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## Your Business Environment

### Purpose

This Tool aims to help you in understanding the broader environment and how this affects the way you provide services to your customers and control your costs.

### Overview

By working through this tool, you will be able to answer the following questions.

- Why do I need to understand my environment?
- How should I analyse my environment?
- How does it affect my firm?

### People involved

Members of your management team who have clear responsibilities for the allocation of resources.

### Background Reading

PRINT21 Background Paper 1	Section 3.1	Change in Value Chain/Business Model
	Section 3.2	Globalisation
	Section 3.3	Cultural Change and Trends in Society
PRINT21 Background Paper 3	Section 4	Scenario Analysis

## Useful Inputs

- Company annual reports
- Any available company strategy information
- Industry reports
- Research carried out by government bodies
- Research carried out by industry associations
- Literature dealing with business environment analysis
- The business media, newspapers, magazines, websites.

## Important Ideas

### Why do you need to understand your operating environment?

The Australian printing industry is operating in a highly dynamic business environment characterised by rapid changes in technology. Significant opportunities are opening up as a result of the increasing shift towards electronic and information-based activity. At the same time, other long standing, traditional activities are in decline.

## Discussion

### How should I analyse my environment?

The aim is to be competitive in providing a service to your customers and in controlling your costs. A comprehensive understanding of your operating environment is vital to understanding emerging opportunities and the external factors that impinge on competitiveness.

Aspects of the operating environment you will need to be aware of include the following.

- Economic climate
- Customer profiles
- Social and cultural influences
- Environmental pressures
- Technological influences
- Government influences

In the initial analysis of your operating environment, you should look at all of these aspects and any other factors that you consider to be relevant. Take a broad view of your operating environment, so that you do not ignore important considerations such as emerging competition from industries outside the traditional printing industries.

Following this initial analysis, rather than devoting resources to monitoring every aspect of the environment, it would be more efficient to monitor only those elements that you consider will have the greatest impact on shaping your environment in the foreseeable future.

Assuming that you will have limited time and resources, you need to prioritise the operating factors most important to your company's activities and monitor these accordingly.

## Analysis

Work through each aspect of the operating environment and answer the following questions. This will help you identify operating factors that have the most significant impact on your business. It will also help you identify emerging opportunities and threats.

### Sources of information

PRINT21 Background Papers 1, 2 and 3.

There is no shortage of sources of information to help you understand your operating environment. Newspapers, magazines and subscriber services are the most common and cost effective ways to acquire information.

## Economic Climate

The current economic climate and stage of the business cycle have a significant impact on the behaviour of both consumers and suppliers; in turn, these behaviours affect prices, margins, volumes and the cost of capital.

Different segments of the Australian printing industry are affected differently by these economic factors. You need to access relevant, accurate and timely information about the factors that influence your business. Your views on these factors may be very different from the actual condition of the factors. A number of information providers provide free information. Sources of information include the Australian Bureau of Statistics (see their website [www.abs.gov.au](http://www.abs.gov.au)), and the Printing Industries Association of Australia (see their website [www.printnet.com.au](http://www.printnet.com.au)).

How can you now use this information to benefit your firm? Do you need to adjust your business strategies? Do you need professional advice from your accountant or from a business consultant? The Printing Industries Association of Australia has the contact details of a number of advisers that are familiar with the industry.

### How do you see the current and future economic climate?

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### How does it affect your business?

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### What possible changes in the economic climate might have an adverse impact on your business or your clients' businesses?

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### What possible changes in the economic climate might create opportunities for your business or your clients' businesses?

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### Customer profiles

Customer profiles refers to the make-up of the population of interest to you. That population could be a trade bloc (South East Asia), a country, a city, a suburb or any group of potential customers whose needs you can service. Customer profiles or demographics often take into account distributions of age, sex, household income, spending patterns, types and locations of businesses.

Understanding your customers enables you to better meet or predict their needs. As the profile of your customer base changes over time you need to modify your investments and performance to better match your customers'z changing needs. For example, new residential or business park developments offer new and different markets.

You can gain an understanding of your customer profile by commissioning market research or by designing and carrying out your own research using customer surveys. Whichever method you use, you should articulate precisely what you expect to achieve from this exercise and use this expectation to drive all aspects of the exercise. You need to ask yourself how this profiling can assist your firm in achieving the goals of improved customer servicing and cost control?

**What does your customer profile look like?**

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**How does it affect your business?**

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**What possible changes in the customer profile might have an adverse impact on your business or your clients' businesses?**

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**What possible changes in the customer profile might create opportunities for your business or your clients' businesses?**

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## Social and Cultural

Australia is a multicultural society that has been shaped by different languages and cultural norms.

Printers need to understand how social and cultural expectations influence the needs of their customers and be prepared to respond to these constantly changing needs.

The social and cultural environment is closely related to the customer profile of the previous section. By considering both of these aspects of your environment you may identify opportunities for marketing strategies to expand your client base.

If your analysis identifies a potential or underdeveloped niche market you will need to consider whether servicing this market would be consistent with your firm's objectives.

### What are the social and cultural influences affecting your business?

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### How does the social and cultural environment affect your business?

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### What possible changes in the social and cultural environment might have an adverse impact on your business or your clients' businesses?

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**What possible changes in the social and cultural environment might create opportunities for your business or your clients' businesses?**

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### Environmental Pressures

Environmental pressures are bringing tight controls to bear on many Australian companies and industries. These controls may offer opportunities for achieving cost or expenditure reduction (for example, reduction in the use of particular materials). You may be able to access investment incentives (for example, energy efficiency incentives through equipment modifications assisted by the energy providers).

For example, Australian printers that use solvents in their operations are subject to tight disposal requirements. In response to these requirements many companies are reducing their use of solvents and changing the way in which they manage these compounds.

By liaising with your colleagues you will be able to understand shifts in environmental requirements and respond accordingly. A number of government agencies and companies can assist with advice on energy efficiency and waste reduction.

**What environmental pressures does your firm face?**

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**How do these environmental pressures affect your business?**

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**What possible changes might have an adverse impact on your business or your clients' businesses?**

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**How can these influences create opportunities for your business or your clients' businesses?**

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### Technological influences

Technology is reshaping Australian printing industries. Many business processes that were once core to printing firms have been dramatically modified or even completely eliminated. The challenge is to capture the benefits of advances in technology to help achieve your goals of better servicing your customers and of cost control.

The PRINT21 Action Agenda demonstrates that printers are keen to keep abreast of technological trends. Increasingly, however, it is being recognised that the costs involved in upgrading to newer generations of technology are not being adequately offset by the subsequent returns.

The impact of technology such as the advent of desk-top publishing has changed the traditional boundaries of the printing industry. It is important for you to look beyond these traditional boundaries when considering how to take advantage of new technologies.

As a printer you are already competing with firms from other industries (eg the IT industry) that claim to be able to satisfy the graphic communication needs of many customers. By the same token, you may be able to satisfy the needs of customers that were previously inaccessible to you.

You should try to understand technological developments from a very wide perspective and consider their implications on both supply and demand dynamics. You need to ask yourself "Will the new technology in itself help achieve the goals of customer servicing and cost control or will the current technology operated in a different manner meet my needs?" You need to consider that acquiring new technology may help you to service the customer better but it may lead to higher costs and lead to a negative financial impact.

**What technology influences are impacting upon your business?**

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**How do these technological influences affect your business?**

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**What technology changes might have an adverse impact on your business or your clients' businesses?**

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**What technology changes might create opportunities for your business or your clients' businesses?**

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## Government influences

Your business environment is affected by the policies and initiatives of government at federal, state and local levels. By accessing relevant government support programs for business improvement you can capitalise on improving your customer service and cost control.

The National Business Information Service, offered through the website [www.business.gov.au](http://www.business.gov.au), provides an overview and contact details of the range of assistance available from the different levels of government and their agencies.

The Department of Industry, Science & Resources ([www.isr.gov.au](http://www.isr.gov.au)) provides support for the Australian printing industry to improve business performance. The Department's programs are delivered by AusIndustry ([www.ausindustry.gov.au](http://www.ausindustry.gov.au)) and fall into five primary areas.

- General Industry Incentives such as R&D Start
- Industry Specific Incentives such as those for the printing industry
- Information Services - the Business Information Service (BIS)
- Innovation such as the R&D Tax Concession Scheme
- Venture Capital – such as the Commercialising Emerging Technologies (COMET) Scheme or the Innovation Investment Fund (IIF)
- Specific programs such as the Printing Industry Competitiveness Scheme (PICS), Book Production Enhanced Printing Industry Competitiveness Scheme (EPICS) Grants, and the Value Chain Management Program (VCMP) are available to assist printers.

PICS allows printers to claim 4% of paper input costs of books which satisfy eligibility criteria. EPICS provides grants to book production firms for projects which encourage the use of innovative technologies, improved business practices, training and skills development.

The VCMP aims to demonstrate how effective value chain management can benefit industries by increasing the competitiveness of individual firms and assisting the pursuit of growth opportunities within specific industry sectors.

To be relevant to your business, these support programs must have a clear link with the attainment of the goals of improving your customer service and cost control. You must ensure that the support programs you are exploring are appropriate to achieving at least one of the goals.

**What are the government influences upon my business?**

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**How do government influences affect your business?**

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**How will possible changes in government influences impact upon my business or my clients' businesses?**

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**What possible changes will create opportunities for my business or my clients' businesses?**

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### Draw your own conclusions

The more you are able to understand your environment and your business, the more likely it is that you will be able to identify and capture value to sustain future growth.

Now that you have an overview of the range of influences on your business operating environment you need to revisit each step and modify or update your responses to each section.

Finally, you should try to draw conclusions from the information you have generated. These conclusions should help you develop a plan of action.

Remember that your position is only measured relative to your competitors.

### Summarise the insights that you have gained from doing this exercise.

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### Summarise the actions that you need to take based on the work you have done with this tool.

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