

BUSINESS SITUATION FRAMEWORK

New Market Entry, New Product, New Business, How to Grow, Strategy, Turnaround, Company Position Assessment

Customer

Who is the customer?

- identify segments (segment size, growth rate, % of total market)
- compare current year metrics to historical metrics (look for trends)

What does each customer segment want? - identify key needs

What price is each segment willing to pay? - determine price points and price elasticity/sensitivity

Distribution channel preference for each segment

Customer concentration and power* (does one customer control all the demand, the "Wal-Mart" effect)

Product

- **Nature of product** (think out loud about the product, its benefits, why someone would buy it)
- **Commodity good or easily differentiable goods** (could company increase differentiation)
- Identify **complimentary goods** (can we piggy back off growth in compliments or near compliments?)
- Identify **substitutes*** (are we vulnerable to indirect competitors namely substitutes?)
- Determine **product's lifecycle** (new vs. almost obsolete)
- Packaging (optional) - what's bundled, included (ex. Razor vs. razor blades, with w/o service contract... can change in packaging make product more likely to meet needs of specific customer segments.)

Company

- **Capabilities and expertise**
- **Distribution channels** used
- **Cost structure** (mainly fixed vs. variable - is it better to have higher fixed cost with lower variable, or vice versa. High fixed cost = barrier to entry.... compare to industry, often insightful)
- Investment cost (optional: only if case involves an investment decision)
- **Intangibles** (e.g., brands, brand loyalty)
- **Financial situation**
- Organizational structure (optional: e.g., is team organization in conflict with how customers want to do business. Ex: We're organized by product line, but customers want one point of contact across all product lines)

Competition

- **Competitor Concentration* & Structure** (monopoly, oligopoly, competitive, market share concentration)
- Competitor behaviors (Target customer segments, products, pricing strategy, distribution strategy, brand loyalty)
- Best practices (are they doing things we're not?)
- **Barriers to entry*** (do we need to worry any new entrants to market)?
- **Supplier concentration*** (optional: ex: Microsoft or Intel in PC Market... use full 5 forces if this is a likely issue)
- Industry regulatory environment
- Life-cycle of industry

* From Porter's Five Forces: An excellent framework that I've incorporated into this one. I don't use five forces separately for no other reason than habit/preference (though I do use the concepts). If you're not familiar with five forces, it's worth reading up on it.

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+ Ivy Case System at a Glance

Type	Approach	Elements
Entering a New Market	Market	Competition Market share Comparative products and services Barriers to entry
	Entry	Start from scratch Acquire an existing player Joint venture/strategic alliance w/ existing player
Industry Analysis	Current industry structure	Life cycle? (growth, transition, maturity) Performance Major players and market share Industry changes (new players, new technology) Drivers (brand, size, technology)
	Suppliers	How many? Product availability What's going on in their market?
	Future	Expanding or shrinking? Mergers and acquisitions? Barriers to entry or exit?
Mergers & Acquisitions	Objectives	Increase market access Diversify holdings Pre-empt the competition Tax advantages Incorporate synergies
	Price	Fair? Affordable? How to pay? If the economy sours . . . ?
	Due Diligence	What shape is the company in? How secure are its markets and customers? How is the industry overall? Competitive response to acquisition Legal issues
	Exit Strategies	How long to keep it? Divest parts of the organization?
New Product	Product	Special or proprietary? Financing? Patented? Substitutions? Advantages and disadvantages Place in product line Cannibalizing our own products? Replacing existing product?
	Market Strategy	Expanding customer base Prompting competitive response Barriers to entry Major players and market share

Ivy Case System, continued

Type	Approach	Elements
	Customers	Who? How to reach them? Retention — how to hold them?
	Financing	How funded? Best allocation of funds? Debt viable?
Pricing Strategies	Pricing	Competitive pricing Cost-based pricing Price-based costing
Growth Strategies	Assessment	Is the industry growing? How are we growing compared to the industry? Prices relative to competitors Competitors marketing and development Which segments have the most potential? Funding for higher growth
	Strategies	Increase distribution channels Increase product line Invest in major marketing campaign Diversity of products or services offered
New Business	Market	Who is the competition and their market share? Products comparison Barriers to entry
	Cost/Benefit Analysis	Management Marketing and strategic plan Distribution channels Product Customers Finance
Competitive Response	Why?	New product? Competitor's strategy changed? Other competitor's increased market share
	Strategy	Acquire a competitor Merge with competition Copy competitor Hire competitors' management Increase profile with marketing campaign

Ivy Case System, continued

Type	Approach	Elements
Increasing Sales	Assessment (Increasing sales doesn't necessarily mean increasing profits)	Growth relative to market share Changes in market share Customer polls Prices competitive? Competitor's strategies (marketing & product development)
	How?	Increase volume? Increase amount of each sale? Increase prices? Create seasonal balance?
Reducing Costs	Assessment	Get cost breakdown Investigate for irregularities Benchmark competitors Labor-saving technologies
	Cost analysis — Internal	Union wages, suppliers, materials, economies of scale, increased support system
	Cost analysis — External	Economy, interest rates, government regulations, transportation/shipping strikes
Increasing Profits	Revenue Profits = (revenues – costs) x volume. Until you have identified the revenue streams, you can't cut costs)	Identify revenue streams Percentage of total revenue of each Unusual balance? Have percentages changed?
	Costs	ID fixed costs ID variable costs Shifts in costs Unusual costs? Benchmark competitors Reduce costs without damaging revenue streams
	Volume	Expand into new areas Increase sales (volume and force) Increase marketing Reduce prices Improve customer service
Turnaround	Strategy	Learn about company Review services, products, finances Secure funding Review talent and culture Determine short term / long term goals Business plan Reassure clients, suppliers, distributors Prioritize goals and develop some small successes for momentum

YOUR NOTES