

C2 Types of strategy and the business plan – Solutions

1

- a - Climate change
- Finite and uncertain oil supply
 - Increasing global energy demand
 - Increased awareness among the population to demand renewable energy
 - Government "punishment" of oil and support for renewable energy

b

| Diversification | Products |
|-----------------|---|
| horizontal | - Natural gas |
| vertical | - Oil drilling - Oil refining and production of fuels (gasoline, kerosene) and liquefied gases (propane, butane) |
| lateral | - e.g., chocolate |

2

a

Horizontal diversification:

- A carmaker produces trucks
- A brewer also produces non-alcoholic beer

Vertical diversification:

- A restaurant plants its own herbs and vegetables
- A brewer also operates a small restaurant

Lateral diversification:

- A carmaker also produces watches
- A watch manufacturer also produces silk scarves

b

Various reasons can speak for diversification:

- Independence (vertical diversification can reduce dependence on suppliers and outlets)
- Exploitation of market power
- Creation of barriers to market entry
- Risk diversification (especially with vertical / lateral diversification - the company becomes less exposed to seasonal, cyclical or structural fluctuation)
- Better growth / yield prospects for new product or market segments
- Realization of cost or differentiation advantages (especially in horizontal and vertical diversification due to possible economies of scale and synergy effects)

3

Market penetration strategy: The same model continues to be sold in the same market, but sales are increased. This could be achieved by lowering the price or introducing a massive marketing campaign.

Market development strategy: The same model would no longer be offered only in the German market; sales could be expanded to, say, France.

Product development strategy: The same model would be joined by an additional model, perhaps a luxury model, to be offered in the German market.

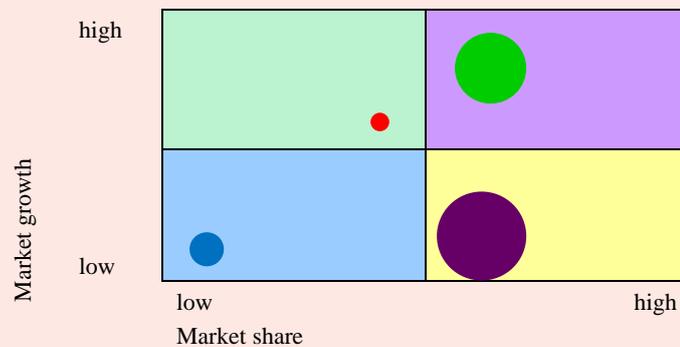
Diversification strategy: A new model is offered in a new market – for example, France.

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- a Greater penetration in the wine market would be understood as an increase in sales volume in the current target market. Ways to do this: convince existing customers to buy and consume more wine from Falkenhaus or move customers of other wines to switch brands to Falkenhaus.
- b Product development means to offer a new product in an existing market. In terms of tea, this would involve selling new varieties of tea in the existing tea market. Falkenhaus could, for example, offer additional tea flavors or develop a kind of special teabag.

- c Vertical diversification is understood as the inclusion of upstream or downstream products / services in the existing production program. Upstream in this case could mean that Falkenhaus grows the fruits used in its teas. An example of the inclusion of downstream services would be for Falkenhaus to operate its location to sell directly to end users.

d



Juice

Classification according to portfolio analysis: Cash Cow

Strategy recommendation: skimming strategy

Justification: The market for juice exhibits very low growth and is almost stagnant. At 45%, Falkenhaus has a very high market share. The company obtains its main revenue from this division. It should by all means try to sustain its market share but without having to make any large investments. The profits should be used primarily to finance the other, growing businesses.

Wine

Classification according to portfolio analysis: Question Mark

Strategy recommendation: investment or divestment strategy

Justification: The market here is growing rapidly but, at 20%, Falkenhaus has only a relatively small market share, placing it in an unfavorable competitive position compared to most competitors. Therefore, the company should consider whether it wants to withdraw from the wine market or invest in this business unit. In the latter case, it would need to try to enlarge its market share, thereby improving its competitive position. If the investment strategy is selected, stronger market penetration (advertising, pricing measures, etc.) and product measures (e.g., improvements to quality or packaging, etc.) would be suitable.

Tea

Classification according to portfolio analysis: Star

Strategy recommendation: investment strategy

Justification: The market for tea is growing even faster than that for wine. In this market, Falkenhaus enjoys both a high absolute and relative market share. Due to the high market growth and the high market share, it is to be expected that company revenues will continue to grow in the future. The company should therefore try to keep its market share at least as high as it is now or even increase it. In addition, communication and product policies will play an important role.

Water

Classification according to portfolio analysis: Poor Dog ●

Strategy recommendation: divestment strategy

Justification: Water is the strategic business unit with the highest market volume, but growth is quite slow. Because of its low absolute market share, Falkenhaus has achieved low revenues and finds itself in an unfavorable competitive position. Falkenhaus should either reduce the funds used for this division or withdraw from the market entirely.

5

- Completely new appearance (differentiation: “design”)
- Improved pouring characteristics (differentiation: “better technology”)
- Additional space on the pack provides new opportunities for brand identification and advertising (differentiation: “memorable, consistent brand name”)

6

- More comfortable ambience
- Order at the table (no self-service)
- Larger menu selection
- Balanced meals
- Table reservations

7**a**

Examples of a focus strategy:

- Montreux Jazz Festival, which attracts thousands of tourists every year to the small town on Lake Geneva
- Open Air Val Lumnezia
- ...

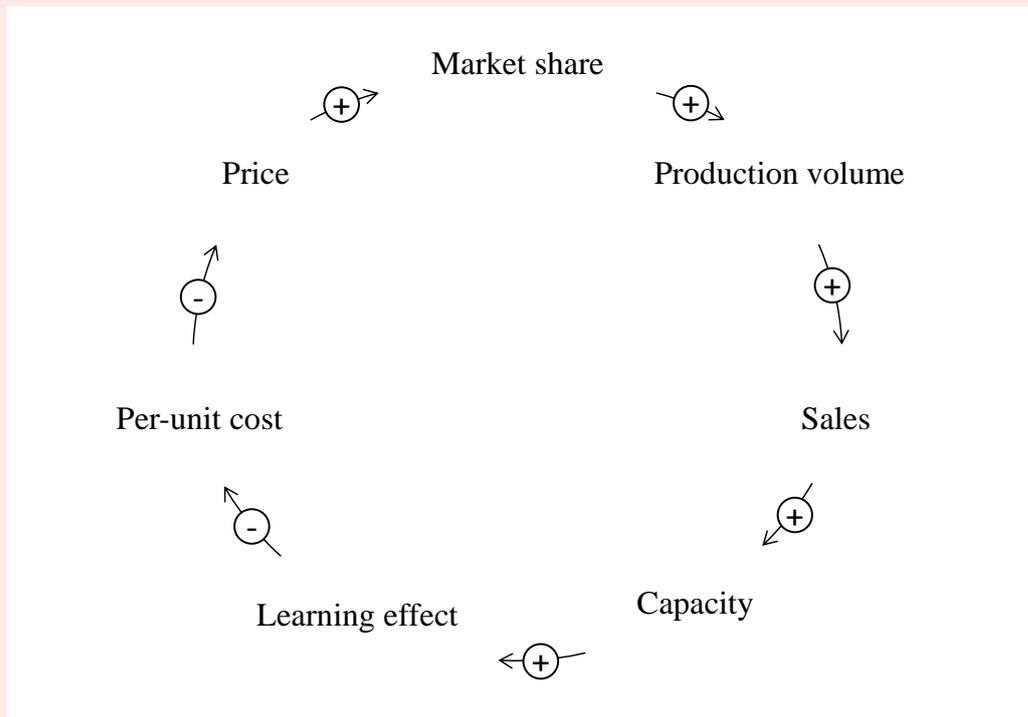
b

The Swiss tourism market consists largely of small vacation destinations that, depending on the region, might act independently or as a group. Due to the special structure of the market, it is not realistic to address a large group of customers. More often, one tries to attract selected customers through the use of a particular offering. Above all, distinctive regional features are emphasized and, in many places, some form of green or sustainable tourism is offered. Another aspect to be mentioned is the high production costs involved in offering the service that is “tourism” (e.g., costs to build a hotel; expensive infrastructure that can only be used in particular seasons; wage costs for the service staff).

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| Area | a Cost leadership | b Differentiation |
|-------------------|--|--|
| Purchasing | <ul style="list-style-type: none"> - Negotiation of good purchasing conditions, such as quantity discount when buying large amounts of materials - Just-in-time delivery to do away with own warehouse | <ul style="list-style-type: none"> - Quality-oriented purchasing, in that the suppliers and their materials are put under the magnifying glass - Close cooperation with suppliers, for example, extending into improving materials (R&D) |
| Production | <ul style="list-style-type: none"> - Production of uniform / standardized models - Efficient process sequences - Modern production technology / automation | <ul style="list-style-type: none"> - Quality control / zero defect products, in that each mouse is tested for stability and functionality before being offered for sale - Strong R & D for product improvement - A variety of models of different designs in different sizes and different shapes |
| Sales | <ul style="list-style-type: none"> - Cost-effective distribution system, whereby only large electronics discounters would be selected as distributors | <ul style="list-style-type: none"> - Ensure reliability of supply with own courier service - Raise awareness, build a brand name and arouse emotions by advertising on the product - Train sales staff to provide competent buying advice |
| Service | <ul style="list-style-type: none"> - No warranties on computer mice | <ul style="list-style-type: none"> - Provide a two-year warranty - Complaints met with goodwill |

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| Category | Product |
|-----------|---|
| Stars | <ul style="list-style-type: none"> - Chips for digital cameras and mobile phones - High-resolution printers - Sensors for mobile phones and digital cameras - Analog photography business |
| Cash Cows | - Film, photo paper, chemicals for photo processing and printing |

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- a Saturation phase
- b Cash Cow
- c Skimming strategy in conjunction with cost leadership. Not much more should be invested in the product and production costs should be reduced, allowing the product to be sold more cheaply in order to maintain market share.

12

a

| Phases | Events |
|---------------------|---|
| Development | The development of new drugs is the core competence of the pharmaceutical industry. Only through constant research can pharmaceutical companies remain competitive. Consequently, most resources are invested in the development phase. |
| Introduction | Crucial in the introduction of new drugs is to apply for patents in order to protect the drug. In addition, drugs are mostly sold indirectly through pharmacies, doctors and hospitals; this property is especially important for marketing and must be incorporated into the strategic marketing planning. |
| Growth | Increasing sales and positive earnings will draw competitors' attention to the drug. They will then develop drugs with the same active ingredient (generics) that can be offered on the market as soon as the patent period expires. |
| Maturity | The patent will expire in the near future. It is in this phase, at the latest, that a new product, which in turn can be patented, should be in the "pipeline". |
| Saturation | With the expiration of the patent, competitors begin pushing lower-priced generics into the market. The price of the original product must be reduced. |
| Decline | In this phase, the primary question becomes whether to continue to offer the drug or if competitors have become more sophisticated, to the point where original company can no longer sell the drug for a profit. |
| Residual | In the residual phase, the product no longer generates positive profits. However, this phase is important for pharmaceutical companies, as the product can continue to have repercussions, such as, for example, any legal action related to undisclosed side effects. |

b

The peculiarity of the pharmaceutical industry and its products (drugs) is the long product development time, the customer structure and patent protection.

Product development: From the initial product idea to a marketable product requires an enormous research effort.

Customers: In many cases, it is not the final customer (patient) who decides which drug is purchased but the physician.

Patent protection: The composition of the active ingredient and thus the drug is protected from imitation, so-called generics. However, patents protection does not last forever, so it is important for companies to continuously develop new drugs.

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Business Plan – Startup “GetInTouch”

Abstract

The youth nightclub "HaveFun" is a new business idea from the firm “GetInTouch”. The concept is based on the needs of young people for a smoke- and alcohol-free nightclub in the region of Bern, where the music kicks off at 9 p.m.

Enterprise

The startup “GetInTouch” was established half a year ago by Andreas Bliigger in the form of a sole proprietorship in Bern. The intended purpose of the company is to fill regional market niches in the entertainment industry.

Since its founding, the company has intensively researched the entertainment industry and performed market analyses and customer surveys; these show that there exists a significant demand for smoke- and alcohol-free nightclubs for young people.

Product/Service

“HaveFun” offers all young people in the Bern region the opportunity to spend an evening free from social constraints. With this new approach, the concentration is on freedom from alcohol and smoke. Large pillows in the entrance area are intended to create a cozy lounge atmosphere. Starting at 9 p.m., a lineup of new, up-and-coming DJs will guarantee a fun-filled evening of dancing to various music styles such as funk, world, reggae, hip-hop and electro.

The cover charge is CHF 12, which includes water, syrup and snacks. Fresh fruit juices, teas, soft drinks, sandwiches and pastries are also available for purchase. The nightclub is open Friday and Saturday from 8:30 p.m. to 2 a.m.

Customers & Markets

The event is aimed at health-conscious young people aged 16 to 18 who want to spend an evening with friends and like-minded people in a pleasant atmosphere.

The company “GetInTouch” sees a market niche in the field and expects, over the next two years, increased demand by young people seeking smoke- and alcohol-free bars and nightclubs.

Competition

In Switzerland, there are so far only three youth nightclubs that are the smoke and alcohol free. The trend toward being protected against passive smoking in public buildings, restaurants, nightclubs, bars and schools will become ever more important in the coming years. That makes it all the more important to enter this market now.

Marketing

The target customers of this nightclub are health-conscious youth in the region of Bern aged 16 to 18. The market will be approached through conscious contact with schools. The nightclub should be created by young people for young people, whereby the company "GetInTouch" works in the background as an organizer and supporter. Committed young people could thus participate in the collaboration and organization and so earn some extra pocket money.

Location / production

The headquarters of the company "GetInTouch" is located in Bern. The first location shall also be opened in this area. An appropriate location for the first nightclub has already been found. The permits for the opening have been applied for.

Organization / management

The management of "GetInTouch" and the entire organization will be undertaken by Mr. Andreas Bliigger. Contact has already been made, through different schools, with the young people who will help with organization and implementation.

Risk analysis

Internal risks: Helpers back out, overestimation of demand for such a nightclub.

External risks: Permit for the operation of a youth nightclub is not granted, other vendors enter the market.

Finances

For the opening of the youth nightclub "HaveFun", especially for permits, rent on the premises, establishment and general operation, the company "GetInTouch" needs funds in the amount of CHF 40,000.