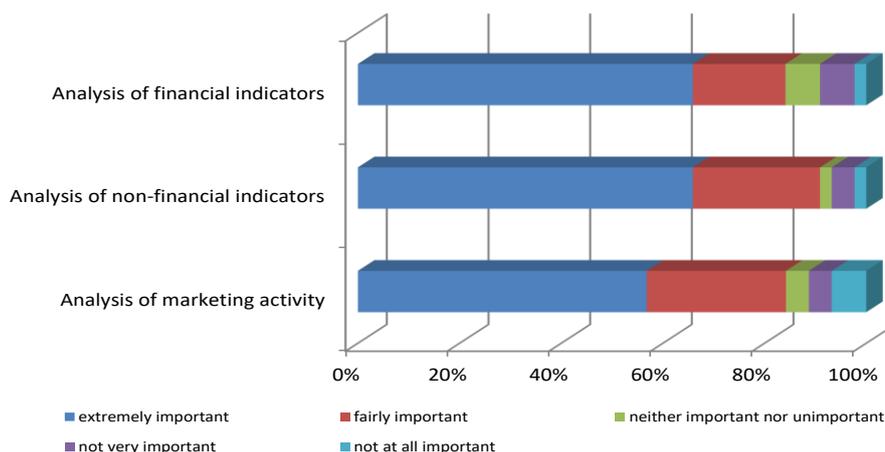
number and concentration of market segments (56.8%). 29.5% of enterprises pay attention to the consumer behavior and 27.3% to the attitude to similar competing goods.

Competitive analysis is very important for 72.8% of respondents. Nodal is the place of study of competitive products (81.8%), price policy (81.8%), consumers (61.4%), communication and advertising policy (56.8%), sales volume (54.5%), distribution channels (52.3%), number of competitors (47.7%), scope of action (45.5%). Paradoxically, very few respondents study the goals and strategies of their competitors (respectively 38.6% and 43.2%).

It turns out that 52.3% of respondents believe that industry analysis contributes to corporate development.

The results concerning the internal analysis show that for 65.9% of managers the importance of financial indicators (productivity, profit, costs, etc.) and non-financial parameters (corporate image, staff motivation, need for additional training, etc.) is crucial. On the other hand, the importance of the study of the company's marketing activity is underestimated. 27.4% of respondents consider it partly essential, 4.5% rather insignificant, and 6.8% believe that it has absolutely no meaning.

Figure 3. Importance of the researches of the internal marketing environment for the enterprise development



Source: own calculation based on surveys' results

Conclusion and Recommendations

Based on the above, some findings and essential summaries can be made to serve a better understanding of the marketing analysis importance in the effective and timely strategic decision making.

The results of the study reveal significant gaps in the marketing activities of the enterprises in Blagoevgrad district, Bulgaria. The lack of a reliable organizational structure of marketing activities has a serious negative impact on the overall process of strategic marketing planning. Insufficient use of marketing analysis interferes the timely diagnosis and management of the threats from the external macro environment and the use of business opportunities. Despite the priority attention to consumers and their needs, there is a neglect of the goals and strategies of competitors. The role of the internal analysis and especially of the marketing activity, affecting the strategic research and evaluation of the company resources, opportunities and potential, is also underestimated. This hinders the building of key competencies and stable competitive advantages and has a direct impact on the growth, competitiveness and lasting establishment of companies in the market.

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