

The strategic planning process-III

In last month's column, we discussed the use of SWOT and TOWS as useful models from which to draw accurate pictures of both your as well as your competitors' relative strengths and possible strategies.

Before moving ahead, let's remember an important precept concerning industry structure: profitability is determined by the characteristics of its industry. Therefore, different competitive conditions in different industries equals different average profitabilities.

The topic of this month's column pertains to the relative attractiveness of the industry's structure and its market segments versus the strengths of the enterprise serving it.

Chemark typically uses two tools to meas-

ure a client's position. First, is the product, or market, lifecycle model and the second is the GE 9-Square.

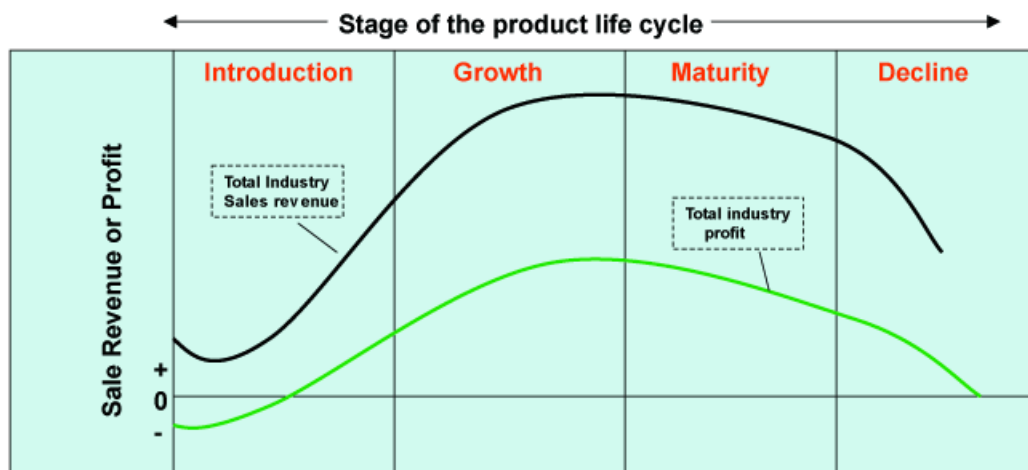
PRODUCT LIFE CYCLE MODEL

The thesis of a lifecycle model is to measure which portions of the product line are new (embryonic), growing, mature or declining. By placing the existing product lines of a specific segment into the appropriate "life stage" one can interpret product and market dynamics. Further, the lifecycle model can be used for planning and control purposes. The chart below shows two curves, one representing total industry revenue, the other total industry profit.

In each of the "cycle" quadrants, the chart

Three levels of planning must come together in order for a strategic plan to work. The third of a three-part series.

PRODUCT LIFE CYCLE CURVES



	Introduction	Growth	Maturity	Decline
Marketing	Gain awareness	Stress differentiation	Maintain brand loyalty	Harvesting deletion
Competition	None	Growing	Many	Reduced
Product	One	More versions	Full product line	Best sellers
Price	Skimming - penetration	Gain share	Defend share, profit	Stay profitable
Promotion	Inform, educate	Stress differentiation	Reminder oriented	Minimal promo
Place	Limited distribution	More outlets	Max. outlets	Fewer outlets

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shows the key elements associated with that position. For example, in a new product introduction phase, the marketing objective would be to “gain awareness”; direct competition is probably nil; product line is one; Price point is either skimming (high profit, high-end of market) or penetration (price to gain share); promotion is focused on transforming information and educating the potential buyers; and place, or distribution, would be limited at the outset.

Once you and your competitors’ products are positioned within the life-cycle model, the first outputs can be placed into the second analysis model.

THE GE-9-SQUARE

The GE-9-Square is a disciplinary tool that forces a business into one or

more of the nine squares determined by following a set of criteria screens. The vertical leg of the square measures the attractiveness of a market segment opportunity via 15 specific input elements. The horizontal leg measures the strength of your company in that market segment via 12 specific input elements.

Opportunities can be clustered onto one 9-Square model, thus showing the relative position of your offerings versus the competition in each market.

The GE-9-Square tool helps form the basic market elements of a strategic plan by considering four attributes simultaneously:

- Attractiveness of market
- Your strengths in that market
- Size of market segment
- Average growth rates **CW**

Strategic Position Alternatives

Business Strategy Matrix

Industry Attractiveness			
High	<p style="text-align: center; margin: 0;">Leader</p> <p style="margin: 0;">PROJECT POSITION</p> <ul style="list-style-type: none"> • Invest to grow at maximum digestible rate • Concentrate effort on maintaining strength 	<p style="text-align: center; margin: 0;">Growth</p> <p style="margin: 0;">INVEST TO BUILD</p> <ul style="list-style-type: none"> • Challenge for leadership • Build selectively on strengths • Reinforce vulnerable areas 	<p style="text-align: center; margin: 0;">Improve or Quit</p> <p style="margin: 0;">BUILD SELECTIVELY</p> <ul style="list-style-type: none"> • Specialize around limited strengths • Seek ways to overcome weaknesses • Withdraw if indications of sustainable growth are lacking
Medium	<p style="text-align: center; margin: 0;">Try Harder</p> <p style="margin: 0;">BUILD SELECTIVELY</p> <ul style="list-style-type: none"> • Invest heavily in most attractive segments • Build up ability to counter competition • Emphasize profitability by raising productivity 	<p style="text-align: center; margin: 0;">Proceed with Care</p> <p style="margin: 0;">SELECTIVITY/MANAGE FOR EARNINGS</p> <ul style="list-style-type: none"> • Protect existing program • Concentrate investments in segments where profitability is good & risks are relatively low 	<p style="text-align: center; margin: 0;">Phased Withdrawal</p> <p style="margin: 0;">LIMITED EXPANSION OR HARVEST</p> <ul style="list-style-type: none"> • Look for ways to expand without high risk; otherwise minimize investment & rationalize operations.
Low	<p style="text-align: center; margin: 0;">PROTECT AND REFOCUS</p> <ul style="list-style-type: none"> • Manage for current earnings • Concentrate on attractive segments • Defend strengths <p style="text-align: center; margin: 5px 0;">Cash Generation</p>	<p style="text-align: center; margin: 0;">MANAGE FOR EARNINGS</p> <ul style="list-style-type: none"> • Protect position in most profitable segments • Upgrade product line • Minimize investment <p style="text-align: center; margin: 5px 0;">Phased Withdrawal</p>	<p style="text-align: center; margin: 0;">DIVEST</p> <ul style="list-style-type: none"> • Sell at time that will maximize cash value • Cut fixed costs and avoid investment meanwhile <p style="text-align: center; margin: 5px 0;">Withdrawal</p>
	High	Medium	Low
	Enterprise Strength		