

Plan Audit For
EXAMPLE PLAN

Overview

There are numerous factors in a business plan that are related and must be consistent if the plan is to be credible. This "audit" checks for completeness, spelling errors and an evaluation of the aforementioned business factors. This includes an evaluation of the long term success potential of the plan as you have described it, a written summary regarding the market potential of your plan, a set of observations that point out perceived strengths and weaknesses of your plan and a variety of charts that will graphically show how your plan appears to address important marketing and sales concepts.

Analysis

The first section of information provided in the **Analysis** is an English language analysis of your business strategy. Subjects such as market analysis, environmental factors, competitive position, prospect characteristics, product/service positioning, pricing strategy and promotion may be addressed. The text is designed to be a 'constructive criticism' of your plan. It includes the kind of language and comments you might expect to hear from a skeptical investor. Each English language analysis will appear in a window similar to the following.

The next section offers Assertions and Observations about your strategy. They list the "contributing factors" that influenced the conclusion. Each factor is described elsewhere in the report, to gain additional insights you may refer to the description of the contributing factor.

Finally there are numerous charts for your information.

Long Term Success Potential

Business Success Potential

This is an analysis of the combination of the appropriateness of the industry, the viability and advertisability of HiLight, Inc.'s Smart-Lite and the capabilities of HiLight, Inc. to market an offering. The analysis is showing a mildly positive rating, indicating a reasonable probability that a successful, long term business can be achieved.

Current Rating of Business Success Potential is 60

Rating	Contributing Factor
55	Industry undecided about offering
55	Enterprise has mediocre to average market entry capabilities
58	Advertising offers moderate benefits
70	Offering has considerable sales potential

Analysis of Market Potential

Summary

The overall analysis indicates that a number of factors that influence the potential for successfully marketing your offering or set of offerings are [in need of improvement](#).

When reviewing the basics of product/service, pricing, promotion and place the analysis shows:

Product/Service

Your offering or set of offerings has [limited](#) potential for capturing a substantial market share when compared to the named competitors.

Improvement in the following areas would increase that potential.

Smart-Lite [does not currently conform](#) to industry standards. Unless you are in a position to establish the standards for the industry, it would be beneficial to come into conformance.

Your offering(s) are [not clearly differentiated](#) from the competition. It is always of value if you can point to features that make your offering stand out from the competition.

Pricing

The analysis indicates that there is not an especially good pricing strategy for your offering or set of offerings. This suggests the need for a clearer understanding of a market segment that is appropriate for your offering, but in the meantime, pricing comparable to the competition would probably be appropriate.

Promotion

Even though HiLight, Inc. has [good promotional skills](#), Smart-Lite is [not an easily promoted offering](#). You can enhance Smart-Lite's potential by increasing its value to the prospect, reducing its complexity, differentiating it from the competition or redefining your target market. If none of these are feasible, you should probably consider using an outside promotional agent. An outsider can often bring a perspective that is not possible from within your organization.

Place

The location where the sales process and purchase decision takes place is an important part of your marketing strategy. Whether it be in the prospect's home or office or at your place of business, the prospect must receive enough information to be comfortable in making the purchase decision.

Since your offering or set of offerings has a combination of [medium budget expense](#), [low](#) complexity and [minimal purchase](#) risk for the decision maker, it is likely that some degree of personalized sales effort will be required. This means that whether you deal with the prospect on their territory (home or office) or on yours, they will need enough information to require an explanation by a knowledgeable sales person before they make their decision.

Read the rest of the written analysis for more specific suggestions.

Market Analysis

In reviewing the various forces that will influence your marketing strategy it has been determined that the most positive factor in your market is the weak bargaining power of your prospective customers, while the most negative factor is the strong bargaining power of your suppliers.

You appear to be selling into a 'fragmented' market. Enterprises in fragmented markets have the potential for only [small advantages](#), but there are [many ways](#) to achieve them.

In this situation it is important to maintain your position while striving to improve profitability. Only when you are convinced you have enough small advantages to place you in a position of control should you consider expansion.

You have defined a positive market, as not only is the [power of the buyers](#) low, but there is little likelihood of [new entrants](#) or [substitute products/services](#) for some time. The reason is probably that you have a technological lead or dominant market position. Clearly you should strive for such positions as they are likely to be extremely profitable.

You have a low market share and the [quality](#) of your offering is high. You fall into a group that typically averages a 20 percent return on investment. Although you have a [low market share](#), customers are willing to pay a higher price for the offering.

Environmental Factors

Changing factors in the environment such as emerging technologies, demographics, cultural trends, economic growth or depression and new or revised government regulations can have a significant impact on your marketing strategy. The analysis of the current state of the environment and its potential to be a positive or negative influence indicates that your industry has been evaluated as having [low](#) environmental risk. The most supportive factor is the economic changes, while the factor of most concern is the government actions.

Competitive Position

Competition can offer benefits as well as threats to your participation in the industry. For instance, competition may actually increase your competitive advantage by providing such benefits as a cost umbrella. They can assist in market development activities, and thereby increase the overall demand for your offering. Their actions may also deter new market entrants by crowding distribution channels thereby allowing you higher margins.

On the other hand, competitors may threaten your position, counter your moves, be a continual annoyance, challenge your efforts and even make direct attacks. However, competition does tend to "keep you honest" and encourage you to provide the best possible offering to the marketplace.

You should review the Competitive Position section in the Charts analysis for more detail on your competitors.

You have rated yourself as having a **broad** market scope and have chosen the advantage of **differentiation** to position your offering competitively. This would indicate that you should employ a differentiation strategy.

The major characteristics of this strategy form is:

Differentiation Strategy

A differentiation strategy often focuses on one or more critical prospect requirements, adding unique value in those areas and then aggressively sustaining that uniqueness. Successfully implemented this strategy can allow premium pricing which in turn generates high profits. To retain a competitive edge you must continually monitor the market requirements and the ability of you and your competition to satisfy those requirements. Constant research and development will be required to allow ongoing premium pricing.

The analysis indicates you have a **strong enterprise** directed at a **highly attractive market**. You should seriously consider investing your best resources in this part of your business.

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.

You have indicated that your offering remains close to your **core business** and the analysis shows the **market to be attractive**. These conditions represent the least risk and thus a strong potential for success.

When considering the **uniqueness of your offering** in comparison to its **relative cost** in the marketplace you can conclude that even though you cannot become a cost leader, you can continue to thrive by maintaining significant differences from the offerings of your competition. In this respect, you are a specialty business.

Prospect/Customer Characteristics

Customer loyalty is a critical factor influencing long term profitability. With

strong market growth and good customer loyalty you should be reaping significant rewards. However, you should not become complacent and work to maintain that loyalty.

Prospects and even past customers are suspicious about dealing with **unknown enterprises** even if they have **superior offerings**. Your success depends, to a great extent, on the impact that sales and advertising make on your image. Focusing your efforts in these areas of marketing should improve your chances of success.

The prospect's decision making process is influenced by many factors. Two important factors are;

Criticality of the offering - A customer may utilize a wide variety of products/services and the failure of most of them would have minimal impact on the customer, however, some products/services may be so important, their failure to function properly could have catastrophic effects.

Perceived differences between offerings - It is easy for you to recognize the differences between your offering and those of your competitors, but it is more important that the average prospect perceives and appreciates the differences.

The interaction of these two factors affects the amount of time a prospect will take to make a purchase decision which in turn has implications for actions that should be taken in advertising, point of sale materials, and even sales training.

For your offering, both the importance of the **purchase decision** and the **differences** among the competing offerings are minor. These factors should lead to a rapid purchase decision based predominately on purchasing experiences with similar offerings and a 'gut feel'. Impulse buying may be encouraged with a suitable eye-catching display or literature.

Product/Service Positioning

Your offering has a **small share** of a market that is **growing rapidly**. All new products and services begin in this fashion. Maintaining or increasing your market share will require a heavy investment.

There is a definite relationship between product/service development and the rate of market growth. It is important to emphasize the need for continuous new development activity in high growth markets and to indicate the need to control it in declining markets.

Your heavy **development** spending in a **high growth market** may be justified to maintain a competitive advantage. Anything you can do to differentiate your offering by finding better ways of solving the customer's problem should provide a good return in this environment.

Products and services 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.

In this case your offering may be exclusive. Both the **content** and the **image** have been differentiated to create an offering that should meet if not exceed the competition.

In comparing your offering with the best of your competition the following observations can be made:

In examining the relative cost, availability, and fit & finish, of all offerings your offering is not the best in all categories. In general these are the factors that most control market share, as strong offerings tend to enjoy high volumes.

In evaluating your fit & finish, performance, features, name recognition, durability and service your offering is found to be above average. You are not the best in all categories. The strongest offerings in these categories are the quality leaders.

Pricing Strategy

Price and value are two of the critical elements of the positioning of your offering in the market. The **value** of your offering is rated as medium while the **relative price** of your offering is high.

Your offering 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 offerings in your line of offerings to move your offering into a "premiere" position that will justify the high price. Otherwise, consider lowering your price to move closer to a "real bargain" market position. You may find that sales volume at a lower price more than makes up for the price difference and you should gain a greater share of the market in the process.

To have a competitive offering you often have a choice between reducing costs or building in more value to the customer.

Your prospective customers are **not very price sensitive**, however, they **do**

[not perceive many differences](#) between your offering and the competitor's. A reasonable strategy for offerings facing low price sensitivity and small perceived differences is to promote the quality of your offering to generate sales rather than trying to underprice the competition.

There are often different pricing strategies used as an offering goes through its life cycle.

You have a high price policy in a high growth market. This may conflict with market share growth objectives. It is relatively easy to make good profits in a high-growth market, so be careful not to become complacent. Use caution not to trade short-term profits for market share.

Many factors must be considered when establishing a price. Two of these factors are the [awareness](#) the prospect has for the price of your offering and that of its competition versus the [relative price](#) of the offerings.

Your price is high relative to the competition while the prospect has little awareness of price differences. It is, therefore, possible to price relatively high without negative consequences. However, the market seldom remains uninformed for long, so you probably won't want to plan on this as a long term pricing strategy.

You can usually assume that prospects are willing to pay higher prices for offerings if they receive higher value benefits. A [high value offering](#) combined with [low production costs](#) usually equates to great profits.

You have indicated that you have good potential to enhance the value of your offering but limited opportunity to reduce its production costs. This indicates the need for a "skimming" pricing strategy.

Price can contribute to the image of an offering. However, if the offering itself is not worth the price, that image cannot be maintained.

Your offering has good differentiation from the competition and you are selling it at a high price. Offerings of this type are sometimes called "branded offerings". It is the situation you should constantly strive for. You should support your position as long as possible with appropriate spending on development and/or promotion.

Advertising & Promotion

Different kinds of promotional efforts should be applied at different stages of the market development and growth.

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

Often it is difficult to determine whether you should use advertising versus personal selling in influencing the behavior of prospective customers.

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

Observations

Environmental Risk

Environmental Risk

This analysis addresses 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 enterprises in the industry.

Your industry has been analyzed as having average prospects for profits while having low environmental risk.

Industry attractiveness
Environmental risks

Environmental Factors

Environmental Factors

This is an assessment of the environmental factors that may affect your offering. The higher the rating, the more positive is the factor for your business. You should study the weak areas carefully and plan alternative actions to lessen their impact on your plans. The rating of 65 is fair to good.

In this analysis economic changes will have the most positive influence on your strategy while technology trends will be the most negative.

Environmental factors

Long Term Profit Potential

Long Term Profit Potential

This is an assessment of the structure of your industry. A high rating indicates a strong possibility of achieving and maintaining long-term profits in the business. While a low rating indicates that the likelihood is very remote and the opportunity should be examined closely. The rating of 55 indicates a poor potential for long term profits.

The most positive factor in your industry is the limited bargaining power of buyers, while the most negative factor is the bargaining power of the suppliers.

Long term profit potential

The strongest competitor

The Strongest Competitor

The analysis shows that General Electric is the strongest of the competitors you have named. It is important to be familiar with the strengths and weaknesses of all your competitors, but in particular you should have a thorough understanding of General Electric.

Competitive analysis

Offering justifies continued development

Continue Development

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.

You have described your offering as being close to your core business and you are selling into an attractive market. Offerings in this category represent the least risk and should be an ideal candidates for continued development.

Consistency of offering with core business
Analysis of industry attractiveness

Low offering complexity and a low risk decision Purchase Decision

When selling your offering it is important to identify the person who will make the purchase decision. Two of the important criteria in determining who may be qualified to make the purchase decision are the complexity of the offering and the risk associated with the decision.

If you are selling to other businesses and your offering is not complex, is easily understood and there is limited business risk associated with the use of the offering, the purchasing manager generally handles the purchase decision. It is critical that your offering be presented to the purchaser at every opportunity through advertising, promotion, and sales calls. Make sure your offering is readily available through all possible sources and channels so that the purchaser can gain easy access to it.

If you are selling directly to the consumer and your offering is not complex, is easily understood and there is limited personal risk associated with the use of the offering then you can feel comfortable that a "family council" will not be required and any family member can make the purchase decision. So, make sure your offering is easily accessible for "spur of the moment" purchases.

Complexity of your offering
Risk associated with making the purchase decision

The potential for marketing advantages are many but few are significant

Marketing Advantages

Profitability is the result of an enterprise achieving a competitive advantage. The number of ways that competitive advantage can be gained and the potential size of the advantage are different in each industry. This is an analysis of the relationship between the number and size of advantages available to the enterprise.

You appear to be marketing into a fragmented industry. Enterprises in fragmented industries, such as the restaurant industry, possess small advantages and many ways to achieve them. The suggested strategies are to minimize investment, try to improve profitability, maintain position, and be

cautious about expanding.

Number of ways to achieve an advantage
Size of advantages that can be achieved

Buyers have limited bargaining power and new competitors unlikely Protect your Position

You are participating in the very best kind of market, as not only is the power of the buyers low, but there is little likelihood of new entrants or substitute products/services for some time. The reason may be that you have a technological lead or dominant market position. Clearly you should strive for such positions as they are likely to be extremely profitable. In particular, you should understand the potential of creating barriers to protect against competitors entering your market and take steps to create those barriers.

Bargaining power of buyers
The threat of new competitors

You have a strong position in a strong market Secure Position

There are many indicators that help you select a business/marketing strategy. Two are your enterprise's competitive strength and the industry's market growth potential.

Your enterprise is in a strong competitive position and you are participating in an industry that has strong market growth. In general, your strategies should be designed to keep you in this industry. Specifically, you should consider the following strategies: concentration, vertical integration, and related diversification.

There are many types of strategies. Some of them are:

1. **Retrenchment** or **turnaround** is primarily a response to corporate decline. The objective is to restructure the operations to halt decline and return to profitability.
2. 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.

3. **Divestiture** is an action to exit the industry by selling the whole business.
4. **Liquidation** is an action to exit the industry by selling the assets of the business.
5. 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.
6. **Mergers and acquisitions** are principal vehicles by which a company may enter a new market and expand the size of their operation.
7. **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.

Competitive capability analysis
Industry growth expectations

Limited differentiation for a decision of limited importance Capture Impulse Buyers

The time and effort expended by the prospect to make a purchase decision for your offering is an important factor in your sales strategy. It will influence the decisions you make regarding advertising, point of sale materials, and even sales training. Two factors that affect the prospect's purchase decision process are the importance of the purchase to the prospect and the extent of the differences between your offering and its competitors.

Both the importance of the purchase decision and the differences among the competing offerings are minor. These factors should lead to a rapid purchase decision by the prospect. Impulse buying may be encouraged with a suitable eye-catching display.

Differentiation between your offering and the competition
Importance of the prospect's purchase decision

Strong market growth with high development activity Continue Development

While it is a simple concept it helps to be reminded of the importance of continuous development activity in high growth markets and the need to

control development activity in declining markets.

Your market is experiencing significant growth and your current development activity is high. Heavy development spending in high growth markets is often justified to maintain a competitive advantage. Anything you can do to differentiate your offering by finding better ways of solving the customer's problem should provide a good return in this environment.

Market growth influences development activity
The status of your current development activity

Pricing strategy

Follow the Leader

A good general premise is that customers are almost always prepared to pay higher prices for offerings if they receive higher value benefits. However, since the analysis indicates you have limited potential to enhance the value of your offering and it is difficult for you to reduce costs, you will probably be forced to follow the industry price. That price will be controlled by the costs of the leader. This is typically called a "follow the leader strategy".

Ability to differentiate your offering
Ability to lower cost of production

Establishing a high level strategy

Protect your Position

There is a saying among poker players, 'You gotta know when to hold and know when to fold.' This is also true when you are investing in a product or service offering. Deciding on the degree of investment for your offering is often a difficult decision, however, by considering the attractiveness of the industry and the ability of your enterprise to compete in that industry some conclusions can be reached.

You have described an industry of medium attractiveness and your enterprise holds only an average competitive position. You should selectively invest for earnings while considering the following actions:

- * search for market niches to find a more attractive position
- * make contingency plans to protect your current position

Industry attractiveness affects market investment

Ability to compete affects market investment

Pricing analysis

Review your Pricing

Price and value are two of the critical elements of the positioning of your offering in the market. The value of your offering is rated as comparable to competition with the relative price of your offering being high.

Your offering 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 offerings in your line of offerings to move your offering into the "premiere" position. Otherwise, consider lowering your price to move closer to the "real bargain" market position.

Value of the offering

Competitive price position

Promotional materials versus personal selling

Use Promotional Materials

There is always a trade off between the use of advertising and promotional materials versus personal selling when trying to influence the behavior of prospective customers. The complexity of your offering and the risk associated with the purchase decision can offer some insight into which approach to use.

Since your offering is relatively simple and the risk associated with the purchase is low, promotional materials are usually best in handling this category since they can effectively explain your offering and are more cost effective than a sales call.

Risk associated with purchase decision

Complexity of offering

Evaluation Charts

The following charts are designed to offer you a variety of perspectives about the environment, the industry, the competition, your prospects, your offering, your pricing strategy and promotional opportunities.

These charts are also included in the Review outline. As you work in the Review outline, you must decide which, if any, of the charts you wish to

include in your business plan and delete or isolate the rest of them.

Environment

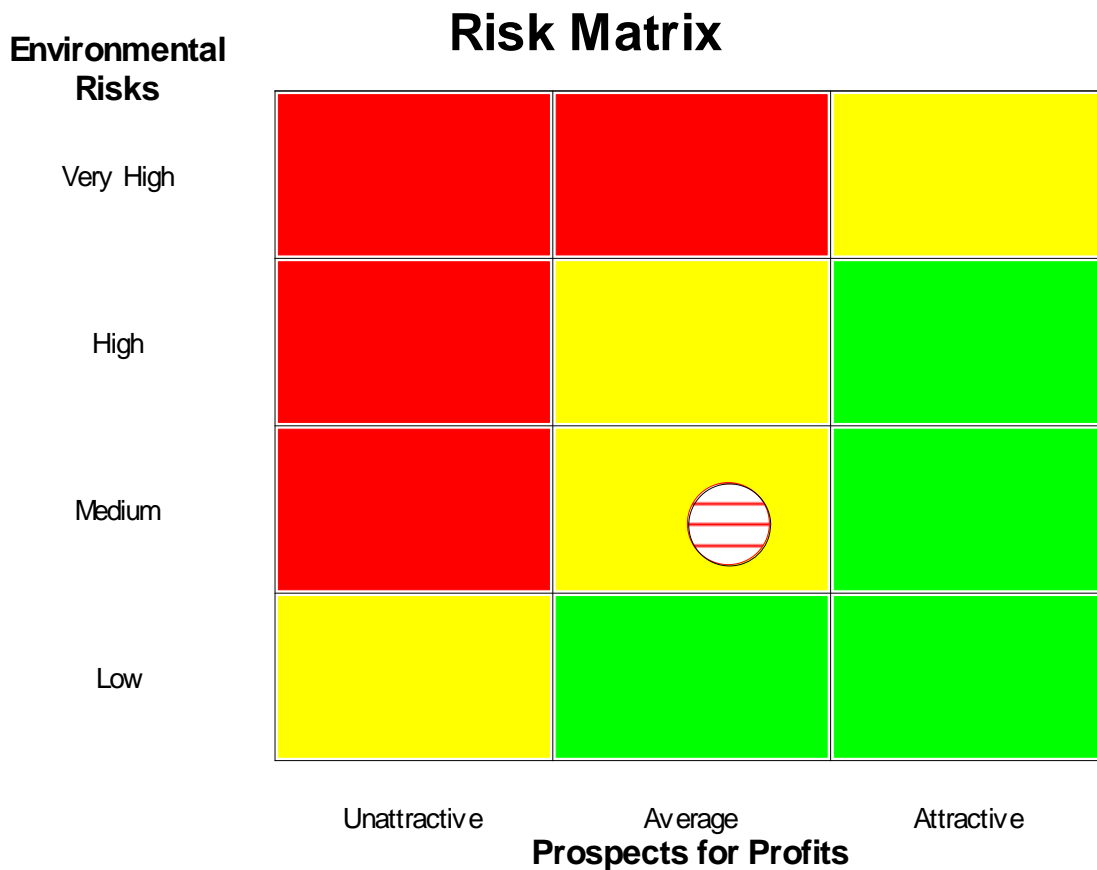
Changing factors in the environment such as emerging technologies, demographics, cultural trends, economic growth or depression and new or revised government regulations can have a significant impact on your marketing strategy. This section provides an overview on the current state of the environment and its potential to be a positive or negative influence.

Risk Matrix

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 enterprises in the industry.

Your industry has been analyzed as having average prospects for profits while having high to very high environmental risk.



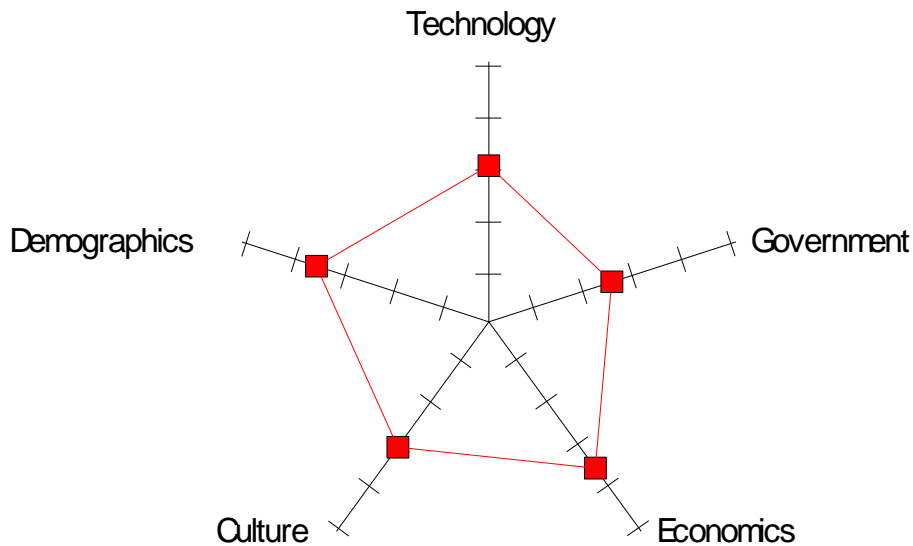
Environmental Factors

Environmental Factors

This chart presents the assessment of the environmental factors on your offering or set of offerings. The higher the rating, the more positive is the factor for your business. You should study the weak areas carefully and plan alternative actions to lessen their impact on your plans.

The most supportive factor is economic changes, while the factor of most concern is government actions.

Environmental Factors



Industry

This section provides general information starting with a chart that portrays the "five forces model", originally defined by Michael Porter, followed by others that are designed to reflect various market forces that will influence your marketing strategy.

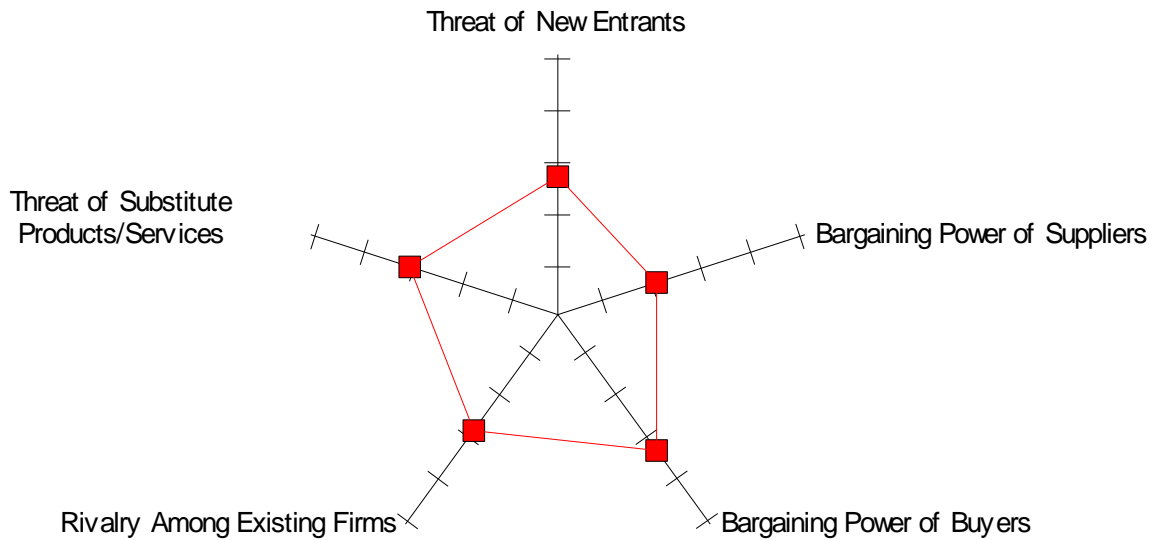
Industry Attractiveness

Industry Attractiveness

This is an assessment of the structure of your industry. A high rating (all plot points near the outer edge) indicates a strong possibility of achieving and maintaining long-term profits in the business. While a low rating indicates that the likelihood is very remote and the opportunity should be examined with more scrutiny.

The most positive factor in your industry is the limited bargaining power of buyers, while the most negative factor is the bargaining power of suppliers.

Industry Attractiveness



Number and Size of Advantages

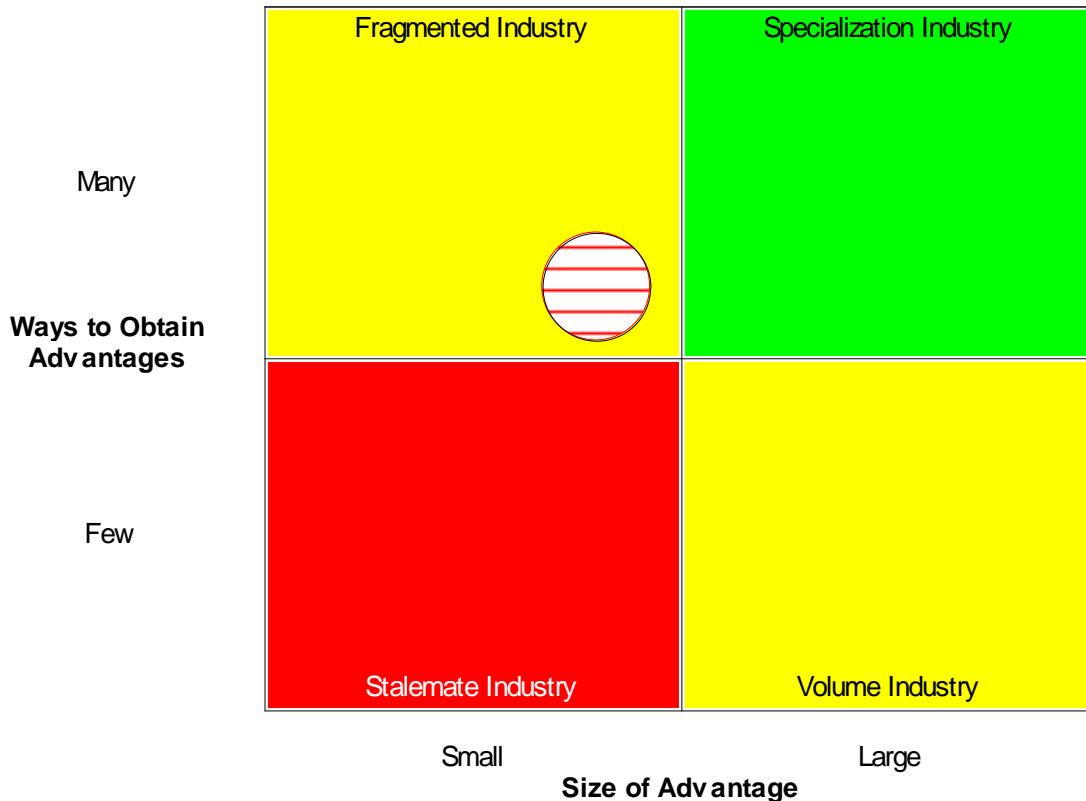
Number and Size of Advantages

Profitability is usually the result of an enterprise achieving a competitive advantage. The number of ways that competitive advantage can be gained and the potential size of the advantage are different in each industry. This matrix illustrates the relationship between the number and size of advantages available to the enterprise. Each quadrant of the matrix has certain implications affecting strategy.

Many ways to obtain advantages / Small advantages

Your industry lies in the **FRAGMENTED** quadrant. Enterprises in fragmented industries, such as the restaurant industry, possess small advantages and many ways to achieve them. The suggested strategies are to minimize investment, try to improve profitability, maintain position, and be cautious about expanding.

Number and Size of Advantages



Market Forces

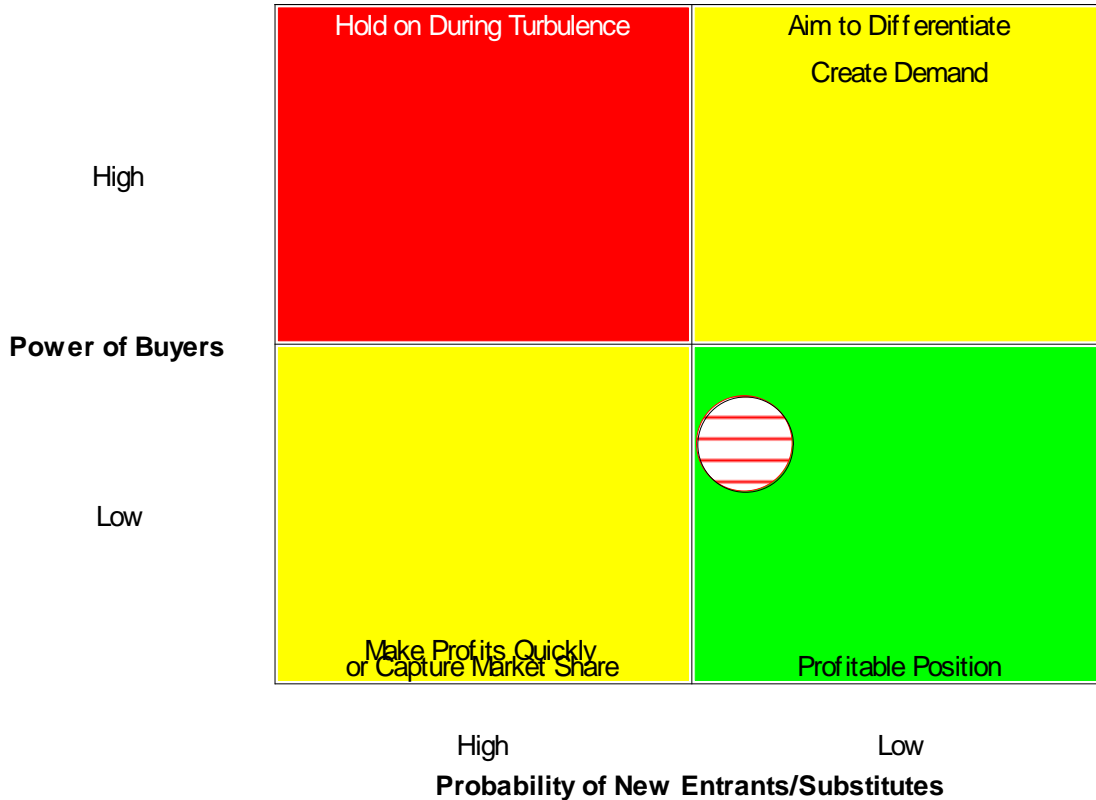
Market Forces

This matrix helps to assess the long term viability of a market and its subsequent value to the company.

Low Buyer Bargaining Power / Low Probability of New Entrants and/or Substitutes

This is the very best kind of market, as not only is the power of the buyers low, but there is little likelihood of new entrants or substitute products/services for some time. The reason may be that you have a technological lead or dominant market position. Clearly you should strive for such positions as they are likely to be extremely profitable.

Market Forces



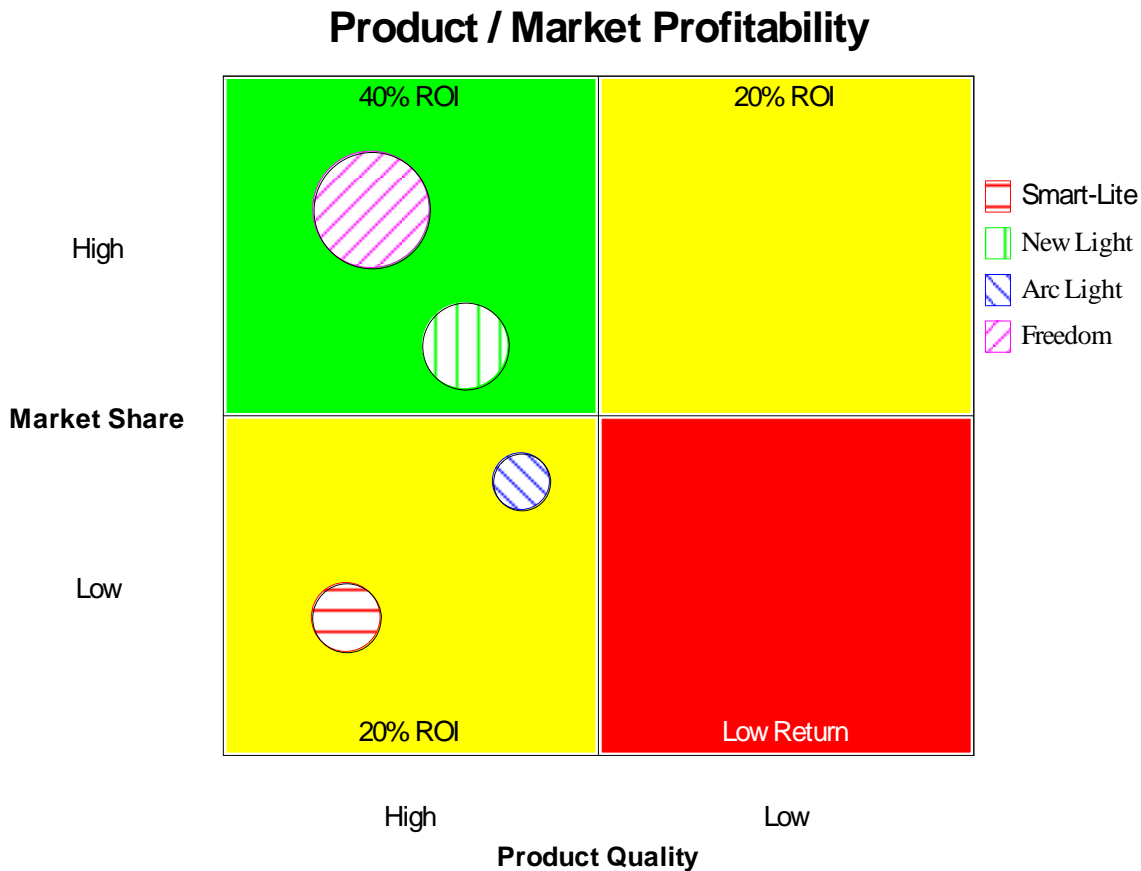
Product / Market Profitability

Product / Market Profitability

Profit Impact of Market Studies (PIMS) research has shown that there is a clear relationship between profitability, market share, and offering quality. Here we consider offering quality to include a number of factors, including: 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.

Low Market Share / High Offering Quality

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



Competition

It is always important to know as much as you can about your competition. The following displays provide some general competitive analyses as well as specific comparisons between your enterprise and the competitors.

Capability and Propensity to Attack

Capability and Propensity to Attack

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

Low Capability / Low Propensity to Attack

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 your position.

Low Capability / High Propensity to Attack

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

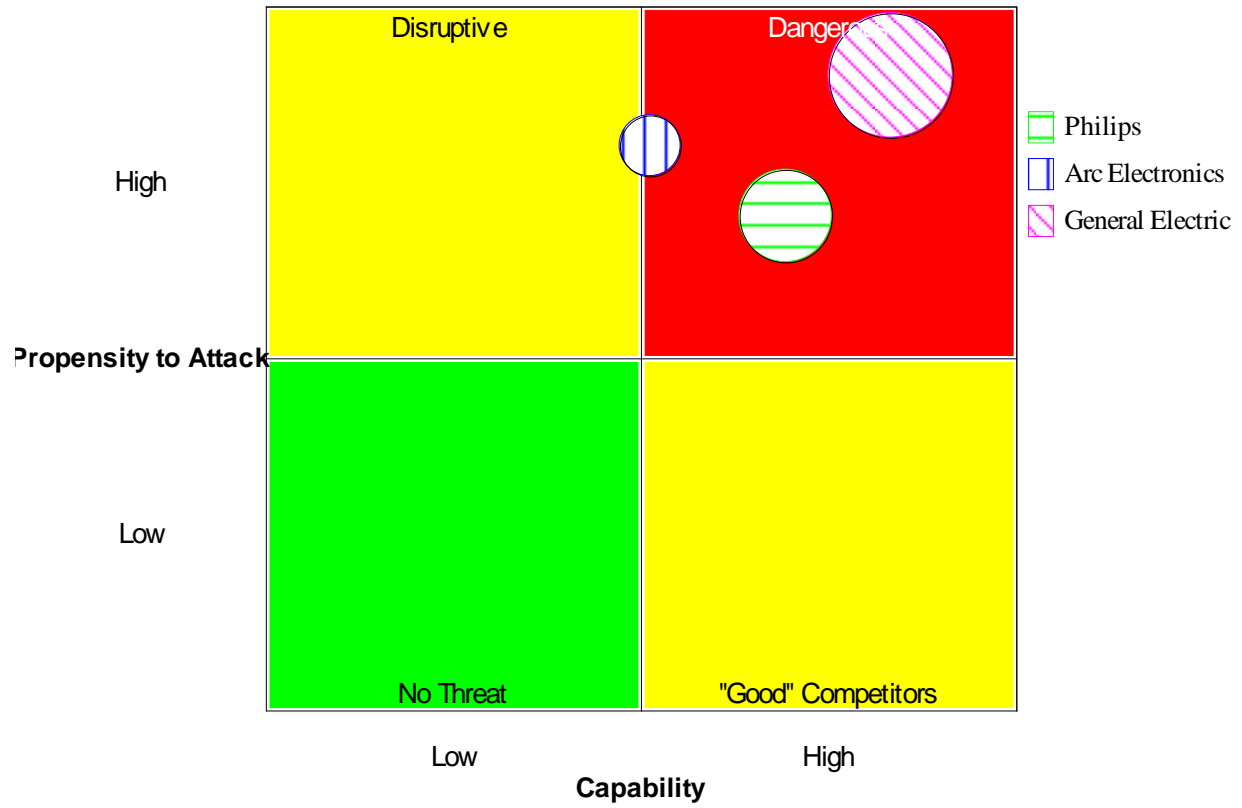
High Capability / Low Propensity to Attack

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 your position. Their capability will clearly offer a challenge to your efforts and will "keep you honest".

High Capability / High Propensity to Attack

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

Capability and Propensity to Attack



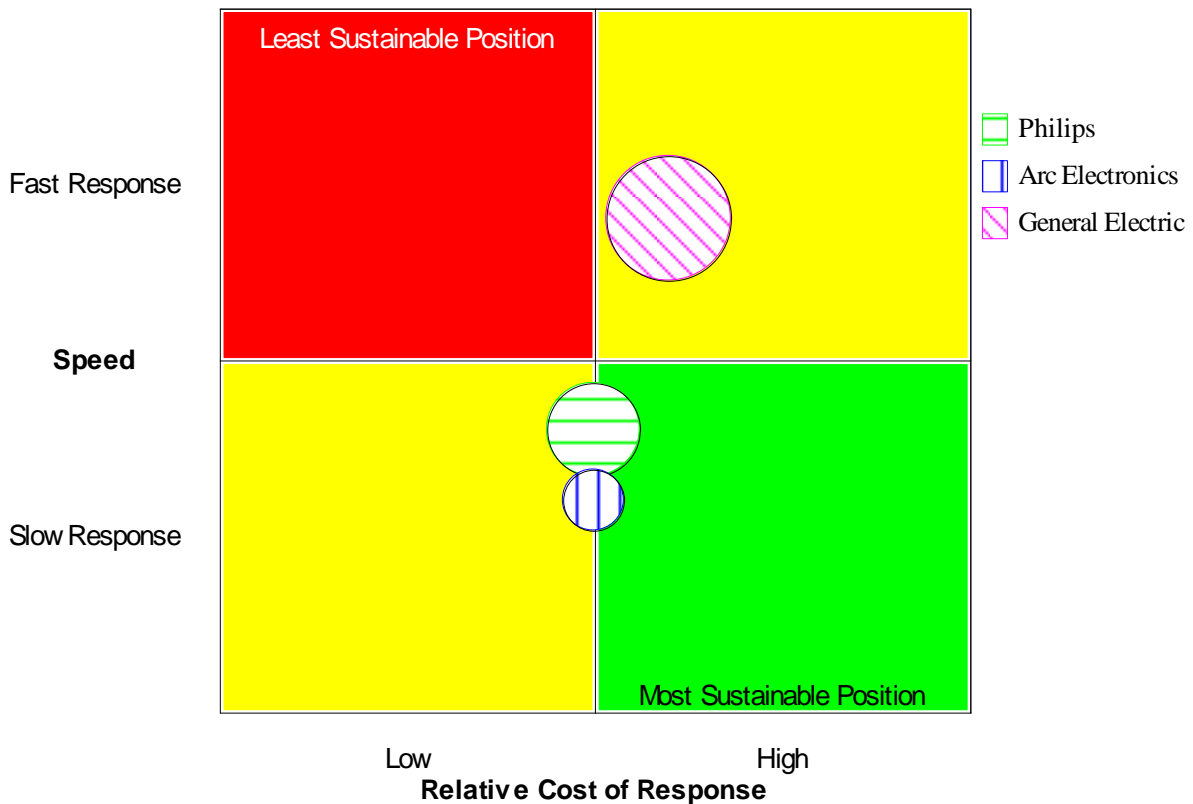
Competitor Capabilities and Response

Competitor Capabilities and Response

This chart displays the likelihood that if you are introducing an innovative new offering into the marketplace, that you can defend the position of your offering over some period of time. If the majority of your competitors fall into the quadrant on the lower right, you should have less difficulty in defending against their offerings. You should have sufficient lead time to respond to their moves and maintain a position of leadership.

On the other hand, if your competitors (especially the larger competitors) fall into the quadrant on the upper left, you will have, at best, only a short-term lead. Consider creating a more defensible position by making a competitive move that is either costly or time-consuming for competitors to copy.

Competitor Capabilities and Response



Portfolio Summary Matrix

Portfolio Summary Matrix

The portfolio summary matrix can be extremely helpful in selecting a strategy. The horizontal axis represents the enterprise's competitive strength and the vertical axis represents the industry's market growth potential.

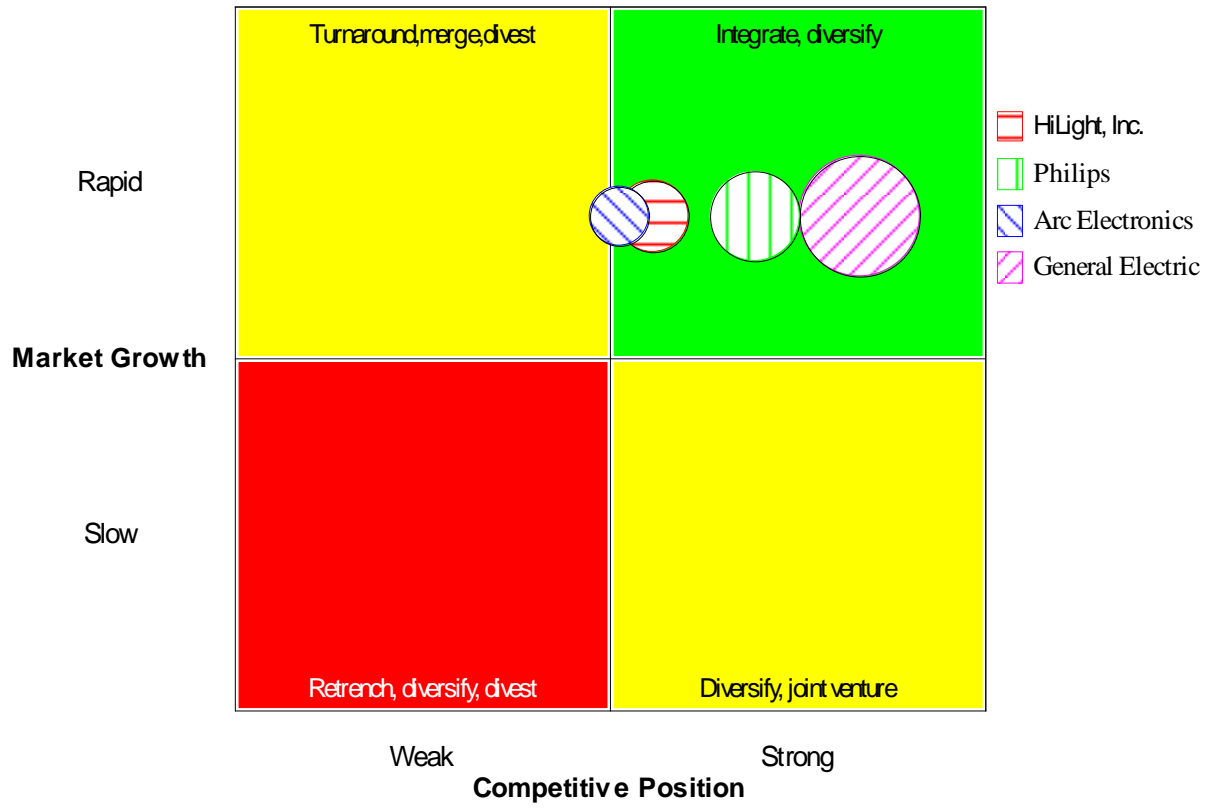
Strong Competitive Position / Rapid Market Growth

In general, your strategies should be designed to keep you in this industry. Specifically, you should consider the following strategies: concentration, vertical integration, and related diversification.

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

1. **Retrenchment** or **turnaround** is primarily a response to corporate decline. The objective is to restructure the operations to halt decline and return to profitability.
2. 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.
3. **Divestiture** is an action to exit the industry by selling the whole business.
4. **Liquidation** is an action to exit the industry by selling the assets of the business.
5. 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.
6. **Mergers and acquisitions** are principal vehicles by which a company may enter a new market and expand the size of their operation.
7. **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.

Portfolio Summary Matrix



Generic Strategies for Competitive Advantage

Generic Strategies

Three generic business strategies can be described which encompass the positioning of all companies within their industry. The Focus strategy can be divided into two categories for cost and for differentiation, yielding the four quadrants displayed in this chart.

You have rated yourself as having a broad market scope and have chosen the advantage of differentiation to position yourself competitively. This places you in the differentiation quadrant.

These are the major characteristics of the quadrants.

Cost Leadership

Successfully implemented a cost leadership strategy can deliver acceptable buyer satisfaction (it doesn't have to be #1) at lowest possible cost (not necessarily the lowest priced). In time this should open a significant and sustainable cost gap over competitors. Achieving this requires superior management of all cost elements, satisfaction of most buyer needs and limitation of competitive (often expensive) differentiation which can stifle internal creativity. But, it can be worth the effort by generating above-average profits with industry-average prices.

Differentiation

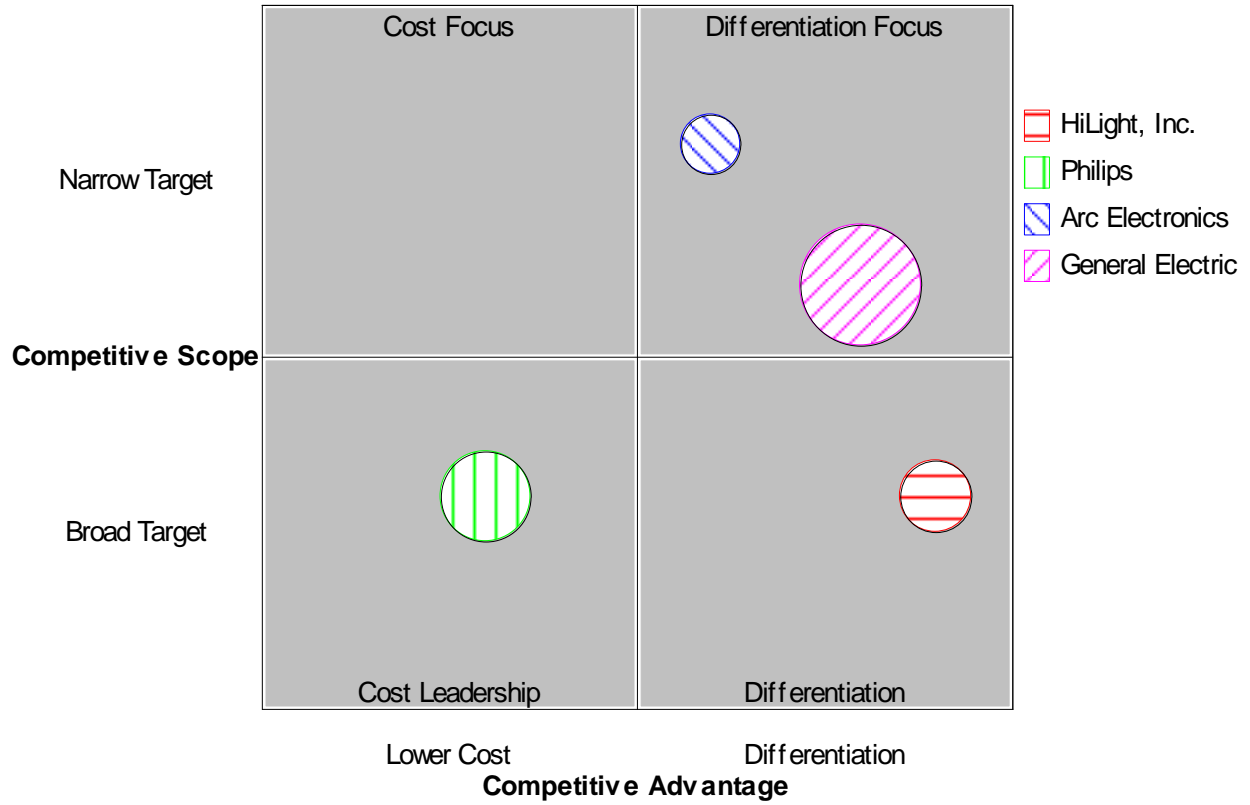
A differentiation strategy often focuses on one or more critical prospect requirements, adding unique value in those areas and then aggressively sustaining that uniqueness. Successfully implemented this strategy can allow premium pricing which in turn generates high profits. To retain a competitive edge you must continually monitor the market requirements and the ability of you and your competition to satisfy those requirements. Constant research and development will be required to allow ongoing premium pricing.

Focus Strategy

The successful focus strategy first isolates a specific industry segments and develops a strategy to serve them. This segment will have requirements that the industry in general does not view as essential. Then, to be even more focused, the strategy should be directed to either cost leadership or differentiation within the selected market segment. A focus strategy has the advantage of allowing concentration on requirements that are often poorly served by competitors addressing the entire market. Because this market

segment can expect your offering to better meet their needs they are usually willing to pay premium prices which will yield high profits.

Generic Strategies



Offering / Market Evolution Portfolio Matrix

Offering / Market Evolution


This offering/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.

Poor Position / Early Market Phase

Your offering is rated as a **Likely Loser**. If there isn't a clear path to improved market share you should consider divesting yourself of this business as quickly as possible. You should at least consider developing an exit strategy from the business.

This chart is very powerful in mapping corporate strategies. Simply compare the relative positions of the selected businesses to view your overall portfolio position. A balanced portfolio should consist of mainly established winners and profit producers, a few developing winners and a few high-potential question marks.

Offering / Market Evolution Matrix

Offering Evolution	Good	Average	Poor
Embryonic	High Potential?		
Emerging	Developing Winner		
Shakeout	Likely Winner		Likely Loser
Mature	Established Winner		
Decline	Profit Producer		Loser

Market Share

Offering / Market Strategy

Offering / Market Strategy

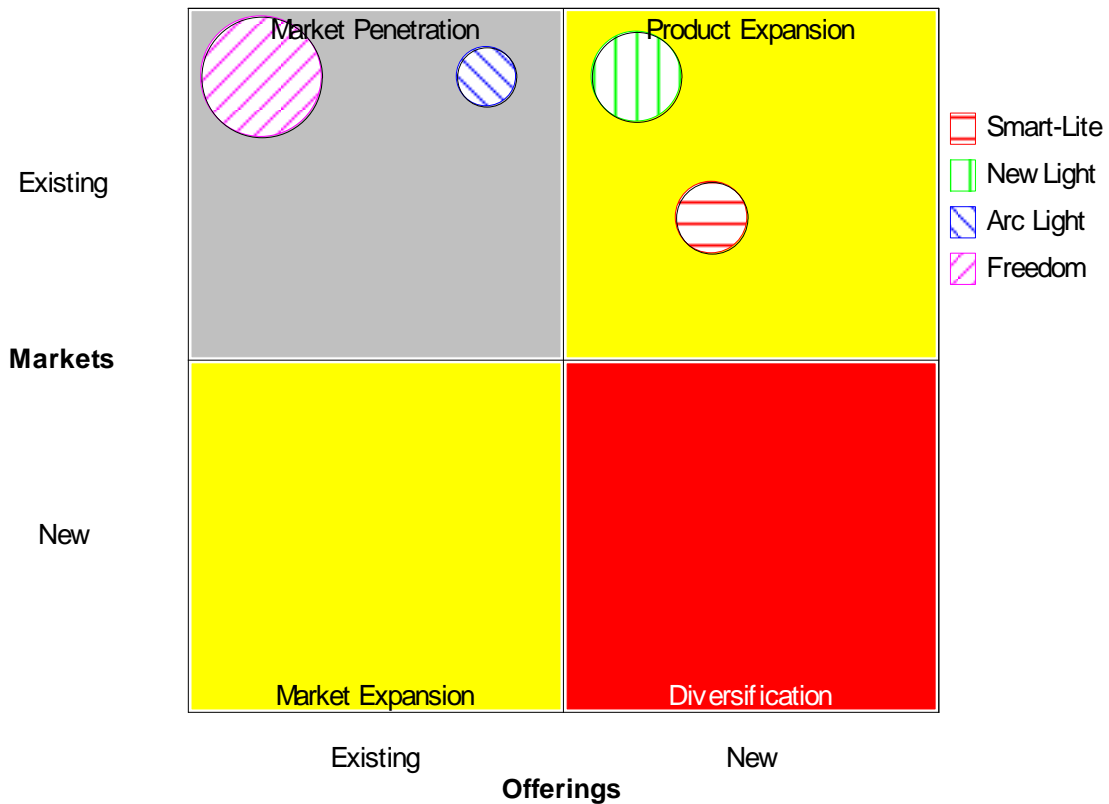
This classic matrix provides a framework which enables you to analyze your marketing objectives. It also helps you to understand the organizational strengths required to carry out those objectives.

Existing Markets / New Offerings

Your offering is in the **Product Expansion** quadrant of the matrix. To be successful in this segment your enterprise must have creativity, technical ability and manufacturing capability.

The lowest risk is in the strategy which pursues existing markets with existing offerings; conservative business principles encourage you to exhaust all possibilities in this segment before moving to another segment. Likewise, new offerings to existing markets will be less risky than existing offerings to new markets because it is relationships and markets that make profits. The new offering and new market approach involves the highest risk and is the typical situation for the entrepreneur.

Offering / Market Strategy



Directional Policy Matrix

Directional Policy Matrix

High Market Attractiveness / High Business Strengths

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

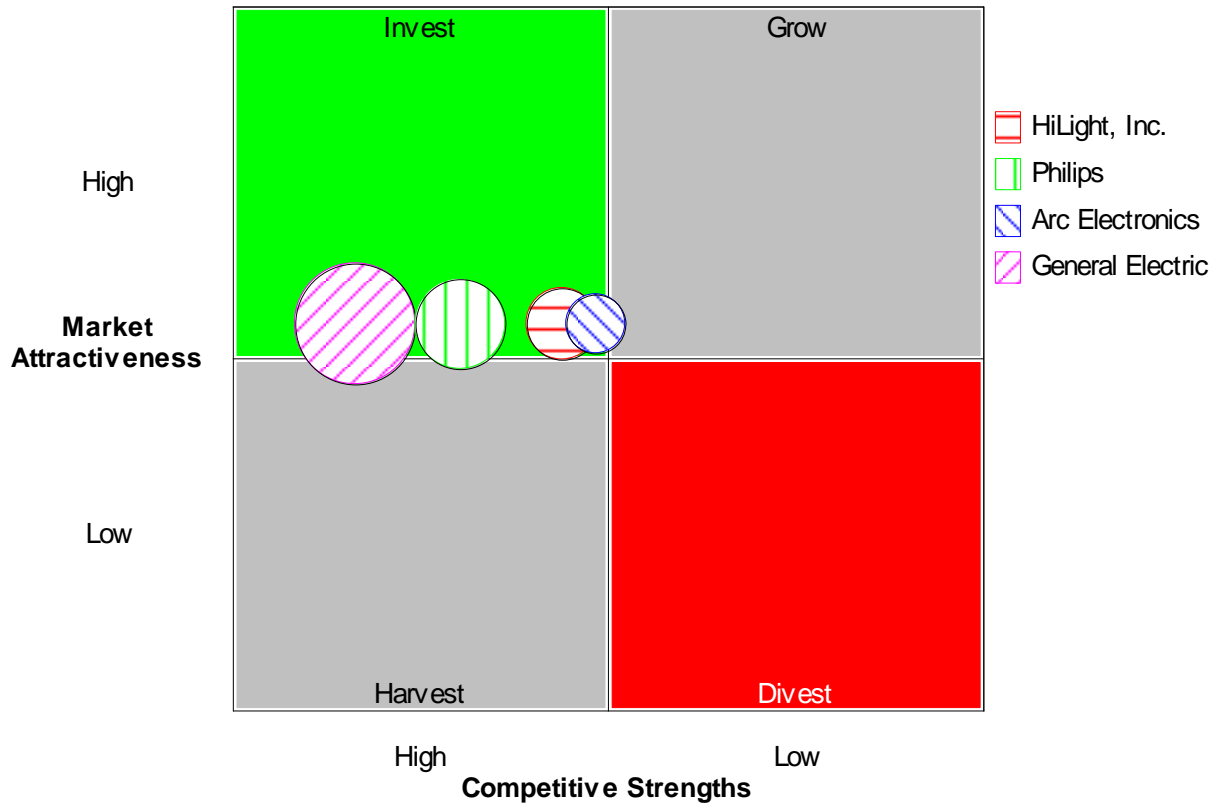
Market attractiveness is measured by:

- Bargaining Power of the Suppliers
- Threat of Substitutes
- Threat of New Entrants
- Competitive Rivalry
- Bargaining Power of the Buyers

Business Strengths are measured by:

- Offering Quality
- Offering Value
- Relative Market Share
- Reputation
- Customer Loyalty
- Staying Power
- Experience

Directional Policy Matrix



Competitive Advantage

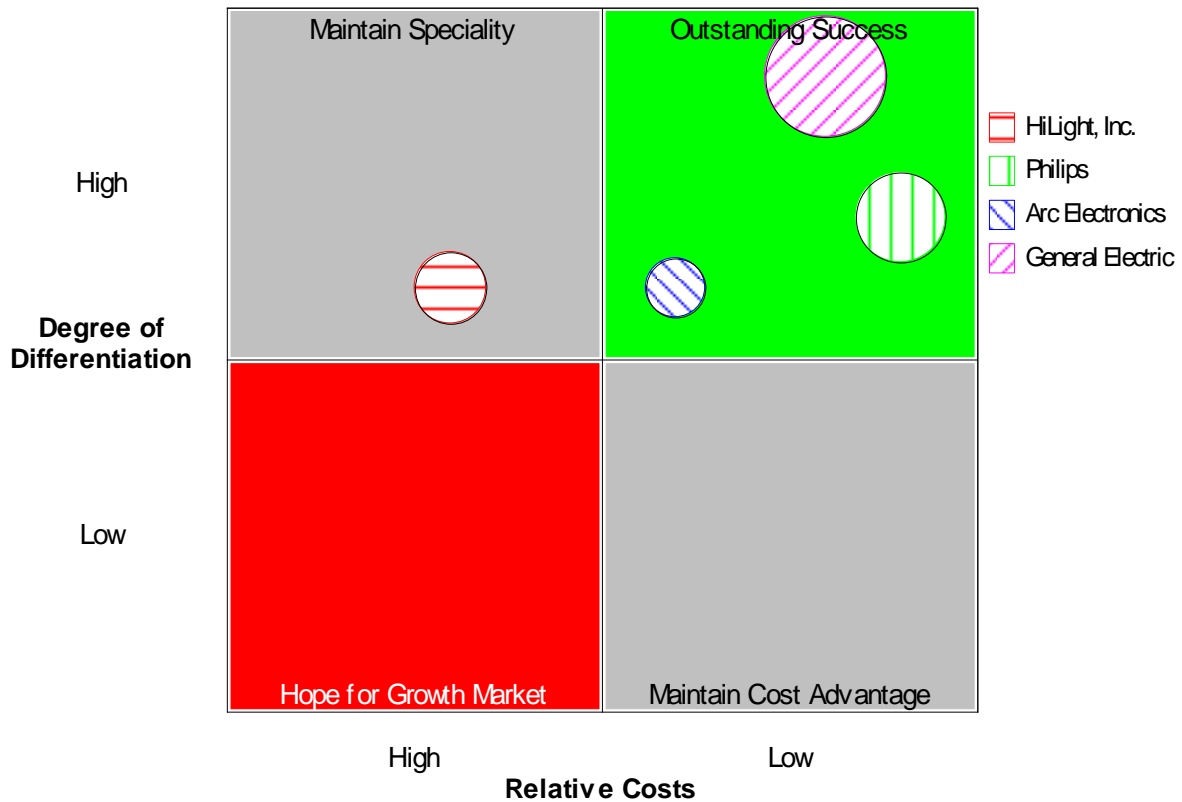
Competitive Advantage

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

High Differentiation / High Relative Costs

Even though you cannot become a cost leader, you can continue to thrive by maintaining significant differences from the offerings of your competition. You are a speciality business.

Competitive Advantage



Competitor Analysis

Competitor Analysis

This matrix displays the results of comparing your competitors with yourself on the basis of the quality of the offerings and the reputation they have established in the marketplace. The presence of a competitor in each quadrant can imply different tactics to compete effectively.

Better Offering / Better Reputation

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

1. Continue to compete with them at a tremendous disadvantage.
2. Differentiate your offering from theirs in some way.
- or- 3. Improve your image and reputation.

Worse offering / Better Reputation

The competitors in this quadrant have an offering that is not as good as yours, but they have a better overall reputation. You have the option of either selling much harder, emphasizing your benefits, or using more PR and advertising to publicize your quality and successes.

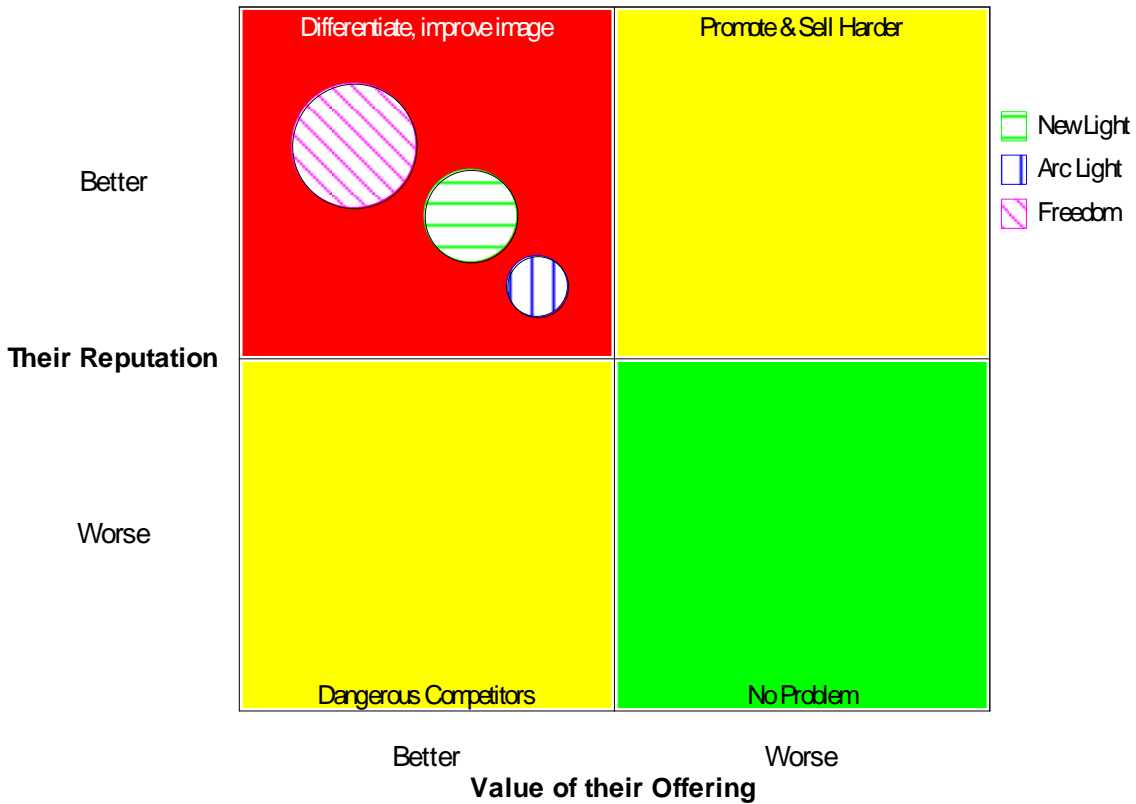
Better Offering / Worse Reputation

Competitors in this quadrant can be dangerous. Their better offering can be trouble for you if they are able to enhance their reputation.

Worse Offering / Worse Reputation

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

Competitor Analysis



Prospect Characteristics

The following charts help you to understand some of the factors that influence the prospect's buying process as they consider your offering(s). Use this information to tailor your marketing strategy for specific market segments.

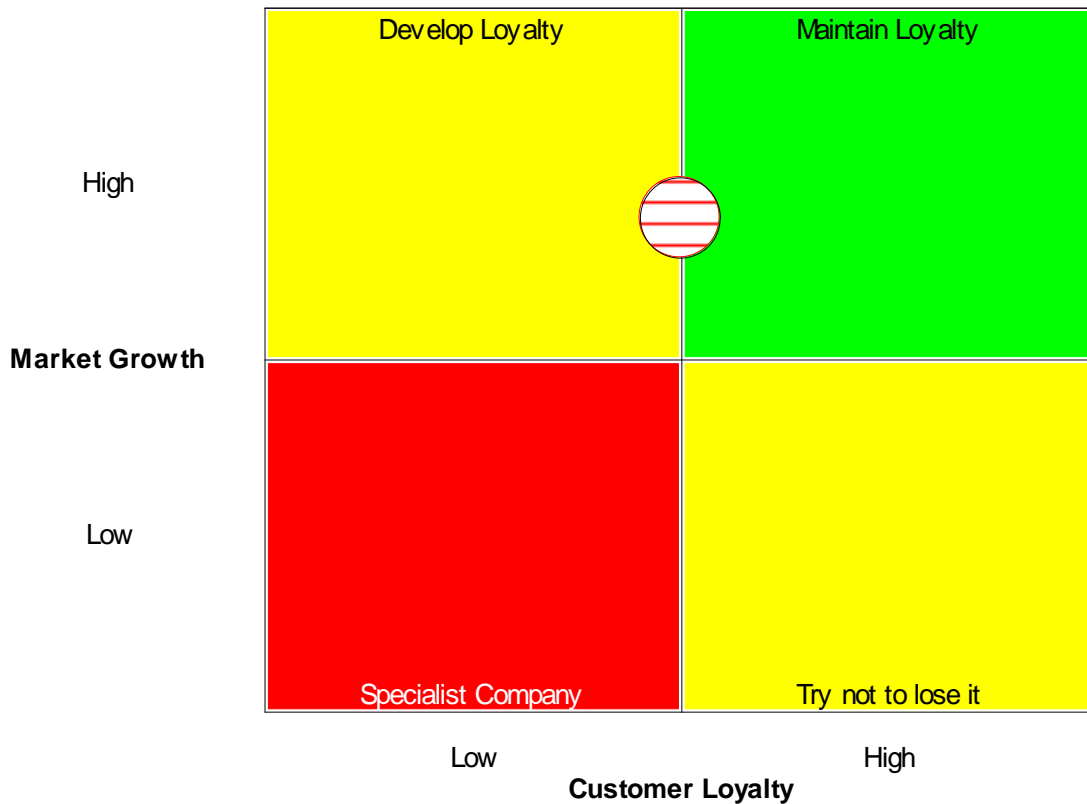
Offering Life Cycle / Customer's Loyalty Life Cycle/Loyalty

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

High Market Growth / High Customer Loyalty

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

Offering Life Cycle / Customer's Loyalty



Tendency to Buy

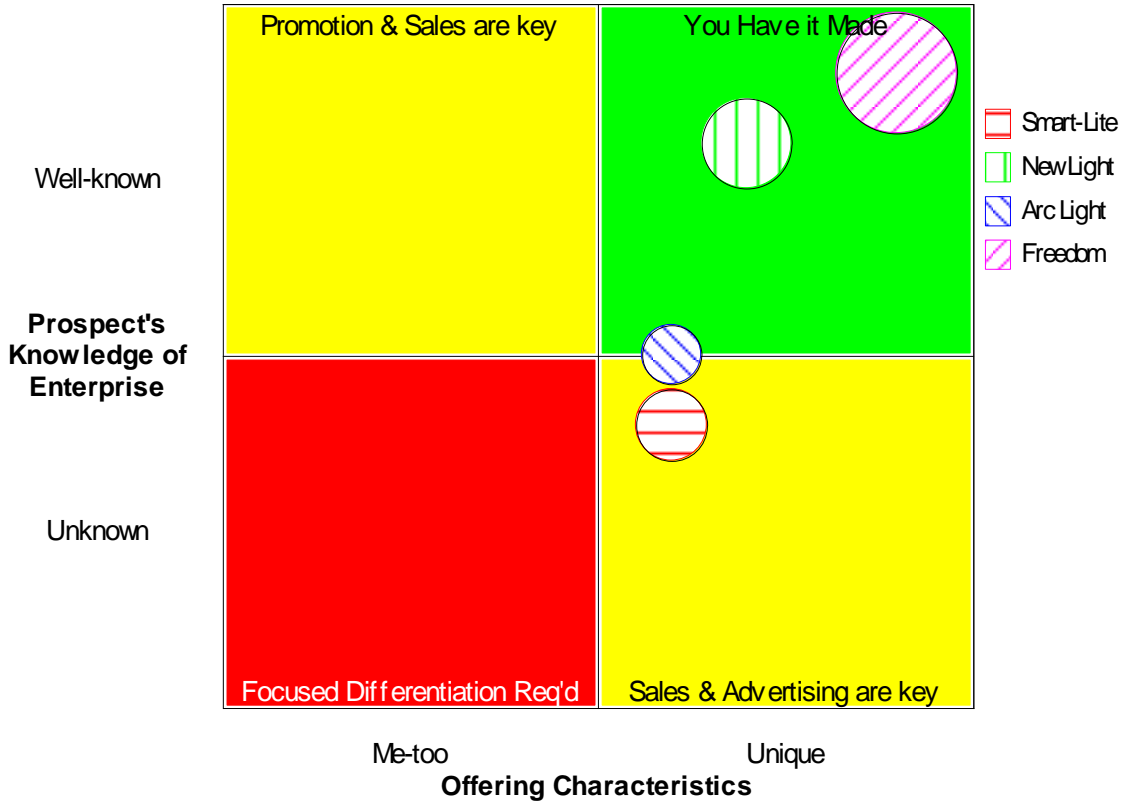
Tendency to Buy

Buying decisions are influenced by many factors. Two of the most important factors are the nature of the offering 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 you and your competitors.

Unknown Company / Unique Offering

Prospects are suspicious about dealing with companies which are unknown even if they have superior offerings. Your success depends on the impact that sales and advertising make on your image. You must focus your efforts in these areas of marketing to be successful.

Tendency to Buy



Consumer Decision-making

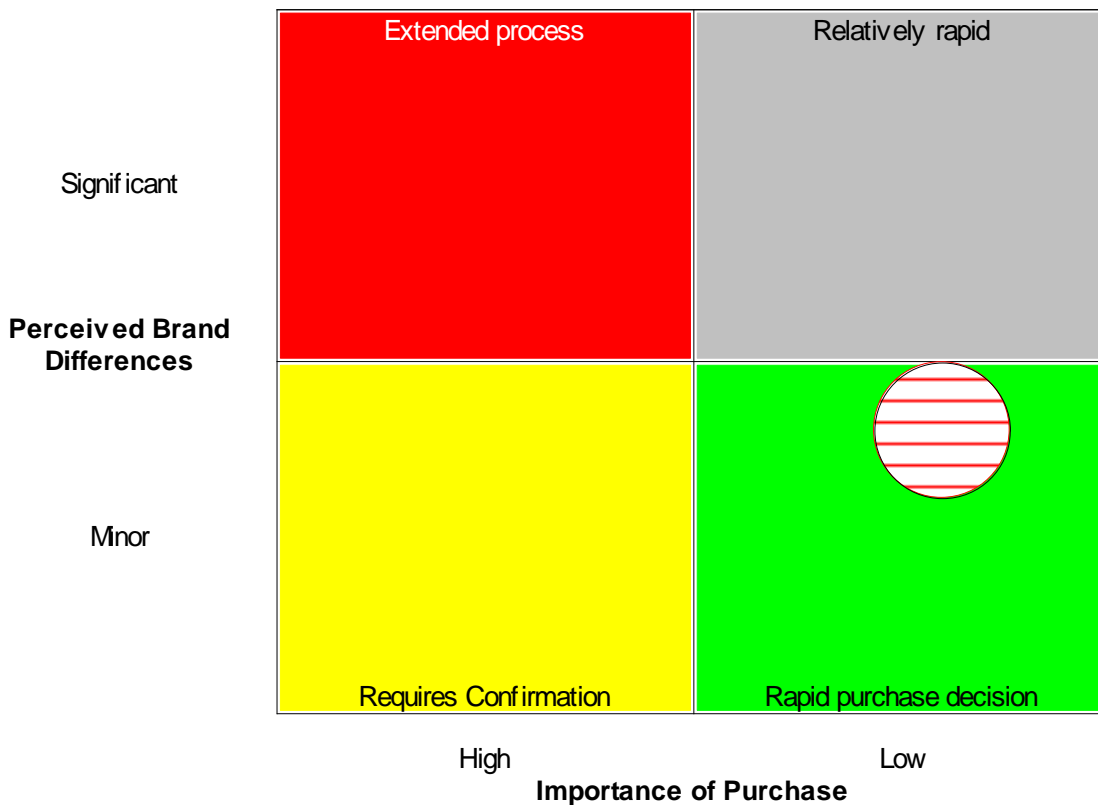
Consumer Decision-Making

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.

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.

Consumer Decision-making



Industrial Decision-making

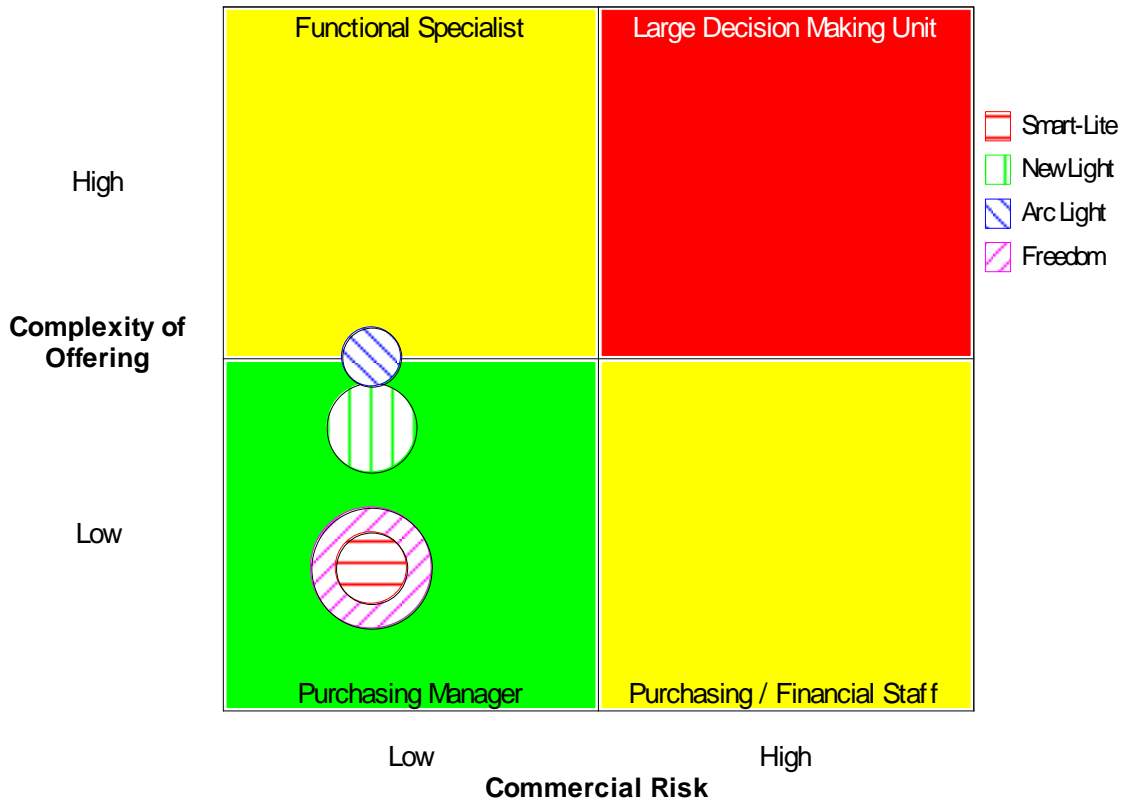
Industrial Decision-Making

In industrial markets two of the important criteria controlling the decision cycle are the complexity of the offering and the risk associated with the purchase decision. This chart examines the relationships between these variables and indicates the implications to you as the seller.

Low Complexity / Low Risk

In the case where an offering, like yours, is not complex and is easily understood and there is limited business risk associated with the use of the offering, the purchasing manager generally handles the purchase decision. It is critical that your offering be presented to the purchaser at every opportunity through advertising, promotion, and sales calls. Make sure your offering is readily available through all possible sources and channels so that the purchaser can gain easy access to it.

Industrial Decision-making



Segmentation Matrix

Segmentation Matrix

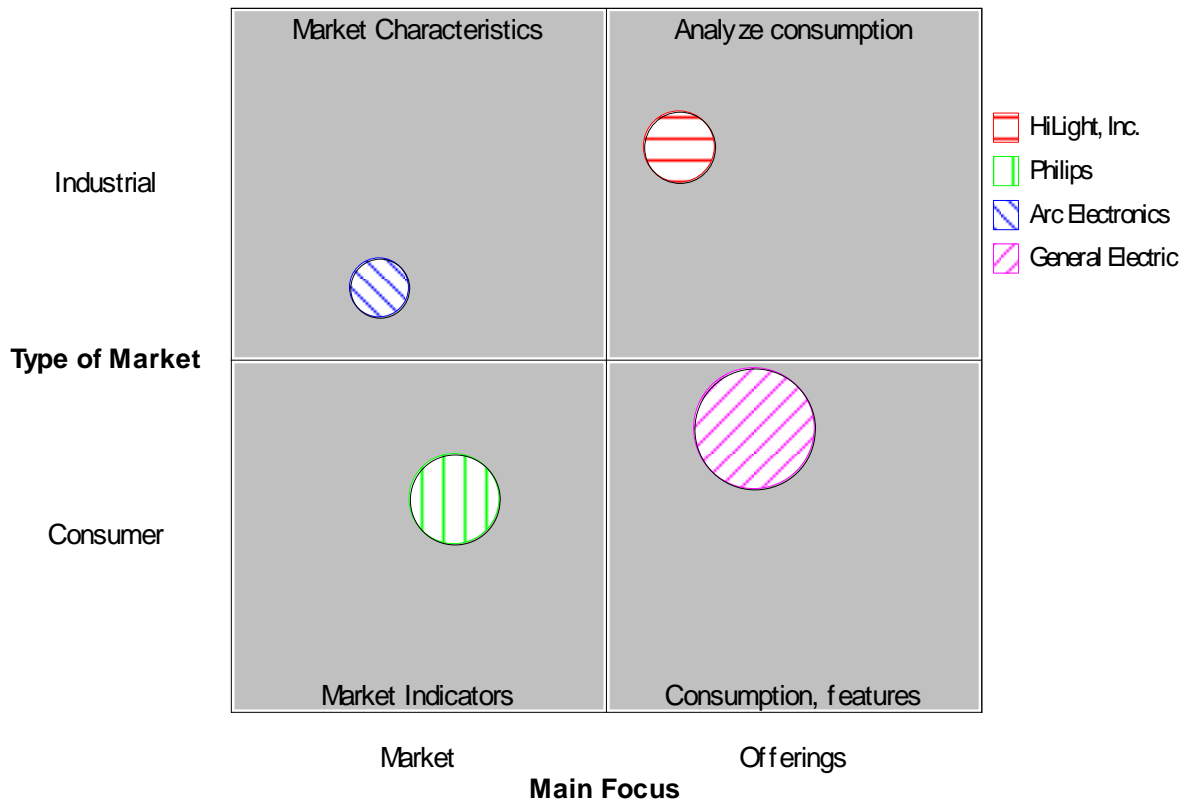
Market segmentation is a critical factor of all successful marketing activities. The basis of segmentation can be critical to the way you focus your resources. Sometimes segmentation variables will be different if you focus on the market than when you focus on usage of your offering. Segmentation variables can also be affected by the differences between industrial and consumer markets. This chart may give you some ideas about how you and your competitors may segment your markets.

Industrial Market / Offering Focus

The segmentation in this quadrant should be made on the basis of analyzing consumption. Consider such factors as:

- * usage patterns
- * distribution costs
- * service levels
- * unitization
- * accessories/range

Segmentation



This section offers a number of perspectives from which to view the relationship between your offering(s) and the marketplace. After reviewing all of them you will be better informed on how you can position your offering(s) with respect to the competition and the market's expectations.

Boston Consulting Group Matrix

Boston Consulting Group Matrix

This is the Boston Consulting Group Matrix. There are several points to note:

a) The horizontal axis represents the market share relative to the industry leader. The leader will always be displayed on the far left of the chart.

b) The vertical axis represents the market growth rate for the industry.

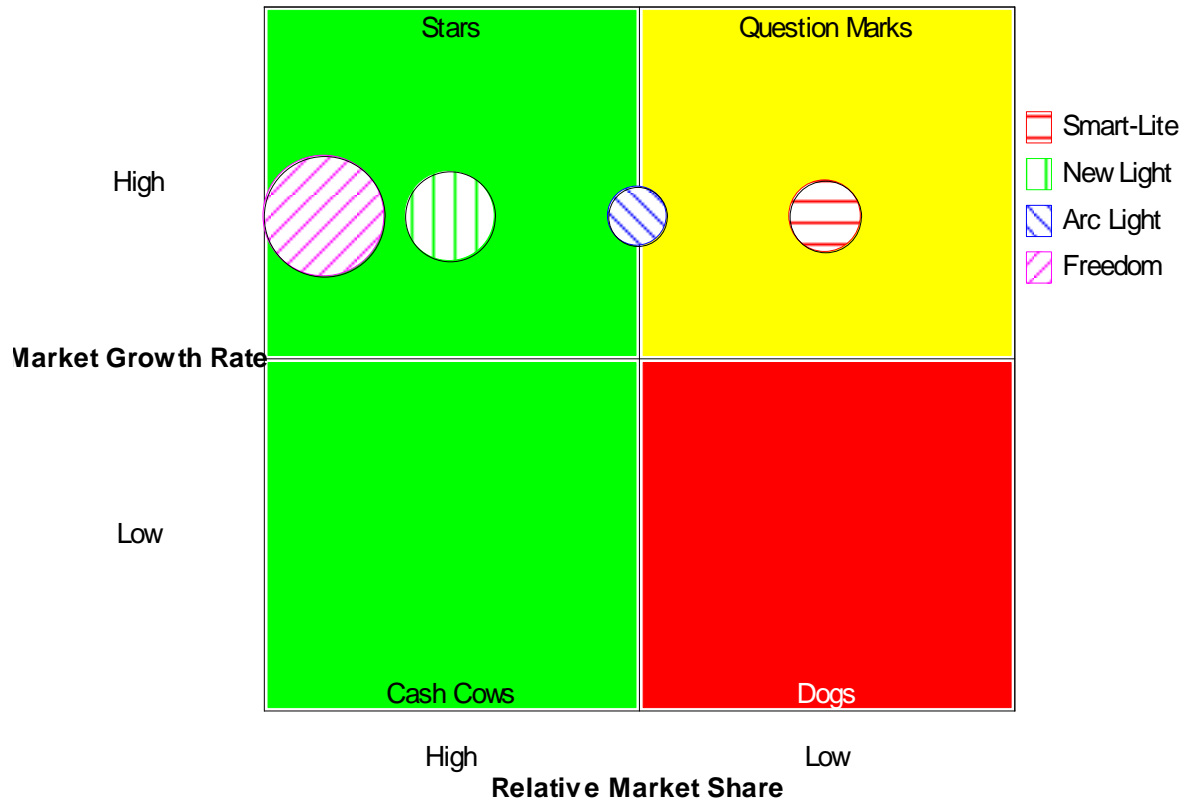
c) The cash flow situation is different in each quadrant, which leads to the following classifications:

- * **Stars:** High-growth, high-share businesses that are likely to generate enough cash to be self-sustaining.
- * **Cash cows:** Low-growth, high-share businesses that generate excess cash that can be used to support other business units (especially question marks) and R & D efforts.
- * **Question marks:** High-growth, low-share businesses that normally require a lot of cash to maintain or increase their share. Management must often either invest additional cash to convert these business units into stars or divest themselves of the offering.
- * **Dogs:** Low-growth, low-share businesses that are often cash traps.

High Growth / Low Share

Your enterprise lies in the **question mark** cell of the matrix. Maintaining or increasing your market share will require a heavy investment. All new products and services begin here. Consider investing additional cash to convert this business to a star, or phase it out completely.

Boston Consulting Group Matrix



GE Business Screen

GE 3X3

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 your 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 your enterprise falls in this zone you 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.

Medium Attractiveness / Average Competitive Position

Your 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 your vulnerable position

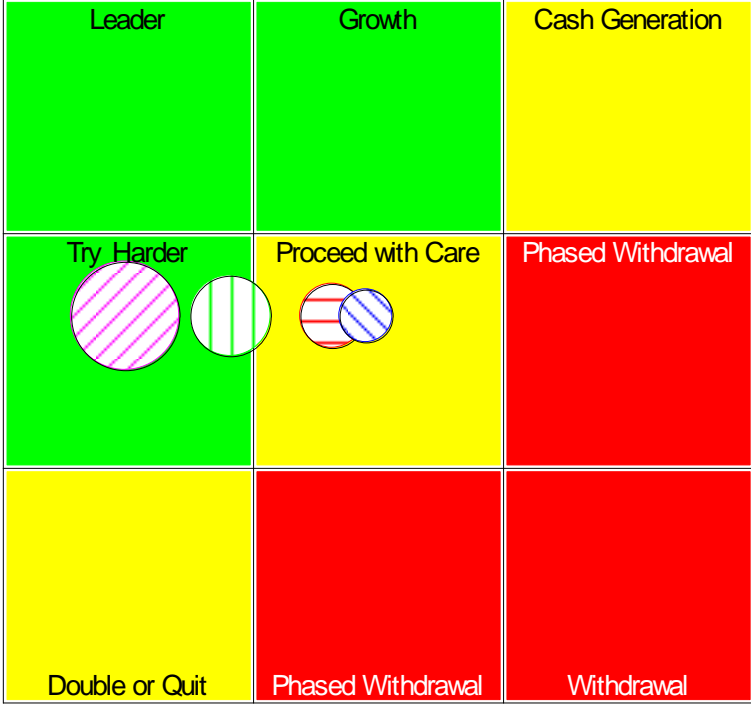
GE Business Screen

Industry Attractiveness

High

Medium

Low

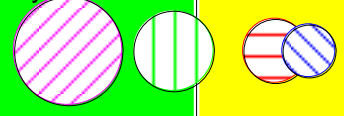


High

Medium
Business Strength

Low

- Smart-Lite
- New Light
- Arc Light
- Freedom



Margin / Return Model

Margin / Return Model

This model uses target return on investment and profit margin of the offering as its axis. The advice on your condition follows.

Satisfactory Return / Unsatisfactory Margin

Consider these strategies:

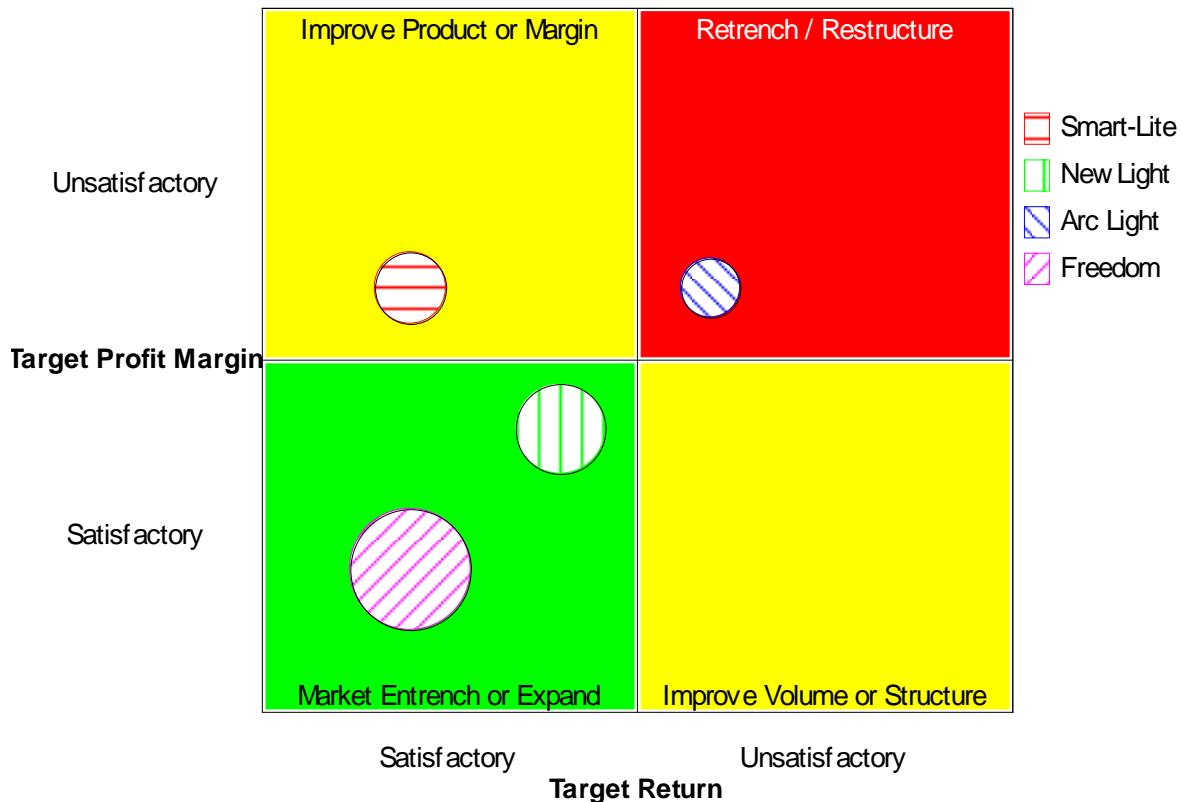
1. Margin improvement:

- * Raise prices on offerings that are too low.
- * Changing the shape and size of the offering in order to lower cost.
- * Improve cost control by reducing the variable and controllable costs.

2. Offering improvement:

- * Consider adding or removing offerings that improve overall margins.
- * Consider vertical integration, to produce overall cost efficiency.

Margin / Return Model



Offering and Market Change

Offering and Market Change

This matrix explores the implications of different degrees of change in both offerings and markets.

No Change

You are not changing the offering or the market. Status-quo is maintained.

Inconspicuous Substitution

The new offering enters quietly because there is no change in marketing. This is appropriate in instances where changes are made in manufacturing materials and/or technology.

Re-market

The offering remains the same but the marketing mix (price, place, product and promotion) are changed. This results in a re-marketing of the offering.

Re-launch

The offering receives a face-lift and the marketing mix is changed. The new launch can be achieved on the basis of name change, appearance, and the changes in the marketing mix (price, place, product, or promotion).

Overt Substitution

The changed marketing mix insures that the new offering appears in a more conspicuous manner. The new materials and the new technology will exercise the company. The marketing mix (price, place, product and promotion) issues must also be addressed.

Brand Repositioning

Although the offering remains the same, it is now being offered to a new market. In addition to examining the marketing mix (price, place, product and promotion) issues, you must also consider the new competition you will be facing. You may need a new strategy to achieve and maintain a competitive advantage in this new market.

Offering Repositioning





The offering is being changed so you must consider the factors associated with appearance, costs, features and benefits. In addition to examining the marketing mix (price, place, product and promotion) issues, you must also consider the new competition you will be facing. You may need a new strategy to achieve and maintain a competitive advantage in this new market.

Innovation

You are making the most complex change possible. Innovation of this magnitude needs to take into account not only the new technology and

materials, but also the price, place, promotion, analysis of the new competitors and the total strategic plan for this activity.

Offering and Market Change

Market Change	Market Change	Offering Change	Innovation	
	New Market			
	Re-market	Re-launch	Overt Substitution	
Change Mix				
No Change				
	No change	Face Lift	Quiet Substitution	
	No Change	Modified Offering Offering Change	New Offering	

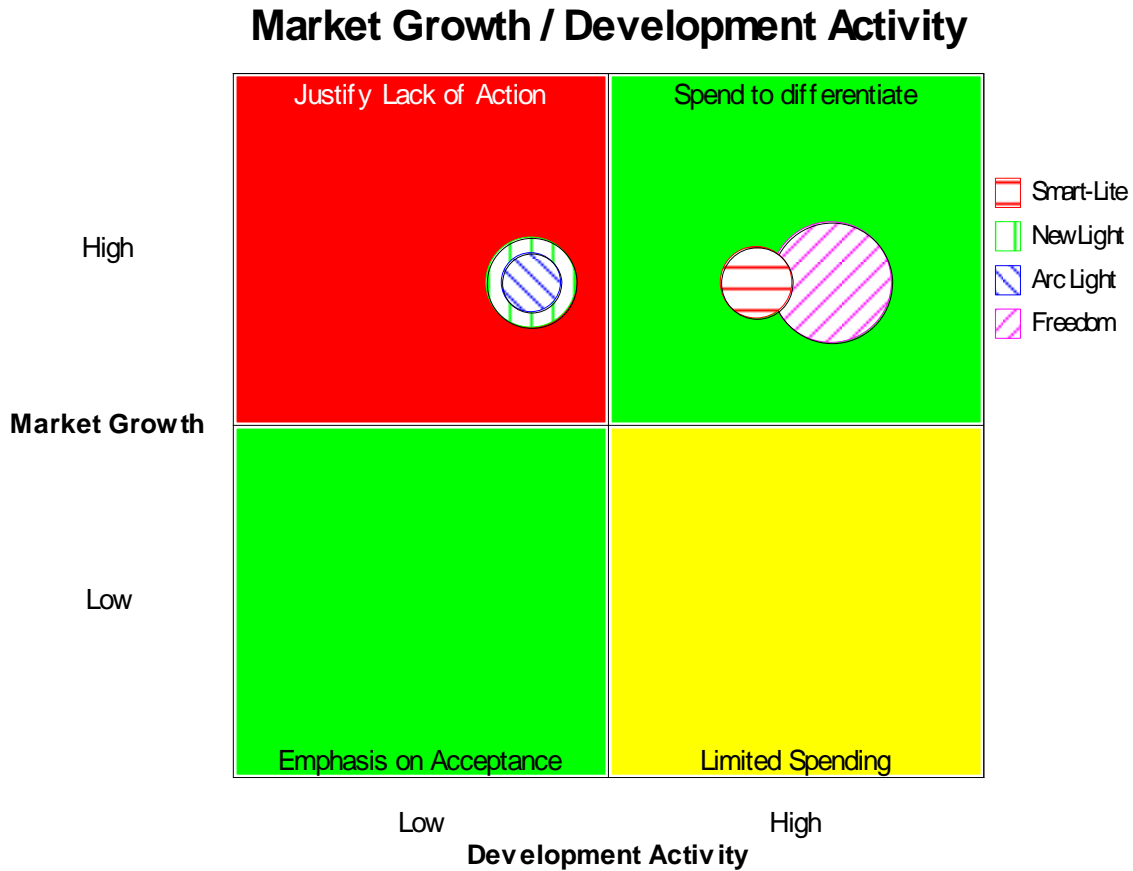
Market Growth / Development Activity

Market Growth/Development Activity

This chart shows the relationship between product/service development 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 / High Development Activity

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



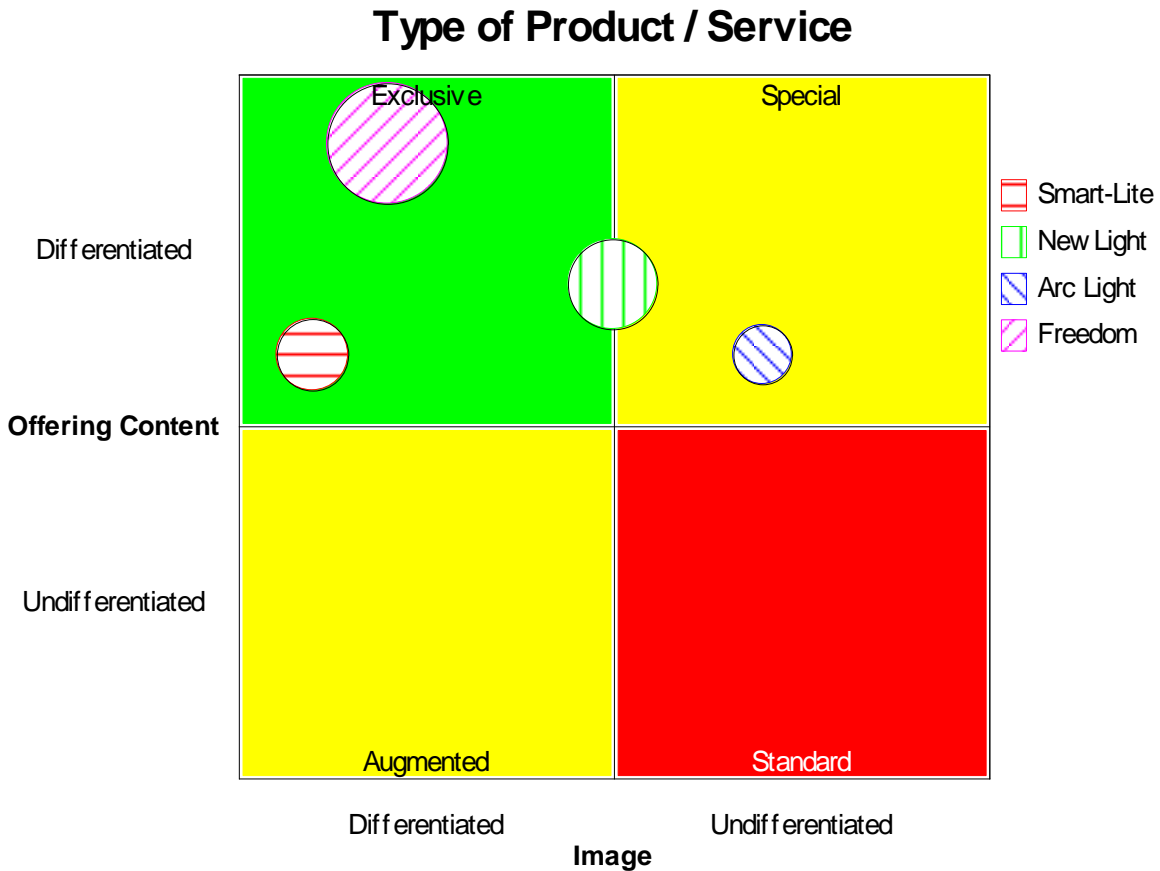
Types of Product / Service

Types of Product/Service

Products and services 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 Offering / Differentiated Image

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



Position Evaluation Graph

Position Evaluation Graph

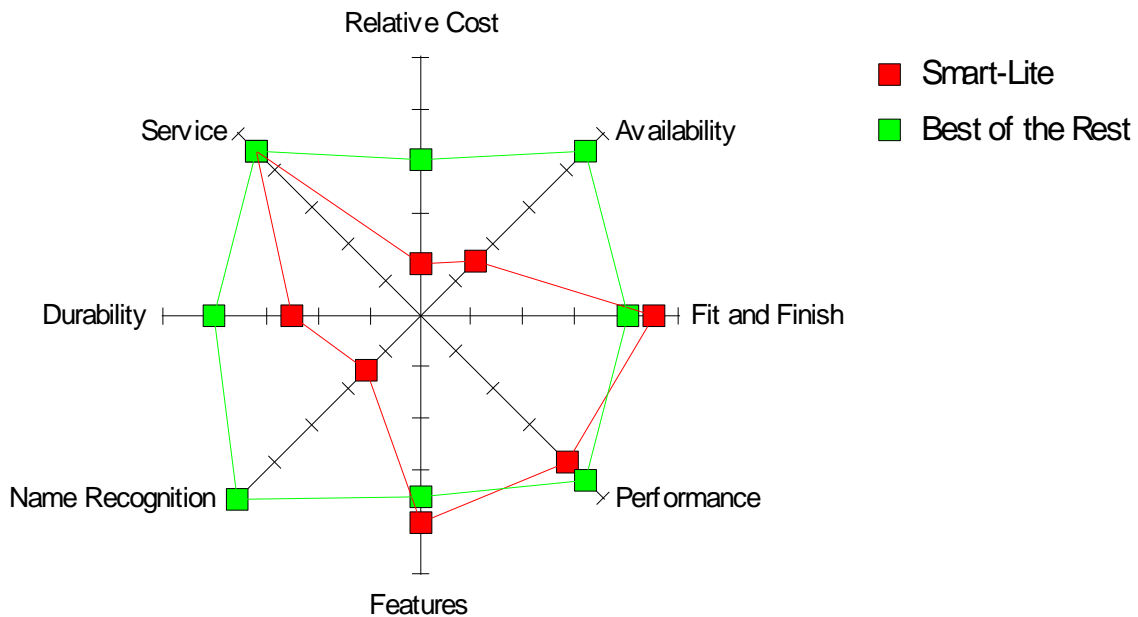
The Position Evaluation Graph compares the attributes of your offering or set of offerings with the best of your competition. To score high on this graph you must exceed all competitors in each category. This evaluation will force you to consider the strength of each of the competitive offerings and how you must position your offering(s) to face them.

Your position has been evaluated and the following observations can be made:

In examining the relative cost, availability, and fit & finish, of all offerings yours is not the best in all categories. In general these are the factors that most control market share, as strong offerings tend to enjoy high volumes.

In evaluating your fit & finish, performance, features, name recognition, durability and service yours is found to be above average. You are not the best in all categories. The strongest offerings in these categories are the quality leaders.

Position Evaluation Graph



Pricing

You have a number of options to consider when deciding how you will set your prices. You can price low to achieve market penetration and/or to put pressure on your competition, you can price to directly compete with your strongest competitor or you can price high because your offering is the industry leader or to achieve very high returns while "skimming the cream". Whatever you decide, the following charts and analyses should help you in that decision by offering a variety of perspectives.

Price / Quality Matrix

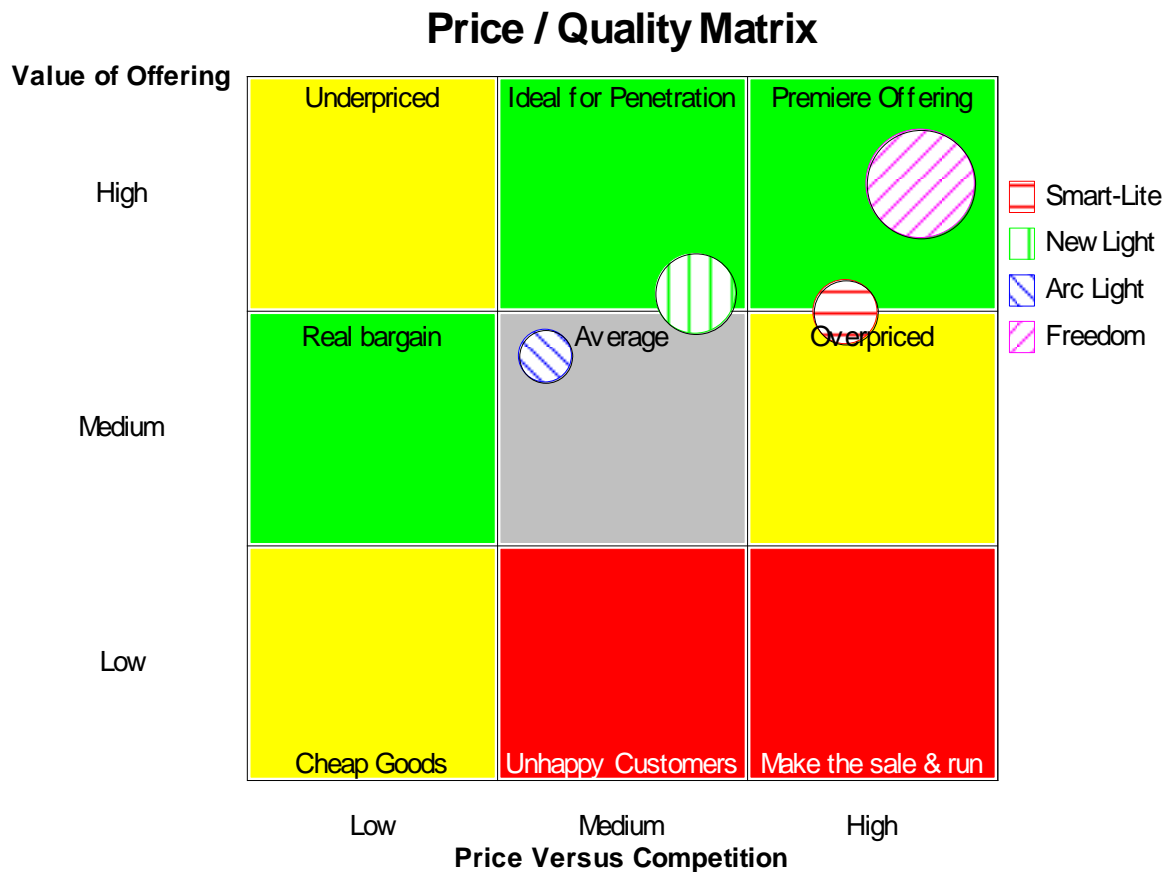
Price/Quality Matrix

Price and value are two of the critical elements of the positioning of your offering or set of offerings in the market. This chart illustrates the relationship between them and the implications of your position to your business.

The value of your offering(s) is rated as medium while the relative price of your offering(s) is high.

Medium Value / High Price

Your offering or set of offerings 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 offerings in your line of offerings to move into the "premiere" position. Otherwise, consider lowering your price to move closer to the "real bargain" market position.



Price Sensitivity / Perceived Differences

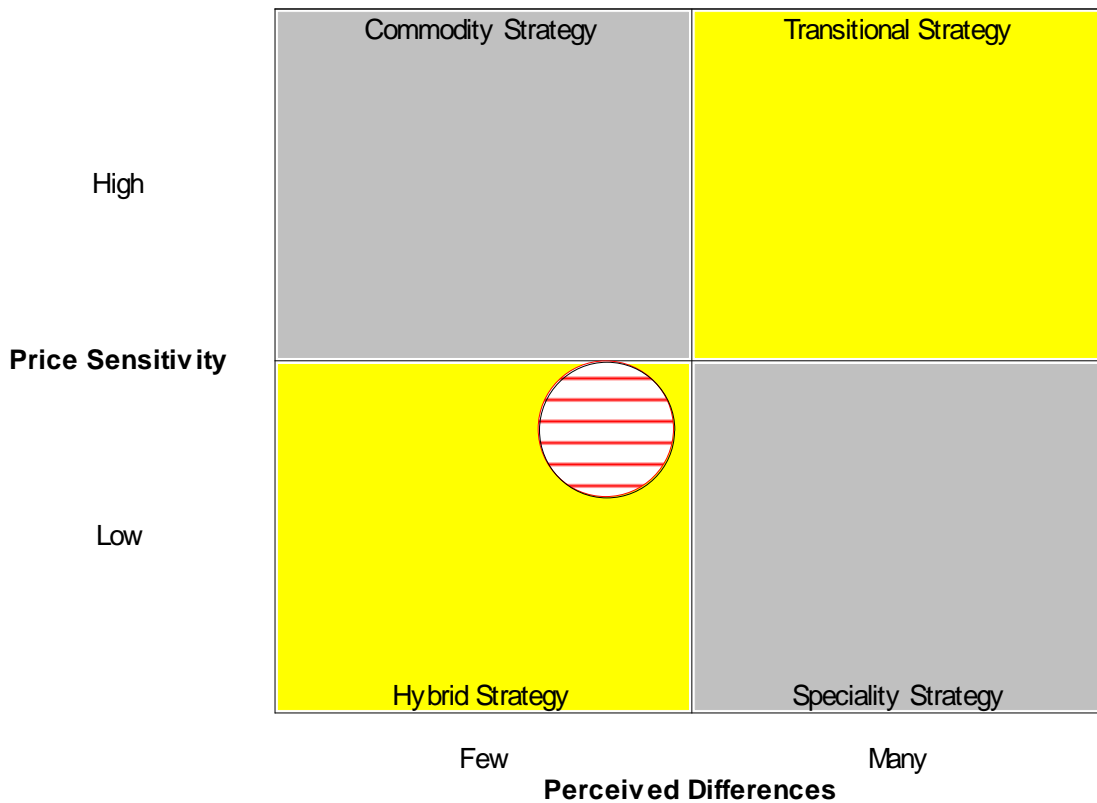
Price Sensitivity/Perceived Differences

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

Low Price Sensitivity / Small Perceived Differences

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

Price Sensitivity / Perceived Differences



Offering Life Cycle and Price

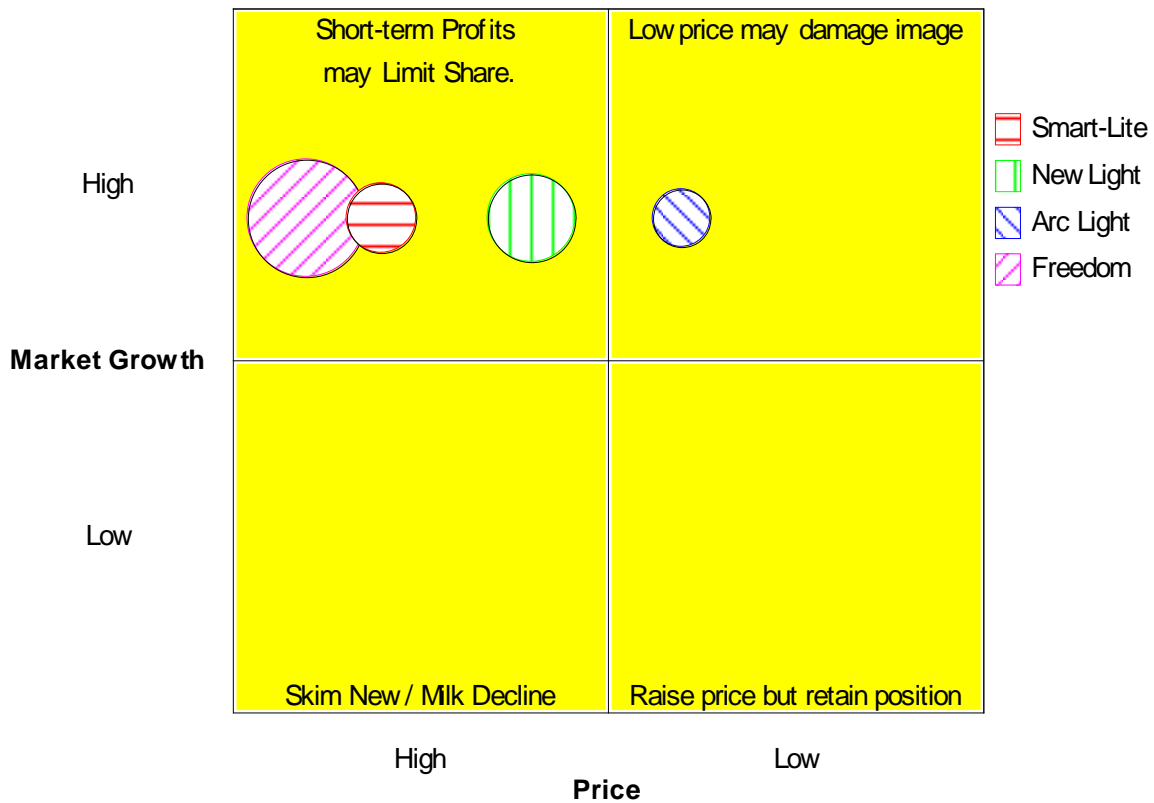
Life Cycle and Price

This matrix describes the different pricing strategies that are used as an offering goes through its life cycle.

High Market Growth / High Relative Price

Having a high-price policy in a high growth market conflicts with market share growth objectives. It is relatively easy to make good profits in a high-growth market, so be careful not to become complacent. Use caution not to trade short-term profits for market share.

Offering Life Cycle and Price



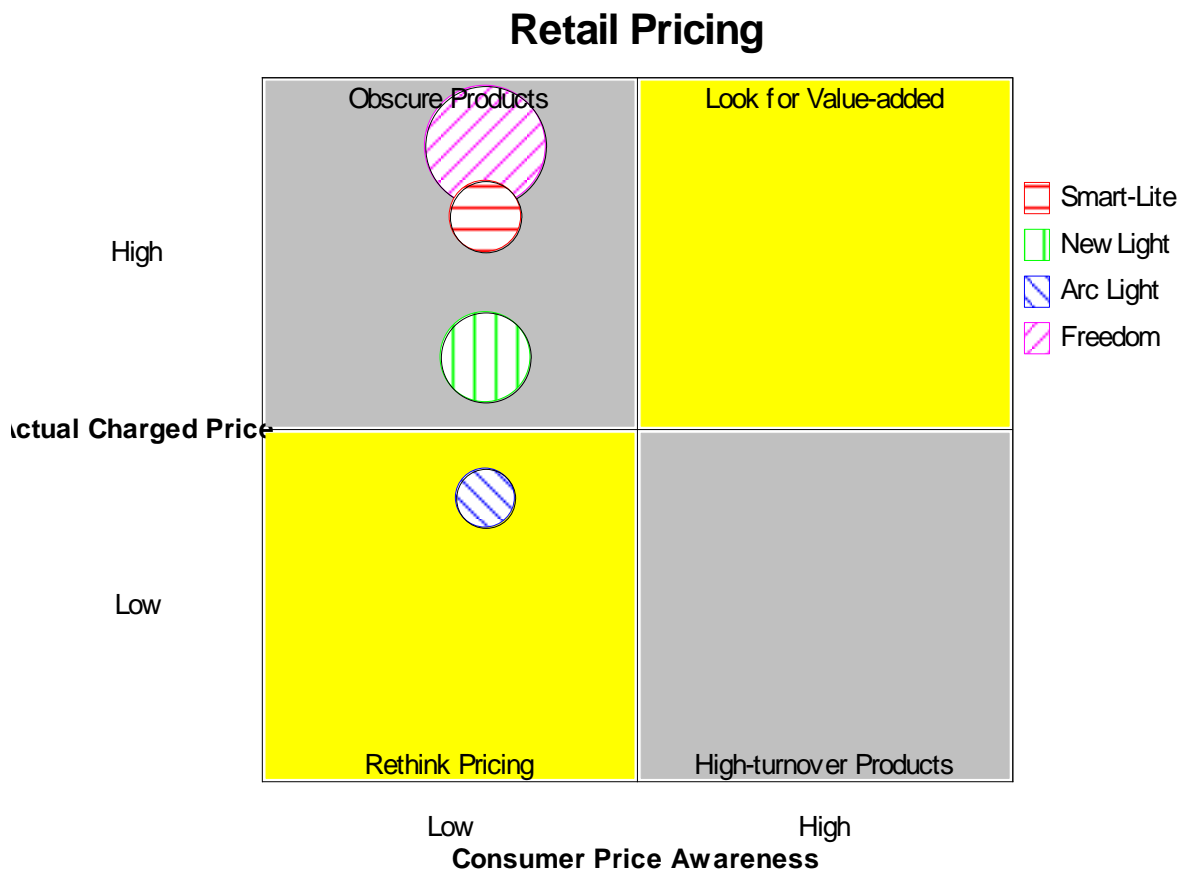
Retail Pricing

Retail Pricing

Many factors must be considered when establishing a price. This matrix illustrates the relationship between two significant factors. The horizontal axis represents the awareness the consumer has for the price of your offering and that of its competition. The vertical axis represents the relative price of the offerings.

High Relative Price / Low Price Awareness

The prospect here knows little about the price. It is therefore possible to price relatively high without negative consequences.



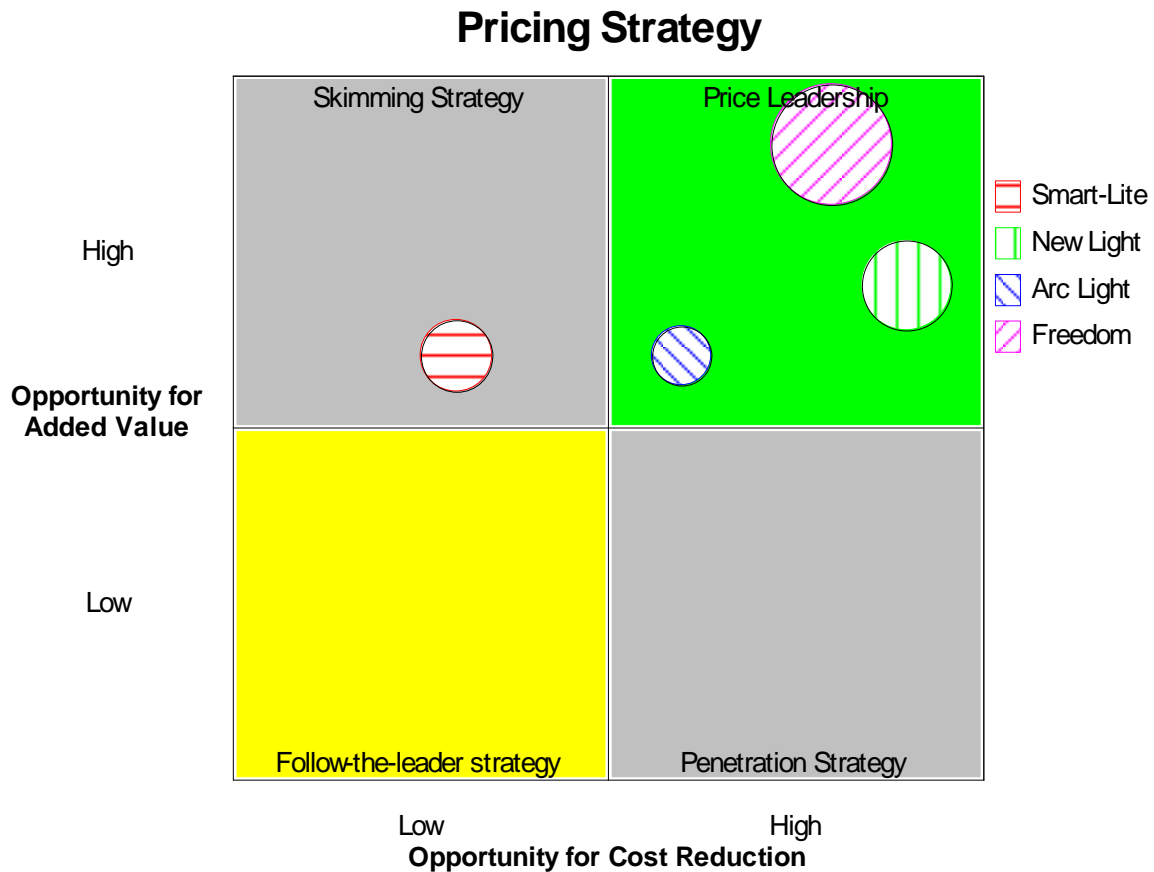
Pricing Strategy

Pricing Strategy

This matrix explores some factors that can influence pricing decisions. The chart employs the premise that customers are almost always prepared to pay higher prices for offerings if they receive higher value benefits.

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.



The Brand / Commodity Matrix

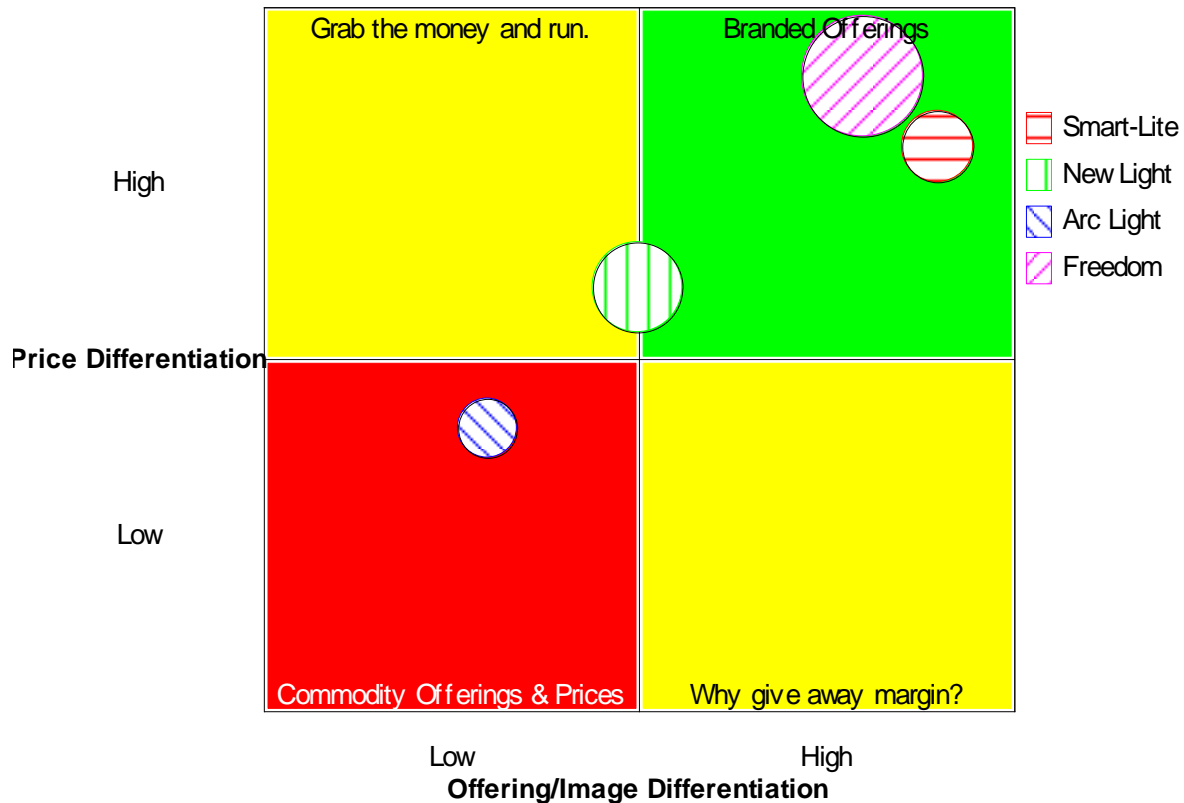
The Brand/Commodity Matrix

Price can contribute to the image of an offering. If the offering itself is not worth the price, that image cannot be maintained. This chart examines the image of the offering and its relative price.

High Relative Price / High Differentiation Image

This is called the "branded offerings" quadrant. So long as your evaluation of the prospect's perception of your offering(s) is correct, you are in the best quadrant of all. You should support this position as long as possible with appropriate spending on R&D and/or promotion.

Brand / Commodity Matrix



Promotion

The following charts may help you to determine the extent of promotional activity that is appropriate for your offering(s) and the kinds of promotional materials you might use.

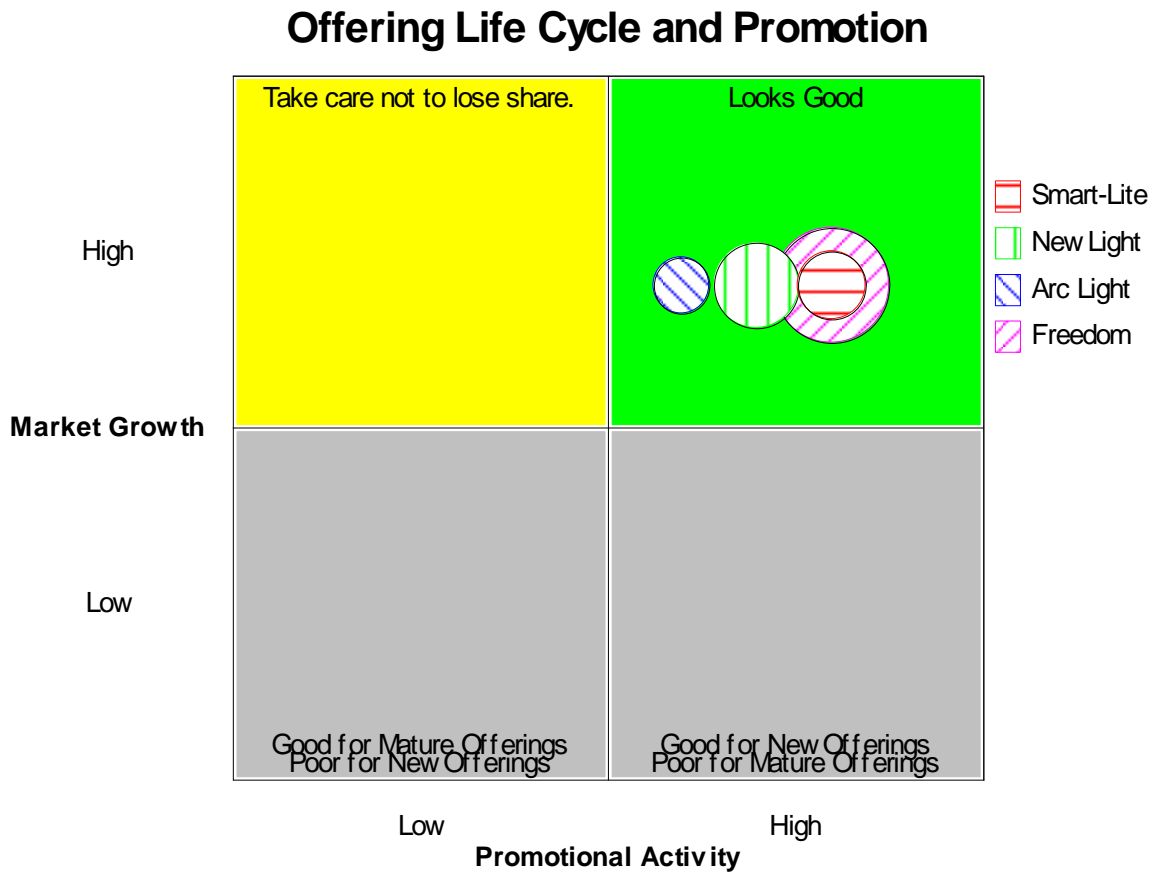
Offering Life Cycle and Promotion

Life Cycle and 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 / High Promotional Activity

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



Use of Advertising and Personal Selling

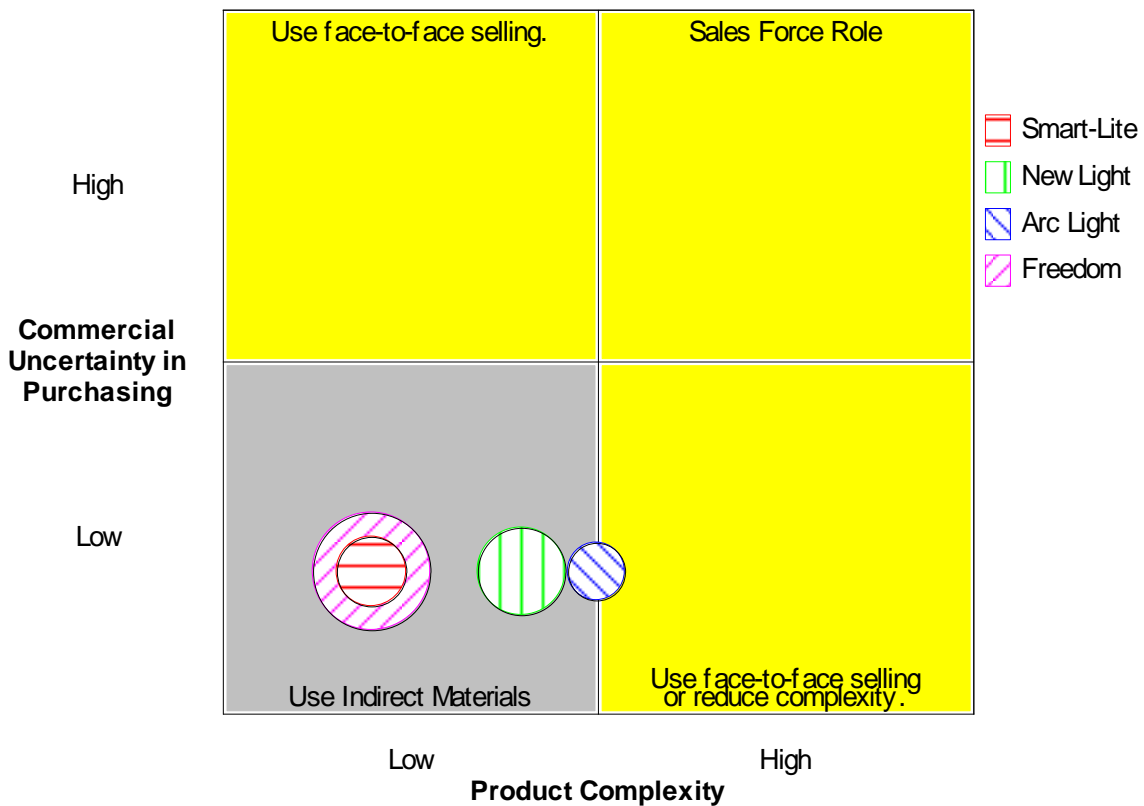
Advertising and Personal Selling

This matrix examines the use advertising versus personal selling in influencing the behavior of industrial market customers.

Low Uncertainty / Low Complexity

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

Use of Advertising and Personal Selling



Completed

You have completed reviewing the Plan Audit results.