

Chapter 9

1. What do you think this means? And why do you think it might have happened?
2. What other factors seem to explain the problems that Monarch has had?
3. To what extent do you think Monarch's problems were of its own making?

9.1 Quick check

For each of the following statements, say whether it is true or false.

A strategy is usually

- a. Short-term. FALSE
- b. Low-risk. FALSE
- c. A plan involving a high level of investment. TRUE
- d. A plan made by junior managers. FALSE

9.2 Quick check

For each of the following statements, say whether it is true or false.

- a. A new product development strategy involves new products in existing markets. TRUE
- b. A diversification strategy involves new products in new markets. TRUE
- c. A market development strategy involves existing products in existing markets. FALSE
- d. A market penetration strategy involves existing products in new markets. FALSE

Question

Coca-Cola has many brands in the UK (as listed above). Why do you think this is?

Targeting different segments; attracting different customers; to target growth markets as well as the more mature

Questions

1. Why do you think Dyson has chosen to develop a car?

Diversify into new areas; use existing skills; use its technological strengths; build on value of its brand

2. Do you think this was a good move by Dyson?

May enable it to enter growing market and be early provider; it may have the skills that others don't; however no track record in this industry; different production systems and marketing. Very high risk.

9.3 Quick check

For each of the following statements, say whether it is true or false.

The five forces in Porter's model include:

- a. Supplier power. TRUE
- b. Retention threat. FALSE
- c. Rivalry. TRUE
- d. Complement threat. FALSE
- e. Buyer power. TRUE

Question

Why do you think Toys R Us allowed itself to get in this position?

Question

Identify economic factors in Starbuck’s macro environment that create risks and uncertainty for the business

These include: Exchange rate changes; interest rate changes; national income changes

Questions

1. How might conducting a SWOT analysis be useful for strategic planning for Next?

Help understand its strengths and build on these; protect itself against its weaknesses; exploit opportunities and prepare to defend itself against its threats.

2. Why should a SWOT analysis be undertaken regularly?

Conditions change and therefore there is a need to keep assessing the situation.

3. If you were the managers of Next plc, what actions might you take following the SWOT an analysis above?

- Needs to exploit opportunities- perhaps widening product base and selling wider range through stores
- Need to protect against threats e.g look at inventory control and managing staff costs effectively

9.1 DOING THE BUSINESS MATHS

Item	Index (where industry average is 100)	Strength or weakness? Why?
Labour productivity	80	Weakness; less productive
Absenteeism	120	Weakness; higher absenteeism
Gearing	300	Weakness; high borrowing so higher risk
Unit costs	130	Weakness; higher unit costs
Research and development spending	65	Weakness, assuming firm wants to be innovative, as there is less investment in this area
% of repeat sales	110	Strength; higher repeat business

Labour productivity
Absenteeism
Gearing
Unit costs

Weakness
Weakness
Weakness
Weakness

R&D
% repeat sales

Weakness
Strength

9.4 Quick check

SWOT analysis includes which of the following? Analysis of . . .

- a. strengths TRUE
- b. superiority FALSE
- c. weaknesses TRUE
- d. opportunities TRUE
- e. threats TRUE
- f. turnaround FALSE

Question

Why do you think the composition of the board of directors is important for strategic success?

Because they make the strategic decisions

Questions

1. **What factors influence the demand for travel and tourism?**
Income; legal factors determining whether travel is possible, cultural factors affecting appeal of different regions; marketing by the regions; travel infrastructure
2. **Based on your assessment of the future, do you think travel and tourism is likely to be a growth sector?**
Yes- cheaper travel, more information on destinations, more global economy

Quick questions

1. **What is meant by strategy?**
Long term plan to achieve the objective
2. **What is the difference between an emergent and a planned strategy?**
Emergent is what happens; planned is what you intended
3. **What is meant by SWOT analysis?**
Strengths, weaknesses, opportunities and threats
4. **What is the role of the board of directors?**
To oversee managers and ensure they are acting in the interests of the owners
5. **What is meant by the macro-economic environment?**
Factors that affect a business but are largely out of its control such as political, economic. Social and technological factors
6. **What is the difference between market development and market penetration strategies?**
Market development involves the existing product in a new market; market penetration involves selling more of an existing product in an existing market
7. **What is the difference between new product development and diversification strategies?**
New product development involves new products in existing markets; diversification involves new products in new markets

8. **Why is economic forecasting difficult?** Because there are so many economic agents involved and so many external and internal factors affecting decisions being made
9. **What is the difference between buyer power and supplier power in Porter's five forces model?**
Buyer power is the power of customers; supplier power is the power of those who supply inputs
10. **What is the difference between rivalry and substitute threat in Porter's five forces model?**
Rivalry involves competition between businesses offering the same product; substitute threat involves the same benefits but different products,