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## *Environmental scanning : pest or pleasure?*

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As **Bronwyn Higgs** explains, environmental scanning can enrich your understanding of the marketplace and give your company a competitive edge.

# Environmental scanning — pest or pleasure?

**E**nvironmental scanning is a relatively new term used in marketing and management texts. The practice of environmental scanning, however, is not entirely novel. In reality, environmental scanning is a fancy new term for the process known as PEST (political, economic, social and technological) analysis.

Many marketers believe that PEST analysis is an apt term. PEST by name, pesky by nature. Indeed, environmental scanning can be daunting because it requires the analyst to scan copious amounts of data, originating from very diverse sources.

Yet environmental scanning is an essential part of the professional marketer's toolkit. Understanding changes to the market landscape is the only way to identify potential opportunities and threats. Specifically, the technique is used to isolate:

- ❖ new product concepts or new packaging ideas
- ❖ new or emerging market segments, and changes to the rules of the game (e.g. competition, trade).

In short, an environmental scan does not ask, 'What business are we in?' Instead, it asks, 'What business should we be in?' These are fundamentally different questions and require fundamentally different approaches to research.

Environmental scanning is not an exact science. It is an iterative approach that requires the researcher to spot a lead and follow it through. Above all, it requires an inquiring mind.

Environmental scanning need not become a major headache if a systematic process is employed. A basic approach to environmental scanning is provided here. Clearly, it may need to be adapted for the specific considerations relevant to your company and industry.

## KEEP AN OPEN MIND

Environmental scanning is fundamentally different to most other research activities in that the analyst is operating 'blind'. That is, we don't really know what issues we're looking for. Indeed, the objective is to identify issues with potential positive or negative impacts.

A common mistake is to assume that the company will continue its operations with the existing product market. This type of assumption narrows the research focus to existing products, markets and competitors. The real danger in such assumptions is that the researcher may miss new or emerging market segments or underestimate the threat posed by non-traditional competitors.

A comprehensive scan of the environment is designed to identify high yield segments for the future planning period, rather than to profile the current market served. Expect the unexpected and exciting new opportunities will be revealed.

## SCAN INTERNALLY AND EXTERNALLY

Before searching external sources of information, establish what is known within the company. Tacit knowledge exists in all organisations. Find ways to uncover the hidden knowledge within your company. Talk to employees, especially sales representatives in the field who often have a great deal of intuitive knowledge about market-based changes.

## SCAN COPIOUS AMOUNTS OF DATA

Environmental scanning is a specialised form of marketing intelligence. Many different types of data should be collected from varied sources. Both qualitative and quantitative

information is necessary for a comprehensive environmental scan.

## FOCUS ON CHANGE

The main purpose of the scan is to detect market and industry dynamics. Accordingly, the spotlight must remain on change. Time-series data, rather than static facts and figures, are preferred to identify trends.

Many business analysts, for instance, eagerly await the release of Australia's next census in early 2007. Changes to current demographic patterns will give rise to a wealth of new ideas with commercial applications.

## CONDUCT AN INITIAL, SUPERFICIAL SCAN

Given the vast amount of data that is normally collected in any environmental scan, it's not feasible to read everything in detail. A superficial scan implies that articles are scanned to look for recurring themes.

One way to conduct a superficial scan is to thumb through at least one year's issues of a relevant trade magazine. Make a note of the headlines and perhaps read the introduction to gain an idea of contents. As the scan proceeds, begin thinking about issues and their possible ramifications for your company or industry. After scanning multiple works, it will soon become apparent that some topics appear with greater frequency or urgency. Other topics will jump off the page as having major implications for your business. Make a mental note of those high priority topics for subsequent research.

## CONDUCT A DETAILED SCAN – FOR AD HOC ISSUES

Superficial scanning provides breadth to the research undertaking, without requiring massive

time inputs. A superficial scan, however, can only identify a hit list of high priority issues. Once these have been identified, they become the focus of a more concentrated scan, using conventional research techniques. The second scan provides depth to the research undertaking.

## VERIFY INFORMATION LEADS

Environmental scanning is not an exact science. Uncertainty surrounding the future environment, combined with the subjective nature of source documents, means that any predictions about future trends can never be guaranteed. Analysts can, however, minimise their risk exposure by choosing source materials carefully and verifying all information leads.

Although there are no hard and fast rules about the number of sources to consult, most consultants recommend between five and seven independent sources for validation. It is important to use some discretion here. Low priority issues should not attract heavy investments in time. High priority issues, however, should be very carefully checked for reliability before any action plan is developed.

## CHOOSE SOURCES CAREFULLY

In competitive markets, a major objective is to identify changes ahead of rivals. Consequently, the environmental analyst should concentrate on alternative sources and avoid mainstream publications. Mass media is generally less useful for this reason. The internet, in particular, should be used sparingly. Reliable and useful sources might include:

- trade press – trade journalists should be on top of policy issues affecting your industry
- collaborative research centre reports – collaborative research between industry and universities investigates a wide range of topics with commercial value
- CSIRO/scientific journals – searchable databases facilitate retrieval of virtually any article published in academic journals
- census data (and other ABS reports) – basic census profiles are available free of charge to all members of the public; other ABS publications such as Australian Social Trends attract a small fee
- industry associations – many enlightened industry associations publish reports and updates on topical issues affecting their sector
- government departments – it's well worth searching publications from the Department of Industry and the

Productivity Commission; all publications are generally available for a nominal fee and some can even be downloaded at no charge

- 'grey literature' – a collective term used to describe reports, usually but not exclusively, government sponsored, with very small print runs; university and state libraries are often repositories for grey literature
- state and university libraries – librarians can help less experienced researchers access scientific journals and grey literature; make friends with a qualified librarian; they are a mine of information and typically love a research challenge
- market research companies – a select group of market research companies are active in the marketing intelligence field. Although their services are expensive, it is possible to learn something about trends they have observed by regularly reading their press releases. A superficial scan should at least include market research companies in the target list of sources.

Comprehensive scanning implies that every reasonable effort is made to consult reliable sources for accurate and up-to-date information.

## USE A VARIETY OF ANALYTICAL TECHNIQUES

Some of the more widely known techniques include trend analysis, data fusion, data mining, product evolutionary analysis and scenario analysis. For the interested reader, several good books are available. Some of these are listed in the sources sidebar attached to this article.

First mover advantages accrue to those companies that are first to identify and act on new observed trends. Use environmental scanning to help your company spot trends ahead of the pack. Above all, use environmental scanning to enrich your understanding of the landscape in which your company operates. Insights drawn from this type of analysis will give your company a competitive edge. **M**

## SOURCES AND LINKS

The following links and references are merely designed to kick-start an environmental analysis. All sources provide information for a nominal fee or for no charge. Clearly sources will need to be adapted for each environment.

**POLITICAL ENVIRONMENT**  
Department of Industry, Tourism and

Resources: [www.industry.gov.au](http://www.industry.gov.au)  
Productivity Commission: [www.pc.gov.au](http://www.pc.gov.au)  
**ECONOMIC ENVIRONMENT**  
Reserve Bank of Australia: [www.rba.gov.au](http://www.rba.gov.au)  
Roy Morgan Research, Consumer Confidence: [www.roymorgan.com.au](http://www.roymorgan.com.au)  
AC Nielsen, Consumer Confidence: [www.acnielsen.com.au](http://www.acnielsen.com.au)  
Nielsen International, Consumer Confidence for the Asia Pacific region: [http://www2.acnielsen.com/reports/index\\_global.shtml](http://www2.acnielsen.com/reports/index_global.shtml)  
**SOCIAL ENVIRONMENT**  
ABS, Census: 2001 and Australian Social Trends, Catalogue 4102,0: [www.abs.gov.au](http://www.abs.gov.au)  
Nielsen International, Global Executive News Reports: [http://www2.acnielsen.com/reports/index\\_global.shtml](http://www2.acnielsen.com/reports/index_global.shtml)  
Nielsen Australia, Insights: Asia Pacific (newsletter): [www.acnielsen.com.au](http://www.acnielsen.com.au)  
KPMG, FirstCut (consumer markets newsletter) and FirstBuy (retail newsletter): [www.kpmg.com.au](http://www.kpmg.com.au)  
Roy Morgan Research, Neos: The New Consumer Landscape in Australia: 2004, executive summary online at: [www.roymorgan.com.au](http://www.roymorgan.com.au)  
Ross Honeywell and Verity Byth, *I-Cons: The Essential Guide to Winning and Keeping High-Value Customers*, Random House, Australia, 2001  
Clive Hamilton, *Affluenza*, Allen & Unwin (Australia), 2005  
**TECHNOLOGICAL ENVIRONMENT**  
Collaborative Research Centres: [www.crc.gov.au](http://www.crc.gov.au) (complete list of all current CRCs)  
CSIRO: [www.csiro.gov.au](http://www.csiro.gov.au)  
**GENERAL RESOURCES**  
Business Council of Australia, *Aspire Australia 2025* (scenario analysis): <http://www.bca.com.au/content.asp?newsid=94443>  
BIS Shrapnel: [www.bis.com.au](http://www.bis.com.au)  
Forseechange (Australian futures research agency): [www.forseechange.com](http://www.forseechange.com)  
Mindshifts Consultants: [www.mindshifts.com.au](http://www.mindshifts.com.au)  
**ENVIRONMENTAL SCANNING RESOURCES**  
Australian Foresight Institute: [www.swin.edu.au/afi](http://www.swin.edu.au/afi)  
Craig Fleisher and Babette Bensoussan, *Strategic and Competitive Analysis: Methods for Analysing Business Competition*, Prentice Hall, 2002