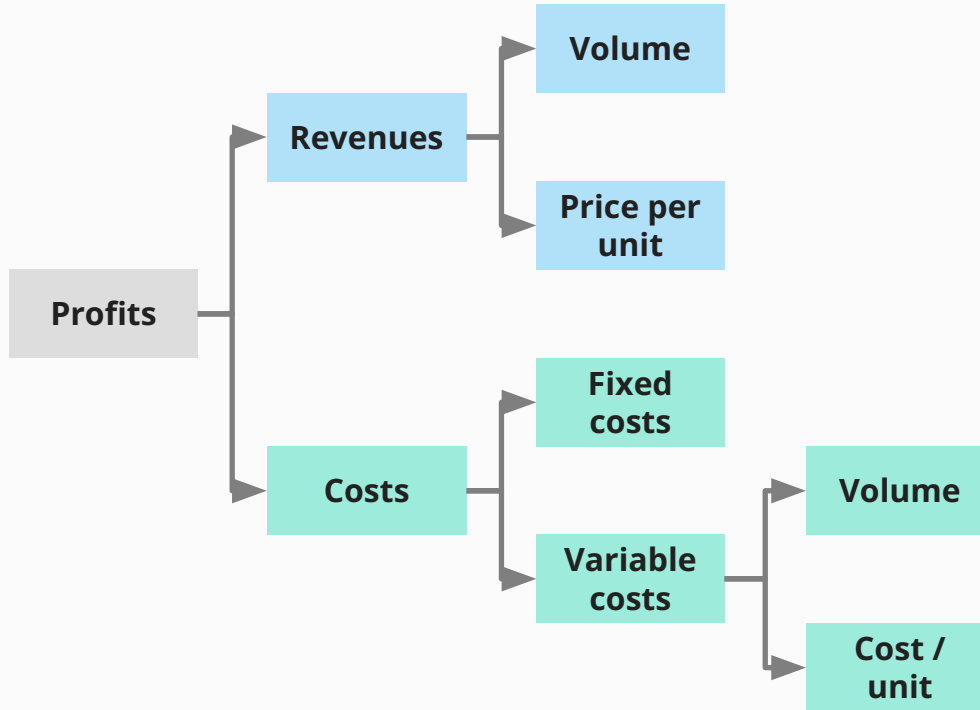


Profitability framework



Useful revenue segmentation

- By product type
- By distribution channel
- By geography
- By customer type

Fixed costs examples:

- Rent
- Staff overhead
- Loan interest

Variable costs examples:

- Raw materials
- Delivery
- Commission
- Direct labour

4Ps framework

Product	Price	Promotion	Place
<ul style="list-style-type: none">• Customer need fulfilled• Usage (who, where, how, etc.)• Good vs. service• Product lifecycle (new vs. mature)• Substitutes• Etc.	<ul style="list-style-type: none">• Perceived value for customer• Competitor prices• Customer price sensitivity• Production cost• Etc.	<ul style="list-style-type: none">• Marketing messages• Media type (E.g. TV, Facebook, etc.)• Best time to promote (E.g. Halloween)• Competitors' strategies• Etc.	<ul style="list-style-type: none">• Possible channel (E.g. physical, website, etc.)• Customer expectation• Requirement for a sales team?• Competitors' strategies• Etc.

Porter's 5 forces

Bargaining power of customers

- Customer concentration (E.g. top 3 as % revenues)
- Price sensitivity
- Information availability

Bargaining power of suppliers

- Supplier concentration (E.g. top 3 as % revenues)
- Cost of switching from one supplier to another
- Supplier differentiation

Threat of substitutes

- Potential new substitutes
- Ease of substitution
- Evolution of customer propensity to substitute

Threat of new entrants

- Regulation authorisations required
- Capital requirements
- Economies of scale
- Network effects

Existing rivals

- Number of competitors and market share
- Similarity between products
- Financial health of competitors

3Cs framework

Customers	Competition	Company
<ul style="list-style-type: none">• Customer demographics (E.g. age, sex, income, etc.)• Customer needs• Customer segments' size and growth rates• Customer willingness to pay and price sensitivity	<ul style="list-style-type: none">• Competitors' value proposition and brand• Competitors' market share and growth• Competitors' financial health	<ul style="list-style-type: none">• Product offering• Profitability• Core competencies• Unique selling point• Financial performance and resources

Market entry framework

Market	Client capabilities	Financials	Entry strategy
<ul style="list-style-type: none">• Market size• Product types• Market profitability• Competition intensity• Market regulation	<ul style="list-style-type: none">• Differences between client's current and new market• Is it the client's first new market entry?• Have other companies entered already?	<ul style="list-style-type: none">• Current financial situation of the client• Cost to enter new market• Ongoing costs once market entered• Expected revenues and ROI	<ul style="list-style-type: none">• Ideal timing of market entry• Do a test in a region first?• Build own company, buy competitor or do JV?• Control from head office or decentralise?

Pricing framework

Cost-based	Value-based	Competitor-based	Overall strategy
<ul style="list-style-type: none">• Fixed costs• Variable costs• Number of units sold annually• Profitability targeted	<ul style="list-style-type: none">• Price of next best alternative to product offered• Features that makes product better than next best alternative• Value of these features	<ul style="list-style-type: none">• Available substitutes from competition• Price of these substitutes• Value of our product vs. substitutes	<ul style="list-style-type: none">• Pricing strategy objective? High profitability, win market share, etc.• Cross-sell/ upsell opportunities to take into account• Possibility to sell different versions of the same product?

Merger and acquisition framework

The market	The target	The buyer	Synergies and risks
<ul style="list-style-type: none">• Are both companies in the same market?• Market size and growth• Market profitability• Competition intensity• Market regulation	<ul style="list-style-type: none">• Current / future financial position of the target• Important assets and capabilities owned by target• Quality of target's management team• Culture of target company vs. buyer	<ul style="list-style-type: none">• Acquisition rationale: undervaluation, control or synergies• Acquisition financing• Does buyer have experience with other acquisitions?• Right time to make acquisition?	<ul style="list-style-type: none">• Value of individual and combined entities• Cost synergies• Revenue synergies• Biggest risks of failure