



Marketing Messages

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Lower Mainland companies use environmental scanning to keep a step ahead

Environmental scanning causes you to be aware of trends and changes, which effect your industry and your companies survival. In my last column I discussed why scanning is critical. Now let's take a look at how to implement it in your business.

1. **Keep a tab on broad trends.** Are there technology advancements, which could change the compatibility of your product? Are their impeding regulatory changes, which could place restrictions on you? How might economic changes or shifts in currency values effect you? How do demographic trends effect you? For example in technology you might look at shifts in market share, sales trends and growth of emerging technologies. The shift from VHS to DVD and film based to digital based cameras are two technology trends that are dramatically shifting the business models of companies in those industries. Richmond based Rogers Video notes that currently 40% of new release rentals are DVD based and 60% are VHS. In 2001 15-20% were DVD. They expect 60% to be DVD in 2003. While library movies are still dominated by the VHS format (65-75%) by 2005 80% of movies rented are expected to be on DVD. Currently, with 93% of Canadian households owning a VCR and 30% owning a DVD player the company has determined that the trend is broad and relevant and have altered their product delivery format in response to changing consumer demand.

2. **Determine the relevance of the trend.** Not all trends will be relevant to your company. However, be cautious about only looking at trends in your industry. Often shifts and competitive threats emerge from previously non-competitive industries. The retail book industry has experienced serious competition from Amazon.com and more recently Amazon.ca. These companies do not have a physical bookstore, and they utilize a distribution system, which was not available to consumers 10 years ago.

3. **Study the impact of the trend on your product or market.** A trend could pose either a threat or an opportunity. Determining the impact of the change will help you mitigate threats and maximize opportunities. Remember that scanning involves not only looking for potential threats to your business, but also recognizing opportunities and maximizing them before your competitors do. Sound Plus, a leading home theatre and audio retailer, has witnessed a trend towards flat panel TV away from the traditional CRT (cathode ray tube) technology. They note that Hitachi, one of the largest TV picture tube manufacturers in the world will have ceased manufacturing large picture tubes within 3 years. 90% of TV sales at Sound Plus are for flat panel technology. They recognized the growth in home theatre and flat panel television was going to shift their business model from one previously dominated by audio product. In 2000 they doubled their floor space with the addition of a second floor 5,000 sq. foot design center to feature both home theatre and audio product to maximize on this trend.

4. **Forecast the direction of the trend in the future.** Time to get out your crystal ball. Prepare possible scenarios and their potential impact on your business. In the early 1990's Vancouver had 8 large prepress film houses. Of these companies only Total Graphics and Supreme exist today. Why? The design and film output environment changed drastically with emerging technologies but for many of these companies their business model did not. Creo, a Vancouver based company founded in 1983 is a worldwide leader in computer to plate printing, a process that completely eliminates the need for film to create printing plates. Emerging technologies can put some long-standing companies out of business or create new leaders. Environmental scanning can help put you on the right side of the impeding change.

5. **Analyze the momentum of the product or market in the face of the trend.** If you took no action what would be the impact? Should you become a first mover? Do you need to alter your product? Do you need to strategically assess your business model and make major changes?

6. **Study the new opportunities that the trend appears to provide.** Are there new business opportunities? BC has the second largest senior's population in Canada with 496,000 over the age of 65. That is expected to grow to over 841,000 by 2016 according the Statistics Canada. Local developer Concert Properties has capitalized on the aging baby boomer demographic through the construction of the O'Keefe at 2733 Arbutus. The development has 183 suites to own or rent targeted at active seniors. It offers lifestyle choices tailored to the individual needs and preferences of its residents. This is a company capitalizing on a demographic trend.

7. **Relate the outcome of the environmental trend to the corporate or marketing strategy.** This may cause you to make changes in your current products or markets or embrace opportunities.

Yes, you're saying that's all fine for large corporations, but I don't have the time to do this in my small business. No problem. You likely do much of it informally already by reading industry publications, keeping up on current affairs and networking. However, I challenge you to set aside time on an ongoing basis to formalize the process. You'll be surprised at how, in a very short period of time, you have become more attuned to your business, your competition and your environment. Environmental scanning will cause you to think and act strategically and that's how businesses succeed.

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