

# [Swot analysis vs pest analysis](https://assignbuster.com/swot-analysis-vs-pest-analysis/)

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SOOT analysis The acronym SOOT highlights the importance of the strengths, weaknesses, opportunities and threats that are present in the microeconomic vicinity of the organization in question. This market analysis technique is used by businesses to aid the decision making process when an objective has been defined. First brought about in the sass's by Albert Humphrey, the analysis combined internal (strengths and weaknesses) and external (opportunities and threats) knowledge to assess if the objective is attainable or not. The U.

S Department of Agriculture released a text cussing the SOOT analysis in practice and assessed each factor (or letter) and what it provides. The strengths of a business relate to the internal fortes of the company and can include the skillet of employees or the resource advantages that the company holds. Weaknesses are detrimental factors that 'need to be addressed in order to run a successful business'. Opportunities are considered external. Jim Riley (2012) defined them as '(... ) any feature of the externalenvironmentwhich creates positive potential for the business to achieve its objectives. Threats highlight NY 'indication of approaching or imminent (... ) negative event that can cause a risk to become a loss' Advantages of SOOT Businesses will use Humphreys SOOT analysis technique in order to understand their business better and grasp the effects of the company's environment on the company. It is such a favored technique for a multitude of reasons, namely the cost efficiency of it. The primary resource that is needed is information on the companies' environment and this is easy to collect. Another advantage is the development of businessgoalsand the strategies for achieving them.

This comes from accessing the helpful and harmful factors (see figure 1 . ), which could affect the chosen goal. The 'degree to which the internal environment of the firm matches with the external environment is expressed by the concept of strategic fit' this exposure will help managers assess the best plan of action. The SOOT method also benefits from the state of problem domain, this being the ability to scrutinize the particular area in question, that being the businesses characteristics both internal and external. This allows for easy use and application by managers when holding brainstorming sessions.

This is also combined with the presence of data integration, the qualitative and quantitative resources will be easily accessible and used when assessing the four components of the analysis. Disadvantages of SOOT The main disadvantage that arises when using the SOOT method is that there is no one weighting factor. Ergo, it is hard to distinguish the most important variable that is recorded and therefore the impact of said variable cannot be determined. Pall SOOT and PEST analysis By shuffled and Richter (2007) agreed Witt this writing that a significant disadvantage to using

SOOT appears when companies focus on their strengths to take advantage of their opportunities. However, important relationships of overcoming weaknesses could be ignored to exploit opportunities to reduce threats' . PEST analysis As opposed to the SOOT method PEST focus on purely external factors. The acronym originally consisted of Political, Economic, Social, and Technological and in the late 21st century came the addition of the second E, environmental. Used in strategic management it develops a companies understanding of the macro- environmental framework that will affect their objectives.

The political heading of the analysis refers to any governmental directives that would effect or have an impact on the business. It also includes but is not limited to, voting rates and trends, public opinion and activism of regulatory agencies. These are all cited within Bunkhouses ; Fleisher (2012) text discussing the benefits of PEST when in the process of strategic decision making. Economic factors include the exchange rates, GAP rates, interest rates and so on. These are all indicators of how the government is using their reforms and implementing their goals.

This factor is crucial as economic placement has a direct correlation with the standard of living of a country and will affect any marketing objective a company will put in place. A prime example of this is the current global recession, which has increased unemployment and lowered average disposable income per person. Thus making marketing plans less likely to succeed. Social factors highlight an consumer behavior trends and focuses oncultureand lifestyle within society. These are important when deploying a new marketing strategy or objective as a greater knowledge of the social trends allows for more understanding of the market situation.

Technological includes factors such as research and development (R), the pace of technological innovation and more abstractly the number of colleges and universities within a region . With the recent change in the world's view on the ecological state of the earth environmental factors have become increasingly important, factors such as sources of energy/power, recycling capacities and level of environmental regulations all play a part in situational strategic decision making.

Advantages of PEST 'The standard strategic analysis approach would recommend that PEST and Porter's vive-forces analyses would be integral parts of the external analysis of the company, leading to a considered view of the opportunities and threats confronting the firm' Emmer Dinner (2006) in his text reviewing the strategic planning process within Turkish firms. The use of this situational analysis method also encourages the development of strategic thinking amongst the brain storming session. Placing importance on the objective that has been set and in turn rationally evaluating the external market environment.

Disadvantages of PEST Due to the nature of this method it is apparent that it can be difficult to keep up with he ever changing and evolving society. This rapid pace of change makes it hard to anticipate future developments in society that could affect the success of the objective. The theory of 'paralysis by analysis' originally coined from one of Aesop Fables The Fox and The Cat can occur as managers and team members may over analyze information that has been gathered and lose sight of the objective. In turn, never producing a successful plan or analysis.

Bounteousness and Flincher's text explicitly outlines this consequence to using PEST. Another difficulty to this analysis s that the information can often be based on broad assumptions and may be difficult to collect specific and relevant data without incurring a high cost. It can also be argued that social factors are challenging to quantify, as they are purely subjective. Marketing Planning Process DRP. Philip Kettle defines marketing as " thescienceand art of exploring, creating, and delivering value to satisfy the needs off target market at a profit.

Marketing identifies unfulfilled needs and desires. It defines, measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the many is capable of serving best and it designs and promotes the appropriate products and services. ". With this in mind it is clear to see that any marketing objective that may be put in place by a company needs to have a clear and concise marketing plan to correctly suit its environment. The contribution of marketing planning to business success lies in its commitment to detailed analysis of future opportunities to met customer needs and a wholly professional approach to making available to well defined market segments those products or services that deliver the sought-after benefits' Malcolm Mcdonald (1998). The contingency approach developed in the sass's by Lawrence and Lowers 'recognizes an organization must adapt to circumstances' and 'believes companies should be aware of change'. Thus enforcing the need for PEST and SOOT. This strategic planning process is graphically presented in Figure. Showing the four main phases within which are the ten stages. Both the SOOT and PEST analysis methods fall under the second stage labeled 'analyzing the current situation' which comes after following the goal setting. This is a key stage as it is vital that the managers are aware of their environment, on OTOH a macro (PEST) and micro (SOOT) level before moving on to create the marketing strategy. British Airways British Airways (BAA) is the flag carrier airline of the UK and is the largest airline based on fleet size and international flights and destinations.

Founded in March 1974 the ethos of the airline has always been to establish a high level of customer service and maintain the elegant, quintessentially British design. The market segment that is targeted by BAA is the corporate, upper middle class and middle class sector of the country. This allows for higher prices to be set in return for a comfortable and liable service. However in recent years, it has been noticeable to both internal and external audiences that the company has been under pressure from severe market upheaval from competitors and the economy.

Due to this the business decided to introduce an energetic marketing campaign that would reignite the consumers faith and interest in the company. Engel Boggle (2011) wrote in the manifesto for the brand's rebirth that the company " need to reach back inside the brand in the knowledge that [we] are seeking the rebirth of a brand[... ]To do that [we] have to find he fundamental truths that remain alive in British Airways , even if dulled by events of the last few years. Truths that can resonate not only with the customer but also help re-energies a disillusioned and denominated staff' .

SOOT Analysis of British Airways The main strength that is held by BAA is its strong brand image and reputability amongst the I-J. This implies that there will always be a market segment that will decide to purchase titling Witt the company. As well as having access to a large consumer following it must be noted that there is a strong backing from the I-J overspent. This can be seen from the acceptance of new runways to be built despite petitions wing against that decision.

Their large consumer demand also highlights another key strength, that being the large fleet size of over two hundred and sixty aircrafts flying to over one hundred and fifty destinations across six continents. Another strength is the large product scope that the company provides, these further enhance and expand the market segments they can target. Strengths that have arisen for the company in recent years include becoming the sole airline occupant of the recently built (2008) Heathers Terminal 5 this was a key opportunity for the business as Heathers hosts the largest amount of flights within Europe today.

Although BAA is the largest flight provider in the I-J, it is significantly lacking in the amount of market share globally. This can be seen when comparing the amount of seats British Airways holds in other countries and in respective of their native airlines (see Figure 3. ) Another weakness is the intense pricing competition from other airlines, these include budget airlines that are increasingly popular in the recession ND the competition from both similar services to substitute services in the same market.

Opportunities to BAA include the capacity for alliances; they have merged with Iberia increasing their flights and profits with the Spanish airline. There is potential for the development of this existing partnership and to create new relationships to advance international expansion. The clear threat to the business is the war of pricing competition, within the European airline market particularly. This factored in with the rising labor and fuel costs mean that implementing a cost objective could be official.

Due to the nature of the airline industry it is also important to include contingency plans for unexpected events such as natural disasters. The event of May 2011 that hit the headlines was the issue of the Icelandic volcanic ash cloud that prevented flights from going ahead and left many passengers stranded. These threats cannot be avoided but necessary plans need to be put into place. PEST Analysis of British Airways Politically there are many factors that need to be addressed by British Airways. The Government has theoretical control over all of the flight paths from the U. K and therefore can control all of Bag's workings.

This includes plane regulations that need to be adhered to in order to fly in and out of the country. The governments decision to increase VAT to in 2011 had a large affect on the amount of consumers willing to spend on BAA flights. The reaction to the recession by BAA has been to offer lower cost flights (flights to Europe starting at EYE) . However this cannot stop the amount of consumers decreasing due to lessmoneywithin the economy. This decrease can also be linked to the amount to corporate travel that may be provided by budget airlines due to less spending within companies.

With the large amount of knowledge ofglobal warmingcoming to the forefront of environmental concerns BAA has responded by lowering their carbon emissions by 10. 9% and plans to cut a further 50% by the year 2050 across the I-J . They have also invested in newer airplanes that are quieter and thus decrease noisepollutionto surrounding areas. Social analysis discovers that the UK has an aging population, thus meaning that there is likely to be pensioners investing in leisure activities such as traveling to warmer climates. Another social situation within the I-J is the increasing levels of unemployment.

This will increase Bag's bargaining power as an employer and allow for a cheaper cost of unskilled labor. Technologyis one of the most crucial factors in terms of an airlines competitive advantage. This includes the booking system for passengers and in flight 'moods and cons' such as access to wife. BAA must maintain their scope on advanced technology and frequently invest in the technologies that consumers desire such as easier check inn's online. This links with factor of the ageing population as it is important not to alienate the elderly consumers.