

The value of market auditing



In this essay I will be assessing the value of Market auditing for small businesses using the firm Abel and Cole as a model. Market auditing is the means by which a company can understand how it correlates to the environment in which it operates. It is a way by which a company can identify its own pros and cons as they relate to external opportunities and threats. It should be undertaken as part of the planning cycle, on an annual basis rather than a desperate response to an immediate crisis. Abel and Cole is a small private limited company, operating in the niche organic food market.

Abel & Cole, the organic box delivery service, strictly directly organic food and drink to customers, buying their produce from mostly British farmers but also from European, and International farmers in between UK harvests but their “ first choice is always British” . Market Auditing involves looking at both internal factors/external factors influencing a firm. There are two mechanisms which can be used for structuring both the internal and external factors influencing Abel and Cole, The SWOT analysis and the PEST analysis.

The SWOT analysis takes into account the strength's, weaknesses, opportunities and threats of the business thus delving into both Internal and external factors. One of Abel and Coles strengths is that they have excellent customer service. They were voted the UK's best customer service award ‘ the National Customer service award in 2006 and 2007’ because of their online ordering system and the fact that they deliver food for free. Their second strength as they can add value to their product due to their insistence on using just organic products. They can therefore charge a premium on any product sold.

Abel and Cole also have contacts from European and international farmers when they need “ fill the gap” between the UKs harvest. They have a strong sense of ethics shown by their fundraising and charity work, their promotion of animal welfare, and their fair trade initiatives with farmers. They forbid the use of “ routine antibiotics” as well as insure that the animals bought from their farmers are allowed to mature naturally “ so they do not suffer the health problems associated with accelerated growth” Although Abel and Cole have much strength’s they do have a few weaknesses.

One of Abel and Cole’s weaknesses is that they do not hold any significant market share in the organic market as “ 40 percent of sales come from farmers who deliver food grown in their fields or raised in their barns”. The organic food market itself only accounts to “ 1-2% of food sales worldwide”. Abel and Cole do have opportunities that they can take advantage of. The organic market as whole has grown by “ 22 per cent to ? 1. 93bn, with annual growth of 27 per cent in the past decade. ” Recently Abel and Cole were linked with a 40m pound injection from Phoenix Equity Partners.

This will allow Abel and Cole to deliver to even more locations thus helping them gain more market share. Able and Cole should also benefit form an increasing number of fair-trade goods being purchased as ‘ consumers spent 1. 1 billion on Fair-trade Certified Products in 2006’ An increase of 42% on the previous year. Like any small business, Abel and Cole have threats which they have to face. The recent credit crunch which has had a huge influence on food prices of late will be something Abel and Cole have to deal with.

One of Able and Cole's indirect rivals Whole Foods Market, London's largest organic supermarket, has suffered 10million pound loss in its first year running. Abel and Cole have many direct competitors such as Whole Foods Market, River food, Organic Delivery Company as well as small farmers who sell directly to customers. The biggest competitors, however, are the supermarkets who are major players in the organic food market as recent study shows that " box schemes still hold only about 8 per cent" of the organic market as a whole.

The PEST analysis shows Abel and Cole the elements of the external environment which have a direct impact on them thus covering the external influence part of the market audit. The PEST analysis divides those external elements into four main groupings: Political, Economic, Sociocultural, and Technological. The Political elements affecting Abel and Cole are the EU, National government, Local government, regulatory bodies and trade associations. The Economic factors include taxation interest rates, trading blocs, and government policy and market structure.

As discussed before the credit crunch has led government to increase interest rates which would be bad for Abel and Cole if they wanted money to expand their business further. Technological aspects include innovations in software. Abel and Cole sell their produce online they need to stay up to date with innovative software to keep ahead of competitors. Finally, the sociocultural aspect of the PEST analysis includes looking at demographics, culture, attitudes and current issues/trends.

There is an increase in demand for both fair trade and organic food as they are seen as both ethically, morally correct by consumers. There are advantages and disadvantages of using SWOT and PEST analysis when doing a market audit. A disadvantage of using the SWOT analysis is that it that the classification of some factors such as strengths and weaknesses or as opportunities or threats is somewhat rigid. For e. g. a technological change can be a threat or a weakness to Able and Cole.

Abel and Cole's culture over quality and ethics can be considered a weakness as supermarkets who aren't as stringent gain more revenue off it. However, those same values put them in a strong position in the box scheme delivery market and can therefore be considered as a strength. The advantage of using the SWOT analysis is that it can be used as the basis of goal setting, strategy formulation and implementation. An advantage of the PEST analysis is that it raises Abel and Cole's awareness of its external environment, things which they cannot control.

They can therefore make scenario planning techniques to deal with the high level of uncertainty in the external environment. A disadvantage is that the amounts of environmental factors are almost unlimited so Abel and Cole have to monitor the factors which influence them the most. In conclusion, Market auditing is more useful than not for small businesses in general as shown by my example of Abel and Cole usage. It helps to better prepare a company to develop new products and strategies to achieve growth