

Chapter 2: Strategic Planning

Chapter At A Glance

Overview

This chapter examines the strategic planning process companies go through in order to develop, price, promote, and sell their products and services.

Student Textbook Outline

Chapter 2: Strategic Planning ✓ Introduction to planning I. The Value Proposition Learning Objectives ✓ What Is a Value Proposition? Key Takeaways Review Questions II. Components of the Strategic Planning Process Learning Objectives ✓ Conducting a Situation Analysis ✓ Conducting a SWOT Analysis ✓ Assessing the Internal Environment ✓ Assessing the External Environment ✓ The Competitive Environment ✓ Competitive Analysis ✓ The Political and Legal Environment ✓ The Economic Environment ✓ The Demographic and Social and Cultural Environments ✓ Technology ✓ Natural Resources ✓ The Mission Statement	Key Takeaways Review Questions III. Developing Organizational Objectives and Formulating Strategies Learning Objectives ✓ Developing Objectives ✓ Formulating Strategies Key Takeaways Review Questions IV. Where Strategic Planning Occurs within Firms Learning Objectives ✓ Strategic Planning Levels in an Organization Key Takeaways Review Questions V. Strategic Portfolio Planning Approaches Learning Objectives ✓ The Boston Consulting Group Matrix ✓ The General Electric Approach Key Takeaways Review Questions VI. Discussion Questions and Activities
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Learning Objectives

- I. Explain what a value proposition is. Understand why a company may develop different value propositions for different target markets.
- II. Explain how a mission statement helps a company with its strategic planning. Describe how a firm analyzes its internal environment. Describe the external environment a firm may face and how it is analyzed.
- III. Explain how companies develop the objectives driving their strategies. Describe the different types of product strategies and market entry strategies that companies pursue.
- IV. Identify the different levels at which strategic planning may occur within firms. Understand how strategic planning that occurs at multiple levels in an organization helps a company achieve its overall corporate objectives.
- V. Explain how SBUs are evaluated using the Boston Consulting Group Matrix. Explain how businesses and the attractiveness of industries are evaluated using the General Electric Approach.

Key Takeaways

- I. A value proposition is a thirty-second “elevator speech” stating the specific value a product or service provides to a target market. Firms may develop different value propositions for different groups of customers. The value proposition shows why the product or service is superior to competing offers and why the customer should buy it or why a firm should hire you.
- II. A firm must analyze factors in the external and internal environments it faces throughout the strategic planning process. These factors are inputs to the planning process. As they change, the company must be prepared to adjust its plans. Different factors are relevant for different companies. Once a company has analyzed its internal and external environments, managers can begin to decide which strategies are best, given the firm’s mission statement.
- III. The strategic planning process includes a company’s mission (purpose), objectives (end results desired), and strategies (means). Sometimes the different SBUs of a firm have different mission statements. A firm’s objectives should be realistic (achievable) and measurable. The different product market strategies firms pursue include market penetration, product development, market development, and diversification.
- IV. Strategic planning can occur at different levels (corporate, business, and functional) in an organization. The number of levels may vary. However, if a company has multiple planning levels, the plans must be consistent, and all must help achieve the overall goals of the corporation.
- V. A group of businesses is called a portfolio. Organizations that have multiple business units must decide how to allocate resources to them and decide what objectives and strategies are feasible for them. Portfolio planning approaches help firms analyze the

businesses relative to each other. The BCG and GE approaches are two of the most common portfolio planning methods.

Discussion Questions

1. Explain how a marketing objective differs from a marketing strategy. How are they related?

A marketing objective is the goal the company wants to achieve and should be realistic and measurable. The marketing strategy describes the activities and behaviors the company will engage in to reach the marketing objective.

2. Explain how an organization like McDonald's can use licensing to create value for the brand.

One of the most common forms of licensing employed by service firms is franchising. Licensing through franchising allows McDonald's to cater to consumer demands depending on locations. For example, the menu offered at a franchise in the U.S. can differ from the one offered in a country like India. For more reference – <http://www.franchisedirect.com/foodfranchises/themarketinggeniusbehindmcdonaldsf ranchisesuccess/14/25>

3. How has PepsiCo employed a product development strategy?

A company may introduce different variations to an existing product, such as new flavors, colors, or sizes.

4. Discuss how conducting a SWOT (strengths, weaknesses, opportunities, threats) analysis helps a firm (or an individual) develop its strategic plan.

Companies identify their strengths and any opportunities that may exist in the external environment and then, develop a strategic plan that capitalizes on these factors. Similarly, weaknesses and threats, when identified, can be anticipated and minimized to a certain degree.

5. Describe the value propositions the social networking sites YouTube and Facebook offer Web users.

YouTube and Facebook provide places for social interface and recognition. They give people a forum for self-promotion, interaction, and entertainment.

Activities

1. Outline a strategic plan for yourself to begin planning for a job after graduation. Include your value proposition, targeted organizations, objectives, strategies, and the internal and external factors that may affect your plans.
2. Assume you have an interview for an entry-level sales position. Write a value proposition emphasizing why you are the best candidate for the position relative to other recent college graduates.
3. A mission statement outlines an organization's purpose and answers the question of how a company defines its business. Write a mission statement for a campus organization.
4. The Web site "My M&Ms" (<http://www.mymms.com>) allows customers to personalize M&M candies with words, faces, and colors and select from multiple packaging choices. Identify and explain the product market or market development strategies Mars pursued when it introduced personalized M&Ms.
5. Explain how changing demographics and the social and cultural environment have impacted the health care industry. Identify new venues for health care that did not exist a decade ago. (Hint: emergency care services are available outside a hospital's emergency room today.)
6. Select an organization for which you would like to work. Look up its mission statement. What do you think the organization's objectives and strategies are? What macro and micro environmental and internal factors might affect its success?
7. Break up into teams. Come up with as many real-world examples as you can of companies that pursued market penetration, market development, product development, or diversification strategies. Explain what the company did and how successful you think each strategy will be.

Definitions

Boston Consulting Group (BCG) matrix: A portfolio planning approach that examines strategic business units based on their relative market shares and growth rates. Businesses are classified as stars, cash cows, question marks (problem children), or dogs.

Business level plans: Plans developed for each strategic business unit typically have their own mission statement.

Cash cow: Business or offering with a large share of a shrinking market.

Contract manufacturing: When companies hire manufacturers to produce their products in another country.

Corporate level plans: Plans developed for the corporation as a whole take place at the corporate level.

Dog: Business or offering with low growth and a low market share.

Direct investment: Owning a company or facility overseas.

Diversification strategy: Offering products that are unrelated to other existing products produced by the organization.

Divest: When a firm drops or sells a product or business.

Export: Sell products to buyers in foreign markets.

Franchising: Granting an independent operator the right to use your company's business model, techniques, and trademarks for a fee.

General Electric (GE) approach: A portfolio planning approach that examines a business' strengths and the attractiveness of industries.

Green marketing: Marketing environmentally safe products and services in a way that is good for the environment.

Harvest: When a firm lowers investment in a product or business.

Joint venture: An entity that is created when two parties agree to share their profits, losses, and control with one another in an economic activity they jointly undertake.

License: Sell the right to use some aspect of the production process, trademark, or patent to individuals in foreign markets.

Market development strategy: Selling existing products or services to new customers. Foreign markets often present opportunities for organizations to expand. Exporting, licensing, franchising, joint ventures, and direct investment are methods that companies use to enter international markets.

Market penetration strategy: Selling more of existing products and services to existing customers.

Marketing plan: Planning at the functional level to provide direction for a marketing group.

Mission statement: Defines the purpose of the organization and answers the question of how a company defines its business.

Mystery shoppers: People who act like customers and visit competitors to learn about their customer service and their products.

Objectives: What organizations want to accomplish (the end results) in a given time frame.

Portfolio: A group of business units owned by a single firm.

Portfolio planning approach: An approach to analyzing various businesses relative to one another.

Product development strategy: Creating new products or services for existing markets.

Question marks or problem children: Businesses or offerings with a low share of a high-growth market.

Situation analysis: An assessment of an organization's internal and external environments.

Star: Business or offering with high growth and a high market share.

Strategic business unit (SBU): Businesses or product lines within an organization that have their own competitors, customers, and profit centers.

Strategic planning process: A process that helps an organization allocate its resources under different conditions to accomplish its objectives, deliver value, and be competitive in a market-driven economy.

Strategies: Actions (means) taken to accomplish objectives.

SWOT analysis: An analysis of the strengths, weaknesses, opportunities, and threats facing an organization. Strengths and weaknesses are internal to the organization and controllable, whereas opportunities and threats are external to the organization and largely uncontrollable.

Tactics: Specific actions taken to execute strategies.

Target market: The group of customers toward which an organization directs its marketing efforts.

Value proposition: A statement that summarizes the key benefits or value for target customers. It explains why customers should buy a product, why stakeholders should donate, or why prospective employers may want to hire someone for their organization.

Lecture Outline

Introduction discusses how an organization decides which products and services to develop, price, promote, and sell by developing a strategic plan.

I. The Value Proposition

Overview: The value proposition is introduced and examples provided.

- a. Organizations typically develop plans and strategies that outline how they want to go about this process.
- b. Organizations must also offer value to customers and graduates must provide value to their employers.

The Value Proposition

It is a 30-second “elevator speech” stating the specific benefits a product or service offering provides to a buyer; shows why a product or service is superior to competing offers. Hence, the value proposition becomes a critical component in shaping strategy.

- a. Buyers evaluate products and services to see if they provide the benefits they desire.
- b. Firms have to develop the value proposition before they can develop a strategy for selling their products and services.
- c. Benefits gained by buyers should always be the focus of the value proposition; never mention the profits for the firm.
- d. Firms often create different value propositions for different target markets just as individuals may develop a different value proposition for different employers.
- e. Individuals should develop value propositions to assist them in their educational and career goals.

Teaching Strategy – Value Proposition Ask students to create their own 30-second value proposition, selling themselves to a potential employer. Emphasize the need for the proposition to state the value the employer gains by hiring the student.

Supplemental Class Activity- Value Propositions

Have students identify a product or service that has several target markets. Describe the target markets and the value propositions used to reach each. How are the value propositions similar or different?

Review Questions

1. What is a value proposition?
 - A. A value proposition is a 30-second “elevator speech” stating the specific benefits a product or service offering provides a buyer. It shows why the product or service is superior to competing offers. The value proposition answers the questions, “why should I buy from you or why should I hire you?” As such, the value proposition becomes a critical component in shaping strategy.
2. You are interviewing for an internship. Create a value proposition for yourself that you may use as your 30-second “elevator speech” to get the company interested in hiring you or talking to you more.
 - A. This can be conducted as an in-class exercise. Students must be asked to tell the company why they should be hired. They must show the value that they will bring to any situation in the company.

II. Components of the Strategic Planning Process

Overview: The importance of mission statements in strategic planning, and the process of analyzing the internal and external environments are discussed.

- a. Strategic planning is usually a long-term process that helps an organization allocate its resources to capitalize on opportunities in the marketplace.
- b. The strategic planning process includes developing the organization’s mission statement, objectives, value proposition, and strategies.
- c. Figure 2.3 outlines for students the components of the strategic planning process.

Conducting a Situation Analysis

- a. Situational analysis – process of analyzing the company’s internal and external environments.
- b. Internal factors such as financial resources, technological resources, and capabilities of its personnel and their performance.
- c. External (macro and micro) factors such as competitors and the economy.

Teaching Strategy – Effects of Economic Crisis: Generate a discussion on how companies had to change their business decisions due to the economic crisis of 2008-2009. How did companies continue to compete? What decisions affecting the internal and external environments did companies have to make in order to remain competitive?

Conducting a SWOT Analysis

- a. SWOT = Strengths, Weaknesses, Opportunities, and Threats.
- b. Strengths and weaknesses are internal factors; opportunities and threats are external factors.
- c. Examples of strengths may include its brand name, efficient distribution network, reputation for great service, and strong financial position.
- d. Examples of weaknesses may include its lack of awareness of its products in the marketplace, a lack of human resources talent, and a poor location.
- e. Opportunities might entail international demand for products, few competitors, and favorable social trends.
- f. Threats might include a bad economy, high interest rates, and an underqualified workforce.
- g. Internal factors are specific to company or individual; external factors affect multiple individuals and companies. External factors are present regardless of the existence of the individual or company.

Supplemental Class Activity – Personal SWOT Analysis

Assign students the task of conducting a SWOT analysis of themselves. Students should identify their strengths, weaknesses, opportunities, and threats. Reinforce the distinction between internal and external factors by emphasizing that external factors exist independently of the student. Next, have students describe how their strengths have helped them succeed in life and how their weaknesses have hindered their success in some areas. Students should then describe how they could better utilize their strengths and minimize or convert their weaknesses into strengths. Next, have students analyze the opportunities and threats affecting their lives. What opportunities have they taken advantage of and what were the consequences? What threats exist and how have they responded to the threats?

Assessing the Internal Environment

- a. Organizations evaluate their strengths in order to capitalize on opportunities that will make the most of what the company is good at.
- b. Organizations evaluate their weaknesses in order to minimize the effect on their business and/or work toward converting a weakness into a strength.
- c. Managers need to examine both the past and current strategies of their firms and determine what strategies succeeded and which ones failed.
- d. The Tropicana example in the student textbook illustrates how a change in packaging can affect sales.

Assessing the External Environment

- a. External factors are largely uncontrollable, but can have a tremendous impact on the way the organization does business.

- b. The macro environment includes economic factors, demographic trends, cultural and social trends, political and legal regulations, technological changes, and the price and availability of natural resources.
- c. The micro environment includes competition, suppliers, marketing intermediaries (retailers, wholesalers), the public, the company, and customers.
- d. Companies must focus on factors that are relevant for their operations.

Competitive Environment

Organizations have to analyze their direct and indirect competition. The five forces model by Michael Porter illustrates the need for companies to not only examine their direct competition but also those organizations that are competing for the same consumer dollar.

Competitive Analysis

- a. Competitive analysis involves looking at any information (annual reports, financial statements, news stories, observation details obtained on visits, etc.) available on competitors.
- b. Utilizing mystery shoppers (people who act like customers) is one way of collecting competitive information.
- c. Organizations must also consider the strength and impact of substitute products, potential marketplace entrants, and the bargaining power of suppliers and buyers.

The Political and Legal Environment

Companies have to comply with regulations designed to protect buyer and seller.

Examples include:

- The Sherman Act (1890) prohibits U.S. firms from restraining trade by creating monopolies and cartels.
- The U.S. Food and Drug Administration regulates labeling of consumable products such as food and medicine.
- The Federal Trade Commission regulates deceptive advertising.
- The Consumer Product Safety Commission sets and regulates safety standards for consumer products.
- Employment laws in the U.S. and in other countries vary widely. Companies operating overseas must be aware of employment laws in the country where they are operating.

The Economic Environment

Factors that must be considered include inflation, unemployment, interest rates, and overall health of the economy.

Teaching Strategy—Economics and Business Decision-Making – Discuss the effect of inflationary periods on a firm’s operations. What about recessionary periods? Examine the effect that the economy has on businesses that produce luxury goods? Necessities?

The Demographic and Social and Cultural Environments

They include social trends, such as people’s attitudes toward fitness and nutrition; demographic characteristics, such as people’s ages, incomes, marital status, education, and occupations; and culture, which is people’s beliefs and values.

Teaching Strategy—The Cultural Melting Pot and Business Decisions – Discuss the ethnic composition of the United States and how businesses are meeting the needs of growing minority groups. What cultural considerations do firms face when marketing their products and services?

Technology

- a. Self-scanners and video displays at stores, ATM machines, the Internet, and mobile phones are a few examples of how technology is affecting businesses and consumers.
- b. Mobile marketing and online advertising are being used along with traditional media.
- c. Applications for telephones and electronic devices allow customers to comparison shop without having to visit multiple stores.

Natural Resources

Consumers are increasingly concerned about the environment and the impact their purchases have on it. Businesses engage in sustainable practices that help protect the environment and conserve natural resources. Green marketing involves marketing environmentally safe products and services in a way that is good for the environment.

The Mission Statement

- a. The mission statement states the purpose of the organization and why it exists.
- b. Both for-profits and nonprofits have mission statements.

Teaching strategy – Mission Statements Discuss with students what they think makes a good mission statement. Collect examples of mission statements in advance and have students evaluate them. Do they state the purpose of the organization? Are they descriptive of what the company does?

Review Questions

1. What factors in the external environment are affecting the “Big Three” U.S. automobile manufacturers?
A. Possible answers include:
 - Foreign car manufacturers’ reputations for high quality products.
 - Number and quality of suppliers.
 - Environmental regulations governing gas mileage and pollution controls.
 - Current economic crisis and economic uncertainty.
 - Trends toward more eco-friendly compact automobiles.
2. What are some examples of Walmart’s strengths?
A. Possible answers include:
 - Sheer size of operations, allowing for massive buying power.
 - Strong business foundation created by Sam Walton.
 - Strategic placement of stores
 - Reputation for low prices
3. Suppose you work for a major hotel chain. Using Porter’s five forces model, explain what you need to consider with regard to each force.
A. Threat of Substitute Products – the likelihood that your customers will stay at a comparable hotel, the prices of other hotels, the costs of switching to another hotel chain, the comparable quality and amenities of other hotels, and the geographical availability of competition.
Threat of New Entrants –the barriers to entry that exist to prevent competition, the capital requirements necessary and the economic conditions needed for entry, customer brand loyalty and level of brand differentiation, availability of distribution chains, government regulations, retaliation of incumbents.
Intensity of Competitive Rivalry – the aggressiveness of your competition.
Bargaining Power Of Customers – number of buyers compared to number of hotels, brand loyalty, price sensitivity.
Bargaining Power Of Suppliers – availability of suppliers, costs of switching from one supplier to another, supplier product differentiation, and in the case of employees, solidarity of labor.

III. Developing Organizational Objectives and Formulating Strategies

Overview: This section discusses how companies develop objectives driving their strategies and the different types of product and market strategies companies pursue.

Developing Objectives

- a. Objectives are what the company wants to accomplish and should be realistic and measurable, with specific timeframes.
- b. Lower level objectives should be consistent with corporate-level objectives.

Formulating Strategies

- a. Strategies are plans of action firms employ to reach their objectives.
- b. Tactics include specific actions taken to execute the strategy.
- c. Marketing plans are strategies at the functional level.
- d. Different types of marketing strategies include:
 - Market-penetration strategy – focus is on increasing usage of current products by existing customers.
 - Product-development strategy – focus is on creating a new product to sell to existing customers. The new product may be a totally new innovation, an improved version of an existing product, or an existing product with new features or variations.
 - Market –development strategy – focus is on entering new markets with existing products. This may include appealing to a different target group of customers within the same geographical location as other customers or it may include expanding into other geographical locations. Decisions to enter foreign markets are based on a company's resources as well as the complexity of political conditions, environmental conditions, economic conditions, competition, customer knowledge, and probability of success in the desired market. For example:
 - Exporting – the selling of products to buyers abroad.
 - Licensing – selling the right to produce products to firms in a foreign market.
 - Franchising – longer-term (and thus riskier) selling agreement whereby a company allows another individual or firm to operate a business under the corporate name in exchange for a share in profits.
 - Contract manufacturing – companies hire manufacturers to produce their products in another country.
 - Joint ventures – partnership between two or more companies that allows easier entry into new market (riskier than other strategies but provides better control to partners).
 - Direct investment – owning facilities in a foreign market (most risky but provide the most control).
 - Diversification strategy – focus is on entering new markets with new products. This involves a higher level of risk because a company often does not have experience and resources in the new market. Risk may be minimized somewhat by acquiring already established companies in the new industry instead of starting a new business division from scratch.

Review Questions

1. How do product development strategies differ from market development strategies?
A. Product development strategies focus on developing new products for existing customers, whereas market development strategies seek to acquire new customers for existing products.
2. Explain why some strategies work for some companies but not others.
A. Answers will vary. Students should recognize that there are a variety of factors such as a company's ability to effectively implement a strategy, target customers' preferences, quality and quantity of competition, economic conditions, etc.
3. What factors do firms entering foreign markets need to consider?
A. Firms have to consider the level of risk they are willing to take, the amount of initial investment they can safely pursue, the level of control they want over the production, distribution and marketing of their product, and the overall level of commitment to the expansion.
4. How do franchising and licensing strategies differ?
A. Licensing gives the company less control over the production, distribution, and marketing of the final product and raises the possibility of the licensee "stealing" the production process and opening its own business. Franchising offers the opportunity for a more interdependent relationship where the company has more control over the franchisee's activities. The franchisor often acts a supplier for the franchisee's raw materials, and controls the advertising and brand recognition.

IV. Where Strategic Planning Occurs within Firms

Overview: The types of strategic planning and the levels at which they occur within the firm are discussed.

- a. Strategic planning is a long-term process that helps an organization allocates its resources under different conditions to capitalize on opportunities in the marketplace.
- b. Levels of strategic planning within the firm:
 - i. Corporate level plans – top executives develop strategic plans for the company as a whole.
 - ii. Business level plans - Strategic business units (divisions of a company that have their own business or product line within the company) develop their own strategies for advancing their own business or product.

- iii. Functional level plans – functional areas or departments such as accounting, finance, marketing, etc., may develop their own strategic plans.
- c. Business and functional level strategic plans must be consistent with the overall corporate level plan.
- d. The basic components of the strategic planning process are the same at each of the different levels.

Supplemental Class Activity – Discussion of Strategic Planning Levels

As a group, have students identify a popular company that is familiar to everyone. Ask for volunteers to be top executives, division managers, and departmental managers. Have the top executives describe a corporate level strategic plan for the company. Then, ask the division and departmental managers to describe business level and functional level plans they would develop to support the corporate level plan.

Review Questions

1. What different levels of planning can organizations utilize?
 - A. Corporate level plans – top executives develop strategic plans for the company as a whole.
Business level plans - Strategic business units (divisions of a company that have their own business or product line within the company) develop their own strategies for advancing their own business or product.
Functional level plans – functional areas or departments such as accounting, finance, marketing, etc., may develop their own strategic plans.
2. Give an example and explain how a corporation that wants to help protect the environment can do so at its corporate, business, and functional levels.
 - A. PepsiCo has committed itself to achieving business and financial success while leaving a positive imprint on society. To support PepsiCo's overall competitive strategy, all three business units must develop strategic plans to profitably produce products while demonstrating they are committed to society and the environment. At the functional (marketing) level, to increase PepsiCo's profits, employees are responsible for different products or product categories such as beverages or foods that might focus on developing healthier products and making their packaging more environmentally friendly so that the company captures more market share.

V. Strategic Portfolio Planning Strategies

Overview: The Boston Consulting Group Matrix (BCG) and the General Electric (GE) approaches are discussed as tools for evaluating planning strategies.

A group of businesses is often called a portfolio. A portfolio planning approach involves analyzing a firm's entire collection of businesses relative to one another.

The Boston Consulting Group Approach

- a. The BCG matrix helps companies evaluate each of its strategic business units based on two factors – the SBU's growth rate (how fast the unit is growing compared to the industry) and the SBU's relative market share (how the unit's share of the market compares to the market share of its competitors).
- b. SBUs are put into one of four categories based on the two-factor evaluation outlined above:
 - i. Stars – high-growth, high-market share product.
 - ii. Cash cows – low-growth, high-market share product.
 - iii. Question marks or problem children – high-growth, low-market share product.
 - iv. Dogs – low-growth, low-market share product.
- c. Companies may decide to hold, harvest, or divest a product line.
 - i. Holding market share means the company wants to keep the product's share at the same level.
 - ii. When a company decides to harvest a product, the firm lowers its investment in it to generate short-term profits of the product regardless of the long-term impact.
 - iii. If a company decides to divest a product, the firm drops or sells it.

Teaching strategy – BCG Matrix Discussion Discuss with students what products they think would be classified as stars, cash cows, question marks, and dogs. Should any of the products mentioned be discontinued? Are there any situations in which “dogs” should not be terminated?

Supplemental Class Activity – Public Outcry Prevents Elimination of “Dog” Product Line

Have students visit

<http://www.cnn.com/video/#/video/health/2009/10/23/acosta.insurance.update.cnn> and/or conduct a search using “Ian’s Law” as a search term. Discuss ethicality of insurance companies terminating insurance policy lines that meet the definition of “dogs” under the BCG matrix.

The General Electric Approach

- a. The GE approach evaluates a company's strengths and the attractiveness of industries as high, medium, and low.
- b. Correlation between strengths and industry attractiveness is used to make investment decisions.
- c. Analogy of a traffic light is used when applying the GE approach. For example, if a company does not have the business strengths to compete in an industry and the industry is not attractive, it is a red light rating. Medium ratings for industry attractiveness and strengths translate to a yellow light and caution.

Review Questions

- 1. How would you classify a product that has a low market share in a growing market?
A. The product is probably a question mark or problem child using the BCG matrix.
- 2. What does it mean to hold market share?
A. Companies holding market share invest only what they have to maintain the product's market position.
- 3. What factors are used as a basis for analyzing businesses and the brands using the BCG and the GE approaches?
A. The BCG matrix uses the SBU's market growth rate (how fast the unit is growing compared to the industry) and its relative market share (the unit's share of the market). The GE approach uses the strengths of the business and the attractiveness of the industry (high, medium, low).