STRATEGIC ANALYSIS

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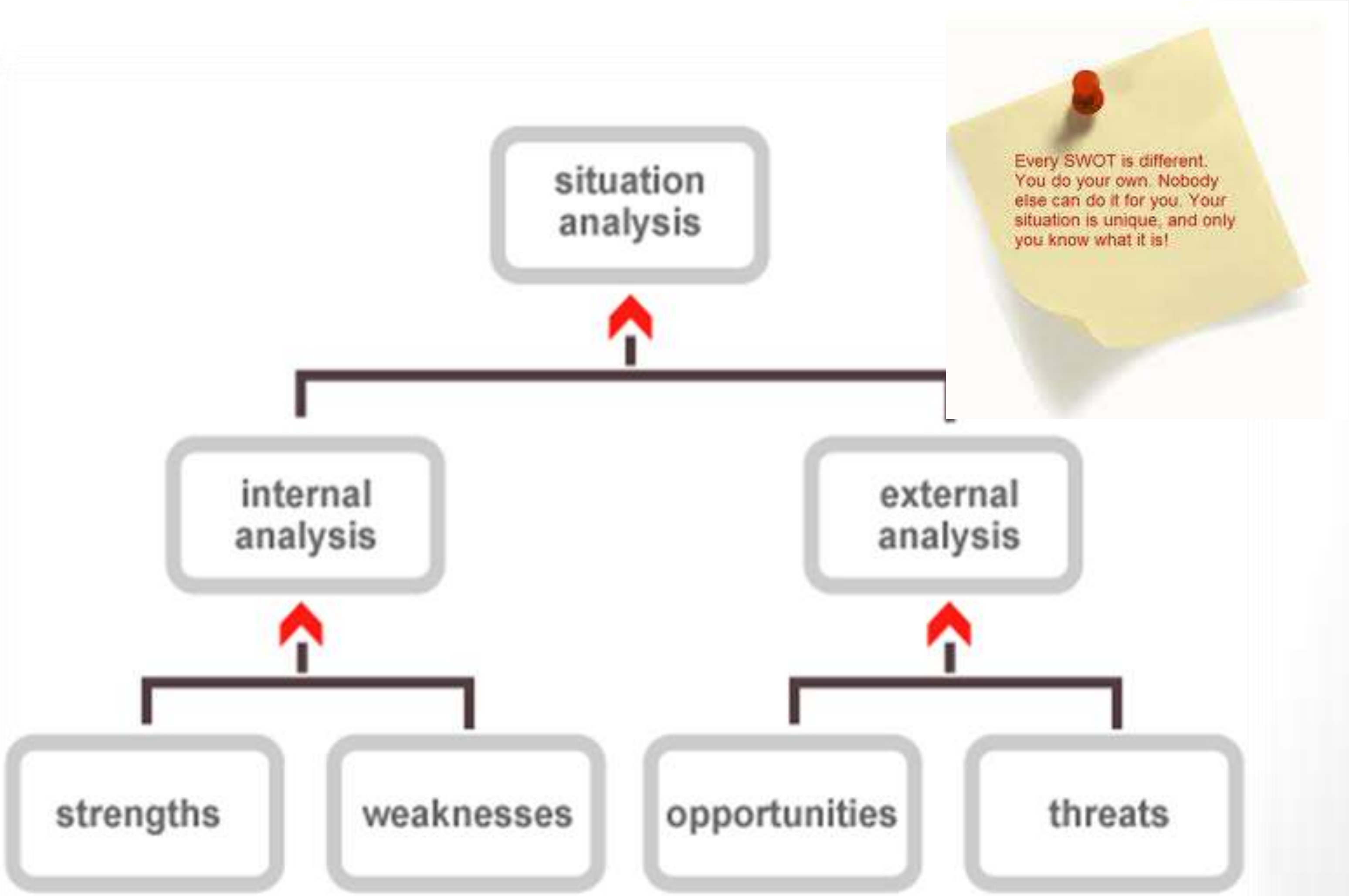
Introduction: Environmental Scanning



Strategic Analysis

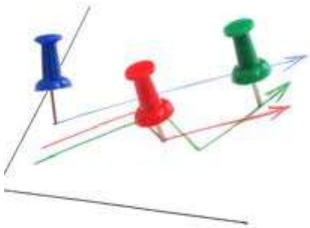
“Developing a theoretically informed understanding of the environment in which an organisation is operating, together with an understanding of the organisation’s interaction with its environment in order to improve organisational efficiency and effectiveness by increasing the organisation’s capacity to deploy and redeploy its resources intelligently”.

The two most important situational considerations are:

- Industry and Competitive Conditions
- Company’s own competitive capabilities, resources, internal strength, weakness, and market position.

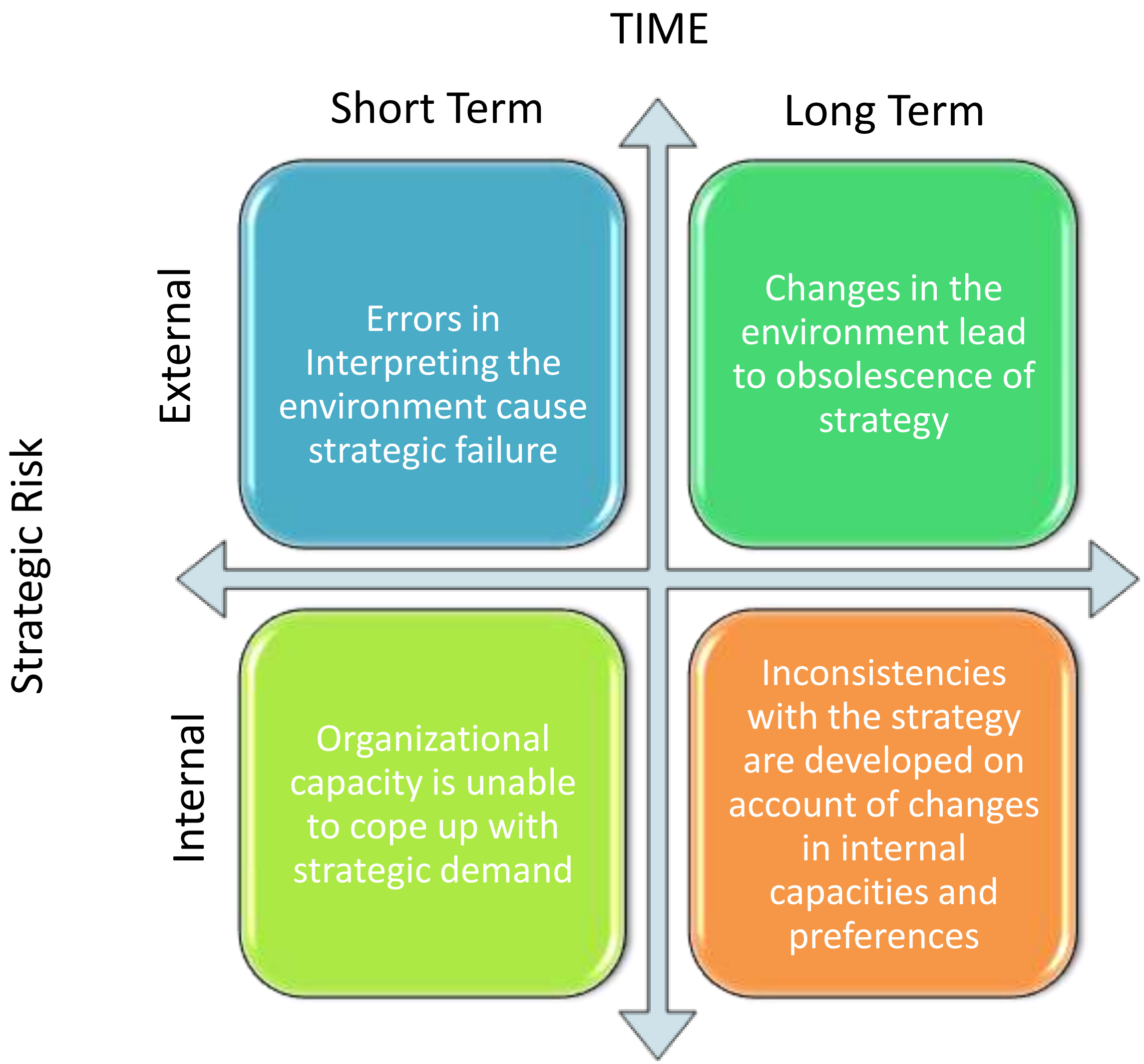
Understanding companies environment (both internal and external) will create a winning strategy or else company will loose its competitive advantage and companies performance will be affected.

Issues to Consider for Strategic Analysis

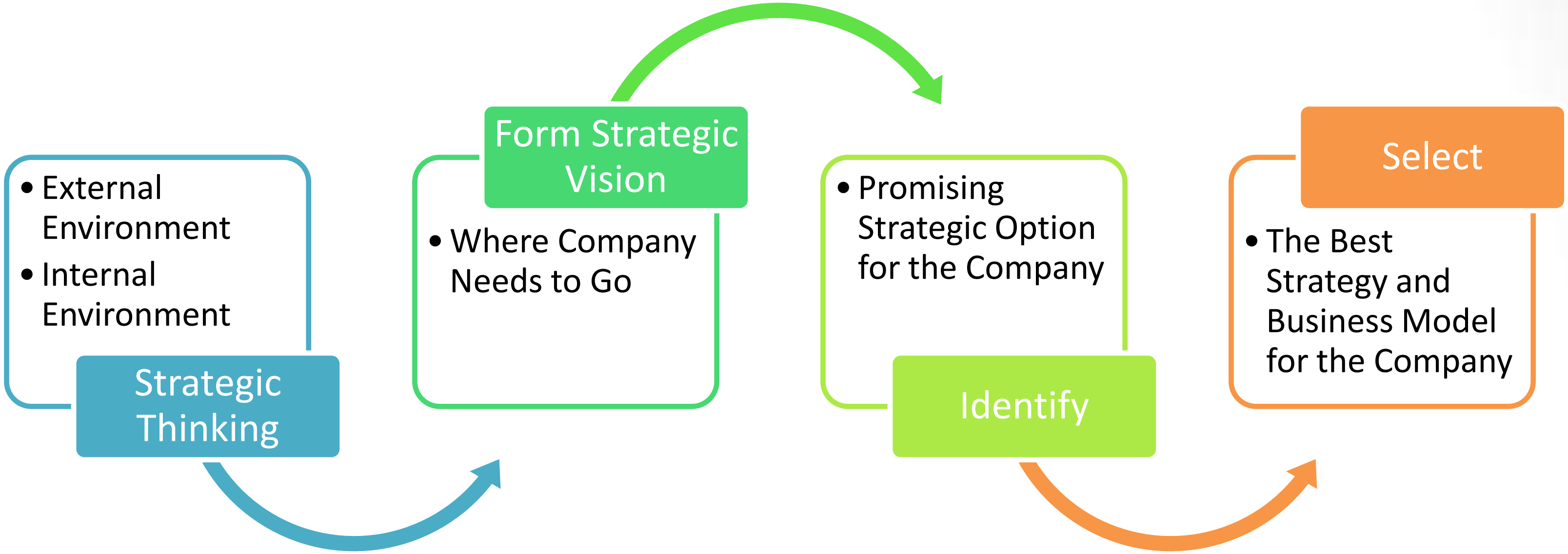


- Strategy evolves over a period of time: It involves study of possible implications of small routine decisions taken over a extended period of time and these decisions must be balanced.
- Balance: Strategic analysis involves workable balance between diverse and conflicting considerations. For example matching internal potential of firm with environmental opportunities. Constraint forces vary in nature, degree, magnitude, and importance. These factors can be managed to certain extent.
- Risk: As competitive markets grows, liberalization, globalization, technological advancements, inter country relations pose risks at varying degree. Thus strategic analysis should identify potential imbalance / risk and assess their consequences.

Strategic Risk Analysis



Situational Analysis



- Product Situation – My current products
- Competitive Situation – Analyze the main competitors
- Distribution Situation – Review your distribution system
- Environmental Factors – Analyze the external and internal environment
- Opportunity and Issues Analysis – SWOT analysis

Frame Work of Strategic Analysis

Methods of Industry and Competitive Analysis

Industry and Competitive analysis aims at developing insight into several issues like industry traits, intensity of competition, drivers of industry change, market position, and strategy of rival companies, industry profit outlook etc. It is thus thinking strategically about investing into some company. The issues to look into are:

- ***Dominant Economic Features of Industry***
- ***Nature and Strength of Competition***
- ***Triggers of Change***
- ***Identify the Companies that are in Strongest / Weakest Positions***
- ***Likely Strategic Moves of Rivals***
- ***Key factors of Competitive Success***
- ***Prospects and Financial Attractiveness of Industry***

Dominant Economic Features of the Industry

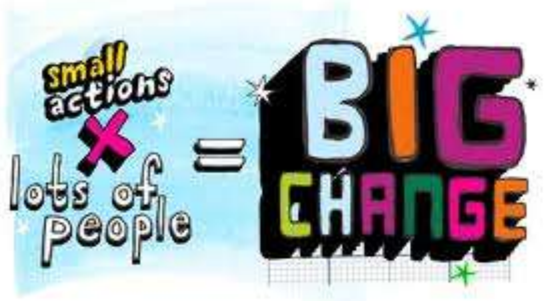
- Market size and growth rate/stage in life cycle
- Scope of competitive rivalry
- Number of competitors and relative sizes
- Prevalence of backward/forward integration
- Entry/exit barriers
- Nature and pace of technological change
- Product and customer characteristics
- Scale economies and experience curve effects
- Capacity utilization and capital requirements
- Industry profitability

Nature and Strength of Competition

- Moderate
- Fierce
- Cutthroat
- Best Price
- Product Quality
- Product Reliability (washer and dryers, PC's)
- Service Quickness and Reliability (Fast foods, online shopping)
- Product Features and Performance (Cars, cameras)
- Brand Reputation (Beer, soft drinks)
- Cooperation with Suppliers
- Cooperation with Customers
- Cooperation with other Competitors

Triggers of Change

- Industries change because forces are driving industry participants to alter their actions. Driving forces are the major underlying causes of changing industry and competitive conditions.
- Identify those forces likely to exert greatest influence over next 1 - 3 years, Usually no more than 3 – 4 factors qualify as real drivers of change, Assess impact. What difference will the forces make – favorable / unfavorable?
  - Internet and e-commerce opportunities (Increasing globalization of industry)
  - Changes in long-term industry growth rate
  - Changes in who buys the product and how they use it
  - Product innovation - Technological change/process innovation
  - Marketing innovation
  - Entry or exit of major firms
  - Diffusion of technical knowledge and Changes in cost and efficiency
  - Market shift from standardized to differentiated products (or vice versa)
  - Regulatory policies / government legislation / Changing societal concerns, attitudes, and lifestyles
  - Changes in degree of uncertainty and risk



Identifying Co. Strongest / Weakest Points

- One technique for revealing the different competitive positions of industry rivals is strategic group mapping. A strategic group consists of those rivals with similar competitive approaches in an industry.
- Firms in same strategic group have two or more competitive characteristics in common
  - Sell in same price/quality range
  - Cover same geographic areas
  - Be vertically integrated to same degree
  - Have comparable product line breadth
  - Emphasize same types of distribution Channels
  - Offer buyers similar services
  - Use identical technological approaches

Procedure for Constructing a Strategic Group Map

- STEP 1: Identify competitive characteristics that differentiate firms in an industry from one another
- STEP 2: Plot firms on a two-variable map using pairs of these differentiating characteristics
- STEP 3: Assign firms that fall in about the same strategy space to same strategic group
- STEP 4: Draw circles around each group, making circles proportional to size of group's respective share of total industry sales

Guidelines for Strategic group Maps

- Variables selected as axes should not be highly correlated, and should expose big differences in how rivals compete
- Variables do not have to be either quantitative or continuous
- Drawing sizes of circles proportional to combined sales of firms in each strategic group allows map to reflect relative sizes of each strategic group
- If more than two good competitive variables can be used, several maps can be drawn

Likely Strategic Moves of Rivals

- A firm's own best strategic moves are affected by
  - Current strategies of competitors
  - Future actions of competitors
- Profiling key rivals involves gathering competitive intelligence about their
  - Current strategies
  - Most recent moves
  - Resource strengths and weaknesses
  - Announced plans

Predicting Rivals' Next Moves Involves

- Analyzing their current competitive positions
- Examining public pronouncements about what it will take to be successful in industry
- Gathering information from grapevine about current activities and potential changes
- Studying past actions and leadership
- Determining who has flexibility to make major strategic changes and who is locked into pursuing same basic strategy

Key Factors of Competitive Success

- Competitive elements most affecting every industry member's ability to prosper
  - Specific strategy elements
  - Product attributes
  - Resources
  - Competencies
  - Competitive capabilities

- Competitive Success Factor spell the difference between
  - Profit and loss
  - Competitive success or failure

Key Success Factors

Technology-related	Scientific research expertise; Product innovation capability; Expertise in a given technology; Capability to use Internet to conduct various business activities
Manufacturing-related	Low-cost production efficiency; Quality of manufacture; High use of fixed assets; Low-cost plant locations; High labor productivity; Low-cost product design; Flexibility to make a range of products
Distribution-related	Strong network of wholesale distributors/dealers; Gaining ample space on retailer shelves; Having company-owned retail outlets; Low distribution costs; Fast delivery
Marketing-related	Fast, accurate technical assistance; Courteous customer service; Accurate filling of orders; Breadth of product line; Merchandising skills; Attractive styling; Customer guarantees; Clever advertising
Skills-related	Superior workforce talent; Quality control know-how; Design expertise; Expertise in a particular technology; Ability to develop innovative products; Ability to get new products to market quickly
Organizational capability	Superior information systems; Ability to respond quickly to shifting market conditions; Superior ability to employ Internet to conduct business; More experience & managerial know-how
Other types	Favorable image/reputation with buyers; Overall low-cost; Convenient locations; Pleasant, courteous employees; Access to financial capital; Patent protection

Prospects of Financial Attractiveness of Industry

- Things to Consider
  - Industry’s market size and growth potential
  - Whether competitive conditions are conducive to
  - Rising/falling industry profitability
  - Will competitive forces become stronger or weaker
  - Whether industry will be favorably or unfavorably
  - Impacted by driving forces
  - Potential for entry/exit of major firms
  - Stability/dependability of demand
  - Severity of problems facing industry as a whole
  - Degree of risk and uncertainty in industry’s future

SWOT Analysis

- Generation of Series of Strategic Alternatives
- Strength is inherent capability of an organization helps to gain strategic advantage over competitors
- Weakness is inherent limitation or constrain of an organization which creates strategic disadvantage
- Opportunity is favourable condition which enables organization to strengthen its position
- Threats is an unfavourable condition which results into risk, damage to organization.

Strength (S)	Weakness (W)
A distinctive competence? Well-thought-of by stakeholders? An acknowledged academic leader? Well conceived operational strategies? Location advantages? Insulated from competitive pressures? Proprietary technology? Adequate financial resources? Access to economies of scale? Cost advantages? Product innovation abilities? Proven Management? Other?	No clear strategic direction Obsolete facilities? Weak image? Falling behind in R&D? Too narrow ranges of courses offered? Lack of managerial depth and talent? Missing any essential skills or competencies? Poor track record? Plagued with internal operating problems? Vulnerable to competitive pressures? Competitive disadvantages? Below-average marketing skills? Unable to finance needed changes in strategy? Other?
Opportunities (O)	**Threats (T)**
Serve additional customer groups? Enter new market or segments? Expand courses to meet broader range of customer needs? Diversify into related courses or services? Add complementary courses or services? Vertical integration? Ability to move to better strategic group? Complacency among other institutions? Faster market growth Other?	Likely entry of new competitors? Growing of substitute courses? Slower student growth? Adverse government polices? Growing competitive pressures? Vulnerability to recession and business cycle? Growing bargaining power of customers or suppliers? Changing stakeholder needs and tastes? Adverse demographic changes? Other?

Set of Strategies

- Functional Level Strategy – Directed at improving effectiveness of operations like marketing, finance etc..
- Business Level Strategy – Business overall competitive theme, including cost leadership, differentiation, focusing on particular segment etc.
- Global Level Strategy – How to expand operations outside home country and global competitive advantage.
- Corporate Level Strategy – Which business should we be in and how to maximize profitability in long run.
- The organizational performance in market is influenced by:
  - Organizations correct market position,
  - The nature of environmental opportunities and threats
  - Organizational resource capability to capitalize on situations

Significance of SWOT Analysis

- Provides Logical Framework for handling issues having bearing on business situation, generation of alternative strategies and choice of strategy.
- Presents Comparative Account of both internal and external environmental factors in structured from do develop a suitable pattern of relationships.
- Guides Strategist in Strategy Identification where he can think of overall position of the organization and thus identify the major purpose of the strategy under focus.
- Helps in crafting Business Models that will allow company to gain a competitive advantage in its industry sector. This leads to increased profitability, and maximizes company’s survival turbulent environment.

TOWS Matrix: By Heinz Weihrich

He compared strength and weaknesses of organization with that of market opportunities and threats thus giving manager multiple strategic choices that the outcome demands.

SWOT Analysis			
		Internal Environment	
		Strength	Weaknesses
External Environment	Opportunities	S-O Strategies The opportunities which the organization can pursue, based on existing strengths	S-W Strategies The opportunities which the organization can pursue, by surmounting existing weaknesses.
	Threats	T-S Strategies Those approaches which use the organization's existing strengths to reduce the likelihood of being vulnerable to potential threats	T-W Strategies Protect the organization against emerging threats, by overcoming existing weaknesses

Portfolio Analysis

- Portfolio analysis has been devised to help associations bridge the gap between strategy formulation and strategy implementation.
- Portfolio analysis is a systematic way to analyze the products and services that make up an association's business portfolio.
- Portfolio analysis helps you decide which of these products and services should be emphasized and which should be phased out, based on objective criteria.
- portfolio analysis should be regarded as a disciplined and organized way of thinking about asset allocation. It is only a subjective tool, however, and is not a substitute for the ultimate professional judgment of the responsible decision-makers.

Strategic Business Unit (SBU)

- The **strategic business unit** (SBU) is an adaptation of the divisional structure whereby various divisions or parts of divisions are grouped together based on some common strategic elements, usually linked to distinct product/market differences .
- Strategic business units are absolutely essential for multi product organizations. These business units are basically known as profit centres. They are focused towards a set of products and are responsible for each and every decision / strategy to be taken for that particular set of products.
  - To be identified an SBU an entity should be a *separate identifiable business*
  - Have a distinct mission
  - Have its own competitors
  - Have its own executive group with profit responsibility

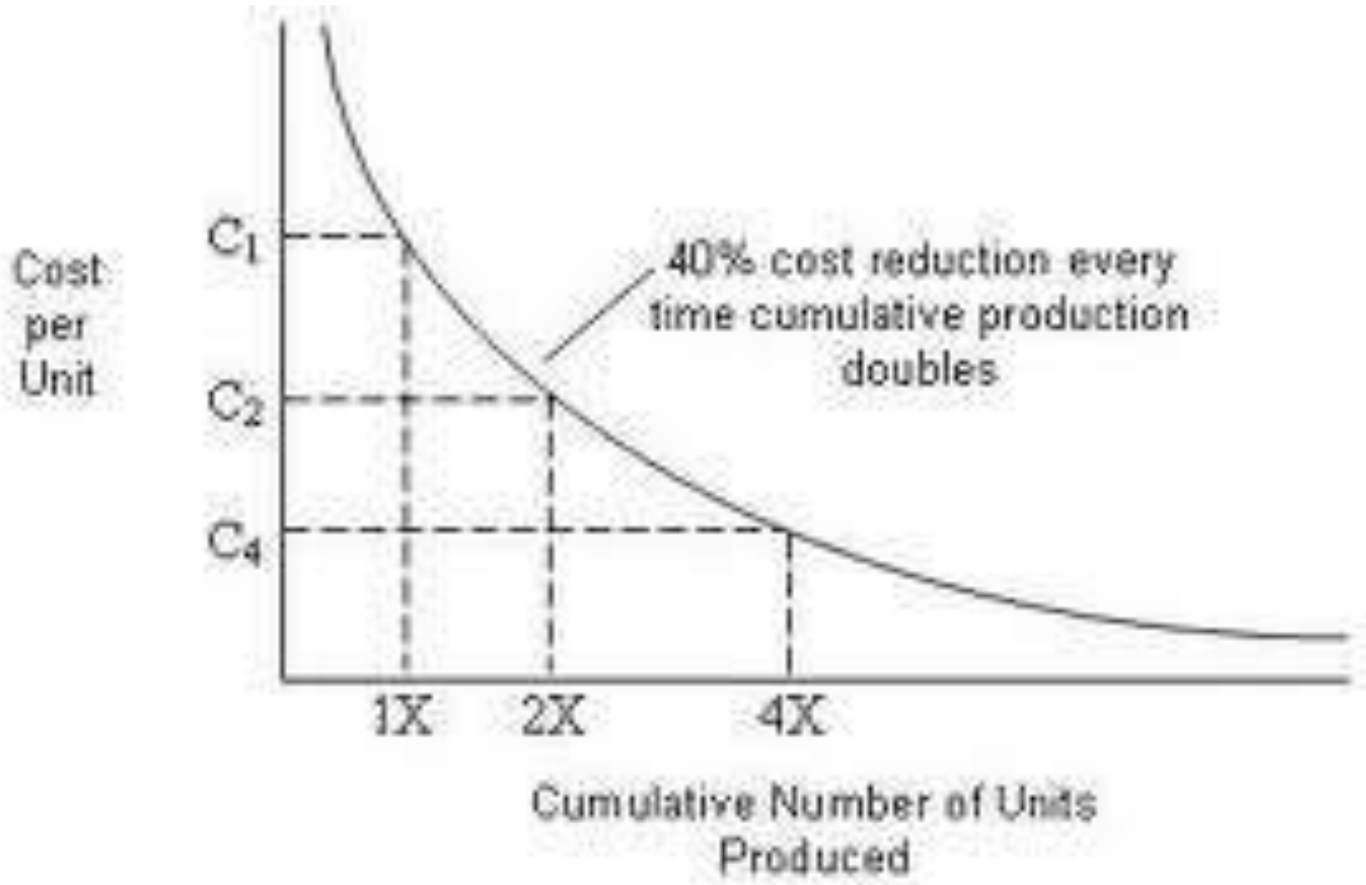
Strategic Business Unit (SBU)

- Large companies normally manage quite different businesses each requiring its own strategy General Electronics classified its businesses into 49 st*rategic business units SBUs*
- *SBU has three characteristics*
  - It is a single business or collection of related businesses that can be planned separately from the rest of the company
  - It has its own set of competitors
  - It has a manager who is responsible for strategic planning and profit performance and who controls most of the factors affecting profit
  - The purpose of identifying the company s strategic business units is to develop se parate strategic and assign appropriate funding
  - And helps the development of business level strategies since these may need to vary from one SBU to another

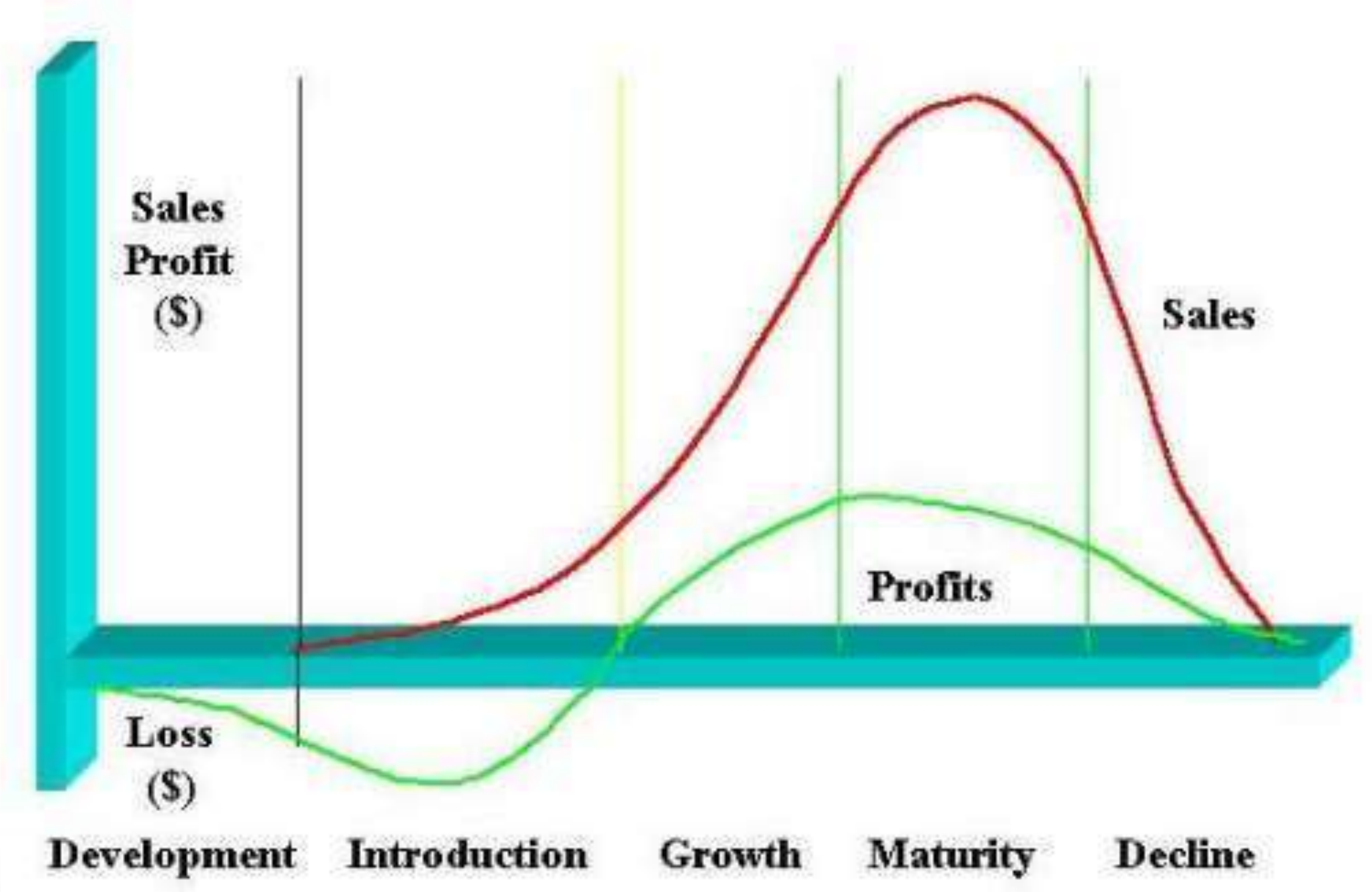
Experience Curve

- It is similar to a learning curve which explains the efficiency increases gained by workers through repetitive productive work.
- Unit costs decline as firms accumulates experience in terms of cumulative volume of production. Costs characteristically decline by 20-30% in real terms each time accumulated experience doubles. This means that when inflation is factored out, costs should always decline. The decline is fast if growth is fast and slow if growth is slow.
- Experience curve results in variety of factors such as learning effects, economies of scale, product redesign, and technological improvement in production.
- Experience curve is considered a barrier for new firms contemplating entry in an industry. It is also used to build market share and discourage competition.

Experience Curve



Product Life Cycle

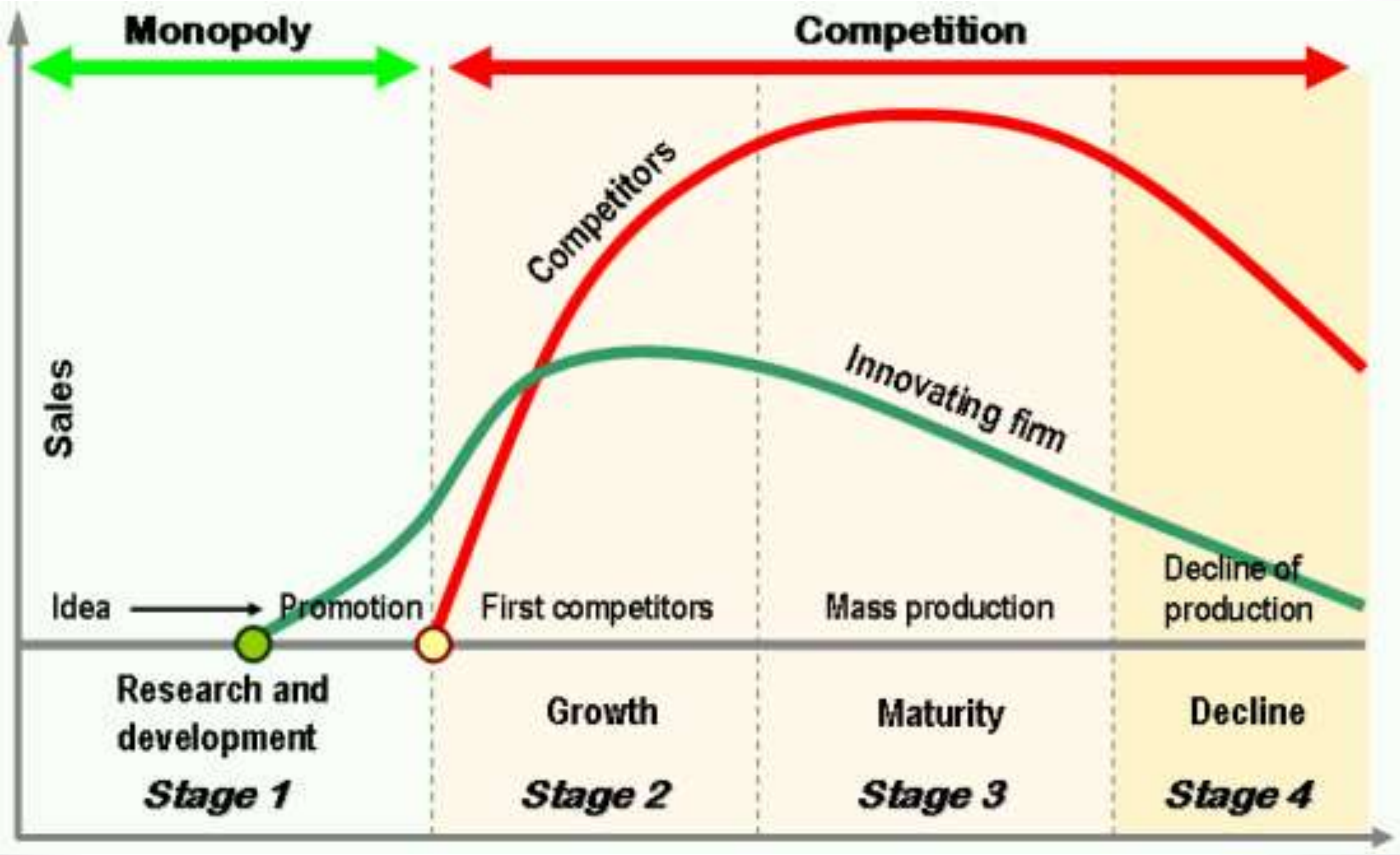


Product Life Cycle

PLC can be used to diagnose portfolio of products in order to establish the stage at which each of them exists. The main stages of the product life cycle are:

- Introduction – researching, developing and then launching the product, slow sales growth. Expansion is feasible alternative
- Growth – when sales are increasing at their fastest rate and there is rapid market acceptance. Expansion is feasible alternative
- Maturity – sales are near their highest, but the rate of growth is slowing down, e.g. new competitors in market or saturation. Source of cash for investment
- Decline – final stage of the cycle, when sales begin to fall or there is sharp downward drift. Selective Harvesting, Retrenchment

Product Life Cycle



Boston Consulting Group (BCG) Matrix

- The BCG Matrix is based on product life cycle theory that can be used to determine what priorities should be given in product portfolio of a business unit. According to this technique, businesses or products are classified as low or high performers depending upon their market growth rate and relative market share.
  - Market share is the percentage of total market that is being serviced by your company measured either in revenue terms or unit volume terms.

Relative Market Share = Business Unit Sales this Year / Leading Rival Sales this Year

  - Market growth is used as a measure of market attractiveness

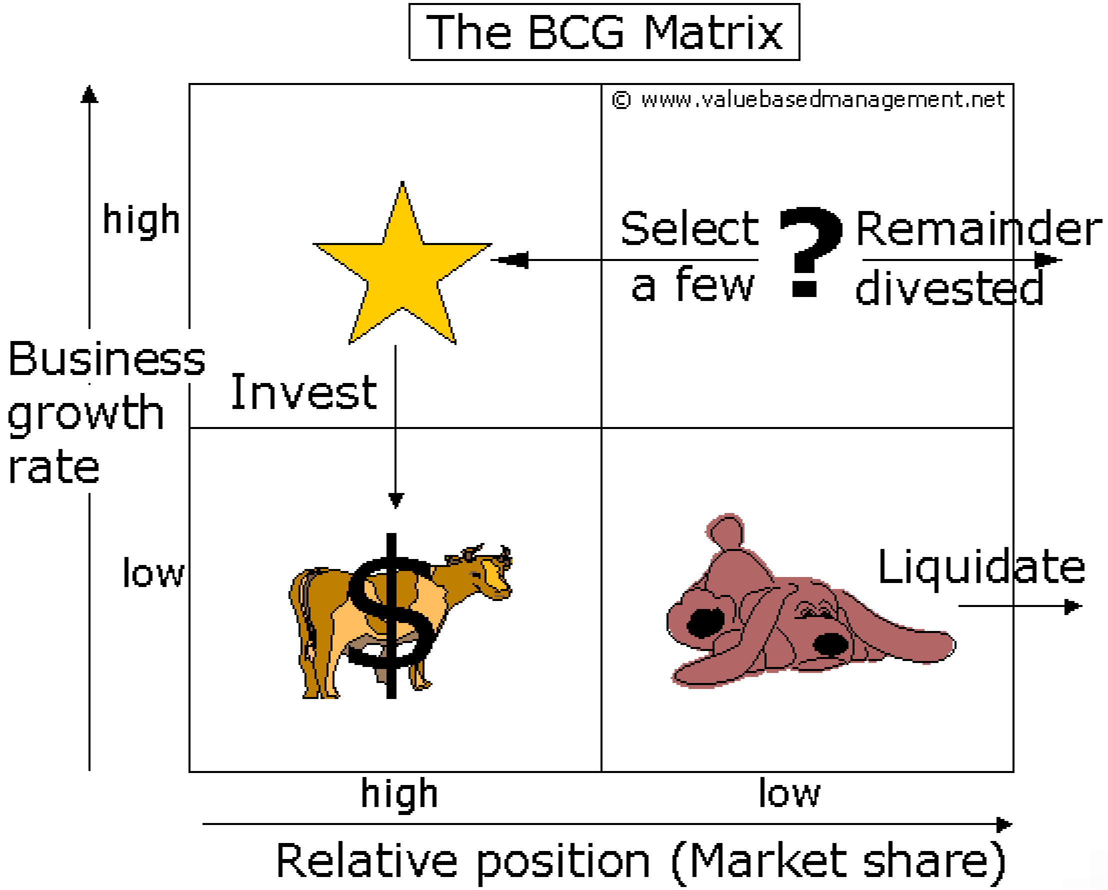
MGR = Individual Sales this Year – Individual Sales Last Year / Individual Sales Last Year

BCG Matrix

- The Boston Matrix assumes that if you enjoy a high market share you will be making money. (This assumption is based on the idea that you will have been in the market long enough to have learned how to be profitable, and will be enjoying scale economies that give you an advantage). The question it asks is, "Should you be investing additional resources into a particular product line just because it is making you money?" The answer is, "not necessarily."
- This is where market growth comes into play. Market growth is used as a measure of a market's attractiveness. Markets experiencing high growth are ones where the total market is expanding, meaning that it’s relatively easy for businesses to grow their profits, even if their market share remains stable.
- By contrast, competition in low growth markets is often bitter, and while you might have high market share now, it may be hard to retain that market share without aggressive discounting. This makes low growth markets less attractive.

BCG Matrix

- The Boston Matrix categorizes opportunities into four groups, shown on axes of Market Growth and Market Share:



Stars (High Growth – High Market Share)

- The business has high market share compared to competitors and it is doing business in high-growth market. This business is a market leader. Successful Question Marks will grow their business and capture more market share and will hopefully become Stars (move from the Question Marks quadrant to the Stars quadrant).
- Successful and competitive organizations have at least one star business unit or product. Stars have to improve their business continuously in order to keep their position in the marketplace. As long as this market is growing new question marks will try to capture new business.
- *Invest for sales growth and market share. Use cash from Cash Cows to support required investments.*

Question Marks (High Growth–Low Market Share)

- The business unit has low market share compared to competitors, however it is doing business in high-growth market. Most of the new businesses start in this quadrant. There are well established businesses in this market and new businesses try to grow and capture more market share. This market is growing and there are opportunities for new businesses. At the same time there is risk involved with investing in this business – because of that these businesses are called question marks. Question Marks have to develop and grow by investing and continuously improving their business.
- *Grow sales by increasing market share. Use cash from Cash Cows to support required investments.*

COWS – (Low Growth – High Market Share)

- The market is not very attractive – low market growth rate, however the business has high market share compared to competitors. This business generates a lot of cash and helps the organization invest in other businesses.
- Since the market does not attract new players, this business does not need substantial investments to keep the market share. Cash Cows have to protect and keep the market share and maximize cash flow.
- *Maintain the strong market position and defend your market share. Take advantage of sales volume and leverage the size of operations. Support other businesses.*

DOGS – (Low Growth – Low Market Share)

- This business has low market share and operates in low-growth market. It is unlikely that this business is very profitable – more likely this business is a loser. Such a business needs consideration and new strategy development. Potential strategies are withdrawal, selling the business, repositioning the current business, and operating cost reduction.
- *Optimize your current operations. Get rid of all non value added activities and features. Reposition your offering to generate positive cash flow or sell this business.*

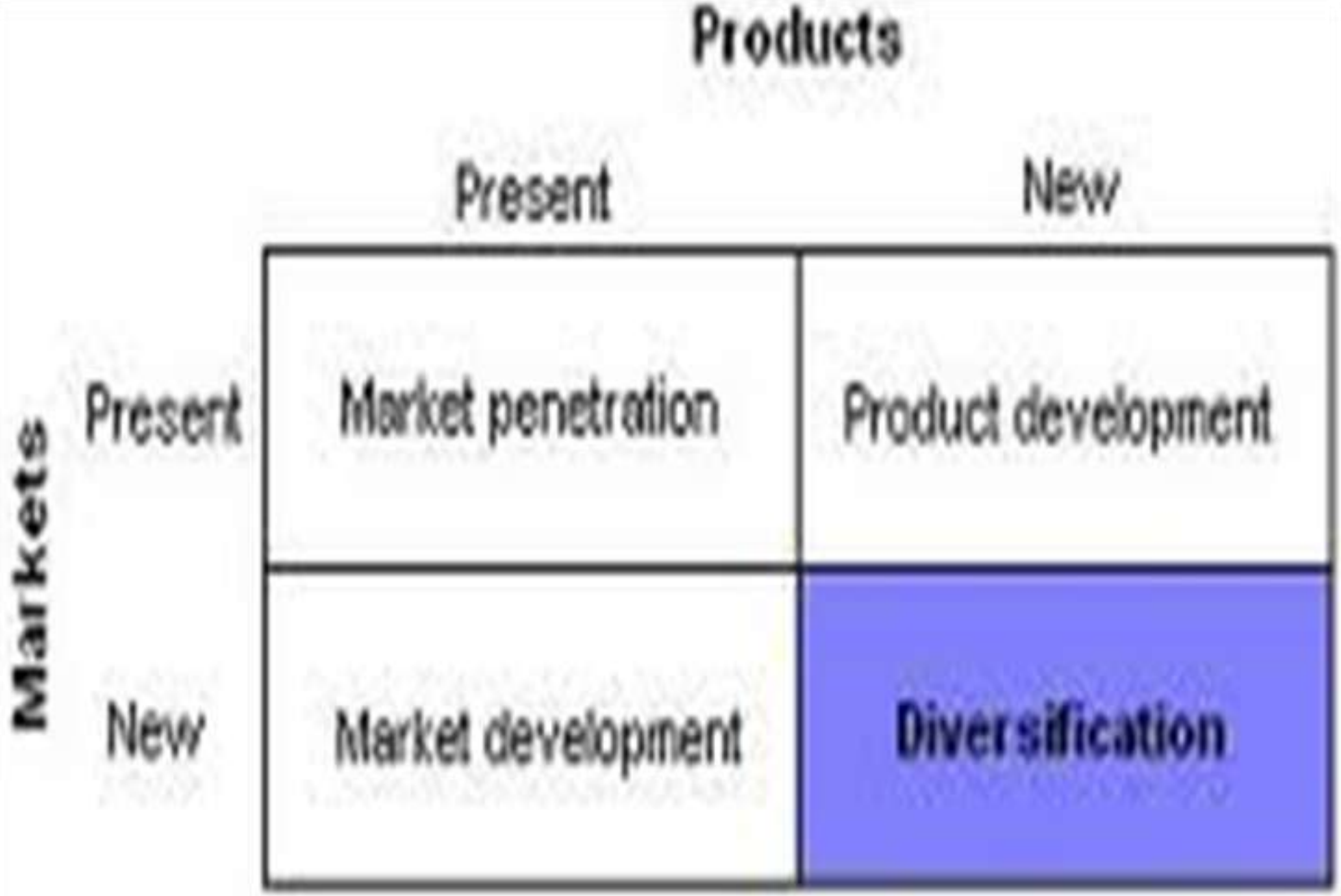
Limitations of BCG Matrix

- The BCG Matrix produces a framework for allocating resources among different business units and makes it possible to compare many business units at a glance.
- BCG matrix classifies businesses as low and high, but generally businesses can be medium also. Thus, the true nature of business may not be reflected.
- Market is not clearly defined in this model.
- High market share does not always leads to high profits. There are high costs also involved with high market share.
- Growth rate and relative market share are not the only indicators of profitability. This model ignores and overlooks other indicators of profitability.
- At times, dogs may help other businesses in gaining competitive advantage. They can earn even more than cash cows sometimes.
- This four-celled approach is considered as to be too simplistic.

Ansoff Product Market Growth Matrix

- The Ansoff Growth matrix is a tool that helps businesses decide their product and market growth strategy. Sometimes called the Product/Market Expansion Grid, the Ansoff Matrix shows four ways that businesses can grow, and it can help you think through the risks associated with each option.
- Ansoff's product/market growth matrix suggests that a business' attempts to grow depend on whether it markets **new or existing** products in **new or existing markets.**
- Imagine a square divided into four quadrants representing your four growth choices, which include selling…
  - Existing products to existing customers
  - New products to existing customers
  - Existing products to new markets
  - New products to new markets

Ansoff Matrix



Market Penetration

- Market penetration is the name given to a growth strategy where the business focuses on selling existing products into existing markets. Market penetration seeks to achieve four main objectives:
- Maintain or increase the market share of current products – this can be achieved by a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling
- Secure dominance of growth markets
- Restructure a mature market by driving out competitors; this would require a much more aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors
- Increase usage by existing customers – for example by introducing loyalty schemes. A market penetration marketing strategy is very much about “business as usual”. The business is focusing on markets and products it knows well. It is likely to have good information on competitors and on customer needs. It is unlikely, therefore, that this strategy will require much investment in new market research.

Market Development

- Market development is the name given to a growth strategy where the business seeks to sell its existing products into new markets.

There are many possible ways of approaching this strategy, including:

- New geographical markets; for example exporting the product to a new country
- New product dimensions or packaging: for example
- New distribution channels
- Different pricing policies to attract different customers or create new market segments

Product Development

- Product development is the name given to a growth strategy where a business aims to introduce new products into existing markets. This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets.

Diversification

- Diversification is the name given to the growth strategy where a business markets new products in new markets.
- This strategy is risky: There's often little scope for using existing expertise or achieving economies of scale, because you are trying to sell completely different products or services to different customers because the business is moving into markets in which it has little or no experience.
- For a business to adopt a diversification strategy, therefore, it must have a clear idea about what it expects to gain from the strategy and an honest assessment of the risks.
- Its main advantage is that, should one business suffer from adverse circumstances, the other is unlikely to be affected.

Example

- **Penetration:** When marketers try to sell the existing product to the existing customers, they engage in penetration strategy. It can be achieved in multiple ways. For example, by changing pricing, by adding minor features (new and improved!), changing the packaging (shampoo sachets), or highlighting alternative uses. In this commercial, we get to how Cadbury India is pushing for chocolates to be used as small gifts instead of more traditional sweets used during Diwali festival.
- **Product Development:** McDonald's introduced salads in their outlets in order to retain its existing customers, many of whom were becoming more health conscious. Salads are exactly opposite of what McDonald's is known for! However, regulatory pressures, changing consumer behavior, and negative media coverage forced them to introduce more healthy choices on the menu.

Example

- **Market Development:** Introducing an existing product in different markets is perhaps one of the most used strategies to extract full benefit of a successful product. A very common example is entering different geographical areas nationally and internationally. I think that Apple's introduction of iPod Touch falls into the same category. iPod Touch was a replica of iPhone except that it couldn't make calls. Considering that iPhone couldn't make calls either (remember AT&T issues?), iPod Touch was basically another iPhone without the contract with AT&T. However, it just opened up a tremendous market for Apple.
- **Diversification:** When marketers introduce a totally new product to a completely new market, they engage in diversification. I think that iPod was perhaps one of the most successful diversification ever. With its launch Apple targeted a very large customer group, very different from its traditional smaller cult-like following.

ADL Matrix (Arthur D. Little)

- The **ADL Matrix** from Arthur D. Little is a portfolio management method that is based on product life cycle thinking. The ADL approach forms a two dimensional matrix based on stage of industry maturity (***Embryonic***, ***Growth***, ***Mature,*** and ***Aging***) and firms competitive position as ***Dominant***, ***Strong***, ***Favourable***, ***Tenable*** and ***Weak***), environmental assessment and business strength assessment.
- The combination between the dimensions yields 5 (competitive position) by 4 (life cycle stages) matrix (see figure 1). The positioning in the matrix identifies a general strategy. This assessment of the industry life cycle stage of each business is made on the basis of:
  - Business market share
  - Investment
  - Profitability and cashflow.

ADL Matrix (Arthur D. Little)

ADL Matrix

		Industry Life Cycle Stage			
		Embryonic	**Growth**	**Mature**	**Aging**
Competitive Position	**Dominant**	All out push for share. Hold Position	Hold Position. Hold Share.	Hold Position. Grow with industry	Hold Position.
	Strong	Attempt to improve position. All out push for share	Attempt to improve position. Push for share.	Hold Position. Grow with industry	Hold Position or Harvest.
	Favorable	Selective or all out put for share. Selective attempt to improve position.	Attempt to improve position. Selective push for share.	Custodial or maintenance. Find niche and attempt to protect it.	Harvest, or phased out withdrawal.
	Tenable	Selectively push for position	Find niche and protect it.	Find niche and hang on, or phased out Withdrawal.	Phased out withdrawal, or Abandon
	Weak	Up or out	Turnaround or abandon	Turnaround, ophaned out withdrawal.	Abandon

ADL Matrix: The Competitive Position

- The competitive position of a firm is based on the assessment of the following criteria:
  - **Dominant**: This is a comparatively rare and typically short-lived. In many cases is either to a monopoly or a strong and protected technology leadership.
  - **Strong**: Market share is strong and stable, regardless of competitors. The firm has a considerable degree of freedom over its choice of strategies and is often able to act without its market position being unduly threatened by its competitors.
  - **Favourable**: Business line enjoys competitive advantages in certain segments of market. However there are many rivals, and no clear leader among stronger rivals. Results in the market leaders a reasonable degree of freedom.
  - **Tenable**: Position in overall market is small or niche, either geographical or defined by product. Competitors are getting stronger.
  - **Weak**: Continuous loss of market share. Business line is too small to maintain profitability.

ADL Matrix: Industry Maturity Stage

- The industry maturity is based on the assessment of the following criteria:
  - **Embryonic**: Introduction stage characterized by rapid market growth and very little competition.
  - **Growth**: Market continues to strengthen and sales increase.
  - **Mature**: Market is stable, there's a well established customer base and alot of competition.
  - **Aging**: Demand decreases and companies start to abandoning the market.

ADL Matrix: Limitations

- There is no standard length of life cycles.
- Determining the current industry life cycle phase is awkward.
- Competitors may influence the length of the life cycles.

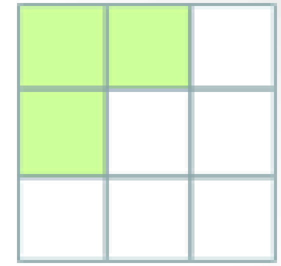
General Electric (GE) Matrix

- GE Matrix or McKinsey Matrix is a strategic tool for portfolio analysis. It is similar to the BCG Matrix and actually the GE / McKinsey Matrix is an extension of the BCG Matrix - multifactor portfolio analysis tool.
- The GE / McKinsey Matrix is divided into nine cells - nine alternatives for positioning of any SBU or product offering. Based on the strength of the business and its market attractiveness each SBU will have a different position in the matrix. Further, the market size and the current sales will distinguish each SBU. Based on clear understanding of all of these factors decision makers are able to develop effective strategies.
- The nine cells in the matrix can be grouped into three major segments:

The General Electric Model (GE Model)

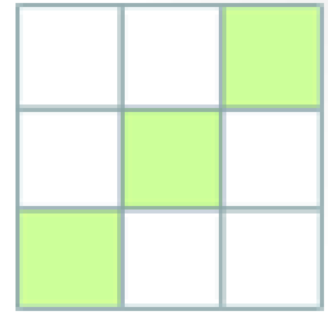
		Business Position – Strength		
		High	Medium	Low
Market attractiveness	High	Invest for growth	Invest selectively for growth	Protect. Develop selectively building upon strengths
	Medium	Invest. The organization is selective in choice of product/ service	Protect. Develop and build selectively for revenue generation	Harvest
	Low	Protect. Develop for revenue generation	Harvest Or Divest	Divest

Segment 1



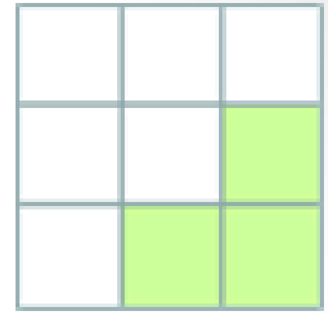
- This is the best segment. The business is strong and the market is attractive. The company should allocate resources in this business and focus on growing the business and increase market share.

Segment 2



- The business is either strong but the market is not attractive or the market is strong and the business is not strong enough to pursue potential opportunities. Decision makers should make judgment on how to further deal with these SBUs. Some of them may consume to much resources and are not promising while others may need additional resources and better strategy for growth.

Segment 3



- This is the worst segment. Businesses in this segment are weak and their market is not attractive. Decision makers should consider either repositioning these SBUs into a different market segment, develop better cost-effective offering, or get rid of these SBUs and invest the resources into more promising and attractive SBUs.

Factors that Affect Market Attractiveness

Whilst any assessment of market attractiveness is necessarily subjective, there are several factors which can help determine attractiveness. These are listed below:

- Market Size
- Market growth
- Market profitability
- Pricing trends
- Competitive intensity / rivalry
- Overall risk of returns in the industry
- Opportunity to differentiate products and services
- Segmentation
- Distribution structure (e.g. retail, direct, wholesale

Factors that Affect Competitive Strength

Whilst any assessment of Competitive Strength is necessarily subjective, there are several factors which can help determine Competitive Strength. These are listed below:

- Strength of assets and competencies
- Relative brand strength
- Market share
- Customer loyalty
- Relative cost position (cost structure compared with competitors)
- Distribution strength
- Record of technological or other innovation
- Access to financial and other investment resources


Thank
YOU!!!