



External Analysis And Customer Analysis As The Foundation For Formulation Of Effective And Sustainable Business Strategies

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ABSTRACT

External analysis and customer analysis are fundamental components in formulating effective and sustainable business strategies. In an increasingly dynamic and competitive business environment, companies are required to understand external factors such as market trends, competition, technological developments, and consumer behavior. This study aims to analyze the role of external and customer analysis as a basis for developing adaptive and competitive business strategies. This research uses a qualitative descriptive approach based on literature review from various relevant scientific sources. The findings indicate that integrating external environmental analysis with in-depth customer understanding enables businesses to create value-driven strategies, enhance competitiveness, and ensure long-term sustainability.

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1. INTRODUCTION

The modern business environment is experiencing very rapid and complex changes as a result of the acceleration of globalization, exponential technological advances, and increasingly dynamic shifts in consumer behavior (Aguirre et al., 2015). These changes not only affect the way companies operate, but also demand a fundamental transformation in the way companies formulate and execute their business strategies to remain relevant and competitive amidst increasingly fierce competition (Porter, 2008). Globalization has erased the geographical boundaries of competition, so that local companies now have to compete not only with domestic competitors, but also with global players who have much greater resource capacity (Aiello et al., 2020).

On the other hand, advances in digital technology have fundamentally changed the business competitive landscape, creating new, disruptive business models that are capable of shaking up traditional industries in a very short time (Bharadwaj et al., 2020). This condition requires companies to be more adaptive, innovative, and responsive in formulating their business strategies to remain relevant in the ever-evolving digital era (Bharadwaj et al., 2020).

One of the most critical and fundamental steps in formulating an effective business strategy is to conduct a comprehensive and in-depth external analysis (Ansu-Mensah et al., 2021). External analysis includes the identification and evaluation of various environmental factors outside the company that can have a significant impact on the performance and survival of the organization (Benzaghta et al., 2021). Without a comprehensive and accurate understanding of the external environment, companies are at great risk of making strategic decisions that are inconsistent with actual market conditions, which can ultimately threaten long-term business sustainability (Keyser et al., 2015).

Besides external analysis, customer analysis is an equally important aspect and cannot be ignored in the process of formulating an effective business strategy (Kotler et al., 2021). Customers are the main source of income and survival of every business organization, so understanding their needs, preferences, motivations, and behavior in depth is an absolute prerequisite for the success of any strategy designed by the company (Lemon & Verhoef, 2020). Consumer behavior in the digital era has undergone a very significant transformation, with consumers now becoming more intelligent, informed, and critical in making their purchasing decisions (Kotler et al., 2021). This phenomenon requires companies to continuously update their strategic approaches based on actual and relevant customer insights, instead of relying on outdated assumptions (Lemon & Verhoef, 2020).

However, various studies show that many companies, especially in developing countries, still do not optimally integrate external and customer analysis into their business strategy formulation process (Wulf et al., 2001). This condition often occurs due to limited analytical capacity, lack of access to quality data, and the absence of a data-driven decision-making culture within the organization (Grant, 2021). As a result, the resulting strategies tend to be ineffective because they are not rooted in actual market realities, and unsustainable because they are unable to adapt to ongoing changes in the business environment (Aiello et al., 2020). Therefore, this study aims to examine in depth how these two analyses external analysis and customer analysis can function synergistically as a solid foundation for formulating a truly effective and sustainable business strategy.

2. METHOD

This research employs a qualitative, descriptive approach. This approach was chosen to provide a deeper understanding of the importance of external analysis and customer analysis

in business strategy. Data were obtained through a literature review, reviewing various sources such as scientific journals, academic books, and related publications relevant to the research topic. This technique was used to build a strong theoretical foundation and previous research findings to support the analysis. To ensure data validity, source triangulation was used by comparing various different references. This aims to ensure that the analysis results are objective and scientific.

3. RESULTS AND DISCUSSIONS

3.1. External Analysis in Business

External analysis is a systematic process of identifying, evaluating, and interpreting various factors from the external environment of an organization that have the potential to have a significant impact both positive and negative on the company's performance and business sustainability (Hill & Westbrook, 2020). The external factors that are the object of this analysis generally cover a very broad dimension, ranging from macroeconomic conditions and technological developments, to government policies, socio-cultural dynamics, natural environmental factors, and the level and characteristics of competition in the industry concerned (Pan et al., 2019). In contemporary strategic management practice, comprehensive external analysis is generally conducted using two main complementary analytical frameworks, namely PESTEL analysis and Porter's Five Forces analysis (Hill & Westbrook, 2020).

PESTEL analysis is an analytical framework used to systematically evaluate six main dimensions of the macro environment that can influence a company's strategy and performance, namely the Political, Economic, Social, Technological, Environmental, and Legal dimensions (Pan et al., 2019). Political dimensions include government stability, trade policies, investment regulations, and the overall political climate that can affect the business climate (Hill & Westbrook, 2020). The economic dimension includes economic growth rates, inflation, interest rates, currency exchange rates, and unemployment rates, which directly affect consumer purchasing power and company operating costs (Houben et al., 1999). The socio-cultural dimension encompasses demographic changes, cultural values, lifestyles, and societal attitudes that determine consumer demand patterns and preferences (Kuehnl et al., 2019).

Meanwhile, Porter's Five Forces analytical framework provides a more focused perspective on industry-level analysis by identifying five fundamental competitive forces that determine the intensity of competition and the long-term attractiveness of an industry (Porter, 2008). The five forces are: (1) the threat of new entrants, which is determined by the high barriers to entry in the industry; (2) the bargaining power of suppliers, which affects the company's input costs; (3) the bargaining power of buyers, which affects prices and profit margins; (4) the threat of substitute products or services, which can shift demand towards the company's products; and (5) the intensity of competition among existing competitors, which determines how aggressive competitors are in fighting for market share (Kumar et al., 2014).

By conducting a comprehensive external analysis using both frameworks, companies can more accurately identify opportunities that can be exploited for business growth, while also anticipating threats that could potentially disrupt the organization's performance and sustainability (LaValle et al., 2010). This capability then enables management to make more precise, measurable, and adaptive strategic decisions in response to the dynamics of ongoing changes in the business environment (Olanrewaju et al., 2020). Empirical research conducted by Engert et al. (2016) found that companies that consistently conduct external analysis have

a much higher tendency to succeed in implementing their business strategies than companies that do not.

3.2 The Role of Customer Analytics

Customer analysis is a systematic and ongoing process of collecting, processing, and interpreting data and information regarding the needs, desires, preferences, motivations, and behavior of consumers who are the company's target market (Sarker, 2021). The information generated from in-depth and accurate customer analysis is a crucial and irreplaceable input in the strategic decision-making process across various business aspects, from determining marketing and pricing strategies, to developing new products and services, and designing effective customer service systems (Lemon & Verhoef, 2020). Without a strong understanding of customers, even the most sophisticated business strategies risk failure due to a lack of alignment with the market's true needs and expectations (Veliyath & Fitzgerald, 2000).

Comprehensive customer analysis generally encompasses several interrelated and complementary analytical dimensions (Lemon & Verhoef, 2020). First, market segmentation, which is the process of dividing a heterogeneous market into more homogeneous consumer groups based on relevant demographic, psychographic, geographic, or behavioral characteristics (Keyser et al., 2015). Second, customer needs analysis, which aims to deeply identify what consumers truly need and want, not just what they explicitly state (Kuehnl et al., 2019). Third, customer journey analysis, which maps the entire series of touchpoints between customers and a brand or company, from initial awareness to repeat purchases and brand advocacy (Lemon & Verhoef, 2020). In addition, ongoing investment in relationship-building activities such as loyalty programs, personalized communication, and direct mailings has been shown to strengthen customer commitment and trust across different markets and industries, further reinforcing the value of a relationally oriented customer analysis (Wulf et al., 2001).

In the digital era marked by the proliferation of the internet, smartphones, social media, and artificial intelligence technology, consumer behavior has undergone a fundamental and comprehensive transformation (Bharadwaj et al., 2020). Today's consumers tend to have high digital literacy, are more informed, more critical and selective, and have much higher expectations for the quality of products, services, and experiences provided by companies than consumers of previous generations (Weihrich, 1982). Moreover, digital consumers also have much greater power to influence public perception of a brand or company through online reviews, social media, and various other digital platforms (Aiello et al., 2020). This phenomenon fundamentally changes the dynamics of the relationship between companies and customers, from a previously transactional and one way model to a more relational, collaborative, and two way model (Yontar & Derse, 2023). However, companies' efforts to collect and use personal data to deliver more personalized offerings must be carefully balanced against consumer concerns over privacy and trust, since overly intrusive data collection practices can undermine the effectiveness of digital advertising and damage brand perception (Aguirre et al., 2015).

3.3 Integration of External and Customer Analysis in Strategy Formulation

Synergistically integrating external analysis and customer analysis is key to formulating a truly effective, relevant, and sustainable business strategy in the increasingly complex context of modern business competition (Hitt et al., 2021). External analysis provides a comprehensive macro and industry overview of market conditions, the competitive landscape, and environmental factors affecting the industry as a whole, while customer

analysis provides in depth and detailed micro insights into specific consumer needs, preferences, and behaviors (Johnson et al., 2020).

One of the most effective and widely used analytical frameworks for integrating the results of these two analyses into the strategy formulation process is the SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis (Cateora et al., 2024). In this integrated context, the opportunities and threats identified from the external analysis are combined with the internal strengths and weaknesses obtained from the internal analysis, and combined with the in-depth insights into customer needs and preferences generated from the customer analysis, to produce holistic and comprehensive strategic choices (Johnson et al., 2020). The SWOT methodology itself has been extensively examined and refined in the literature, including comprehensive reviews of its applications across industries, its grounding in the resource-based view of the firm, its extension into the TOWS matrix for generating concrete strategic alternatives, the development of knowledge-based SWOT systems to support strategic planning in small and medium enterprises, and hybrid SWOT/TOWS approaches combined with multi-criteria decision-making techniques such as AHP and ANP (Veliyath & Fitzgerald, 2000).

By combining these two analyses comprehensively and systematically, companies can achieve a number of significant and interrelated strategic benefits (Grant, 2021). First, companies are able to more accurately and precisely tailor their products and services to actual market needs, thereby creating a stronger and more attractive value proposition in the eyes of consumers (Kotler et al., 2021). Second, companies can determine and implement more precise, effective, and efficient marketing strategies because they are based on a deep understanding of market segments, consumer preferences, and existing competitive dynamics (Johnson et al., 2020). Third, the integration of these two analyses enables companies to identify and capitalize on new, previously unseen business opportunities, both in existing market segments and in new, underserved ones (Grant, 2021). Fourth, a better understanding of customers integrated with an understanding of external environmental dynamics directly contributes to increased customer satisfaction and loyalty, which in turn results in more stable revenues and sustainable business growth (Lemon & Verhoef, 2020).

3.4 Effectiveness of Analysis-Based Business Strategy

Business strategies formulated based on comprehensive external analysis and in-depth customer analysis have been consistently proven to yield significantly higher levels of effectiveness than strategies formulated solely based on managerial intuition or historical experience that may no longer be relevant to current market conditions (Hitt et al., 2021). This is because strategies based on data-driven analysis and empirical facts have a much more solid and objective foundation, making them better able to anticipate environmental changes, respond to consumer needs, and optimize the allocation of a company's resources (Grant, 2021).

The success indicators of an analytics-based business strategy can be measured and evaluated through a variety of comprehensive and multidimensional performance metrics (Johnson et al., 2020). From a financial performance perspective, key indicators used include increased revenue and profitability, market share growth, increased return on investment (ROI), and the creation of sustainable shareholder value (Ansu-Mensah et al., 2021). From a customer perspective, the most relevant success indicators include increased Customer Satisfaction Score (CSAT), higher Net Promoter Score (NPS), better customer retention rates, and increased Customer Lifetime Value (CLV) (Kumar et al., 2014). Meanwhile, from a competitive position perspective, success indicators can be seen from a company's ability to maintain or enhance its competitive advantage in the market, its ability to consistently

innovate, and its capacity to adapt to ongoing changes in the business environment (Hitt et al., 2021).

3.5 Challenges in Implementing External and Customer Analysis

Despite the significant strategic benefits well-documented in the academic literature, the effective implementation of external and customer analytics in real-world business practices also faces a number of complex and interrelated challenges (Ansu-Mensah et al., 2021). If not properly managed, these challenges can substantially reduce the quality and accuracy of the resulting analysis, ultimately compromising the effectiveness of the business strategies formulated based on it (Veliyath & Fitzgerald, 2000).

The first and most fundamental challenge is the limited availability of accurate, comprehensive, and up-to-date data as input for analysis (Kumar et al., 2014). In many business contexts, particularly in emerging markets, the external data necessary for macro-environmental and industry analysis is often unavailable, incomplete, unreliable, or prohibitively expensive to obtain (Yontar & Derse, 2023). Similarly, high-quality customer data is often difficult to collect, especially for companies lacking adequate information technology infrastructure or effective customer relationship management (CRM) systems (Lemon & Verhoef, 2020). Big data analytics technologies offer a promising way to overcome these data limitations by enabling organizations to extract meaningful and actionable insights from large, complex, and fast-growing datasets, although realizing this potential value requires substantial organizational commitment and technological investment (LaValle et al., 2010).

The second challenge is the increasingly rapid and unpredictable pace of market change, which can make the findings of analyses conducted at a given point in time obsolete and irrelevant in a very short time (Bharadwaj et al., 2020). Technological disruption, sudden regulatory changes, the emergence of unexpected new competitors, and drastic shifts in consumer preferences are all concrete examples of changes that can rapidly alter the competitive landscape and render previous analyses invalid (Johnson et al., 2020).

The third challenge is the limited human resources with adequate analytical competencies (Grant, 2021). Conducting comprehensive, high-quality external and customer analysis requires human resources who not only possess a deep understanding of strategic analysis methodologies but also possess the technical skills to process and interpret data, as well as the capacity to translate analytical findings into actionable strategic recommendations relevant to the company's specific business context (Bharadwaj et al., 2020). Building strong data science and analytics capabilities, including data-driven decision-making, smart computing, and the practical application of analytical techniques to real business problems, is therefore essential for companies seeking to close this competency gap (Sarker, 2021). Therefore, companies need to invest continuously in developing the analytical capacity of their human resources and building the necessary technological systems and infrastructure to support effective data-driven decision-making (Johnson et al., 2020).

4. CONCLUSION

Based on the literature review, it can be concluded that external analysis and customer analysis are the main foundations in formulating effective and sustainable business strategies. External analysis helps companies understand the business environment through macro factors and industry competition, while customer analysis provides insights into consumer needs, preferences, and behavior. Integrating these two analyses enables companies to create more adaptive, competitive, and customer-value-oriented strategies. Despite various challenges in implementation, the use of analytical technology and competent human

resources can improve the quality of analysis, so that investment in analytical capabilities is seen as a strategic step to support long-term business success.

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