

**NEWBRAND®**  
**Strategy**  
**Findings**

**2008**

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Harris Consulting LLC has used your answers in concert with a set of "expert system rules" to create a variety of analysis results. This includes a written analysis, a variety of charts, observations that call inconsistencies to your attention and "assertions" that rate our strategy with respect to numerous business and marketing concepts.

**Basis For**  
**2008**  
**Marketing**  
**Plan**

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# NEWCO, Inc.

## Strategic Analysis for NEWBRAND®

### 1.0 Executive Summary

Strategy is all about making choices. This becomes less complex the more reliable information about the enterprise's internal capabilities, market environment and competitive forces are known. There are hundreds and maybe thousands of factors that affect a business, most interacting with one another. This analysis looked at many of these factors, and their interactions, for NEWBRAND®. With the help of an analytical tool that generated ratings on dozens of key success factors we created a clear picture of the probabilities of NEWBRAND' success in the marketplace based on various strategic choices.

The analysis shows that NEWBRAND is enjoying a "moment in the sun" which makes it an attractive business today. Overall, there are strong market environment trends that are driving very rapid growth but this could be temporary. The analysis suggests that NEWBRAND needs to decide whether to "take the money and run" while things are good or begin investing in product and image differentiation and new products to build a more sustainable and higher valuation enterprise.

As things are today, there is substantial risk in the marketplace for NEWBRAND driven by three key factors:

1. Lack of differentiation
2. Lack of barriers to entry
3. Capability and propensity of competitors (known and unknown) to attack

HCLLC believes that in 2008 the nasal wash category will still be too small to attract significant investment from large companies and private equity firms. This is good for NEWBRAND because it can focus on either building the business or planning and executing a successful divestiture. However, if the market continues to grow at its current pace, or anywhere close to it, then we can expect new entrants in 2009.

We believe that NEWBRAND' best bet for 2008 is to use the company's profits to grow its line of products and differentiate its image with a view toward creating a nasal remedy enterprise vs. today's neti-pot manufacturer. A specific marketing plan that addresses the "what, how, why, when and how much" accompanies this report. It is our observation that NEWCO, Inc. has certain advantages that can put it ahead of its competitors for now however these advantages are underutilized today.

It is important to keep in mind that the large number of charts and accompanying detail are presented for discussion purposes. Although they were created empirically using intelligent software and data given us by NEWCO, and compared to the data of hundreds of companies of similar scope and market orientation, they are still open for interpretation.

We are happy to answer our questions and offer explanations regarding this information.

## 2.0 Balanced Scorecard

Robert Kaplan and David Norton proposed this concept for measuring the progress we are making on achieving our strategic objectives. They recommend that we consider concepts that require a more qualitative measurement in addition to the traditional ones. They have suggested that most scorecards consider some or all of the following concepts:

### Financial Measures

- Return-on-investment/economic value added
- Profitability
- Revenue growth/mix
- Cost reduction productivity

### Customer Measures

- Market share
- Customer acquisition
- Customer retention
- Customer profitability
- Customer satisfaction

### Internal Process Measures

- Operations Management
- Customer Management
- Innovation
- Regulatory & Social

### Learning & Growth Measures

- Employee satisfaction
- Employee retention
- Employee productivity

### Internal Process Perspective

*In what processes must NEWBRAND excel to satisfy our shareholders and customers?*

1. Enterprise' ability to create barriers to entry
2. Enterprise's advertising capabilities
3. Strength of Customer Service function
4. Strength of the production operation
5. Effective Internet implementation
6. Building an effective infrastructure
7. Preparedness of sales organization
8. Operational capabilities in support of differentiation strategy
9. Production facility adequacy
10. Enterprise's readiness to support sales
11. Strength of enterprise's channels of distribution
12. Potential for economies of scale
13. Evaluation of product promotion efforts
14. Review advertising capabilities
15. Consider more vertical integration
16. Publicity campaign experience
17. Effectiveness of product packaging
18. Availability of promotional information
19. Enterprise's publicity campaign effort
20. Product demo required

## Customer Perspective

*To achieve our vision, we need to address these purchase decision factors:*

### Enterprise competitive strength

1. Prospect's shopping characteristics
2. Analysis of factors influencing sales potential
3. Difficulty of purchase decision
4. Cost for customer to introduce and switch to our product
5. Product adoption barriers
6. Enterprise/product reputation
7. Potential for prospect confusion about product benefits
8. Potential for differentiating our product
9. Fashion trends are transitory
10. Brand name recognition
11. Product's market appeal
12. Product complexity
13. Product uniqueness
14. Impact of cultural trends
15. Impact of demographic change
16. Impact of environmental factors
17. Potential for market penetration
18. Word of mouth sales a powerful factor
19. Sales promotion may be inadequate

### Learning and Growth Perspective

*To achieve our vision, how will we sustain our ability to change and improve?*

1. Review key management strengths
2. Service manager capabilities
3. Enterprise experience
4. Research skills within NEWBRAND
5. Review management's vested interest
6. Enterprise profile
7. Need more experience for publicity campaign
8. Review management's communication skills
9. Development of employee capabilities
10. The use of part time help

### Financial Perspective

*To succeed financially, how should we appear to our shareholders?*

1. Costs to achieve significant market penetration
2. Consider ways to improve cost management
3. Cost control procedures need improvement
4. Regulations may create additional capital requirements
5. Pricing constraints
6. Availability of development resources to enterprise
7. Ability to control production expenses
8. Internet market growth potential
9. Storage costs can impact pricing
10. Large production increases can impact pricing

## 3.0 SWOT

### Strengths, Weaknesses, Opportunities & Threats (SWOT)

SWOT analysis provides a framework for defining Med-System's business and marketing strategy. Strengths, sometimes called core competencies, are those areas where we have some advantage over our competition. This may be market share, unique technical knowledge, patents, etc. Weaknesses are areas in which our enterprise does not come up to market expectations or in which NEWBRAND does not perform well. Opportunities exist or anticipated circumstances in the environment that may be beneficial to our objectives. Threats or anticipated circumstances exist in the environment that may be detrimental to our objectives.

#### 3.1 Strengths

Every enterprise has some unique operational strengths, business relationships, product capabilities or market segment characteristics that they can rely on as they implement their marketing strategy. The analysis indicates that the following aspects of our business can be used in support of our strategy.

1. Customer's cost to change to our product
2. Availability of development resources to enterprise
3. Strength of enterprise's channels of distribution
4. Enterprise's readiness to support sales
5. Requirement for technical support
6. Effectiveness of product packaging
7. Pricing constraints
8. Production facility effectiveness
9. Product complexity
10. Strength of Customer Service function
11. Service manager capabilities
12. Potential for prospect confusion about product benefits
13. Preparedness of sales organization
14. Research skills within NEWBRAND

15. Operational capabilities in support of differentiation strategy
16. Enterprise experience
17. Potential for economies of scale
18. Management strengths & capabilities
19. Mktg/sales manager experience
20. Prospect's perception of benefit

### **3.2 Weaknesses**

Likewise, every enterprise has some operational processes, business relationships, and lack of product capabilities or market segment characteristics that make the implementation of their marketing strategy more difficult. The analysis indicates that the following aspects of our business should be improved or compensated for in some way to minimize their negative impact on our strategy.

1. Evaluation of product promotion efforts
2. Enterprise's advertising experience
3. Cost benefits profile of product
4. Enterprise profile
5. Product's performance profile
6. Focus strategy potential
7. Vertical integration potential
8. Comparable pricing potential
9. Product uniqueness

### **3.3 Opportunities**

There are often circumstances that may offer us an advantage in the marketplace if we are bold enough to take action. Such a circumstance may occur in the environment in the form of governmental regulations, social trends, supplier changes or distribution channel relationships, or within the competition such as a weak product offering or a cash flow crunch or within our own organization where we may find unique technical skills or especially strong brand name recognition. We should search for these opportunities and determine if there is a way to exploit them.

1. Impact of cultural trends
2. Prospect's attitude about high tech
3. Impact of demographic change
4. Difficulty of purchase decision
5. Likelihood of product's market acceptance
6. Prospect's knowledge of market price
7. Prospect's shopping characteristics
8. Impact of environmental factors
9. Product adoption barriers
10. Length of purchase decision cycle
11. Prospect's price versus value sensitivity
12. Probability of product obsolescence
13. Competitive product vulnerability
14. Costs to achieve significant market penetration
15. All competitor's freedom to abandon market
16. Potential for market growth
17. Impact of technological change
18. Potential for market penetration problems
19. Probability of product acceptance
20. Prospect's buying knowledge

21. Importance of product quality to prospect
22. Implication of government actions
23. Analysis of prospect characteristics
24. Threat of substitutes in the market
25. Potential for competitive product obsolescence
26. Buyer's comparison effort prior to purchase
27. Strategic Viability
28. Prospect's ability to assess product quality
29. Potential for penetration of Internet market

### **3.4 Threats**

Where opportunities exist we are also likely to find some threats to our business. This could come in the form of changing prospect attitudes, a competitor's use of new technology, a loss of some of our key sales personnel or other unique circumstances. If we can anticipate or at least recognize the existence of these situations we can take action to address them.

1. Potential for differentiating our product
2. Internet market growth potential (a competitor could dominate we via the internet)

## 4.0 Market Concepts

There are numerous factors that determine whether NEWCO, as a company, and NEWBRAND as a brand can deploy any strategy successfully and create a profit and valuation that are acceptable to shareholders. This section rates NEWCO' and NEWBRAND' ability to achieve success in many of these areas.

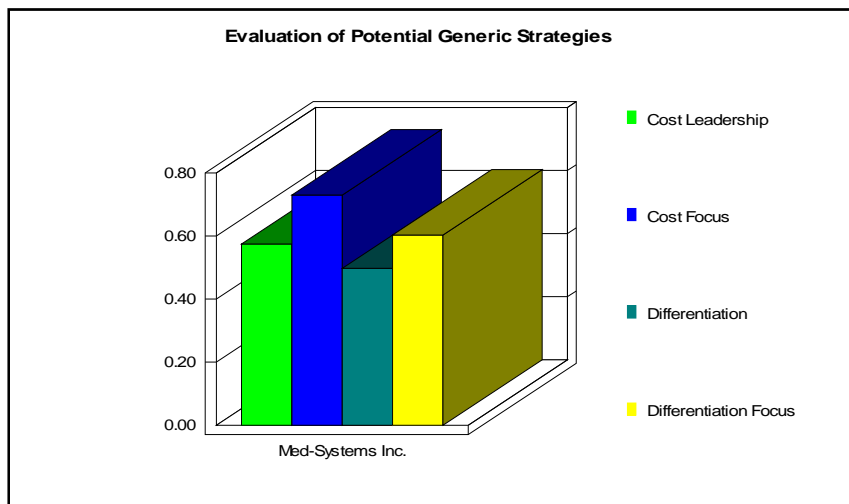
### 4.1 Generic Strategy Potential

This chart graphically displays HCLLC's analysis of the potential for our enterprise to implement each of the generic strategies.

A COST LEADERSHIP STRATEGY is based on NEWBRAND' ability to control operating costs so well that they are able to price their products or services very competitively and still generate high profit margins, thus having a significant competitive edge.

A DIFFERENTIATION STRATEGY involves the offering of a product or service across the board that is clearly unique when compared to alternatives. Uniqueness can take many forms such as brand image, technology, functionality, customer service, dealer networks and many others. It is likely that differentiation will involve a combination of two or more of these forms.

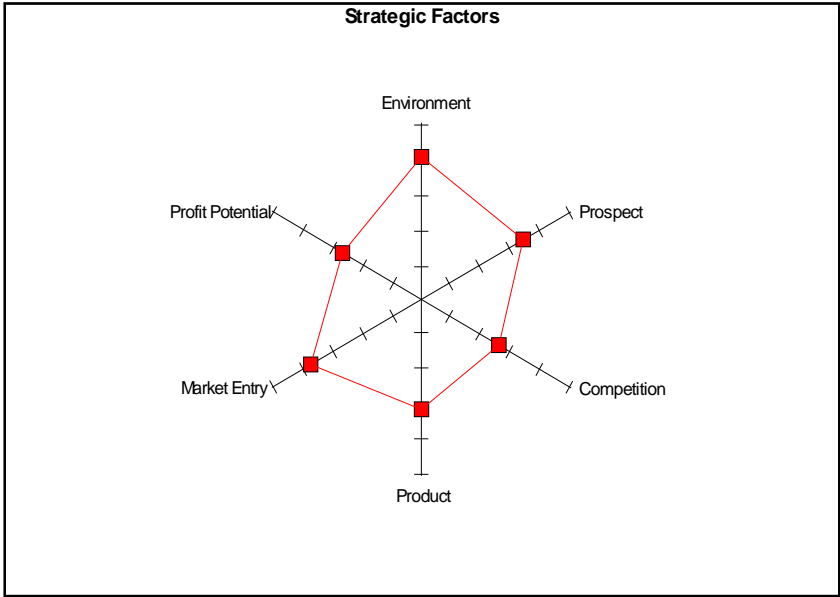
**A FOCUS DIFFERENTIATION STRATEGY** may be the most sophisticated of the generic strategies, in that it is a more 'intense' form of either the cost leadership or differentiation strategy. It is designed to address a "focused" segment of the marketplace, product form or cost management process and is usually employed when it isn't appropriate to attempt an 'across the board' application of cost leadership or differentiation. It is based on the concept of serving a particular target in such an exceptional manner, those others cannot compete. Usually this means addressing a substantially smaller market segment than others in the industry, but because of minimal competition profit margins can be very high.



## 4.2 Strategic Factor Ratings

This is a graphical display of strategic factors, some of which we do not have the ability to directly control.

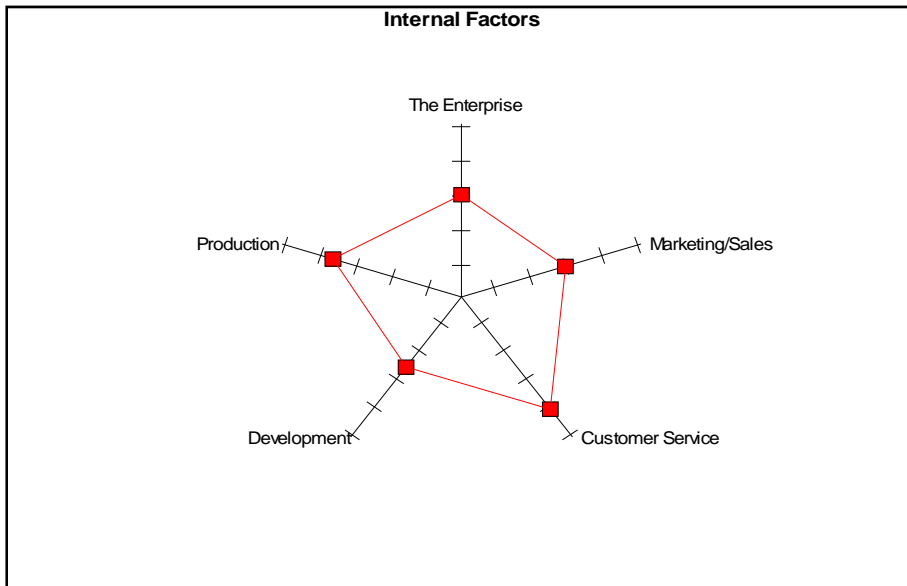
This form of display is called a spider graph. It is most positive for our enterprise when all display points are at the outer limit of the chart. Each factor is rated between zero and one hundred. The chart shows that NEWBRAND is in decent shape regarding market entry and environment factors but is below average in factors concerning the prospect (purchasing decision), and well below average in factors concerning the competition (their capabilities are fairly strong) and long term profit potential (driven by the risk of competitive retaliation and our ability to create barriers to entry in the marketplace.)



### 4.3 Internal Factor Ratings

This is a graphical display of critical enterprise operations factors over which we have direct control.

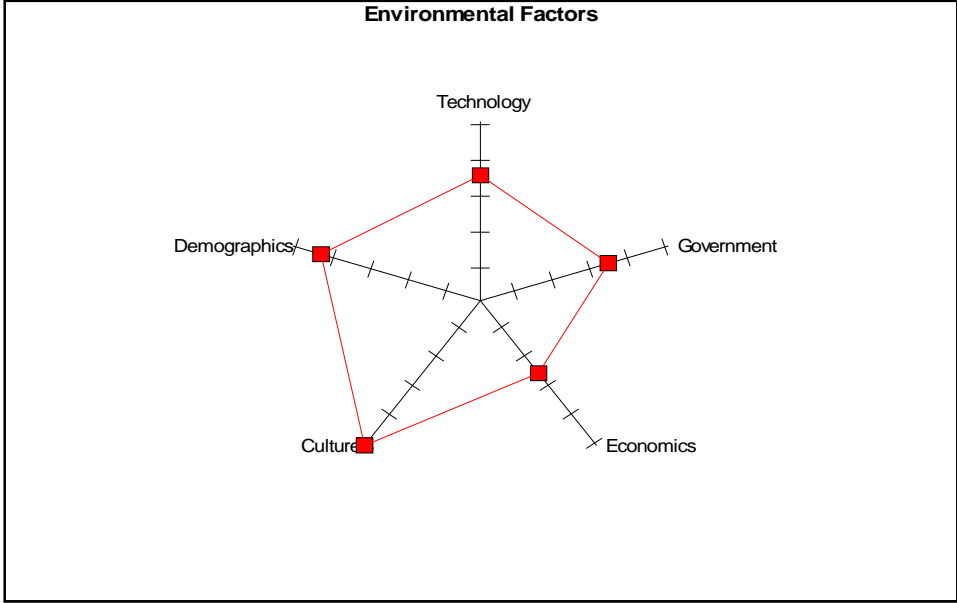
This form of display is called a spider graph. It is most positive for our enterprise when all display points are at the outer limit of the chart. Each factor is rated between zero and one hundred. The average to low ratings here are driven by the lack of employees to drive growth, the average rating of our marketing and the lack of a defined new product development function.



### 4.4 Environmental Factors

This chart presents the assessment of the environmental factors on our offering. We should assess the weak areas carefully and plan alternative actions to lessen their impact on our plans.

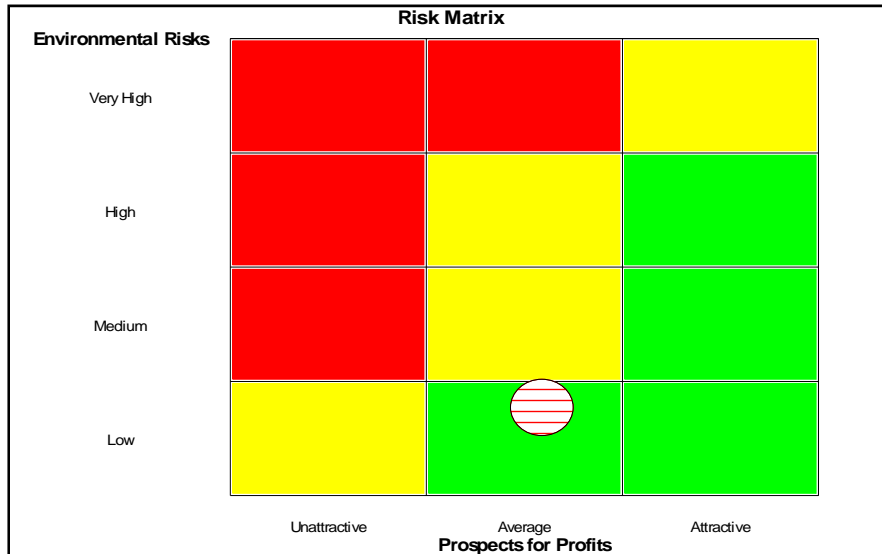
The most supportive aspect of the analysis is the cultural trends, while the aspect of most concern is the economic changes.



## Environmental Risk Matrix

This matrix illustrates the relationship between the risk of environmental forces affecting a business area and the other factors affecting the prospects for developing and maintaining long-term profits. Environmental factors considered include economic, cultural, technology, demographic, and governmental trends. While the prospect for profitability is based on factors including the bargaining power of the buyers and suppliers, the threat of new entrants and/or substitutes and the competitive rivalry among the existing firms in the industry.

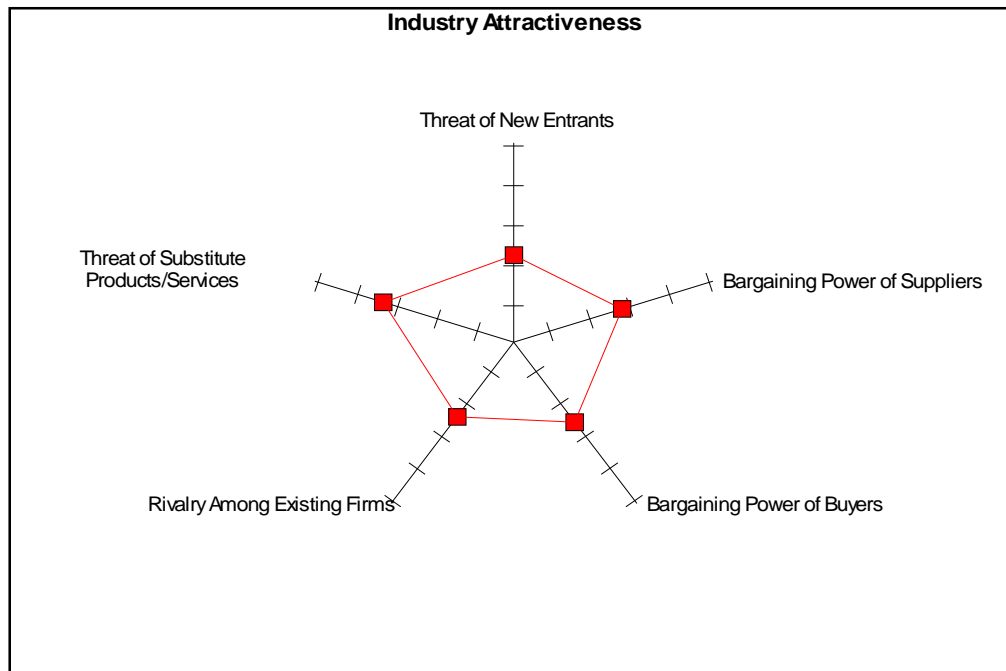
NEWCO is positioned clearly in a “go” area.



## 4.5 Industry Attractiveness

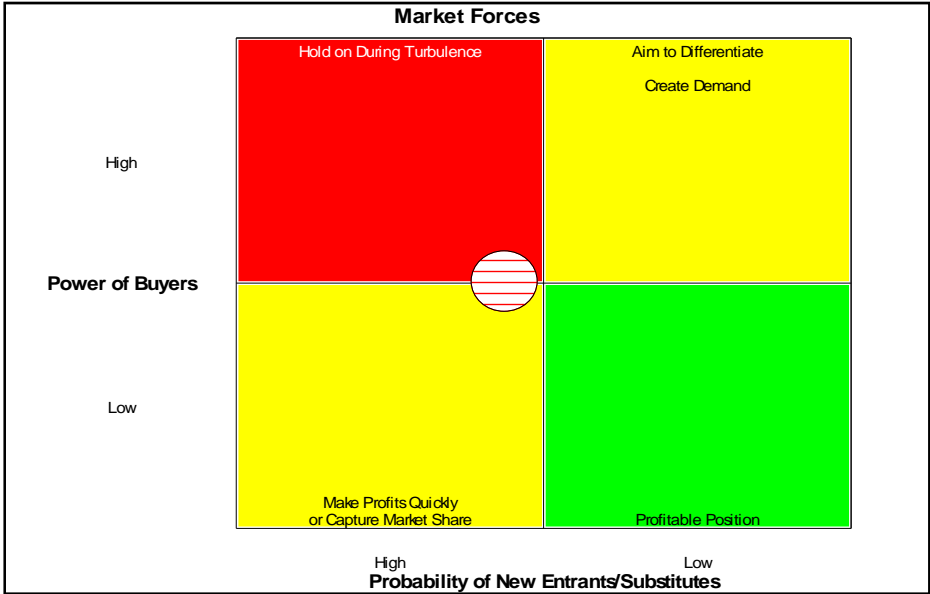
This industry model, initially described by Michael Porter in his book, *Competitive Strategy*, addresses the key factors that influence industry profitability. Our objective should be to understand each of these factors to the extent that we can defend against them or influence them in our favor.

The nearer the plot point is to the outer edge of the chart, the more favorable it is for our strategy. This chart suggests that the sinus-nasal *remedy* category is not particularly strong for new investment even though the sub-category of sinus-nasal *wash* is enjoying strong growth.



### 4.6 Market Forces

This chart portrays the interaction between three of the five forces from the Industry Attractiveness chart. If the prospect is in a position to dictate the terms under which they purchase our product or service and there is also a high probability of new competition or substitute products then it will be difficult to be profitable. As either or both of these forces are weakened, our potential for profitability increases.



## 4.7 Product / Market Profitability

Profit Impact of Market Studies (PIMS) research has shown that there is a clear relationship between profitability, market share, and product quality. Here we consider product quality as all of the aspects of the offer. These factors include: performance, durability, conformance to specifications, features, brand recognition, reliability, fit and finish and serviceability. If customers perceive the offering as being of higher quality, they are prepared to pay more for it. This matrix displays this relationship.

It shows clearly that NEWBRAND has a clear opportunity to improve its long term profitability by making strategic choices that support driving us into the high market share, high product quality quadrant.

### High Market Share / High Product Quality

Our offering is in the best quadrant. Companies which are able to combine high product quality with high market share average around 40 percent return on investment.

### High Market Share / Low Product Quality

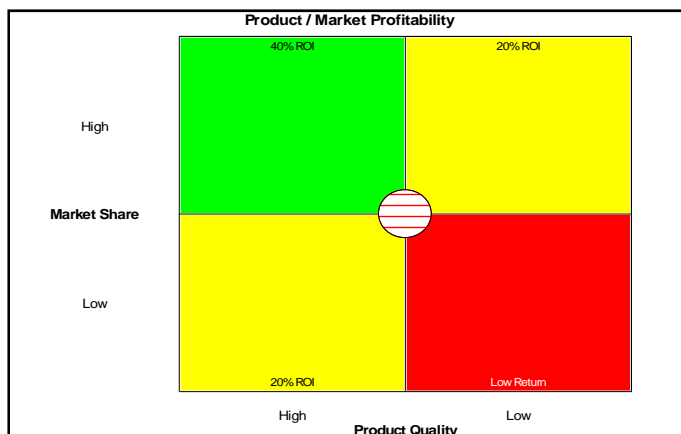
Our offering is in the quadrant that averages about 20 percent return on investment. These profits probably result from low costs as a result of economies of scale made possible by the high market share. Products in this quadrant are often oriented to a mass market and are generally quite difficult to differentiate. The principal criterion for purchase is price.

### Low Market Share / High Product Quality

Our offering is in the group that averages a 20 percent return on investment. Although we have a low market share, customers are willing to pay a higher price for the product.

### Low Market Share / Low Product Quality

Our offering is in the quadrant where profitability is generally very low. Both market share and product quality are below average. Companies in this quadrant generally consider withdrawing their offering and making investments elsewhere.



## 4.8 Competitors' Capability and Propensity to Attack

Competition can offer benefits as well as threats to our participation in the industry. Competition may actually increase our competitive advantage by providing such benefits as a cost umbrella. They can assist in market development activities, and thereby increase the overall demand for our offering. Their actions may also deter new market entrants by crowding distribution channels thereby allowing we higher margins. Competitors can also threaten our position by attacking our offerings and our moves in the market. This chart presents our competitors as being threats or benefits to our efforts.

### High Propensity to Attack / Low Capability

While lacking the capability to improve the industry structure, these competitors can be highly disruptive to our activities. They may counter our moves and be a continual annoyance.

### High Propensity to Attack / High Capability

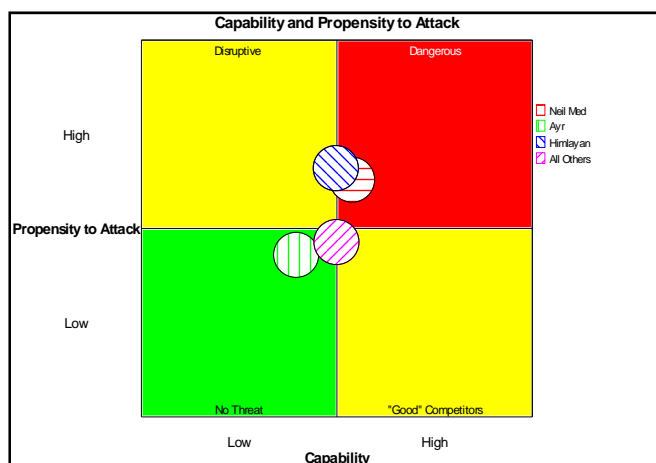
These are the competitors that are truly dangerous to our position. They possess both the capability to attack and often exude that behavior. We should attempt to position ourselves away from these participants. Select other segments, distribution channels, pricing and packaging alternatives to create as much distance as possible.

### Low Propensity to Attack / Low Capability

Competitors in this quadrant are neither a threat nor a benefit. Their efforts do not enhance the industry because of their limited capability. On the other hand, they do not threaten our position.

### Low Propensity to Attack / High Capability

These competitors can be good to the industry structure. They are highly capable, but are not prone to capricious acts which damage the industry and our position. Their capability will clearly offer a challenge to our efforts and will "keep us honest".



## 4.9 Directional Policy Matrix

Directional Policy Matrix

Market attractiveness is measured by:

Supplier Bargaining Power

Threat of Substitutes

Threat of New Entrants

Competitive Rivalry

Buyer Bargaining Power

Business Strengths are measured by:

Product Quality

Product Value

Relative Market Share

Reputation

Customer Loyalty

Staying Power

Experience

### High Market Attractiveness / High Business Strengths

This is the ideal quadrant. Our strengths are directed at a highly attractive market. Invest our best resources in those parts of our business which are in this quadrant.

### High Market Attractiveness / Low Business Strengths

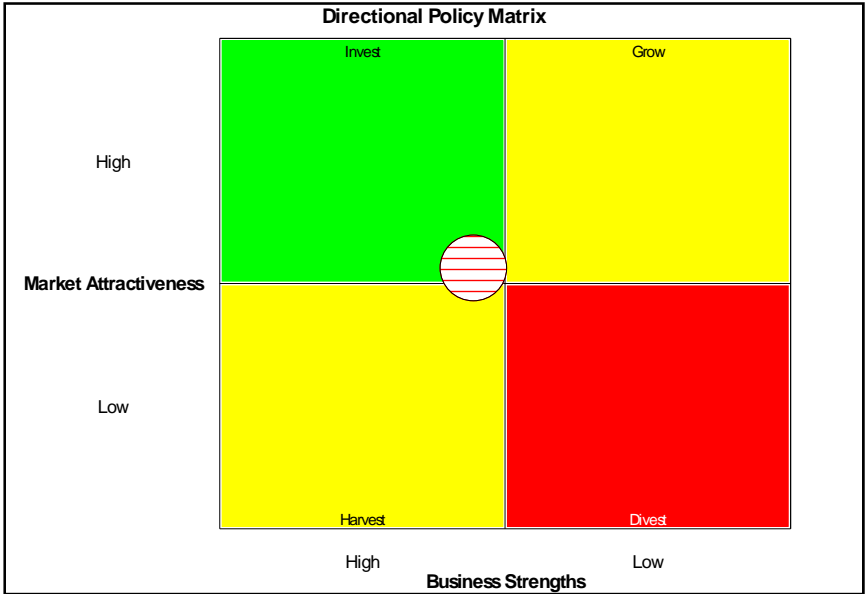
This is an uncomfortable quadrant. The market potential is attractive but we do not have the business strengths necessary for being really successful. The options facing us are either to take what we can while it is still possible or to invest in building a better competitive position. We must be selective in our efforts here, as this segment will cost us in every aspect of the business.

### Low Market Attractiveness / High Business Strengths

In this quadrant we have high strengths in a market that has lost its attractiveness in terms of its future potential. It is still good for near term profits, so maintain the position for as long as possible.

Low Market Attractiveness / Low Business Strengths

Think carefully what we are doing in this quadrant. The market is not particularly attractive and our business strengths are below average here. Keep this segment only if it supports a more profitable part of our business (for instance, if this segment completes a product line range) or if it absorbs some of the overhead costs of a more profitable segment.



## 4.10 Business Risk Analysis

The concepts of closeness to the core business and market attractiveness can be combined to analyze the risk of investing in new offerings. The proximity of the new offering to the core business is measured by its proximity to current offerings and current markets. Such factors as technology, familiarity with the materials, special finishes, and quality standards contribute to the proximity to current products. Market attractiveness considers such factors as: bargaining power of the suppliers, threat of substitutes, threat of new entrants, competitive rivalry, and bargaining power of the buyers.

This chart shows there is a fairly low risk for NEWBRAND to invest in product development.

### High Market Attractiveness / Close to Core Business

Offerings in this category represent the least risk and will be ideal candidates for development.

### High Market Attractiveness / Distant from Core Business

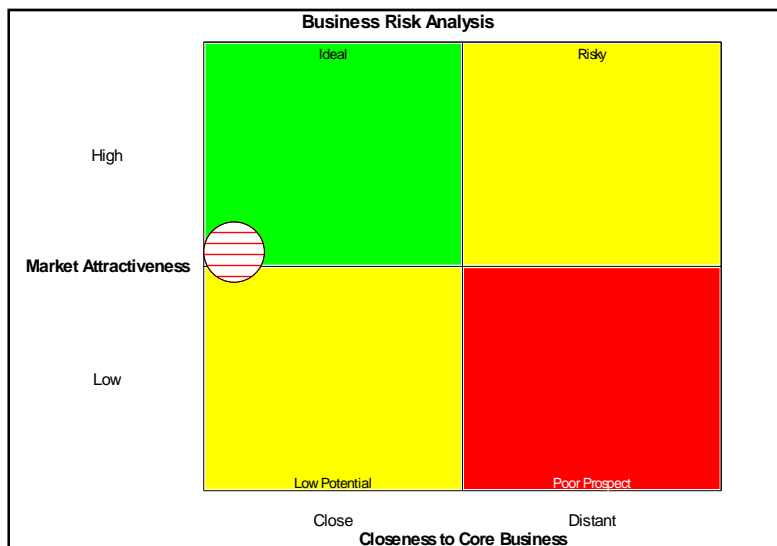
Offerings in this quadrant are risky to develop since they stray from the core business. They will need a high level of investment, both in terms of resources and expertise. Proceed only if the long-term corporate strategy is intended to develop in this way.

### Low Market Attractiveness / Close to Core Business

The decision to proceed should be based on the evaluation of the market potential. The low attractiveness of the market may be a benefit since it will be less lucrative for competitors.

### Low Market Attractiveness / Distant from Core Business

Offerings in this quadrant are poor prospects. They depart from the core business and offer low market attractiveness.



## 4.11 Competitive Advantage

This matrix examines the benefits of obtaining a competitive advantage through cost leadership and/or differentiation.

### High Differentiation / High Relative Costs

Even though we cannot become a cost leader, we can continue to thrive by maintaining significant differences from the offerings of our competition. We are a specialty business.

### High Differentiation / Low Relative Costs

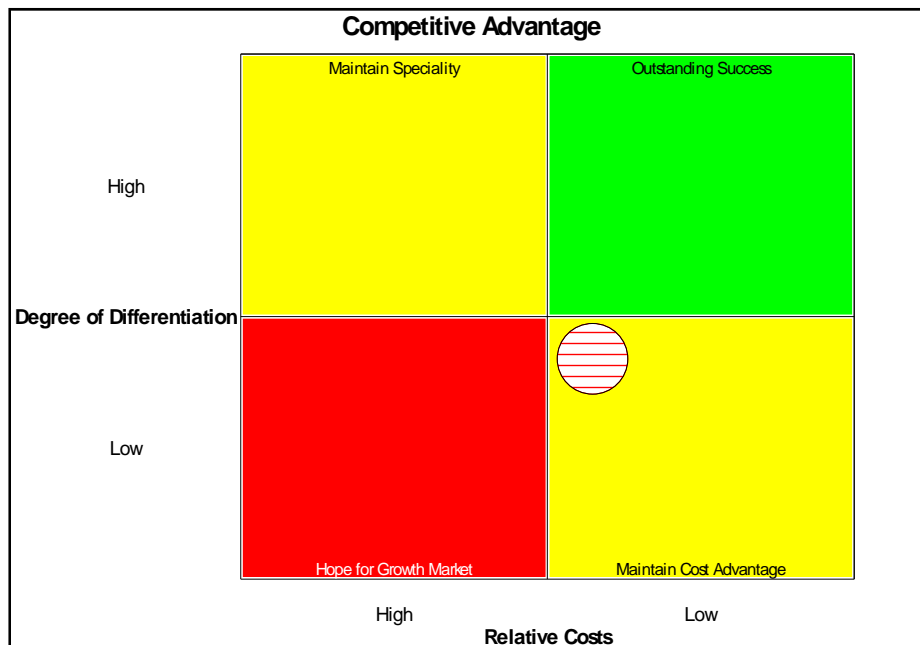
We have the extraordinary benefit of being a low cost producer while maintaining high differentiation. Our offering should be an outstanding success.

### Low Differentiation / High Relative Costs

This quadrant is worst of all. We have neither a cost or differentiation advantage. Our survival depends upon continued, significant market growth. In that environment we can "hide" from the strong competitors and ride the wave of buyer enthusiasm.

### Low Differentiation / Low Relative Costs

Even though our offering is "me too", we have a cost advantage. As long as we can maintain that advantage we can be successful.



## 4.12 Evolution

This product/market evolution matrix is a way to represent new businesses. The horizontal axis organizes competitive position into good, average, and poor categories. The vertical axis divides the stages of product/market evolution into a scale that represents the market life cycle.

### Embryonic Market Phase / Good Position

Our product is rated as a High Potential Question Mark. The business should be nurtured to increase the possibility that it may become an established winner and profit producer in the future.

### Growth Development Phase / Good Position

Our product is rated as a Developing Winner. The business should be nurtured to increase the possibility that it may become an established winner and profit producer in the future.

### Shake-out Phase / Good Position

Our product is rated as a Likely Winner. The business should be nurtured to increase the possibility that it may become an established winner and profit producer in the future.

### Shake-out Phase / Poor Position

Our product is rated as a Likely Loser. If there isn't a clear path to improved market share we should consider divesting ourselves of this

### Mature Phase / Good Position

Our product is rated as an Established Winner. The business should be managed so that we can consolidate and maintain competitive strength. Any surplus cash from this business should be used to support any products we may have that are developing winners or going through shake-out.

### Declining Market Phase / Good Position

Our product is rated as a Profit Producer. The business should be managed so that we can consolidate and maintains competitive strength. Any surplus cash from this business should be used to support any products we may have that are developing winners or going through shake-out.

### Declining Market Phase / Poor Position

Our product is rated as a loser. We should divest ourselves of this business as quickly as possible. We should develop and implement an exit strategy for this operation.

		Product / Market Evolution Matrix		
Offering Evolution		Good	Average Market Share	Poor
Embryonic	High Potential?	Green	Green	Yellow
Growth	Developing Winner	Green	Green with a red circle containing horizontal lines	Yellow
Shakeout	Likely Winner	Green	Yellow	Likely Loser (Red)
Mature	Established Winner	Green	Yellow	Likely Loser (Red)
Decline	Profit Producer	Green	Yellow	Loser (Red)

## 4.13 Competitor Product Analysis

This matrix displays the results of evaluating each competitive product on the basis of the quality of the product and the reputation they have established in the marketplace. The presence of a competitor in each quadrant can imply different tactics to compete effectively.

### Good Reputation / Good Product

These competitors are going to be trouble. Our options are:

- Continue to compete with them while struggling to set ourselves apart.
- Differentiate our product from theirs in some way.
- Improve our image and reputation.

They will always be a threat even if we run head-to-head with them on reputation and value.

### Good Reputation / Poor Product

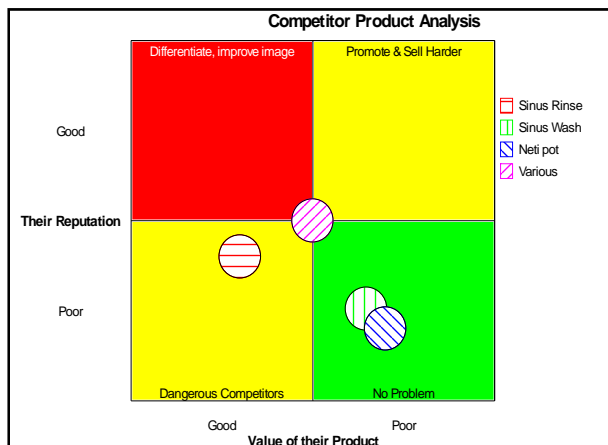
The competitors in this quadrant have a product that is not as good as others in the industry, but they have a good overall reputation. We have the option of selling much harder, emphasizing our benefits, or using more PR and advertising to publicize our quality and successes.

### Poor Reputation / Good Product

Competitors in this quadrant can be dangerous. Their good product can be trouble for us if they are able to enhance their reputation.

### Poor Reputation / Poor Product

The competitors in this quadrant are no problem. Unless they are able to make some significant change, they are not a threat.



## 4.14 Competitive Summary Matrix

The competitive summary matrix can be extremely helpful in evaluating competitive strategies. The horizontal axis represents the competition's competitive strength and the vertical axis represents the industry's market growth potential. The competitor's position in the quadrant represents the strategy we can expect the competitor to pursue.

### Rapid Market Growth / Weak Competitive Position

We should expect these competitors to change how their business is operated or to strengthen their enterprise within the industry. Specific strategies which have a high likelihood of working are: a reformulation of the present strategy (*turnaround*), a *merger* or other combinations with a competitor, *divestiture*, and *liquidation*.

### Rapid Market Growth / Strong Competitive Position

In general, competitive strategies will likely be designed to keep them in this industry. Specifically, we should look for the following strategies: *concentration*, *vertical integration*, and *related diversification*.

### Slow Market Growth / Weak Competitive Position

We should expect these competitors to lessen their participation in this industry. Specific strategies to look for include: *retrenchment*, *diversification*, *divestiture*, and *liquidation*.

### Slow Market Growth / Strong Competitive Position

We should expect these competitors to move us into other industries in addition to this one. These involve *related diversification*, *unrelated diversification*, and *joint ventures* into new areas.

Several types of strategies are mentioned above. Here are some brief explanations:

- Retrenchment or turnaround is primarily a response to corporate decline. The objective is to restructure the operations to halt decline and return to profitability.
- There are two major types of diversification: related and unrelated. Related diversification is branching out into a new activity that is linked to a company's existing activity by some common elements. Normally these linkages are based on manufacturing, marketing, materials management, and technological commonalities. Unrelated diversification moves into new areas that have no obvious commonalities with the company's existing activities.
- Divestiture is an action to exit the industry by selling the whole business.
- Liquidation is an action to exit the industry by selling the assets of the business.
- A joint venture into a new area is a method of establishing an emerging winner in an embryonic or growth industry without bearing all of the risks and costs associated with the project.

- Mergers and acquisitions are principal vehicles by which a company may enter a new market and expand the size of their operation.
- Vertical Integration means that a company is producing its own inputs (backward integration) or disposing of its own outputs (forward integration). For example, in a company based in the assembly stage, backward integration involves moving into intermediate manufacturing and raw-material production. Forward integration involves movement into distribution and retail.

## 4.15 Product life Cycle / Customer's Loyalty

This chart illustrates the value of customer loyalty in markets with different levels of growth.

### High Market Growth / Low Customer Loyalty

There are clear long-term advantages to developing customer loyalty in this quadrant. Our actions should be focused at the efforts required to secure this loyalty.

### High Market Growth / High Customer Loyalty

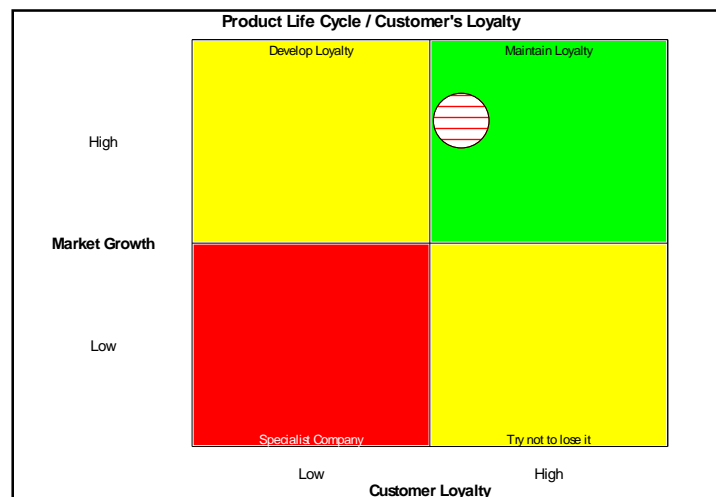
This quadrant indicates success. We should be reaping the rewards of customer loyalty. However, we should continue to work to maintain that loyalty. We should not become complacent.

### Low Market Growth / Low Customer Loyalty

The low market growth makes it questionable for us to spend resources in building customer loyalty. If we are a specialty company or are in the embryonic stage of a market, our efforts may be justified.

### Low Market Growth / High Customer Loyalty

Some customers are very loyal to their suppliers. If we have developed their trust and support, even in a low-growth market, take care not to do anything to lose that loyalty. The market is probably mature, so do not overspend in this environment.



## 4.16 Tendency to Buy

Buying decisions are influenced by many factors. Two of the most important factors are the nature of the product itself and the extent to which the customer knows and trusts the supplier. This chart illustrates the relationship between these factors as it relates to us and our competitors.

### Well-known Company / Me-too Product

Our company is well known but our product offers little differential advantage over its competition. The success we can expect will depend largely on our skills in sales and our efforts in the general promotion of our product.

### Well-known Company / Unique Product

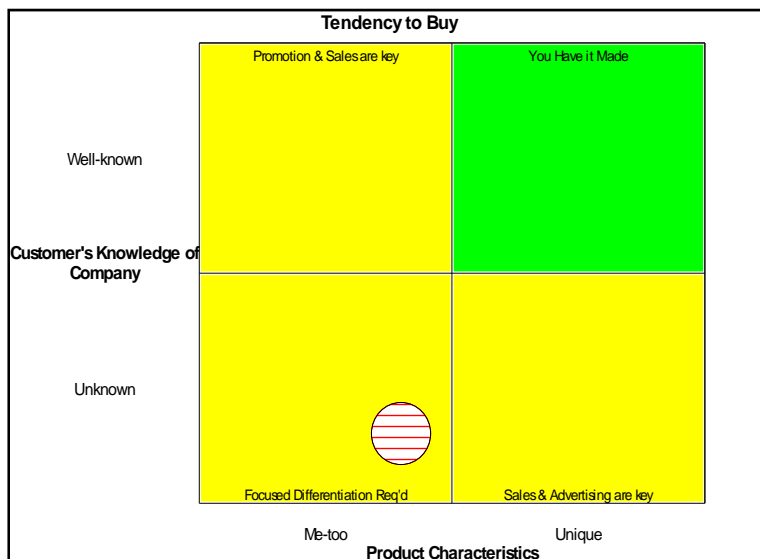
This quadrant implies success. Most of our customers will re-buy from us most of the time if we fall into this category.

### Unknown Company / Me-too Product

In this quadrant we will have problems. Most customers will not buy from us. Our best chance for survival is to differentiate our product to make it attractive for some sub-group of customers. But, it is going to be difficult.

### Unknown Company / Unique Product

Customers are suspicious about dealing with companies which are unknown even if they have superior products. Our success depends on the impact that sales and advertising make on our image. We must focus our efforts in these areas of marketing to be successful.



## 4.17 Prospect Decision Making

This matrix examines two factors which influence the prospect's decision making process. The position has implications to the actions that should be taken in advertising, point of sale materials, and even sales training.

### Significant Differences / Important Purchase

The decision making process will be extended for us in this quadrant. The prospect perceives the purchase decision to be important and since there are many significant differences in the brands offered, the prospect will spend lots of time researching and comparing various features and benefits, thus delaying the process.

### Significant Differences / Purchase not Important

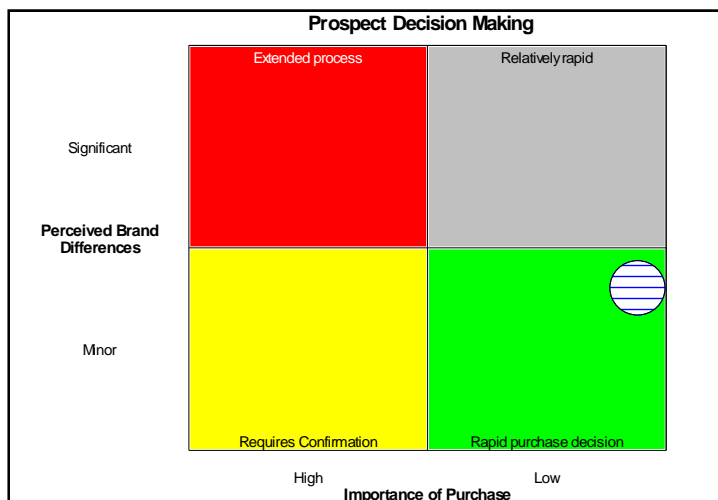
Even though there may be significant differences in the brands being offered, the prospect does not perceive the purchase decision as important. Therefore, little effort will be spent in comparing brands and the decision process will be relatively rapid.

### Minor Differences / Important Purchase

Although the purchase decision is important to the prospect, there are few differences among the competing brands. The prospect needs to be assured that, whatever their choice, they are making the correct choice.

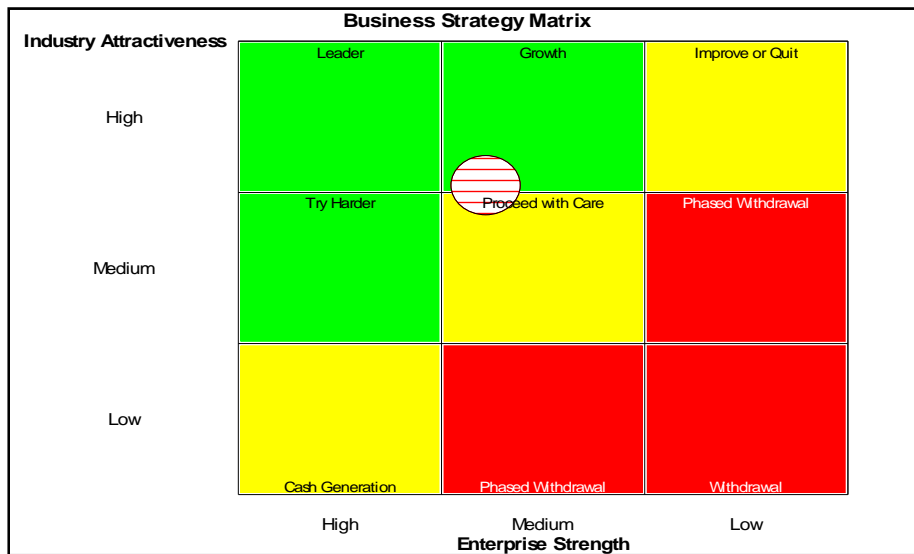
### Minor Differences / Purchase not Important

Both the importance of the purchase decision and the differences among the competing brands are minor. These factors lead to a rapid purchase decision based predominately upon previous experience. Impulse buying may be encouraged with a suitable eye-catching display.



## 4.18 Business Strategy Matrix

The General Electric Company, with the aid of the Boston Consulting Group and McKinsey and Company, pioneered the nine cell strategic business screen illustrated here. The vertical axis represents the industry attractiveness. Factors such as the bargaining power of the buyers and the suppliers, the internal rivalry and the threat of new entrants and substitutes are weighed and considered. The horizontal axis represents the firm's strength or ability to compete in the industry. The competitive strength includes an analysis of the value and quality of the offering, its market share, staying power, experience, etc.



The circle on the matrix represents our enterprise. Both axes are divided into three segments, yielding nine cells. The nine cells are grouped into three zones:

The **Green Zone** consists of the three cells in the upper left corner. If our enterprise falls in this zone we are in a favorable position with relatively attractive growth opportunities. This indicates a "green light" to invest in this product/service.

The **Yellow Zone** consists of the three diagonal cells from the lower left to the upper right. A position in the yellow zone is viewed as having medium attractiveness. Management must therefore exercise caution when making additional investments in this product/service. The suggested strategy is to seek to maintain share rather than growing or reducing share.

The **Red Zone** consists of the three cells in the lower right corner. A position in the red zone is not attractive. The suggested strategy is that management should begin to make plans to exit the industry.

High Attractiveness / Strong Competitive Position

Our firm lies in one of the green cells of the matrix. The strategy advice for this cell is to invest for growth. Consider the following strategies:

- provide maximum investment
- diversify
- consolidate our position to focus our resources
- accept moderate near-term profits to build share

#### High Attractiveness / Average Competitive Position

Our firm lies in one of the green cells of the matrix. The strategy advice for this cell is to invest for growth. Consider the following strategies:

- build selectively on strength
- define the implications of challenging for market leadership
- fill weaknesses to avoid vulnerability

#### High Attractiveness / Weak Competitive Position

Our firm lies in one of the yellow cells of the matrix. The strategy advice for this cell is to opportunistically invest for earnings. However, if we can't strengthen our enterprise we should exit the market. Consider the following strategies:

- ride with the market growth
- seek niches or specialization
- seek an opportunity to increase strength through acquisition

#### Medium Attractiveness / Strong Competitive Position

Our firm lies in one of the green cells of the matrix. The strategy advice for this cell is to selectively invest for growth. Consider the following strategies:

- invest heavily in selected segments,
- establish a ceiling for the market share we wish to achieve
- seek attractive new segments to apply strengths

#### Medium Attractiveness / Average Competitive Position

Our firm lies in one of the yellow cells of the matrix. The strategy advice for this cell is to selectively invest for earnings. Consider the following strategies:

- segment the market to find a more attractive position

- make contingency plans to protect our vulnerable position

#### Medium Attractiveness / Weak Competitive Position

Our firm lies in one of the red cells of the matrix. The strategy advice for this cell is to preserve for harvest. Consider the following strategies:

- act to preserve or boost cash flow as we exit the business
- seek an opportunistic sale
- seek a way to increase our strengths

#### Low Attractiveness / Strong Competitive Position

Our firm lies in one of the yellow cells of the matrix. The strategy advice for this cell is to selectively invest for earnings. Consider the following strategies:

- defend strengths
- shift resources to attractive segments
- examine ways to revitalize the industry
- time our exit by monitoring for harvest or divestment timing

#### Low Attractiveness / Average Competitive Position

Our firm lies in one of the red cells of the matrix. The strategy advice for this cell is to restructure, harvest or divest. Consider the following strategies:

- make only essential commitments
- prepare to divest
- shift resources to a more attractive segment

#### Low Attractiveness / Weak Competitive Position

Our firm lies in one of the red cells of the matrix. The advice for this cell is to harvest or divest. We should exit the market or prune the product line.

## 4.19 Market Growth / Development Capability

This chart shows the relationship between product/service development capabilities and the rate of market growth. Its purpose is to emphasize the importance of continuous new development activity in high growth markets and to indicate the need to control it in declining markets.

### High Market Growth / Low Development Capability

Rethink why our development activity is low. Make sure we are not becoming complacent because of the high sales in the high-growth market. Be careful not to be left behind when the market matures.

### High Market Growth / High Development Capability

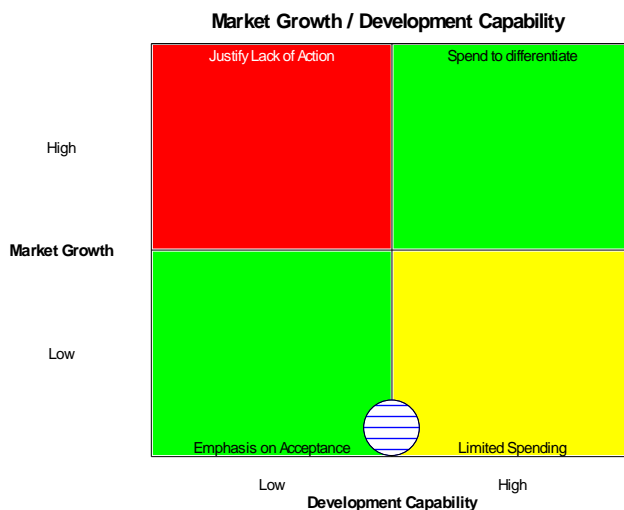
Heavy development spending in high growth markets is often justified to maintain a competitive advantage. Anything we can do to differentiate our offering by finding better ways of solving the customer's problem should provide a good return in this environment.

### Low Market Growth / Low Development Capability

If we have just entered an embryonic market, most of our resources should go toward promotional activities to get the offering accepted. Therefore, high levels of development activity are not justified. Be sure to continue some level of research and development to keep abreast of industry developments and technology changes.

### Low Market Growth / High Development Capability

In a mature or declining market we should focus our development activities on minor improvements, but should not spend heavily. Spending here is suspect particularly if a new technology is about to take over.



## 4.20 Product Uniqueness / Image

Products can be differentiated by their features and functions or by their image. Having either differential advantage is better than being "me-too". The best advantage is achieved by combining both.

### Differentiated Product / Differentiated Image

Our product is exclusive. Both the content and the image have been differentiated to create an offering that is not easily matched by the competition.

### Differentiated Product / Undifferentiated Image

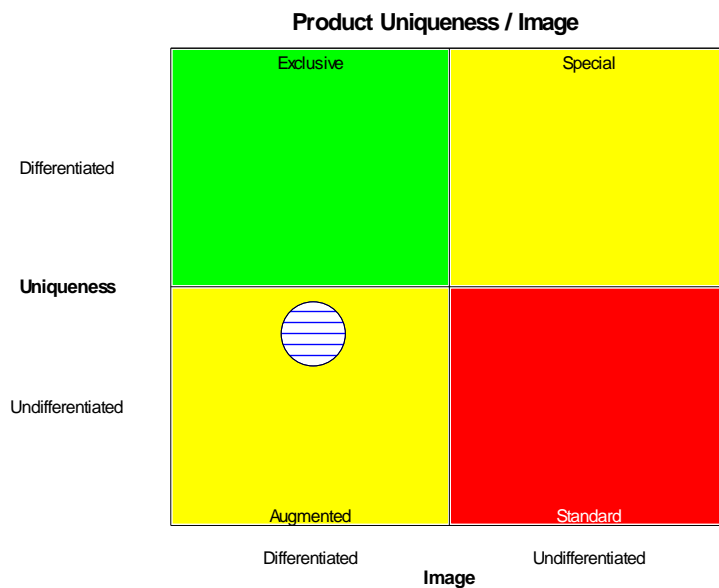
We have a special product due to the differentiated content. Work on establishing a differentiated image for the offering to enhance its market success.

### Undifferentiated Product / Differentiated Image

Potentially a "me-too" product but we have established a differentiated image. Insure that our market focus is maintained to those who can recognize and value the image.

### Undifferentiated Product / Undifferentiated Image

Our product is "me-too". Consider a narrower market focus and emphasize product features that will appeal to that market to provide some differential advantage. Consider adding other complementary products to the line to make a product family and hopefully "drag up" the sales of this offering.



## 4.21 Pricing

### 4.21.1 Price Sensitivity / Perceived Differences

This is a two-dimensional grid that focuses on the choice between reducing costs and building in more value to the customer. Each of the four quadrants has different implications in terms of suggested strategy.

#### High Price Sensitivity / Few Perceived Differences

A commodity strategy is recommended for products facing buyers' high price sensitivity and small perceived differences. In a commodity strategy efforts should be exerted to increase the firm's market share thereby lowering marginal costs.

#### High Price Sensitivity / Many Perceived Differences

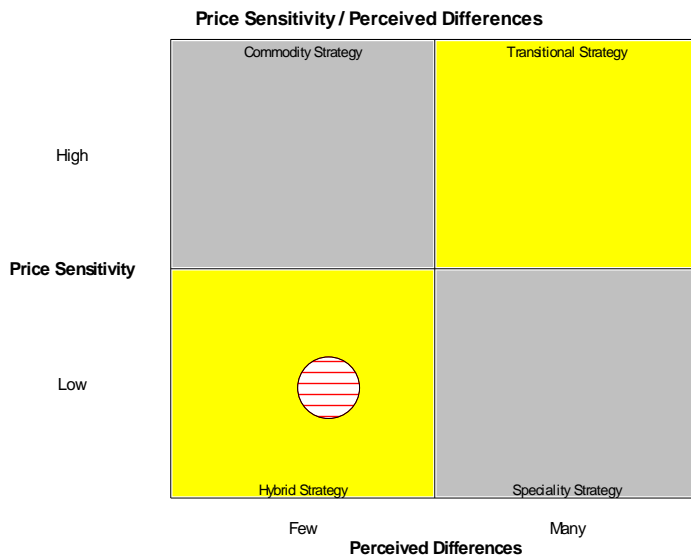
A transitional strategy is suggested for products facing high price sensitivity and large perceived differences. Emphasize the quality of our product, but be ready to respond to competitor's product improvements that attract customers.

#### Low Price Sensitivity / Few Perceived Differences

A hybrid strategy is recommended for products facing low price sensitivity and small perceived differences. We should avoid price wars and talk quality.

#### Low Price Sensitivity / Many Perceived Differences

A specialty strategy is recommended for products facing low price sensitivity and large perceived differences by buyers. We should initiate or continue efforts to differentiate our offering.



#### **4.21.2 Value / Price**

Value and price are two of the critical elements of the positioning of our product in the market. This chart illustrates the relationship between them and the implications of our position to our business.

##### High Value / Low Price

Our product appears to be underpriced. If we are in the early market stages, this pricing may be appropriate to gain market share. Be careful that the customer is not confused by our pricing and assumes that our product is of lower quality. It may be appropriate to raise our price, but insure that we retain or increase our market share.

##### High Value / Medium Price

This price position is ideal for market penetration. If we are in the early market stages, this strategy is most appropriate. In the long-term, the profits go to the companies with the market share leadership, so our pricing is consistent with achieving that position. If we are in the later stages of the market, it may be wise to explore the possibility of raising our prices to get more cash out of the declining market.

##### High Value / High Price

Our position indicates that we have the premiere market product. Our high price will help to support our image of high value only as long as our product continues to be competitive at that price. Continue to invest in the R&D and promotion activities that are needed to keep us in this position. Do not become complacent and allow the competition to overtake our position.

##### Medium Value / Low Price

Our position indicates that our product is a real bargain for the customer. Capitalize on this position in our promotions. Work to achieve market share leadership.

##### Medium Value / Medium Price

Our product is average. Strengthen our position through broadening our product line, addressing the unique requirements of a market segment, or other tactics to differentiate our product.

##### Medium Value / High Price

Our product appears to be overpriced relative to the competition. Consider adding some components of value such as features appealing to a specific market segment or relationships with other products in our line of products to move our product into the "premiere" position. Otherwise, consider lowering our price to move closer to the "real bargain" market position.

##### Low Value / Low Price

With a low price and comparable low value of our offering places we the "cheap goods" category. Make every attempt to place our offering in all possible outlets as availability is often critical to the effectiveness of our strategy. Limit our spending on promotion and packaging in order to provide the lowest possible price to the market.

##### Low Value / Medium Price

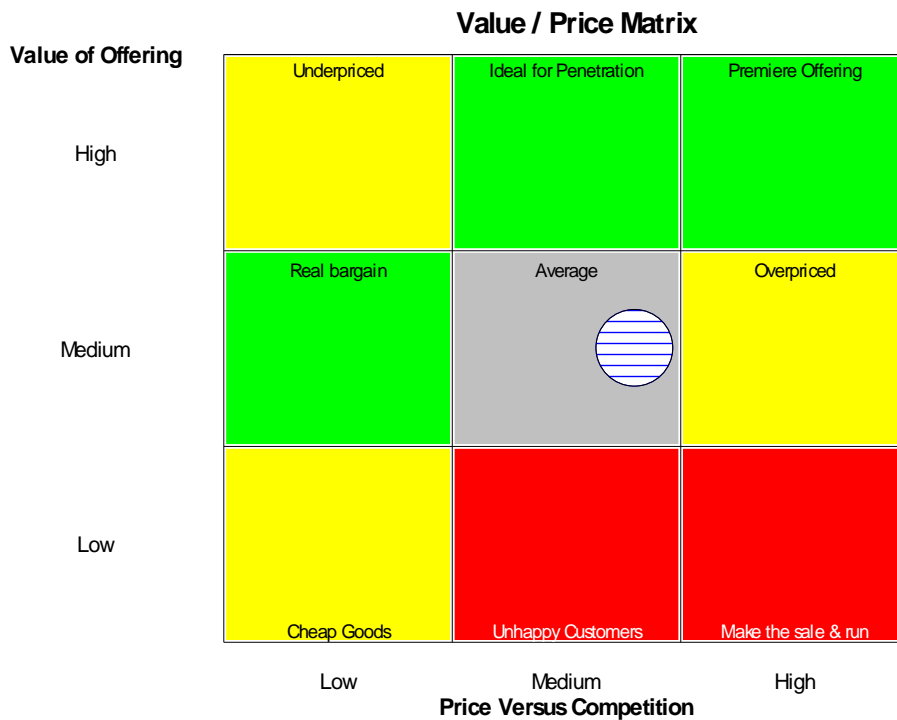
With an offering of the lowest value but a price above that level, we can expect dissatisfied customers. Consider increasing the value of our offering to place us in the "average" category. Addressing the unique needs of a target market segment with specific offering features or relating our offering to others in our offering line may be methods of achieving that added value.

If we cannot add value, consider lowering our costs and our price to affect a "cheap goods" strategy to capture the low end of the market.

Low Value / High Price

We are in a very tenuous position with the discontinuity of our price and the relative value of our offering. Either our market is growing so rapidly that availability is taking precedence over value or our customers have not yet understood the true position of our offering. Neither situation will last very long.

We must consider our current strategy as one of "make the sale and run". For the long-term we must consider both an increase in the value of our offering (perhaps through specific features to address the needs of a target market segment or the relationship with other offerings in our line) and a lowering of our price.



### 4.21.3 Price Competitiveness

This matrix explores some factors that can influence our pricing position in the market. The chart employs the premise that if we can be the cost leader in the industry we can price below the competition and still make a profit.

#### High Opportunity to Enhance Value / Low Opportunity to Reduce Cost

This is the "skimming" quadrant. It is assumed that opportunities to reduce cost are low.

#### High Opportunity to Enhance Value / High Opportunity to Reduce Cost

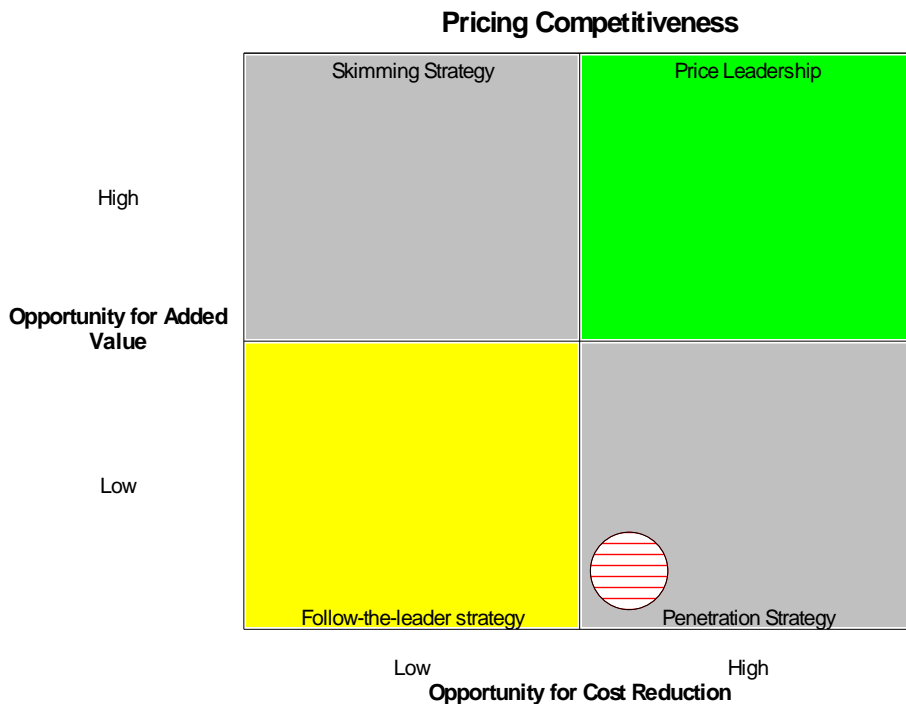
This is the "price leadership" quadrant. We can, with our combination of high added value and low costs, bring down the price umbrella and shake out the weaker competitors.

#### Low Opportunity to Enhance Value / Low Opportunity to Reduce Cost

In this quadrant we will be forced to follow the industry price. That price will be controlled by the costs of the leader. This segment can be called "follow the leader".

#### Low Opportunity to Enhance Value / High Opportunity to Reduce Cost

In this quadrant the price is set low by the early market entrant to gain an advantage in a price-sensitive market. This quadrant is called the "penetration strategy".



## 4.22 Promotion

### 4.22.1 Life Cycle / Promotion

Different kinds of promotional efforts should be applied at different stages of the market development and growth. This chart displays those different phases.

#### High Market Growth / Low Promotional Activity

Our market is growing rapidly but we are devoting little effort toward promotion. Usually this strategy is incorrect. An exception may be applied in conditions of short product supply.

#### High Market Growth / High Promotional Activity

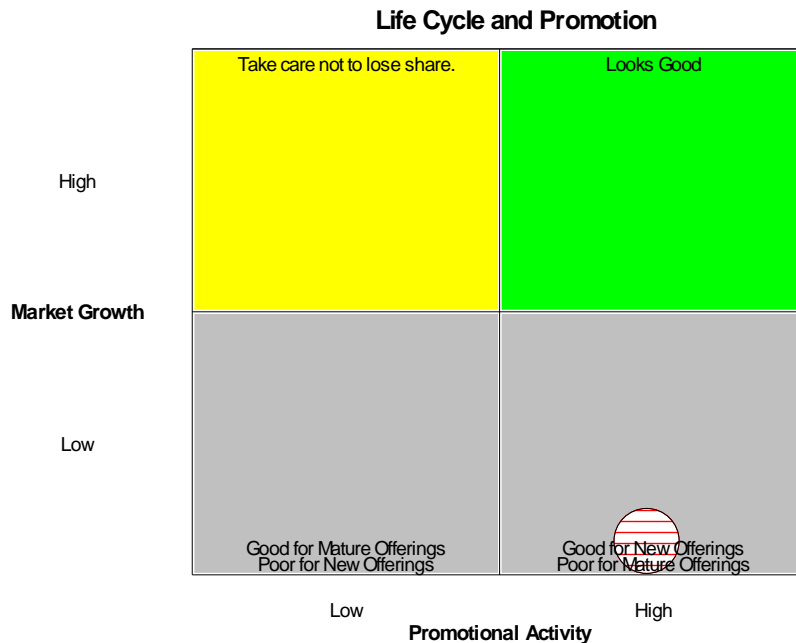
We are in a high growth market and are spending heavily on promotion. In general, this is the right decision.

#### Low Market Growth / Low Promotional Activity

Our market is either static or growing slowly. Our promotional spending is low. This spending strategy is justified for a mature market. If we are introducing a new offering, we should re-think the strategy and increase spending in order to increase the market's awareness of our offering.

#### **Low Market Growth / High Promotional Activity**

Our market is either static or growing slowly. Our promotional spending is high. This spending is justified for a new offering launch. We will need heavy spending on selective advertising in order to make the market aware of our offering.



## 4.22.2 Requirement for Product Advertising & Promotion

This matrix examines the use advertising versus personal selling in influencing the behavior of the prospect.

### High Risk / Low Complexity

While our offering is relatively simple, the risk surrounding the purchase is high. Our best option in this case is to use personal face-to-face selling to persuade the customer. The sales contact time can be brief. We may then use advertising, publicity, mailings, or other indirect communications to provide reassurance and support.

### High Risk / High Complexity

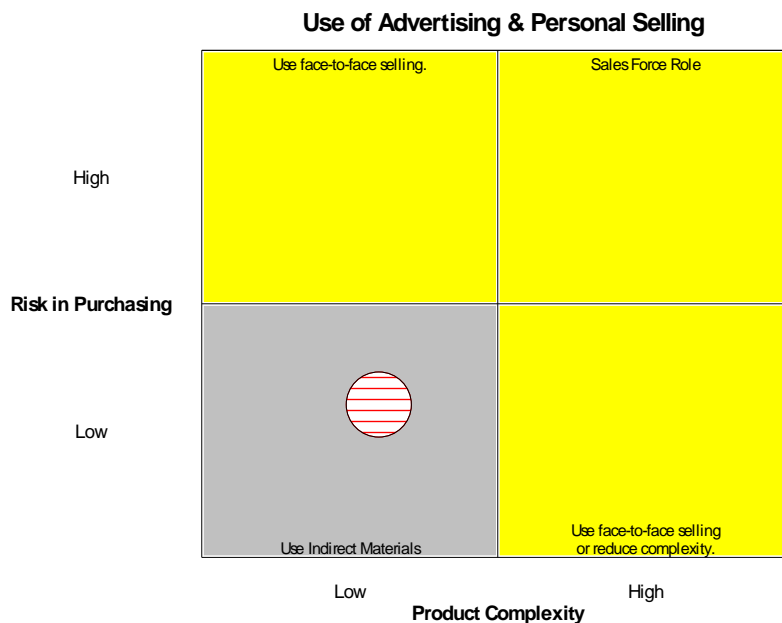
In environments of high offering complexity and high levels of risk, we are best off if we use a sales force armed with promotional materials. We may expect several visits to close a sale and also anticipate some after-sales calls.

### Low Risk / Low Complexity

Our offering is relatively simple and the risk is low. Promotional materials are best in handling this category since they can be much more cost effective than a sales call.

### Low Risk / High Complexity

In environments of high offering complexity we are forced to use face-to-face selling. The efforts are not as extensive as they would be in environments of high risk. Try to do something to reduce the complexity of the offering to lower the selling costs.



#### **4.22.4 Word of mouth sales a powerful factor**

We have indicated that a low percentage of our Internet users are likely to encourage others to use our web site as well. If we can give our users some incentive to encourage others to try our web site our potential for success will be much higher.

Can we give customers the incentive to recruit others?

## 5.0 Strategic Analysis

### 5.1 A Differentiation Focus Strategy

To determine just what we should "focus" on we must look at a variety of factors. We might decide to concentrate on a certain market segment that NEWCO Inc. is well suited to serve.

A good example of this is the automobile industry. General Motors evaluated the market and decided that one segment was looking for "luxury, quality and prestige" in their automobile, so they developed and offered a new product, the Cadillac. This decision was market driven and GM's approach was to provide a product with enough differentiation to make it attractive to the targeted market segment.

To determine whether the marketplace in our industry offers a focus opportunity we must have well defined market segments. We have indicated that there are not well defined market segments for NEWBRAND however this may be inaccurate. We should spend more time analyzing the market to determine characteristics that can differentiate market segments.

An alternative to starting with the market and isolating a segment is to focus on a "specialized" form of product that is well suited to our production capabilities.

Again, a good example is the automobile industry in the post World War II era. Volkswagen had developed the technology to produce a product that offered a low purchase cost and operating economy. By promoting these features of their "specialized" product, Volkswagen was actually pursuing both a cost leadership strategy by offering the lowest cost automobile and a differentiation focus strategy by appealing to the market segment that was interested in operating economy.

If we can isolate aspects of our product form that we are able to improve on, some segment of the market may find these improvements of value, which could be the basis for our focus strategy.

Or, if we could define a version of NEWBRAND that we could produce for substantially less than the industry averages and provided some, but not all, of the functions offered by the more expensive products (e.g., an OEM product for a major pharmacy chain), we could probably focus on a market segment that considered our product quite acceptable. This would be a cost focus strategy.

Look at the concepts addressed in the buyer characteristics analysis, the price versus value analysis and the perception of benefit analysis to get some ideas on how we might define a focus strategy for our business.

Our current distribution network is good and may be a means to achieve a focus strategy either as a method of distributing our products at a lower cost than the competitors or as a way to get our products to a specific market segment.

We have a strong customer service capability and many focus strategies are based on providing superior customer service.

NEWBRAND rates high and we may want to build on that strength by adding features that allow us to control a very specific segment of the market because of the special features.

We have noted that many of our prospects have a bias towards an alternative to NEWBRAND. While this makes sales more difficult using a conventional marketing strategy, there may be a way to turn this bias in our favor if we can isolate needs or attitudes that allow us to define a focus strategy.

With a cost leadership strategy, manufacturing is one of many functions that require cost controls. In a cost focus strategy it may be that a very effective manufacturing process can be the major factor in a successful strategy.

Focusing on any forms of leverage we may have with one or more distribution channels has the potential to significantly reduce our cost of delivering NEWBRAND to the end user versus the costs incurred by our competitors. This can also be a formidable barrier to entry.

We are currently targeting prospects that value characteristics such as quality, durability and dependability more than they are concerned about a good price. Producing products with these characteristics is quite expensive, so we might consider changing our market focus to a segment that finds lower prices for average quality an appealing concept.

Other areas we might consider include:

#### POTENTIAL AREAS FOR FOCUS

seasonal sales

market profitability

geographic location

available resources

criticality of need

convenience of purchase

motive for purchase

degree of risk

A focus strategy does not let us off the hook when it comes to sound business management. Quite the contrary, we will probably have to be even more effective because, with either a differentiation focus or a cost focus strategy we are actually combining two strategies.

## 5.2 Cost Leadership Focus

A cost focus strategy presumes that a cost leadership strategy is practical. If that is the case, then the evaluation of the other factors can help to determine where a focused approach may provide an even greater competitive advantage than a more general, broad based cost leadership strategy.

The following factors have rated high enough to qualify as potential targets for our focus strategy. Other factors may have been considered, but not suggested, because of low ratings. These are included at the end of the contributing factors list (shown below) with an NA rating.

Strong executive management, which NEWCO Inc. appears to have, is essential to any cost related strategy. We should work on maintaining or improving our capabilities in this area.

With a cost leadership strategy, manufacturing is one of many functions that require cost controls. In a cost focus strategy it may be that a very effective manufacturing process can be the major factor in a successful strategy.

Focusing on any forms of leverage (e.g. Co-op advertising) we may have with one or more distribution channels has the potential to significantly reduce our cost of delivering NEWBRAND to the end user versus the costs incurred by our competitors. This can also be a formidable barrier to entry.

We are currently targeting prospects who value characteristics such as quality, durability and dependability more than they are concerned about a good price. Producing products with these characteristics is quite expensive, so we might consider changing our market focus to a segment that finds lower prices for average quality an appealing concept.

Current Rating of Cost leadership focus strategy potential is 73

Rating	Contributing Factor
57	Cost Leadership strategy has some chance for success
70	Management strength strongly supports a cost focus strategy
72	Manufacturing strongly supports a cost focus strategy
76	Changing market definition could benefit cost focus strategy
90	Leveraging low channel costs could support a cost focus strategy
NA	Process technologies could support a cost focus strategy

## 5.3 Environment

The analysis indicates that environmental factors are positive for the introduction and market penetration of our products.

The evaluation of demographic factors, which is positive, considers changes in the average prospect's age, geographic location, income and education.

The evaluation of cultural factors, which is positive, considers emerging fashion or life-style trends. The term "fashion" can relate to any product, from clothes to cars to computer programs. If the product is 'the thing we shouldn't be caught without' in our industry, then it is in fashion. Examples of life-style trends might be a public that is more health conscious or more pro-environment.

The evaluation of government controls, which is no better than fair, considers factors such as the availability of subsidies, imposition of safety and operational regulations, licensing requirements, restricted access to materials and price controls.

The evaluation of the impact of technological change on our strategy, which is approximately neutral, considers factors such as the extent to which competitive product performance has reached its limit, the direction in which competitive R&D is moving, the emergence of new technologies and the time competitor's have to react to changes in technology.

This is an analysis of the extent to which environmental factors positively support NEWBRAND market growth potential. The analysis includes evaluations of;

<b>FACTOR</b>	<b>RATING</b>
Demographics	- POSITIVE

This is an analysis of the extent to which changes in the market's age, geographic location, income and education may support the introduction and market penetration of NEWBRAND.

Cultural changes	- POSITIVE
------------------	------------

This is an analysis of the extent to which cultural changes support NEWBRAND introduction and penetration of the market.

Government actions	- POSITIVE
--------------------	------------

This is an analysis of the extent to which government actions support NEWCO Inc.'s plan.

Technological change	- POSITIVE
----------------------	------------

This is an analysis of the extent to which technological changes that are occurring favor the actions of NEWCO Inc.

The analysis indicates that environmental factors are favorable for NEWBRAND.

Current Rating of Impact of environmental factors is 81

Rating	Contributing Factor
68	Government actions support our business
70	Product threatens current competitive technology
85	Demographic changes are supportive
100	Cultural trends support our business

**5.3.1 Fashion trends are transitory**

Our product or service is currently benefiting because it is "in fashion". This is good, but be aware that fashionable products come and go quickly. If this product form is of key importance to NEWCO Inc.'s business we should commit to a high and continuing investment in research and development.

Fashionable products can be transitory

**5.3.2 Regulations may create additional capital requirements**

The government regulations we have to deal with could have the impact of slowing product introductions, changing product designs or even requiring product recalls. Under these circumstances the need for additional capital can be increased, so we may want to review our financial condition and the possibility of regulations imposing some strain on our cash position.

Government pricing controls

Government licensing requirements

Government operating regulations

Government product regulations

**5.4 Prospect**

The market segment(s) that we have described are analyzed to be reasonably well suited to our strategy and the strengths of our product(s). This was determined by evaluating the probable length of the typical prospect's purchase decision cycle, the probability that marketplace factors favor the acquisition of our product(s) in substantial volume, the probability that the prospect will pay a high price for our product(s), the extent to which price influences the prospect's purchase decision and the propensity of the prospect to exert comparison energy prior to making the purchase decision.

In addition, an analysis of the marketplace characteristics that are vital to the acceptance and success of our product offerings was determined to be reasonably good.

Even if we have well defined market segments with positive characteristics it is still essential that our prospects have a positive perception of the benefits our product(s) will provide. The analysis indicates that the market has a neutral perception of our product benefits.

And, finally, it appears that the prospect's bargaining position, which can affect price and the time it takes to make a purchase decision, is average.

**5.4.1 Specific Prospect Characteristics**

NEWCO Inc. has targeted a national prospect base that is lightly dispersed with the following composition.

100%	-	Individuals
0%	-	Small companies
0%	-	Mid-size companies

0%	-	Religious or philanthropic orgs.
0%	-	Large companies
0%	-	State/Federal government agencies
0%	-	Other

About 50% of the prospect base is expected to be repeat customers. In general, the prospect has excellent financial resources with all currently having the means to purchase and use NEWBRAND. The purchase of a product like NEWBRAND is considered to be of some, but not essential, benefit to the prospect.

NEWBRAND is most likely to be purchased for utilitarian purposes and will usually be purchased in the same form as it is manufactured. The purchase decision will normally be made by one person with the likelihood of exerting a limited comparison effort of NEWBRAND to the competition. Any personal risk involved in making the purchase decision is considered to be minimal. The analysis indicates that a short time will be taken to make a purchase decision.

The average prospect has very minimal knowledge concerning NEWBRAND, will probably view the product's potential to satisfy their needs with skepticism and will deem the price of NEWBRAND as a factor of minor importance in their purchase decision. They consider the non-price factors to be of considerable, but not critical importance. From the perspective of the prospect, NEWBRAND does not appear to have enough benefits to support a higher price than the competition.

The overall quality of the projected prospect base seems to be fair, with the potential for a broad acceptance of NEWBRAND being a good possibility. Once established as a customer, the probability of them remaining loyal to NEWBRAND is analyzed to be fair.

#### 5.4.2 The Prospect

This is a summary of analyses for the potential buyer of NEWBRAND. Primary factors considered are;

<b>FACTOR</b>	<b>RATING</b>
Decision time	- POSITIVE
This is an analysis of the length of the typical prospect purchase decision cycle.	
Product acceptance	- POSITIVE
This is an analysis of the probability that marketplace factors favor the acquisition of NEWBRAND in substantial volume.	
Price versus benefits	- POSITIVE
This is an analysis of the probability that a prospect will pay a higher price for NEWBRAND because it offers more of the benefits that they need.	
Pricing sensitivity	- NEUTRAL

This is an analysis of the buyer's view that price is the major deciding factor in the decision to purchase NEWBRAND.

Shopping characteristics - POSITIVE

This is an analysis of the propensity of the buyer to exert buying and comparison energy prior to making the purchase decision.

Market penetration potential - NEUTRAL

This is an analysis of the potential for rapid penetration of the primary market served.

The analysis indicates that the targeted market segment will have a positive attitude toward purchasing NEWBRAND.

Current Rating of Analysis of prospect characteristics is 68

Rating	Contributing Factor
43	The potential for market penetration is moderate
53	Some prospects are willing to pay a high price
76	Most prospects will pay for product value
79	Prospect's decision time is short
83	Most prospects will exert comparison efforts prior to purchase
84	Many prospects are likely to adopt our product

### 5.3.3 Perception of Benefit

The marketplace will purchase our product if it perceives enough benefit will be received. This is an analysis of the benefits provided by NEWBRAND. A high Assertion rating indicates a high probability for perception of benefits which can support a focus strategy or a differentiation strategy.

Current Rating of Prospect's perception of benefit is 67

Rating	Contributing Factor
60	Prospect has some need for improvement
66	Prospect has some viable alternatives
72	Product offers many obvious advantages
NA	Effect on prospect's market share is minimal

### 5.3.4 Prospect's Bargaining Power

This is an analysis of the position of the prospect in the buying negotiation process. Strong buyers tend to drive down prices and profits creating a less attractive market. A high Assertion rating indicates a prospect with limited bargaining power.

Current Rating of Prospect's bargaining power is 50

Rating	Contributing Factor
2	Product introduction/switching costs are low
10	Prospect's shopping costs are low
30	Many prospects are contacted to make a sale
32	Products are not highly differentiable
69	Prospect lacks full information
75	Prospects are spread across numerous buying groups
90	Prospects pose minimal threat for backward integration
100	Product investment is an insignificant portion of prospect's costs
100	Prospects are generally very profitable
NA	A single sale is large relative to total sales

### 5.3.5 Barriers to Entry

This is an analysis of barriers that NEWCO Inc. can construct to prevent competitors from entering the market. A high Assertion rating indicates the ability to create significant entry barriers. All of the strategy forms can create entry barriers and the effectiveness of the barriers is a result of how well the strategy is executed.

Current Rating of Enterprise' ability to create barriers to entry is 44

Rating	Contributing Factor
2	Customer switching costs will not deter entry
42	Enterprise has some capacity to differentiate
52	New entrants will have some difficulty securing distribution channels
65	Enterprise can construct some "other" barriers to entry
72	Enterprise has significant economies of scale

### 5.3.6 Market Viability

This is an analysis of the marketplace characteristics that are vital to the acceptance and success of new product offerings. A high Assertion rating indicates a high probability of product acceptance. Use the Trace feature to review in more detail the various influencing factors.

Current Rating of Probability of product acceptance is 70

Rating	Contributing Factor
43	Market has some potential for growth
72	Likelihood of sustained industry growth is high
84	Early market adoption likely

### 5.3.7 The Internet

The Internet has the potential to be used for promoting our business, products or services, as an educational medium for our prospects and, in some cases, as a means for delivering our products or services. We have indicated intent to use the Internet for one or more of these purposes and the following is an evaluation of the efficacy and consistency of our Internet program.

Our first step will be to establish our presence in the Internet community. This involves a good deal of learning about the idiosyncrasies of getting up on the net, making our site easily accessible to interested prospects, educating and convincing prospects to become customers and then effectively and securely servicing those customers. The analysis indicates that the quality of our implementation of an Internet presence is fair.

One of the factors that have become apparent regarding the Internet is that "anything we can do, someone else can do shortly thereafter." Unless... we can create some barrier to keep others from duplicating what our Internet site has to offer. Short of legally protected functionality (with patents or other legal means) and/or proprietary information content there are few things we can do to create major barriers. However, with proper implementation, we can make it more difficult for the competition. The analysis indicates that our potential for creating entry barriers is fair.

Having established our Internet presence we are then concerned with attracting viewers and converting them to customers to achieve market penetration. While there are many factors above and beyond the dynamics of our Internet involvement, for some businesses they are a major contributing factor. The analysis indicates that our use of the Internet to achieve market penetration has fair potential for success.

Once having established the Internet as a viable sales medium, we must be able to maintain its attractiveness to the marketplace and sustain long term growth. In addition to the above considerations there are numerous other factors that will influence our ability in this area. The analysis indicates that our long term growth potential for Internet sales is fair.

## 6.0 Competition

The analysis indicates that the competitors we have described have considerable experience and are in a strong position to market their product(s). They appear to have an average commitment to the marketplace while current conditions place them in a position such that abandoning the market could be an acceptable alternative. They would appear to have some of the basic attributes to successfully compete in the market and if history is any indicator, they will respond to our market entry efforts in an aggressively defensive manner. This group of competitors should present a manageable challenge to NEWCO Inc.

### 6.1 Specific Competitive Characteristics

We have indicated there are three to five enterprises competing in our marketplace and have named 4 of them as our most direct competitors, the strongest being Neil Med. A list of the named competitors is shown below.

Competing Enterprise	Competing Product	Price
Neil Med	Sinus Rinse	\$12.00
Ayr	Sinus Wash	\$12.00
Himalayan	Neti pot	\$19.00
All Others	Various	\$13.40

A summary of some key characteristics of these competitors is:

Competitor Name	Product Emphasis	Cash Position	Channel Relations	Market Cmt'ment	Type of Competitor
Neil Med	Medium	Medium	Good	Total	Average
Ayr	Medium	Medium	Poor	Low	Average
Himalayan	Medium	Medium	Good	Total	Average
All Others	Medium	Medium	Average	Average	Average

A comparison of critical factors in a competitive environment between NEWBRAND and the named competitors is shown below.

Competitor Name	Experience	Staying Power	Strength	Summary
NEWCO Inc.	High	Med	Med	Med
Neil Med	High	High	High	Med
Ayr	Low	Med	Low	Low
Himalayan	Med	High	Med	Med
All Others	Med	Med	Med	Med

The difference between the physical characteristics of NEWBRAND and the competitor's products is not readily obvious. In general the competition has average profit margins and their market strength is roughly equivalent to NEWCO Inc.'s. They have not established credibility in the marketplace. In general, their products have limited potential for price performance improvements.

## 6.2 The strongest competitor

The analysis indicates that Neil Med is NEWCO Inc.'s strongest competitor. It may be of benefit to review their strengths and weaknesses to determine actions we may take to improve our competitive position.

## 6.3 The Competition

This is an analysis of the overall strength of all our named competitors. A high Assertion rating indicates our competitors are relatively weak. The analysis considers the following factors;

### FACTOR

### RATING

Past experience

- NEUTRAL

This is an analysis of the experience level of our named competitors. Factors considered include past experience, knowledge of the industry, age and how realistically they view their capabilities.

Staying power

- NEUTRAL

This is an analysis of the ability of our named competitors to stay in the marketplace for the long run. This is based mainly on historical and current financial factors.

Competitive energy

- NEUTRAL

This is an analysis of the ability of our named competitors to compete with us in the marketplace. A variety of factors from reputation to advertising commitment to channel relationships are considered.

Predictability

- NEUTRAL

This is an analysis of the predictability of our named competitors, reviewing whether they play by the rules, like to retaliate and have an appropriate concept of their abilities.

Freedom of action - POSITIVE

This is an analysis of the freedom that our named competitors have to exit from the market.

The analysis indicates that our named competitors are probably of average competence.

Current Rating of Overall strength of all competitors is 52

Rating	Contributing Factor
43	Competitors are somewhat experienced
47	Competitors have moderate staying power
47	Competitors are somewhat predictable
47	Competitors are fairly well positioned to market their product
54	Competitors have some strength
73	Competitors are free to abandon market

## 6.4 Competitive Rivalry

This is an analysis of how vigorously the competition will compete with NEWCO Inc. and each other in the marketplace. A high Assertion rating indicates that competition will not be very vigorous.

Current Rating of Strength of competitive rivalry is 46

Rating	Contributing Factor
2	Product introduction/switching costs are low
30	Capacity may be increased in large increments
32	Products have low differentiability
34	There are several competitors
57	There are some barriers to exit
60	Value-added is moderate relative to fixed storage costs
70	The average competitor is small
72	Industry growth is rapid

## 6.5 Distribution Concentration

This is an analysis of the extent to which distribution channels are currently utilized. A high Assertion rating indicates a low utilization of distribution channels.

Current Rating of Distribution channel utilization is 49

Rating	Contributing Factor
34	Number of competitors is moderate
50	Some competitors have established channel relationships
50	Some competitors have established significant leverage
60	Some competitors have established high service standards

### 6.6 Product Position

This is an analysis of the competitors and their products with respect to the position they are in to be a viable competitor for NEWBRAND. The higher the Assertion rating the weaker the competition and the better it is for NEWCO Inc.

Current Rating of Market strength of competitor's products is 47

Rating	Contributing Factor
30	Most competitive products have good performance characteristics
40	Some competitive products are of high quality
40	Some competitive products are readily available to the market
50	Some competitive products have an extensive number of features
50	Some competitive products have a long life expectancy
50	Some customers are likely to get good competitive product service
70	Few in the market are familiar with competitive products

### 6.7 Large production increases can impact pricing

We have described an environment with competitors that must increase production capacity significantly if they increase at all. When this happens, especially if more than one competitor decides to increase capacity, we will be faced with a significantly greater volume of product in the marketplace, which will probably translate to lower prices. It would be wise to pay close attention to our competitor's plans for expansion.

Production capacities must increase in large increments

### 6.8 Share of Market Comparison

Revenue projections are the basis for calculating share of market percentages. We may review these projections by using the Trace feature.

**Percent Share of Market**

<b>Enterprise Name</b>	2007	2008	2009	2010	2011
NEWCO Inc.	12%	NA	NA	NA	NA
Neil Med	17%	NA	NA	NA	NA
Ayr	2%	NA	NA	NA	NA
Himalayan	3%	NA	NA	NA	NA
All Others	66%	NA	NA	NA	NA
Total	100%	100%	100%	100%	100%

## 7.0 Product

We will be selling a physically small, technically non-unique, low maintenance product that is viewed with considerable confidence by the scientific community. Our prospects perceive that the product pricing is low if it satisfies their needs. The benefits to be derived from the product are clearly visible, easily understood and easily described.

The product, considering product benefits, complexity and differentiation, ease of customer utilization, potential for obsolescence, proprietary technology and the potential for production and marketing problems is analyzed to be a fair contributor to the success of our marketing strategy.

### 7.1 Specific Product Characteristics

NEWBRAND is a product that is not complex to understand and use. The product is patented and is being marketed using a name that is trademarked. It has the potential for minimal differentiation from competitive products in the marketplace.

Few government controls are imposed on the manufacture and sale of NEWBRAND. NEWCO Inc. has some ability to protect NEWBRAND proprietary technology while the product has some potential for product obsolescence during the analysis period. Factors related to manufacturing, prospect knowledge, industry standards and regulatory controls are likely to generate few setbacks for NEWCO Inc. during efforts to achieve market penetration.

Selling and/or using NEWBRAND should require very little training of the sales force and some customer education.

We have indicated that NEWBRAND is not unique in the industry, has no optional features and follows defector industry standards. We have also described it as having average visual appeal with some emotional appeal.

The analysis indicates that it is of average importance to have an advertising program for NEWBRAND and the advertisability of NEWBRAND is analyzed to be just average.

In support of the effort to sell NEWBRAND, NEWCO Inc. currently has an excellent logistics capability for delivering the product, an inadequate number of service outlets and an inadequate number of service technicians.

### 7.2 The Product

This is an analysis of a variety of factors that combine to create products that are strong contenders in the marketplace. A very strong product can be the basis for a differentiation strategy. The factors considered are;

<b>FACTOR</b>	<b>RATING</b>
Product differentiation	- NEUTRAL
This is an analysis of product differentiation in the marketplace.	
Product benefits	- POSITIVE

The marketplace will purchase our product if it perceives enough benefit will be received. This is an analysis of the benefits provided by NEWBRAND.

Impact on buyer's Quality of Life - POSITIVE

This is an analysis of the impact on the customer's QOL as the result of trialing or purchasing NEWBRAND.

Product complexity - POSITIVE

This is an analysis of the complexities that will be involved when trying to use or sell NEWBRAND.

Product obsolescence - POSITIVE

This is an analysis of the likelihood of technological obsolescence of NEWBRAND.

Proprietary information - NEUTRAL

This is an analysis of the degree to which NEWBRAND faces problems common to the introduction of a new product.

The analysis indicates that NEWBRAND can be a strong performer in the marketplace.

Current Rating of Product market strength is 62

Rating	Contributing Factor
42	There is some product differentiation
45	There are some problems protecting proprietary technology
62	Product has some potential for obsolescence
66	Enterprise will have some difficulty with introduction problems
67	Product benefit is significant
77	Minimal impact on the customer's daily routine
84	Product complexity is minimal

### 7.3 BLANK

### 7.4 Advantage

This is an analysis of the degree to which the advantage offered by NEWBRAND will be obvious to the potential buyer. A high Assertion rating indicates that the advantage will be obvious.

Current Rating of Advantage's of purchasing our product is 72

Rating	Contributing Factor
50	Product results are sometimes significant
90	Product results are very quantifiable
90	Product results are easily described
90	Product results are very understandable
90	Product results are very visible

### 7.5 Complexity of product

This is an analysis of the complexity associated with the understanding and/or use of NEWBRAND. A high Assertion rating indicates that NEWBRAND is easy to understand and use. Products with low complexity tend to support a cost leadership strategy while complex products are more likely to be supportive of a differentiation strategy.

Current Rating of Product complexity is 84

Rating	Contributing Factor
50	Product has some standardized features
50	A product demonstration is helpful
70	Product is dealing with an outmoded concept
85	Many complementary products are in place to assist
90	Technical content of product is low
90	Little to no retraining is required for product use
100	Product offers few options
100	Few support devices are required for product
100	Little to no technical assistance is required for product use
100	No installation effort is required

### 7.6 Obsolescence Problems

This is an analysis of the likelihood of technological obsolescence of NEWBRAND. A high Assertion rating indicates a low probability of obsolescence.

Current Rating of Potential for product obsolescence is 62

Rating	Contributing Factor
20	R&D focus is on process improvements
30	Performance is quickly approaching physical limits
80	Enterprise has plenty of time to react to competitive changes
90	Substitutes are not entering the market
90	Product improvements are unlikely

### **7.7 Improve product differentiation**

We are selling NEWBRAND in a market with several competitors and the analysis of NEWBRAND shows that there is minimal potential for differentiating it from the competing products. This presents the need for a strong strategy. We could invest in product development to pursue a differentiation strategy, improve our ability to manage operating costs and pursue a cost leadership strategy or redefine our market and pursue a focus strategy. Leaving things as they are, however, minimizes our chance for success.

Market beyond introductory life cycle stage

Potential for product differentiation is limited

### **7.8 Product demo required**

We have indicated that NEWBRAND can produce some very visible results and yet we have not developed a "demonstration" capability for our sales organization. If a "demo" is feasible we should consider creating one, it might give us that little extra edge.

Product demonstration is not available

Product produces highly visible results

## **7.8 Product needs legal protection**

We have indicated that at least one of the following conditions may exist.

The potential for competition to try and copy NEWBRAND is high -or- prospects might be tempted to market a product similar to NEWBRAND -or- ex-employees might take the products with them.

It would be in our best interest to look into what ways are available to provide legal protection against others using the technology and design concepts of NEWBRAND. If we cannot resolve this problem, the potential for long term success of a focus differentiation strategy is low.

High potential for competitor "copies", or

High probability of backward integration, or

Employees will leave with our technology

## **7.9 New product involves many activities**

The analysis indicates that we might benefit from adding new products to our lineup. There are many other factors that we must consider before a new product launch. Some of these are:

Product packaging

Product literature

Quality control procedures

Manufacturing procedures

Inventory management

Material scheduling

Distributor relationships

Sales training

Advertising commitments

Promotion schedules

Shipping and handling procedures

A general review of these areas may be beneficial.

## 8.0 Success Analysis

The probability of our successful entry into the defined market is evaluated by considering a variety of factors. These include our overall management capabilities, the strength and viability of the product development team, the adequacy of our production process, the methods available for product distribution, the marketing and sales organization's strengths and current activities, our experience versus that of our competitors plus our ability to differentiate our product from those of the competition, the problems we may encounter in our efforts to penetrate the market, the potential difficulties we may encounter due to insufficient infrastructure and the availability of adequate operating capital.

Our potential to achieve significant market penetration has been evaluated as positive.

Given a successful entry into the market we must then evaluate the potential for generating and maintaining profits over an extended period. This requires the analysis of our ability to construct barriers that might prevent competitors from entering the market, whether competitors are likely to retaliate when our products are introduced, how vigorously the competition will compete with awe and with each other in the marketplace, the probability that our products will encounter competitive products or alternative solutions in the marketplace, the strength of the prospect in the buying negotiation process, our ability to purchase materials at a reasonable price and our ability to sustain a competitive advantage.

Our long-term profit potential is evaluated to be fair.

## 8.1 BLANK

## 8.2 Market Entry

This is an analysis of the factors that will influence NEWCO Inc.'s costs to achieve significant market penetration with new products. The higher the rating the more reasonable the costs. The analysis considers the following factors;

<b>FACTOR</b>	<b>RATING</b>
Development team	- NEUTRAL

This is an analysis of the strength and viability of the product development team.

Operating costs	- POSITIVE
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This is an analysis of the product's engineering design for use of materials, the accessibility of those materials, the adequacy of our facilities and the quality of our manufacturing personnel.

Distribution methods	- POSITIVE
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This is an analysis of the methods available to NEWCO Inc. for distributing NEWBRAND.

Marketing and sales - NEUTRAL

The marketing and sales organization is analyzed for its strengths and current activities.

Experience factors - NEUTRAL

This is an analysis of our experience versus that of our competitors plus our ability to differentiate our product from those of the competition.

Start-up problems - POSITIVE

This is an analysis of the problems that NEWCO Inc. may encounter in their efforts to penetrate the market.

Infrastructure - POSITIVE

This is an analysis of the potential difficulties NEWCO Inc. may encounter due to insufficient infrastructure.

The analysis indicates that NEWCO Inc.'s costs to achieve significant market penetration will probably be low.

Current Rating of Costs to achieve significant market penetration is 74

Rating	Contributing Factor
58	Enterprise has so-so marketing
60	Enterprise's ability to stay cost competitive is questionable
70	Enterprise has moderately capable management
70	Enterprise can overcome usual introduction problems
74	Enterprise has good access to raw materials and production
76	Enterprise has sufficient infrastructure
78	Distribution functions are likely to be effective
100	Capital requirements can be satisfied
NA	Technological efforts unlikely to be successful

### 8.3 Profit Potential Specifics

Our potential to generate effective barriers to market entry for new competitors is evaluated to be mediocre. We are likely to benefit from economies of scale, the probability that our product will establish a unique niche in the marketplace is fair, factors such as our use of subsidies, proprietary technology,

production experience and controlling access to materials may deter competitive entry, competitors will probably have difficulty gaining access to distribution channels and it is relatively easy for a customer to switch from one product to another.

We can expect intense rivalry from our three to five competitors. Typically the competing enterprises are larger than NEWCO Inc., the industry growth rate is slow, the competitor's products are difficult to differentiate and there are some exit barriers.

Long-term profit potential is impacted by the likelihood of on-going competition that is evaluated to be high. The marketplace is not hard pressed to make a product purchase decision, competitors are reasonably profitable, competitors have minimal room left for product improvement and products will approach obsolescence slowly.

When producing a product we are usually involved with outside suppliers. Our success is partially in their hands based on their ability to provide timely delivery of needed materials. If we are in a strong position to negotiate prices and delivery schedules from suppliers we have a greater potential for long term profitability. Unfortunately, the analysis indicates that the suppliers have a stronger bargaining position. Most of our materials are standard, making it more likely that they will be available from multiple suppliers. Alternative materials are sometimes available if necessary and it is not expensive to make the switch. We have judged the availability and reliability of our specific suppliers to be very important to our success and the suppliers consider our business to be moderately important to them.

Factors such as the likelihood of competitive imitation, ability to weather economic changes, the ability to justify high prices and "learning curve" requirements for new competitors also indicate a moderate potential for maintaining a strong competitive position.

## 8.4 Profit Potential

This is an analysis of the factors that could influence the potential for generating and maintaining profits over an extended period. The higher the rating the more favorable the potential. The analysis considers the following factors;

<b>FACTOR</b>	<b>RATING</b>
Competitive market entry	- NEUTRAL

This is an analysis of NEWCO Inc.'s ability to construct barriers that might prevent competitors from entering the market.

Competitive retaliation	- NEGATIVE
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This is an analysis of whether our named competitors are likely to retaliate when new products are introduced.

Competitive rivalry	- NEUTRAL
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This is an analysis of how vigorously the competition will compete with awe and with each other in the marketplace.

Substitute products - POSITIVE

This is an analysis of the probability that our products will encounter competitive products or alternative solutions in the marketplace.

Buyer's bargaining power - NEUTRAL

This is an analysis of the position of the prospect in the buying negotiation process. Strong buyers tend to drive down prices and profits creating a less attractive market.

Supplier's bargaining power - NEUTRAL

This is an analysis of our ability to establish reasonable purchase prices with our suppliers

Staying power - NEUTRAL

This is an analysis of NEWCO Inc.'s ability to sustain its competitive advantage.

Freedom of action - POSITIVE

This is an analysis of the degree of independent control that is available to NEWCO Inc.

The analysis indicates that NEWCO Inc.'s profit potential is average.

Current Rating of Potential for maintaining profits over time is 53

Rating	Contributing Factor
34	Competitive retaliation is possible
44	Fair potential to construct entry barriers to competition
46	Competitive rivalry is fairly intense
50	Buyers have moderate bargaining power
54	Suppliers have moderate bargaining power
55	Enterprise has fair ability to sustain position
62	Enterprise has some freedom of action
66	There is some threat of substitutes
70	There is good market potential for new products

## 9.0 Operational Factors

Implementation of our strategy is as important as its definition. The strength of our enterprise, which includes structural and legal organization, management experience, management style, freedom to act and staying power is critical to successful implementation. Appropriate functional capabilities in development, production, marketing and sales, and customer service are also crucial.

Understanding ratios such as expense to revenue, management to employee, revenue per employee and unit costs will also help to insure our success.

Finally, at a detailed level, reviewing administrative practices, operating methodologies, marketing and sales techniques and product development activities can provide important insights into appropriate methods for strategy implementation.

## 10.0 Our Business

As an enterprise, NEWCO Inc. appears to have a reasonable number of the attributes necessary for success. On a scale of 1 to 100, the functional aspects of NEWCO Inc. rate as follows:

70	-	Key Management
72	-	Manufacturing
58	-	Marketing/Sales
80	-	Customer Service

NEWCO Inc. will be selling its products, in particular NEWBRAND, to a market segment defined to include prospects that are mostly new to NEWCO Inc., composed mostly of individuals, who are more quality of life oriented instead of price sensitive and who have a positive attitude about purchasing the product. The economic, business and cultural climate supporting sales to this market segment appears to be strong.

NEWBRAND, rated on technology, image, user benefit, ease of use and competitive differentiation is considered excellent and will be competing with some products or alternatives in the marketplace.

## 10.1 Our Enterprise

NEWCO Inc. is a mature enterprise, with unknown previous earnings. They are legally structured as a corporation with an organization structure that is still being defined. The management team appears to have average experience with the chief operating officer being adequately prepared. NEWBRAND is known in the industry.

The analysis indicates that we have a loosely controlled, entrepreneurial management style. This style lends itself to a differentiation, early market entry type of product business.

NEWCO Inc. has few capabilities to limit competition. Current circumstances allow them reasonable freedom to act independently. They currently have to deal with few legal concerns. NEWBRAND has some degree of staying power in the marketplace with some abilities to develop and market highly differentiated products. Their products are currently marketed.

NEWCO Inc. currently provides a fringe benefit package that offers an average employment incentive. This along with other factors indicates that there will be about the normal number of employee recruiting and retention problems.

NEWCO Inc. has an in-house sales organization as well as using outside distributors. NEWCO Inc.'s ability to distribute their products is analyzed to be excellent. The in-house experience necessary to advertise and promote products is very limited.

NEWCO Inc.'s manufacturing facilities are in an excellent location to meet business requirements.

The manufacturing organization is composed of personnel with good skills and the available skills in the labor pool are average or better. Their ability to control production process expenses is average.

Considering all known factors the manufacturing capabilities are analyzed to be excellent.

## 10.2 Enterprise Strength

This is a summation of factors relating to NEWCO Inc., analyzing the strength of NEWCO Inc. as an enterprise. The factors considered are;

<b>FACTOR</b>	<b>RATING</b>
Management team	- POSITIVE
This is an analysis of the management team's experience and compatibility with their job.	
Enterprise image	- POSITIVE
This is an analysis of the marketplace image of NEWCO Inc. This factor is important to successful market entry and in gaining access to various channels of distribution.	
Cost competitive product	- NEUTRAL
This is an analysis of NEWCO Inc.'s ability to achieve a competitive advantage based on cost leadership (vs. product differentiation).	
Industry leader potential	- NEUTRAL
This is an analysis of NEWCO Inc.'s ability to become an industry leader by creating the best product in the marketplace.	
Freedom of action	- POSITIVE
This is an analysis of the degree of independent control that is available to NEWCO Inc.	
Staying power	- NEUTRAL
This is an analysis of NEWCO Inc.'s ability to sustain its competitive advantage.	
Infrastructure	- POSITIVE
This is an analysis of the potential difficulties NEWBRAND may encounter due to insufficient infrastructure.	

Competitive market entry - NEUTRAL

This is an analysis of NEWCO Inc.'s ability to construct barriers that might prevent competitors from entering the market.

Legal considerations - POSITIVE

This is an analysis of legal factors that must be considered, including patents, copyrights, trademarks, royalty claims, union relationships, state and federal regulations and many others.

The analysis indicates that NEWCO Inc. is an enterprise needing improvement.

Current Rating of Overall strength of NEWBRAND is 59

Rating	Contributing Factor
44	Enterprise can construct some entry barriers to competition
50	Enterprise has some capacity to differentiate
55	Enterprise has an average ability to sustain position
57	Enterprise has some capacity to be a low-cost leader
62	Enterprise has some freedom of action
63	Enterprise is somewhat prominent
70	Enterprise has a capable management team
75	Enterprise has few outstanding legal problems
76	Enterprise has excellent infrastructure to support activities

### 10.3 Review employee benefits

We are still a relatively small enterprise and we are providing our employees with significant benefits. Benefits are a good incentive for attracting and retaining employees, but they can also be a tremendous drain on NEWBRAND resources. Employees working for small and growing enterprises should be willing to take a "little less" now with the expectation of getting "much more" later. Review our plans for employee benefits, because once they are offered it is very difficult to take them away.

We are offering extensive benefits for a small enterprise

### 10.4 Consider more vertical integration

NEWCO Inc. is currently using a number of outside services to perform a variety of the functions involved in producing and selling NEWBRAND. Often an enterprise can reduce their operating expenses by prudently bringing "in-house" some of the functions being performed by an outside service. Review the factors and consider some vertical integration.

We could probably benefit from vertical integration

## 10.5 Marketing & Sales

There are some important responsibilities of the marketing function that should be considered when implementing our strategy.

It is beneficial to be "known" in the industry. This can be done through the founder's reputation, endorsements from high profile personalities, strong performance in customer support, outstanding product capabilities and, of course, a strong market share. The analysis shows that our marketplace image is just fair.

Marketing personnel must understand the implications for the new customer when they purchase our product. Will the purchase require overcoming fears, free samples, answers to FAQs? For NEWBRAND, the implications are somewhat disruptive so marketing should be prepared to deal with a customer's concerns.

Another important factor to understand is whether a customer will also be a prospect for the next product or service we have to sell. If we are able to instill loyalty in our customer base, the selling expense for the next product or service is greatly reduced for that portion of our market segment. The analysis indicates our customers are only somewhat likely to be loyal.

Each market has different shopping characteristics. It is helpful to understand how vigorously the prospect is going to be searching for a solution to the problem our product addresses. And, if they are prone to expending research effort, how knowledgeable they are about competitive pricing and quality. In this case it appears the prospect will exert minimal buying effort.

The marketing organization appears to be implementing a limited number of sales incentives. The organization seems fairly well prepared to initiate the sales process and is very well prepared to provide sales support.

The marketing and sales organization is analyzed for its strengths and current activities. The factors considered include;

<b>FACTOR</b>	<b>RATING</b>
Marketing manager	- POSITIVE
This is an analysis of the experience and suitability for the job of the Marketing manager.	
Distribution	- POSITIVE
This is an analysis of the strength of our distribution capability, considering sales strength, sales support capability, channel strength, channel relationships and other factors.	
Pricing	- POSITIVE

This is an analysis of our product pricing logic. The consistencies between our stated pricing strategy and related factors plus the external constraints imposed on NEWBRAND are considered.

Advertising - NEUTRAL

This is an analysis of the viability of our advertising efforts, considering our experience, budget, contacts, product advertisability and other factors.

Publicity - NEUTRAL

This is an analysis of the probability that our publicity campaign will be successful. Past success, contacts, promotional literature, educational capabilities and other factors are considered.

Sales promotion - NEGATIVE

This is an analysis of the effectiveness of our sales promotion efforts, considering trade allowances, special pricing, contests and other factors.

Personal selling - POSITIVE

This is an analysis of the need for a personal sales effort and how well the reputation of NEWCO Inc. and NEWBRAND support personal sales.

The analysis indicates our marketing and sales organization has only some of the attributes necessary for success.

Current Rating of Marketing and sales organization strength is 58

Rating	Contributing Factor
13	Sales promotion efforts are weak
41	Advertising has fair potential for success
55	Publicity efforts have moderate potential for success
67	Pricing logic is likely to be appropriate
69	Enterprise distribution capability is strong
70	Marketing/Sales manager has good credentials
76	Sales well positioned for success

## 10.6 Beware of conflict with distribution channels

Our sales organization is selling NEWBRAND directly to the prospect. We are also using one or more indirect channels of distribution. We should review our operating procedures to insure that our distribution channels do not consider us to be in direct competition with them.

### **10.7 Need more experience for publicity campaign**

Our responses show that there is a lot of activity underway to generate more market awareness for NEWBRAND; however, it also seems that our experience level is low. We should consider hiring an employee or consultant with extensive experience in promoting products similar to NEWBRAND.

Publicity efforts are high

Experience in generating publicity is minimal

### **10.8 Consider a corporate ad**

NEWBRAND has some degree of recognition in the industry. It may be to our advantage to use a corporate ad to call more attention to NEWBRAND, especially if we're thinking about divestiture. After we have succeeded in creating some brand recognition then we can push NEWBRAND with product benefits or product comparison ads.

Product's brand recognition is low

Enterprise holds a prominent position in the industry

Not planning on using a corporate ad

### **10.9 Review transportation methods**

Our manufacturing is located such that our proximity to the marketplace and/or our source of parts and materials is remote. We should review our transportation methods for incoming parts and materials and outgoing finished goods to insure that this won't be a bottleneck to achieving our projected sales volume.

Marketplace is remote from manufacturing location

Material sources are remote from manufacturing location

### **10.10 Management Considerations**

The process of managing our business will determine whether we can effectively implement our marketing strategy. This begins with administrative concerns such as the legal considerations that will inevitably arise and the problems of recruiting, hiring and nurturing our work force. We must effectively integrate the various operational functions within NEWBRAND, insuring good communications, well-defined interfaces, efficient production processes, excellent research and development capabilities and unrelenting quality control.

However, an efficiently managed organization is only a part of the key to success. Even though we produce the best quality, most cost effective product on the market, we must still convince the marketplace to purchase it. This involves the creation of a good market image, understanding our prospect's needs, care and consideration of our customer base and the ability to "sell".

### 10.11 Administration

Administratively, NEWCO Inc. has a more entrepreneurial than conservative management style. In general, they are willing to take significant risks to achieve their objectives. A formal business plan is created each year, but operational objectives which are likely to be more subjective than quantitative are reviewed on a haphazard basis. Formal internal communications are a monthly occurrence; cost controls are very loose with feedback to management regarding expenses being provided informally.

From a legal perspective, our products are satisfying all of the legal restrictions applying to safety, operation, labeling, advertising and shipment, our product name is trademarked and is easily protected, there will be minimal patent work, and minimal union negotiation problems.

Administration of our human resources will be of reasonable complexity given that salary levels are about average, employee benefits are about average, most new employees must be hired outside of the local geographical area and NEWBRAND working environment is better than that of the competition.

### 10.12 Legal Considerations

There are often a variety of general legal factors that must be considered when managing an enterprise. These include patents, copyrights, trademarks, royalty claims, union relationships, state and federal regulations and many others. A high assertion rating is beneficial to any strategy, but is essential for a cost leadership strategy.

Current Rating of Legal Considerations & Issues is 75

Rating	Contributing Factor
0	Patent is unlikely to be established and defended
100	Trademark defense potential is strong
100	Royalties are not a major factor
100	There are minimal legal issues with product
NA	Unions are a major factor

### 10.13 Recruiting/Retention Ability

The ability to recruit and retain employees is key to the long-term success of NEWCO Inc. A high Assertion rating indicates a good recruiting and retention ability. This is important for any strategy.

Current Rating of Employee recruiting/retention ability is 62

Rating	Contributing Factor
25	Qualified personnel are not readily available
54	Employee benefits are average
80	Salary levels are very competitive
90	Enterprise offers an excellent working environment

### 10.14 Enterprise Profile - management techniques

This is an analysis of NEWCO Inc.'s management techniques.

A high assertion rating indicates a conservative, tightly controlled management style. This style lends itself to a cost leadership, late market entry type of product business.

A low assertion rating indicates a more loosely controlled, entrepreneurial management style. This style lends itself to a differentiation, early market entry type of product business.

Current Rating of Enterprise profile is 29

Rating	Contributing Factor
0	Enterprise does not maintain tight cost controls
0	Enterprise seldom reviews costs
15	Management seldom reviews objectives
20	Enterprise often takes business risks
20	Subjective measurements are used for employee reviews
50	Enterprise maintains semi-formal internal coordination
100	Enterprise produces an annual business plan

### 10.15 Operations

The evaluation indicates we are organizationally well prepared to implement a marketing strategy. In particular, our materials acquisition and production capabilities appear to be in need of improvement and our ability to produce quality products seems to be mediocre. Our freedom to pursue 'any' strategy is somewhat limited with some distribution constraints and minor pricing constraints as well as some dependence on external factors such as cost and availability of materials, access to suppliers, access to distribution channels and the use of proprietary technologies. Our ability to benefit from economies of scale is a negative factor.

In today's fast paced environment it is important to keep our product(s) near the leading edge of technology. This usually requires strong research and development skills. In NEWCO Inc. these skills appear to be only partially established. One part of the R&D process is to develop specifications for new or improved products. These specifications, usually established by engineering and/or marketing, must satisfy market demand and still allow cost effective manufacturing. We appear to have some problems in this area. A major benefit from staying current with technology is the ability to better differentiate our product(s). The various resources and procedures to maintain highly differentiated products do not appear to be in place.

### 10.16 Freedom of Action

This is an analysis of the degree of independent control that is available to NEWCO Inc. A high Assertion rating indicates a high degree of freedom. While this is important for any strategy, it is especially important to a cost leadership strategy.

Current Rating of Enterprise degree of independence is 62

Rating	Contributing Factor
60	Enterprise is somewhat dependent upon others
65	Competitive environment somewhat limits freedom

### 10.17 Economies of Scale

This is an analysis of the extent to which NEWCO Inc. can benefit from economies of scale. A high Assertion rating indicates a strong potential to benefit from economies of scale which can be a major factor in a cost leadership strategy.

Current Rating of Potential for economies of scale is 72

Rating	Contributing Factor
36	Potential for vertical integration is average
90	Operations are shared with other Enterprise businesses
90	Significant production overlap between Enterprise businesses

### 10.18 Infrastructure Issues

This is an analysis of the potential difficulties NEWBRAND may encounter due to insufficient infrastructure. A high Assertion rating indicates a minimum potential for infrastructure problems. This factor is critical to all strategies.

Current Rating of Infrastructure Issues is 76

Rating	Contributing Factor
62	Some difficulty in recruiting/retaining employees
80	Many complementary products are in place
90	Product support logistics are excellent
NA	Product service outlets do not exist
NA	Sufficient technicians do not exist to service product

### 10.19 Research Skills

This analysis evaluates the research and development skills that exist in NEWBRAND. A high Assertion rating indicates a high degree of skill. This is an essential part of a differentiation strategy.

Current Rating of Research skills within NEWBRAND is 77

Rating	Contributing Factor
34	Know-how is average
75	In-house experience is excellent
100	Technology status is excellent
100	Quality & skill level is excellent

### 10.20 Product differentiation ability

This is an analysis of the factors that are necessary to allow NEWCO Inc. to create and maintain a high degree of product differentiation. A high Assertion rating indicates strong abilities in this area. This is crucial in support of a differentiation strategy.

Current Rating of Product differentiation ability is 44

Rating	Contributing Factor
0	Engineering skills are weak

20	Enterprise personnel have few unique skills
50	Internal coordination is average
54	Employee enjoys average benefits
60	Enterprise has some creative personnel
77	Research & development skills are strong

### 10.22 Prominence

This is an analysis of the marketplace image of NEWCO Inc. This factor is important to successful market penetration and in gaining access to various channels of distribution. A high assertion rating indicates a good marketplace image. This is important to a differentiation strategy.

Current Rating of Prominence of NEWBRAND is 63

Rating	Contributing Factor
0	Product will not be endorsed by important parties
59	Enterprise has some intangible assets
60	Enterprise has established some presence in the market
70	Product has excellent record for durability
70	Enterprise has excellent reputation for delivery
70	Enterprise has excellent reputation for quality
70	Founder's reputation has positive influence on sales
70	Enterprise has excellent reputation for technology
70	Enterprise has excellent reputation for training
100	Enterprise is an established business

### 10.23 Loyalty of Customer

This is an analysis of the probability of customer loyalty to NEWCO Inc. or NEWBRAND. A high Assertion rating indicates a high potential for loyalty.

Current Rating of Potential for customer loyalty is 57

Rating	Contributing Factor
20	Few prospects require custom solutions
59	Prospect has some non-price objectives
63	Enterprise has some visibility in the industry
80	Many complementary products are available

### 10.24 Shopping Characteristics

This is an analysis of the propensity of the buyer to exert buying and comparison energy prior to making the purchase decision. A high Assertion rating indicates a low propensity for energetic buying and comparison efforts.

Current Rating of Prospect's shopping characteristics is 83

Rating	Contributing Factor
65	Prospect will exert some comparison effort
83	Prospect has little knowledge of market price
100	Prospect will exert minimal buying effort

### 10.25 Sales Promotion efforts

This is an analysis of the potential effectiveness of our sales promotion, considering trade allowances, special pricing, contests and other factors. A high Assertion rating indicates strong sales promotion potential.

Current Rating of Evaluation of product promotion efforts is 13

Rating	Contributing Factor
0	Few trade allowances are planned
0	Minimal sampling effort is planned
0	Reduced prices will be a seldom used sales technique
20	Sales brochures will be a seldom used sales tool
20	Sales contests are not likely to be used
40	Some Point-of-Sale effort is planned

## 10.26 Personal selling actions

This is an analysis of the requirement for personal selling efforts to insure that NEWBRAND is properly marketed. A high Assertion rating indicates that minimal actions are required to prepare NEWCO Inc. for personal selling.

Current Rating of Preparedness of sales organization is 78

Rating	Contributing Factor
60	Some promotion to distributors is required
80	Minimal sales bonuses are required
80	A short demo will probably assist in sales
80	Minimal recruiting/relocation of sales personnel is required
84	Product complexity is minimal
87	Technical support requirements are minimal

## 10.27 Readiness to support sales

This is an analysis of NEWCO Inc.'s readiness to support a sales effort. A high Assertion value indicates a high degree of readiness.

Current Rating of Enterprise's readiness to support sales is 90

Rating	Contributing Factor
90	Most logistics are in place
90	Most product delivery functions are in place
90	Completely adequate product warehousing is available
90	Extensive product maintenance is available

## **11.0 Conclusion**

To summarize, at the highest strategic level we are currently pursuing a focused cost leadership strategy. This analysis suggests that we give strong consideration to a focused differentiation strategy.

We will be selling a physically small, technically non-unique, low maintenance product that is viewed with considerable confidence by the scientific community.

NEWCO Inc. has targeted a national customer base that is 100% consumers.

About 50% of the prospect base is expected to be repeat customers. In general, the prospect has excellent financial resources with all currently having the physical resources to install and use NEWBRAND. The purchase of a product like NEWBRAND is considered to be of some, but not essential, benefit to the prospect's business.

In concert, we plan to implement an aggressive focused differentiation strategy, a combined push/pull promotion strategy and a distribution strategy that uses external distribution channels and also uses an in-house sales organization.

On a scale of zero to one hundred, the analysis assigns a probability of 64 that we can successfully implement this strategy. This conclusion has been reached by evaluating the following factors:

Detail behind the ratings is available.

<u>Factor</u>	<u>Rating</u>
The Environment	81
Customer Service	80
Market Penetration Potential	74
Production	72
The Prospect	68
The Product	62
The Enterprise	59
Marketing & Sales	58
Long Term Profit Potential	53
The Competition	52
Engineering & Development	50