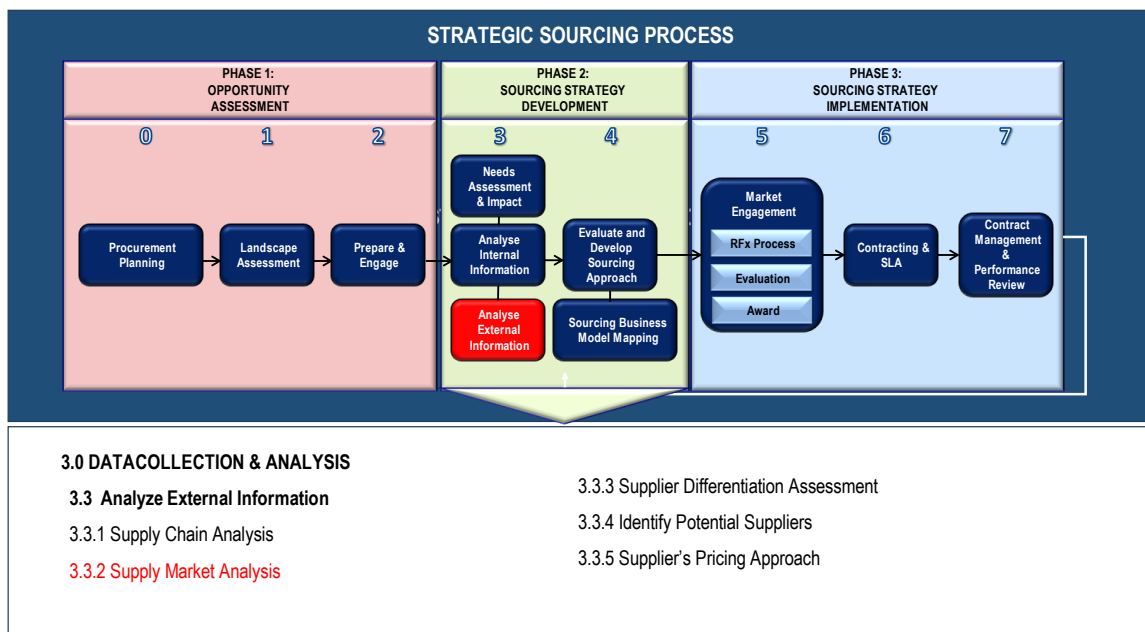


**Using this guide**

This guide accompanies the National Treasury's Strategic Procurement Framework (SPF) for Strategic Sourcing in the Public Sector. For more information, visit the National Treasury website at <http://ocpo.treasury.gov.za/>

**SUPPLY MARKET ANALYSIS**



**1.0 Introduction**

- The supply market analysis helps to understand the micro and macro market dynamics by using such tools as Porter's Five Forces, SWOT analysis and the STEELED factors that impact the commodity strategy.
- The following good practice guides and templates are applicable when conducting a supply market analysis;
  - Steps involved in supply chain analysis
  - Analyse supply market data
  - STEELED (template)
  - SWOT analysis (template).
  - Supply market analysis checklist (template)

### **1.1 The objective**

- i. Supply market analysis is used in the sourcing process to establish and maintain a competitive advantage while also reducing supply risk.
- ii. Supply market analysis includes developing a commodity profile, examining cost structures, researching suppliers, and identifying key market indicators.

### **1.2 Output**

- i. Market dynamics in terms of Porter's Five Forces
- ii. Macroeconomic impact in terms of PESTLED analysis
- iii. SWOT Analysis

## **2.0 Good practice guides**

### **2.1 Steps involved in supply market analysis**

#### **2.1.1 Conduct supplier and market research and develop these profiles**

##### **2.1.1.1 Define the supply market**

- i. The first challenge is to define the market analysis well to link back to the spending.
- ii. This is necessary for a clear development of the sourcing strategy.
- iii. The companies that comprise a supply market generally have the same value and supply chains, technologies and customers.
- iv. Competing suppliers in the same market generally share similar characteristics:
  - a. Similar production sources
  - b. Similar supplier sources
  - c. Similar materials and complexities
  - d. Similar nature of their core business

##### **2.1.1.2 Identify supply market and supplier information**

- i. The next step is to obtain information on the supply market and suppliers.
- ii. The depth of this information depends on the position of the commodity on the Commodity Matrix.
- iii. For example, the amount of research required for office stationery is not the same as for pharmaceuticals.
- iv. There are many different sources to start with, e.g. business publications/newspapers, annual reports, the internet, people in the organisation who deal with the suppliers and their markets regularly and research providers.
- v. The analysis usually includes performance, growth and strategies, competitiveness, financial information, pricing history, trends, benchmarks and cost structures, technological developments, economic and legislative impacts, value and supply chain structures marketplace strengths, weaknesses opportunities and threats as well as purchasing risks.

#### **2.1.1.3 Market profiles**

- i. This is an in-depth analysis of the supply market. It should be updated regularly and used as a performance benefits tracking method after the initial savings have been achieved.
- ii. It is one of the most important parts of ensuring sustainable sourcing benefits – year-on-year cost reductions
- iii. Some of the facts of the marketplaces that should be understood are included below:
  - a. Its size, participants, number and importance
  - b. Market share
  - c. Capacity (current and future)
  - d. Key decision-makers
  - e. Recent organisational changes (e.g. mergers and acquisitions)
  - f. Recent developments that will indicate the future e.g.:

- i. Suppliers choosing to use e-procurement as an enhancing channel, or a preferred channel of communication (orders, RFQs, etc) as opposed to sales representatives
  - ii. Development of Sales representatives as value add to their customers
  - iii. Are the suppliers original equipment manufacturers (OEMs), distributors, accredited agents, secondary manufacturers etc
  - iv. Geographical spread (regional or local suppliers)
- g. Financial performance of the market/industry
- h. Summary of current and future drivers and trends
- iv. Often information is obtained from the suppliers themselves.
- v. This is especially important for strategic and performance suppliers where strategic alignment becomes increasingly important.
- vi. If necessary, a meeting at the executive level may be necessary, even at this stage.

#### **2.1.1.4 Develop supply market profiles**

- i. As with the market analysis, an in-depth analysis of the major suppliers helps identify the potential negotiating leverage.
- ii. This includes discussions of business lines, organisation, and strategy (especially for strategic and performance partners). Some of the profiles are listed below:
- iii. Cost chain – understanding the cost drivers of the marketplace applied specifically to a supplier.
- iv. The historical financial health of the supplier, e.g.
  - a. Revenue
  - b. Return on revenue
  - c. Stock Price
  - d. Return on assets

- v. The geographic locations, internationally, regionally and locally which become increasingly important where the organisation has a diverse range of production/manufacturing locations and needs suppliers to service common requirements at all locations.
- vi. Business issues that are impacting the supplier – e.g. the value created using e-procurement.
- vii. The major subsidiaries and divisions and the different lines of business, products and services.
- viii. The strategy of the business – whether a local company will expand regionally or internationally.
- ix. It is often beneficial for suppliers identified as strategic and performance partnerships to validate this information, understanding that the supplier may try to protect itself.
- x. It allows the opportunity to discuss strategy, whether it be changing the channel of communication from sales representatives to the Internet or, clarification and refinement of a supplier's business objectives, current insight into the supplier and validation of market perceptions.
- xi. This will give an initial sense of the supplier's interest and willingness to consider alternative approaches.
- xii. Validating with the supplier and key supplier analysis with selected suppliers can lead to a healthy exchange of information and sets the stage for win/win negotiations.

## **2.2 Analyse supply market data**

### **2.2.1 Define the strategic importance of the supply market**

- i. It is important to understand the importance of the commodity in the supply market.
- ii. While an item might be of strategic importance to the business, it may not necessarily be important for the supply market, e.g. a unique motor that was built

for the organisation, may have little importance to the major supplier's business and the standardisation or replacement of the motor may have to be considered.

- iii. From the accumulated information from the spend analysis, customer requirements and supply markets, it can be determined how critical the item is to the business and the risk of not having it, as well as the impact the buyer has on the supplier market.
- iv. Identifying the supply market positioning further defines the sourcing strategy.
- v. The various tools that can be used to analyse the supply market.
- vi. We will be discussing the following tools in more detail:
  - a. Porter's Five Forces
  - b. STEEPLED
  - c. SWOT analysis

#### **2.2.1.1 Porter's Five Forces Model**

- i. Porter's Five Forces Model provides a framework to understand market drivers, market behaviour and opportunities for the basis for the sourcing strategies and is a comprehensive technique to evaluate trends and forces.
- ii. Porter's 5 Forces Analysis is a framework for market and business strategy development developed by Michael E. Porter and assists the sourcing team in gaining insights into negotiation position and ability.
- iii. The Five Forces as identified by Porter that shape business strategy are:
  - a. The Bargaining Power of Suppliers
  - b. The Bargaining Power of Buyers (Clients/end-users)
  - c. The Threat of New Entrants
  - d. The Threat of Substitute Products
  - e. Competitive Rivalry
- iv. Four forces, the Bargaining Power of the Suppliers and Buyers, the Threat of New Entrants and the Substitute products combine to influence a fifth element, Competitive Rivalry.

- v. Typically this five forces model is shown as a series of five boxes in a cross formation, Competitive Rivalry being central.



**Figure 1: Porter's Five Forces**

- vi. The elements involved with each force are shown in the lists below. Please note that these are examples and not exhaustive.

#### 2.2.1.1.1 The Bargaining Power of Suppliers

- i. This can also be described as the market of inputs.
- ii. Suppliers of raw materials, components and services can, depending on several market elements, have significant power over their buying partners and may refuse to work with the procuring institution or charge excessively high prices for unique resources.
- iii. Examples of elements that determine the Bargaining Power of Suppliers:

<b>No substitutes</b>	If there are no substitutes available it will likely increase the suppliers' bargaining power	<b>L / H</b>
<b>Local Manufacturing</b>	If the industry has been designated for local manufacturing, it would likely increase the supplier's bargaining power.	<b>L / H</b>
<b>Value-added services &amp; quality</b>	Value-added services and quality increase the supplier's power	<b>L / H</b>
<b>Switching cost</b>	If switching to another product is very costly, it will increase the supplier's power	<b>L / H</b>
<b>Product Importance</b>	If the product is extremely important to buyers - can't do without it will increase the supplier's power	<b>L / H</b>
<b>Brand reputation</b>	A well-known product will give the supplier an advantage over a lesser-known or new product	<b>L / H</b>
<b>Geographical coverage</b>	A wide national footprint will increase the supplier's bargaining power.	<b>L / H</b>
<b>Evaluation</b>	<ul style="list-style-type: none"> <li>i. Upon the full analysis, the cross-functional sourcing team should determine the level of dependence on the supplier based on the outcome.</li> <li>ii. Where the outcome to the above elements is (H), it means the supplier has the higher bargaining power and where the above elements are (L), the supplier has lower bargaining power.</li> <li>iii. # It must be noted that this position shifts as the market forces shift. A constant review must be conducted.</li> </ul>	

**Table 1: Porter's Five Forces – Bargaining Power of Suppliers**

#### **2.2.1.1.2 The bargaining power of buyers (Clients/end-users)**

- i. When we consider the buying power of Buyers we are investigating the elements that could potentially provide the Buyer with negotiation leverage in the marketplace.
- ii. Examples of elements that determine the Bargaining Power of Buyers:



<b>Buyer volume</b>	Buyer power is likely to be increased when they buy large volumes	<b>L / H</b>
<b>Substitute Products</b>	If the product offered is undifferentiated and can be replaced by substitutes, the buyer power is likely to be increased.	<b>L / H</b>
<b>Price sensitivity</b>	If suppliers have low margins and are price-sensitive, the buyer power is likely to be increased	<b>L / H</b>
<b>Switching cost</b>	High switching costs will likely decrease the buyer's bargaining power	<b>L / H</b>
<b>Backward integration</b>	The buyer's bargaining power is increased if the buyer can backwards-integrate and take over the role of the supplier/manufacturer.	<b>L / H</b>
<b>Number of suppliers</b>	A small number of suppliers of a particular product will likely reduce the buyer's bargaining power (monopoly situation).	<b>L / H</b>
<b>Government policy</b>	From the perspective of government as the buyer, government policy can likely increase buyer power	<b>L / H</b>
<b>Evaluation</b>	<ul style="list-style-type: none"> <li>i. Upon the full analysis, the cross-functional sourcing team should determine the level of dependence on the supplier based on the outcome.</li> <li>ii. Where the outcome to the above elements is (H), it means the buyer has the higher bargaining power and where the above elements are (L), the buyer has lower bargaining power.</li> <li>iii. # It must be noted that this position shifts as the market forces shift. A constant review must be conducted.</li> </ul>	

Table 2: Porter's Five Forces – Bargaining Power of Buyers

**2.2.1.1.3 The threat of new entrants**

- i. New entrants to the market directly influence the market negotiation power and leverage as this provides a more competitive market environment to the benefit of the buyers/consumers.
- ii. Examples of elements that determine the Threat of New Entrants:

<b>Economies of scale</b>	The minimum volume requirements for profitable operations. If there is a low production cost present in an industry, it creates a barrier to entry because it means that any new entrant has to come in on a large scale (high volumes) to compete at the low-cost levels already present.	<b>L / H</b>
<b>Product differentiation</b>	Branding, patents, customer knowledge, etc. provide competitive advantages and may create barriers to entry by forcing new entrants to spend extra funds or simply take longer to establish themselves in the market.	<b>L / H</b>
<b>Capital requirements</b>	High initial investments in technology, plant, distribution, etc. may be a barrier to entry as the ability to raise finance and the risks associated with capital outlays will deter new entrants.	<b>L / H</b>
<b>Switching costs</b>	When a buyer is satisfied with an existing product or service, it would be difficult to switch that buyer to a new entrant. This may be a barrier to entry as the cost of making the switch will fall on the new entrant. E.g. persuading buyers to switch computer software from MS Windows to Apple has obvious cost and inconvenience implications.	<b>L / H</b>
<b>Access to distribution channels</b>	It is not enough to produce a quality product, it must be distributed. These distribution channels may be controlled by existing players in the market which may pose a barrier to entry.	<b>L / H</b>
<b>Experience</b>	Established companies have the advantage of knowing the market, confidence of major buyers, investing in infrastructure, and specialist product/service knowledge. It becomes a daunting task for new entrants to gain a foothold in the market.	<b>L / H</b>
<b>Government policy</b>	Government may in some instances create a barrier to entering the market by regulating the industry, e.g. Government regulates the pharmaceutical industry. Is this the case with this industry?	<b>L / H</b>

<b>Evaluation</b>	<ul style="list-style-type: none"> <li>i. Upon the full analysis, the cross-functional sourcing team (CFST) should determine the threat of entrants which might pose challenges or provide opportunities to the procuring entity.</li> <li>ii. The CFST list the: <ul style="list-style-type: none"> <li>a. Opportunities provided by the new entrants</li> <li>b. Dangers or threats provided by the new entrants</li> </ul> </li> <li>iii. # It must be noted that this position shifts as the market forces shift. A constant review must be conducted.</li> </ul>	
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Table 3: Porter's Five Forces – The Threat of New Entrants

**2.2.1.1.4 The threat of substitute products/services**

- i. The existence of substitute products increases the tendency of customers to switch to alternatives in response to price increases.
- ii. Examples of elements that determine the Threat of Substitute Products:

<b>Buyer's willingness to substitute</b>	Buyer's willingness to substitute will increase the threat of substitution.	<b>L / H</b>
<b>Relative price performance of substitutes</b>	Favourable prices of substitute products increase the threat of substitution	<b>L / H</b>
<b>Cost of switching to substitutes</b>	The higher the costs of switching from one product to another, the lower the threat of substitution.	<b>L / H</b>
<b>Technology changes</b>	Can it be outsourced? Or automated?	<b>L / H</b>
<b>Evaluation</b>	<ul style="list-style-type: none"> <li>i. Upon the full analysis, the cross-functional sourcing team (CFST) should determine the threat or opportunities of substitutes to the commodity strategy.</li> <li>ii. The CFST list the: <ul style="list-style-type: none"> <li>a. Opportunities provided by the substitutes</li> <li>b. Dangers or threats provided by the substitutes</li> </ul> </li> </ul>	

	iii. # It must be noted that this position shifts as the market forces shift. A constant review must be conducted.	
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**Table 4: Porter's Five Forces – The Threat of Substitute Products/Services**

### 2.2.1.1.5 Competitive rivalry

- i. For most industries, this is the major determinant of internal market competition. Sometimes rivals compete aggressively and sometimes rivals compete in non-price dimensions such as innovation, marketing, etc.
- ii. Examples of elements that determine Competitive Rivalry:

<b>Structure of competition</b>	The structure of the competition – e.g. rivalry is more intense where there are many small or equally sized competitors; rivalry is less when an industry has a clear market leader.	<b>L / H</b>
<b>Industry cost structure</b>	Industries with high fixed costs encourage competitors to fill unused capacity by cutting prices. The paper, steel and car industries are examples of industries where prices have been cut to achieve basic sales volumes – thus increasing rivalry.	<b>L / H</b>
<b>Market growth</b>	If a market is growing slowly it causes firms to fight for market share. It will be at the expense of another competitor. In a growing market, firms can improve revenues because of the expanding market.	<b>L / H</b>
<b>Product differentiation</b>	If there is not much differentiation between players and their products/ services, then competition is based on the best price. This reduces customer loyalty and increases competition.	<b>L / H</b>
<b>Exit barriers</b>	When it is difficult or expensive to exit from an industry (e.g. cost of closing a plant), there is likely to be excess production capacity and therefore, increased rivalry.	<b>L / H</b>
<b>Switching cost</b>	Low switching costs increase rivalry. When a customer can freely switch from one product to another there is a greater struggle to capture customers.	<b>L / H</b>
<b>Strategic objectives</b>	Strategic stakes are high when a firm is losing market position or has the potential for great gains. This intensifies rivalry.	<b>L / H</b>

<b>Storage cost</b>	High storage costs or highly perishable products cause a producer to sell goods as soon as possible. If other producers are trying to unload at the same time, competition for customers intensifies.	<b>L / H</b>
<b>Evaluation</b>	i. Upon the full analysis, the cross-functional sourcing team (CFST) should determine the threat or opportunities of rivalry to the commodity strategy. ii. The CFST list the: <ol style="list-style-type: none"> <li>Opportunities provided by the rivalry</li> <li>Dangers or threats provided by the rivalry</li> </ol> iii. # It must be noted that this position shifts as the market forces shift. A constant review must be conducted.	

**Table 5: Porter's Five Forces – Competitive Rivalry**

- Identify and document the Market Forces and elements applicable to your commodity.
- Once the Market Forces have been identified consider each of these and identify the perceived level of impact of each market force.
- The weighting of the level of impact of each market force is indicated on a sliding scale as can be seen in the example below.

Potential Competitive forces	Level of Impact	Rationale
• Bargaining power of Suppliers	High ————— Low	• No brand reputation or product / service differentiation
• Threat of New Entrants	Low ————— High	• No perceived entry barriers to the market
• Bargaining power of Buyer	Low ————— High	• Commodity represents a significant fraction of overall spend • No preferred supplier groups • No switching cost from one supplier to another
• Threat of Substitutes	Low ————— High	• No real risk of substitute services • Internet may enhance current service delivery but will not replace the function of Recruitment Agencies in total
• Competitive Rivalry	Low ————— High	• Large number of comparable suppliers • Packaged and Value Added Services

**Figure 2: Using Porter's Five Forces to Ascertain Level of Impact**

Note that the level of impact is indicated as either High or Low with no midpoint in between

- iv. Aspects to the left indicate negotiation power to the supplier, with aspects to the right indicating negotiation leverage to the buyer as can be seen in the illustrated example below:

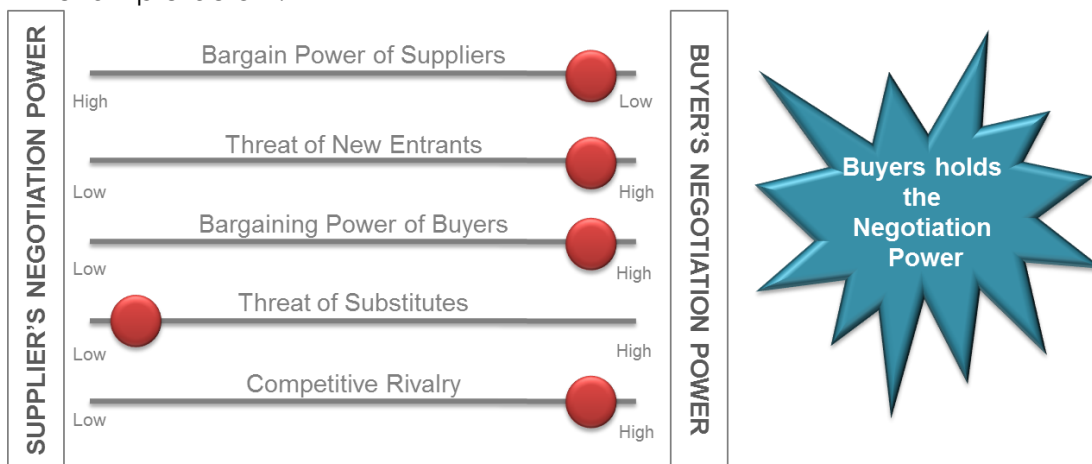


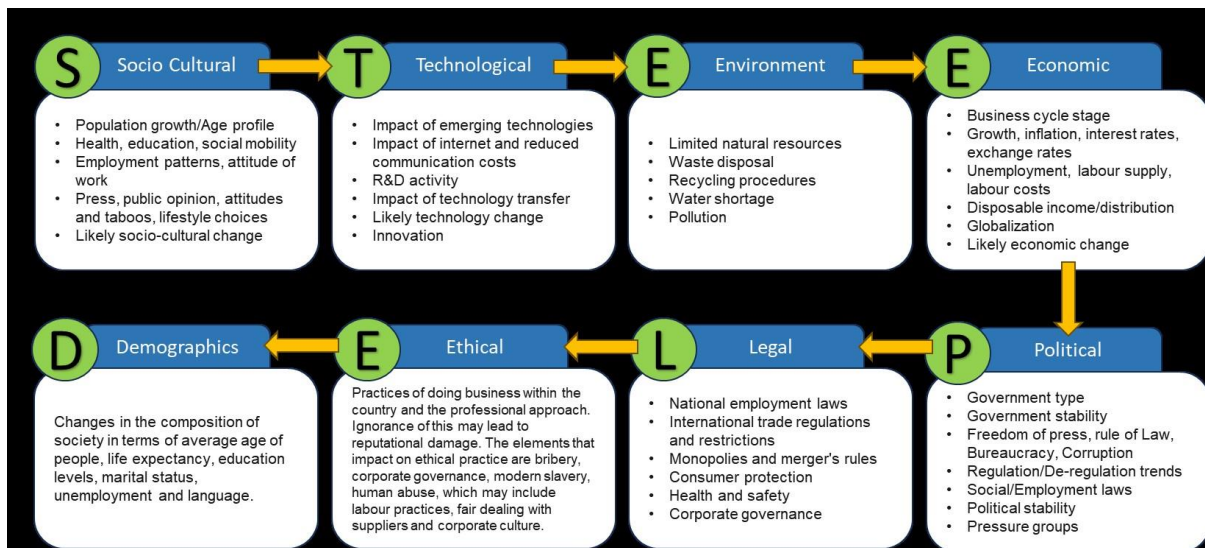
Figure 3: Using Porter's Five Forces to Ascertain the Negotiation Power

### 2.2.1.2 STEEPLD analysis

- i. **STEEPLD** is an acronym for Social, Technological, Economic, Environment, Political, Legislative, Ethical and Demographic factors which are used to assess the market for a business or organisational unit strategic plan.
- ii. **A STEEPLD** analysis is most commonly used to evaluate and measure macro-environmental factors of the external environment in which you operate (external to your division or organisation), to gain an understanding of the "bigger picture" about opportunities and threats that lie within it and as such the position, potential and direction of the market or external environment.
- iii. **The STEEPLD** analysis is a useful diagnostic and analytical tool to use in association with the SWOT analysis, and can also be classified as the opportunities and threats in a SWOT analysis.
  - a. **Social** factors include areas such as cultural aspects, population growth, age distribution, career attributes and emphasis on safety.

- b. **Technological** factors include areas such as automation, technology incentives and rate of technology change.
  - c. **Economic** factors include areas such as economic growth, interest rates, exchange rates and inflation.
  - d. **Environmental** factors refer to ecological and environmental aspects such as weather, climate, and climate change. Climate change is a hot topic these days and organizations are restructuring their operations thus giving space to innovation and the concept of Green Business.
  - e. **Political** factors include areas such as tax policy, employment laws, environmental regulations, trade restrictions and tariffs and political stability.
  - f. **Legislative** factors include discrimination law, consumer law, antitrust law, employment law, and health and safety law. These factors can affect how a company operates, its costs, and the demand for its products.
  - g. **Ethical** - Practices of doing business within the country and the professional approach. Ignorance of this may lead to reputational damage. The elements that impact ethical practice are bribery, corporate governance, modern slavery, and human abuse, which may include labour practices, fair dealing with suppliers and corporate culture.
  - h. **Demographic** - Changes in the composition of society in terms of the average age of people, life expectancy, education levels, marital status, unemployment and language.
- iv. Ideally a cross-functional team that presents a broad range of perspectives should carry out the analysis, for example, the team may include an end user, accountant, technical commodity manager and an engineer, depending on the applicability of the commodity being assessed.
- v. Before you start with the analysis it is important to identify the subject of the analysis.
- vi. A market is defined by what is addressing it, be it a brand, product, business division organisation, etc, so be clear about how you define the market being analysed, which might be from any of the following standpoints:

- a. A Buyer looking at procuring a product/service
  - b. A organisation looking at the product /service market;
  - c. A product/commodity/brand about its market;
  - d. A strategic option, such as entering a new market or launching a new product/service;
  - e. A potential partnership opportunity.
- vii. Be sure to describe the subject clearly so that the people that are contributing to the analysis and those viewing the final analysis properly understand the purpose and implications of the assessment.



**Figure 4: STEELED Analysis**

- viii. Based on the STEELED analysis the CFST should analyse the impact of external weaknesses and threats that could constrain the commodity and determine mitigating plans to avoid such.

### 2.2.1.3 SWOT Analysis

- i. This is a useful technique for analysing the strengths, weaknesses, opportunities and threats of the supply market, individual suppliers and the business.
- ii. It is also useful for identifying the extent to which the current sourcing strategies are appropriate for the current marketplace as well as determining future strategies.
- iii. Conducting one for the suppliers is an essential part of negotiation planning.



- iv. **A SWOT** analysis is a planning tool to evaluate and understand the Strengths, Weaknesses, Opportunities and Threats involved in a project, division or organisation.
- v. This analysis aims to identify the internal and external factors that are supportive or unfavourable to achieving the specific objective.
- vi. **SWOT** is an acronym for Strengths, Weaknesses, Opportunities and Threats.
  - a. **Strengths** those attributes of the organisation that are helpful to achieving the objective and that are within the organisation's control;
  - b. **Weaknesses** those attributes of the organisation that are harmful to achieving the objective and that the organisation might be able to improve;
  - c. **Opportunities** refer to external conditions that are helpful to achieving the objective that can be exploited and developed;
  - d. **Threats** refer to external conditions that are harmful to achieving the objective that are outside and/or beyond the organisation's control.
- vii. Ideally a cross-functional team that presents a broad range of perspectives should carry out the analysis, for example, the team may include an end user, accountant, technical commodity manager and an engineer, depending on the applicability of the commodity being assessed.
- viii. Before you start with the analysis it is important to identify the subject and objective of the analysis, if not, this runs the risk of being rendered useless and ends up as an exercise for the sake of an exercise.
- ix. If a clear objective has been identified, the SWOT analysis can be used effectively to assist in the pursuit of that objective.
- x. Consider the prompts in the table below when completing the SWOT analysis template.
- xi. Please note that these are examples and not exhaustive – add your own and amend these prompt to suit your situation, the experience and skill level of whoever is completing the analysis.

	HELPFUL To achieving the objectives	HARMFUL To achieving the objectives
INTERNAL ORIGIN (attributes of the organisation)	<ul style="list-style-type: none"> <li>• Advantages of proposition?</li> <li>• Competitive advantages?</li> <li>• Resources, Assets, People?</li> <li>• Experience, knowledge, data?</li> <li>• Financial reserves, likely returns?</li> <li>• Location and geographical?</li> <li>• Accreditations, qualifications, certifications?</li> <li>• Processes, systems, IT, communications?</li> <li>• Cultural, attitudinal, behavioural?</li> </ul> <p><b>S</b></p>	<ul style="list-style-type: none"> <li>• Disadvantages of proposition?</li> <li>• Lack of competitive strength?</li> <li>• Reputation, presence &amp; reach?</li> <li>• Own known vulnerabilities?</li> <li>• Timescales, deadlines and pressures?</li> <li>• Financials?</li> <li>• Gaps in capabilities?</li> <li>• Accreditations, etc?</li> <li>• Cashflow?</li> <li>• Continuity, supply chain robustness?</li> <li>• Effects on core activities, distraction?</li> <li>• Reliability of data, plan predictability?</li> <li>• Morale, commitment, leadership?</li> <li>• Management cover, succession?</li> <li>• Processes and systems, etc?</li> </ul> <p><b>W</b></p>
EXTERNAL ORIGIN (attributes of the environment)	<ul style="list-style-type: none"> <li>• Market developments?</li> <li>• Competitors' vulnerabilities?</li> <li>• Industry or lifestyle trends?</li> <li>• Technology development and innovation?</li> <li>• Global influences?</li> <li>• New markets, vertical, horizontal?</li> <li>• Niche target markets?</li> <li>• Geographical, export, import?</li> <li>• New Unique selling points?</li> <li>• Tactics: eg, surprise, major contracts?</li> <li>• Business and product development?</li> <li>• Information and research?</li> <li>• Partnerships, agencies, distribution?</li> <li>• Volumes, production, economies?</li> <li>• Seasonal, weather, fashion influences?</li> </ul> <p><b>O</b></p>	<ul style="list-style-type: none"> <li>• Political effects?</li> <li>• Legislative effects?</li> <li>• Environmental effects?</li> <li>• IT developments?</li> <li>• Competitor intentions - various?</li> <li>• Market demand?</li> <li>• New technologies, services, ideas?</li> <li>• Vital contracts and partners?</li> <li>• Sustaining internal capabilities?</li> <li>• Obstacles faced?</li> <li>• Insurmountable weaknesses?</li> <li>• Loss of key staff?</li> <li>• Sustainable financial backing?</li> <li>• Economy - home, abroad?</li> <li>• Seasonality, weather effects?</li> </ul> <p><b>T</b></p>

Figure 5:SWOT Analysis

Once all the potential factors to impact have been identified, discuss and evaluate these further indicating how they can be **used**:

- How can we **Use** each strength? (maintain, build upon, leveraged)
- How can we **Stop** each weakness? (remedied, changed, stopped)
- How can we **Exploit** each opportunity? (prioritised, captured, explored)
- How can we **Defend** against each threat? (countered, minimised and managed)

### 3.0 Templates

#### 3.1 STEEPLED

Analysis factor	Notes	Potential Impact (L/M/H)	Impact Status (Increasing Unchanged Decreasing?)	Type of impact (Positive Negative)	Relative Importance (Critical Important Unimportant)
<b>Socio-Cultural</b> - Pressure groups	Pressure groups are lobbying for local assembly of the product	M	I	P	I
<b>Technological</b> - Fast changing	The rate at which the technology changes threatens local assembly	H	I	N	I
<b>Environmental</b> - Disposal - Recycling	Must investigate disposal and recycling opportunities / operating procedures	M	I	P	I
<b>Economic</b> - Exchange Rate	ROE is volatile (unstable)	H	I	N	I
<b>Socio-Cultural</b> - Pressure groups	Pressure groups are lobbying for local assembly of the product	M	I	P	I
<b>Political</b> - Government Policies	Current Procurement policy gives preference to BBBEE companies & LED policies	M	U	P	I
<b>Legal</b> - The Regulations & ACTS	There are more than 55 regulations and ACTS that directly and indirectly impact supply chain	L	U	P	U
<b>Ethics</b> - Bribery - Corruption	Code of conduct and declaration of interest, corporate governance	H	I	P	C
<b>Demographics</b> - Population expansion - Social dynamics	Population dynamics in terms of education, gender, age, marital status and language	M	I	N	C

**Figure 6: STEEPLED Analysis (Template)**

### 3.2 SWOT analysis

	HELPFUL To achieving the objectives	HARMFUL To achieving the objectives
INTERNAL ORIGIN (attributes of the organisation)	<b>STRENGTHS (Internal Factors)</b> • What do you do well?  <div> <div>Our strengths:</div> <div>Ways to exploit:</div> </div> <div> <div>1. ....</div> <div>1. ....</div> </div> <div> <div>2. ....</div> <div>2. ....</div> </div> <div> <div>3. ....</div> <div>3. ....</div> </div>	<b>WEAKNESSES (Internal Factors)</b> • Where are we vulnerable? • What should be improved?  <div> <div>Our weaknesses:</div> <div>Ways to reduce:</div> </div> <div> <div>1. ....</div> <div>1. ....</div> </div> <div> <div>2. ....</div> <div>2. ....</div> </div> <div> <div>3. ....</div> <div>3. ....</div> </div>
EXTERNAL ORIGIN (attributes of the environment)	<b>OPPORTUNITIES (External Factors)</b> • Where can we create or find a competitive advantage?  <div> <div>Our opportunities:</div> <div>Ways to exploit:</div> </div> <div> <div>1. ....</div> <div>1. ....</div> </div> <div> <div>2. ....</div> <div>2. ....</div> </div> <div> <div>3. ....</div> <div>3. ....</div> </div>	<b>THREATS (External Factors)</b> • What obstacles to you face?  <div> <div>Our threats:</div> <div>Ways to reduce:</div> </div> <div> <div>1. ....</div> <div>1. ....</div> </div> <div> <div>2. ....</div> <div>2. ....</div> </div> <div> <div>3. ....</div> <div>3. ....</div> </div>

**Figure 7:SWOT Analysis (Template)**

### 3.3 Supply market analysis checklist

#### *Conducting a market analysis*

**Department:** \_\_\_\_\_

MARKET SEGMENT	MARKET INDICATORS
<b>Market profile</b>	<ul style="list-style-type: none"> <li>Market size, quantities, local, regional, or international nature</li> <li>Commodity make-up</li> <li>Number of economic operators</li> <li>Niches and specialist areas</li> </ul>

<b>Market dynamics</b>	<ul style="list-style-type: none"> <li>• Market cycles, natural and induced</li> <li>• Life cycles and how they are changing</li> <li>• New segments being created or old ones dying</li> <li>• Impact of current and future technology</li> <li>• Growth or decline, segment differences</li> <li>• Profitability changes, where possible and relevant</li> </ul>
<b>Market diversity</b>	<ul style="list-style-type: none"> <li>• Fundamentals of supply and demand in the market</li> <li>• Changes in capacity – past, present</li> <li>• Changes in demand – past, present</li> <li>• Impact of transportation, energy, raw material cost shocks, labour costs, etc.</li> <li>• Possible technology changes and cost implications</li> <li>• Substitutes and allied products available</li> <li>• Other products available that are not currently used</li> <li>• Value-added – what is available?</li> <li>• New/better options/uses being created by innovation and technology</li> <li>• Location of key global geographic centres and currency and duty impacts</li> <li>• Geopolitical impacts, historical and future barriers to entry</li> </ul>

**Table 6: Supply Market Analysis Checklist**