BY DR. SAGAR R. DAVE

PHD In Balanced Scorecard

3

STRATEGIC ANALYSIS
What Does it mean?

- Internal and external analysis..
- “Situational analysis” is first step
- Thinking more about {macro factors}
- Many a time they are uncontrollable
- Impact of such external environment
- Watchful eye, on changes

**Situational Analysis** - The Process of finding a strategic fit between external opportunities and internal strengths while working around external and internal weaknesses
Situational Analysis may include:

- **Environmental factors**

- **Opportunity and issue analysis:** (issues means threats, (simple words OT of SWOT)

- **Competitive situation:** competitors of the organisation, Rival firms, their methods of doing business, strategies of rivals

- **Product situation:** core product, developing product, R & D
ISSUES TO CONSIDER FOR STRATEGIC ANALYSIS

- **Strategy evolves over a period of time:** time changes, factors changes too, series of strategy at various level is changes too with the change. (interactive)

- **Balance:** Internal potential of the organisation to be matched with environmental factors & opportunities to be exploited with limited resources

- **Risk:** complexity and intermingling of variables is the main issue, competitive market, liberalisation, globalisation, booms, recessions, technological advancements, inter company relationship (areas of risk)
Refer to page No. 3.4 for **Strategic Risk** presentation, figure(IMP) (short question can be asked.)
The methods of Industry Competitive analysis (most IMP for objectives)

1. Dominant economic features of the industry: market size, market growth rate, size of competitors, size of distribution channel & network, capacity utilisation, additional need of the capital, profitability (INDICATORS)

2. Nature and strength of competition: (same like porters five forces) chapter 1

3. Triggers of change: The popular hypothesis about Industries going through a life cycle helps explain industry change but is still incomplete. As a firm, u have to see in which stage you are in
Driving forces? The factors which drives changes in industry and competitive conditions. (It can be defined as factors with biggest influence) organisation have to 1. identify the same 2. degree of its impact. (Internet, E-Commerce, Globalisation, Industry Growth Rate, marketing innovation, entry or exit of the major firms, diffusion of technical know-how)

4. Identifying the companies that are in the strong/ weakest positions:
One of the technique is “Strategic Group Mapping”, analytical tool for comparing market positions of each firm separately or for grouping them when they are more in numbers
5. Likely strategic moves of the rivals: Their personal, Their way of thinking, Their behavioural trend, Competitive Intelligence, it's all about a game of predicting the right things at the right time.

6. “Key Factors” for competitive success: Rules that allow the organisation to have financially and competitively successful (strategy elements, product attributes, resources, competencies, competitive capabilities).

7. Prospects & financial attractiveness of industry: Conclusions from the first 6 steps,
KPIs represent a set of measures focusing on those aspects of organisational performance that are the most critical for the current and future success of an organisation. There are only a few KPIs in an organisation (no more than ten), and they have certain characteristics.

- A performance indicator or key performance indicator (KPI) is a type of performance measurement.
- Key drivers produce performance and key indicators measure performance.
- Well-designed indicators provide feedback about your business, but they don’t deliver results – drivers do. And you can’t manage indicators; you can only manage drivers.
KEY DRIVERS ➔ Produce Performance

KEY INDICATORS ➔ Measure Performance
Industry & competitive analysis

1. Where the Industry is going?

2. Its expected growth in the near future

3. Wise to invest in the existing industry?

4. Political and legal environment of the industry, prospects of growth in the industry

1) Nature and strength of the competition

2) Main competitor & week competitor

3) Rival companies possible strategies

4) Factors of success in the competitive environment
SWOT Analysis

Strength, Weakness, Opportunity, Threat.....

Internal..... 2 External factors
Internal vs. External

- **Strengths and Weaknesses** are considered *internal* factors---meaning you as the business owner can control them. How you manage or market the business controls whether it is a strength or weakness.

- **Opportunities and Threats** are considered *external* factors---meaning you have little control over them. It is your job as a business owner to respond appropriately.

- *SWOT helps the managers craft a business model, its logical frame work, it guides in strategy identification*

- *Tool for formulating effective strategies*

- *Strength is an inherent capacity*
What is SWOT Analysis?

**STRENGTHS**

- Characteristics of the business or a team that give it an advantage over others in the industry.
- Positive tangible and intangible attributes, internal to an organization.
- Beneficial aspects of the organization or the capabilities of an organization, which includes human competencies, process capabilities, financial resources, products and services, customer goodwill and brand loyalty.
- Examples: Well-known brand name, Lower costs [raw materials or processes], Superior management talent, Better marketing skills, Good distribution skills, Committed employees.
What is SWOT Analysis?

**OPPORTUNITIES**

- Chances to make greater profits in the environment - External attractive factors that represent the reason for an organization to exist & develop.

- Arise when an organization can take benefit of conditions in its environment to plan and execute strategies that enable it to become more profitable.

- Organization should be careful and recognize the opportunities and grasp them whenever they arise. Opportunities may arise from market, competition, industry/government and technology.

- Examples - Rapid market growth, Changing customer needs/tastes, New uses for product discovered, Economic boom, Sales decline for a substitute product.
**What is SWOT Analysis?**

**WEAKNESSES**

- Characteristics that place the firm at a disadvantage relative to others.

- Detract the organization from its ability to attain the core goal and influence its growth.

- Weaknesses are the factors which do not meet the standards we feel they should meet. However, sometimes weaknesses are controllable. They must be minimized and eliminated.

- Examples - Limited financial resources, Limited distribution, Higher costs, Out-of-date products / technology, Weak market image, Poor marketing skills, Limited management skills.
What is SWOT Analysis?

**THREATS**

- **External elements in the environment that could cause trouble for the business** - External factors, beyond an organization’s control, which could place the organization’s mission or operation at risk.

- **Arise when conditions in external environment jeopardize the reliability and profitability of the organization’s business.**

- **Examples** - Entry of foreign competitors, Changing customer needs/tastes, Rival firms, adopt new strategies, Increased government regulation, Economic downturn.
Mc Donald’s SWOT Analysis

**STRENGTHS**
- Community oriented
- Global operations all over the world
- Cultural diversity in the foods
- Excellent location
- Assembly line operations.

**WEAKNESSES**
- High training costs due to high turnover.
- Not much variation in seasonal products.
- Quality concerns due to franchised operations.
- Focus on burgers / fried foods not on healthier options for their customers.

**OPPORTUNITIES**
- Opening more joint ventures.
- Being more responsive to healthier options.
- Expanding on the advertising on being more socially responsible
- Expansions of business into newly developed parts of the world.

**THREATS**
- Marketing strategies that entice people from small children to adults.
- Lawsuits for offering unhealthy foods.
- The vast amount of fast food restaurants that are open as competition.
- Down turn in economy affecting the ability to eat that much.
SWOT analysis strengths, weaknesses, opportunities, and threats.

**Internal Assessment of the Organization**

**What are our strengths?**
- Manufacturing efficiency?
- Skilled workforce?
- Good market share?
- Strong financing?
- Superior reputation?

**What are our weaknesses?**
- Outdated facilities?
- Inadequate R & D?
- Obsolete technologies?
- Weak management?
- Past planning failures?

**External Assessment of the Environment**

**What are our opportunities?**
- Possible new markets?
- Strong economy?
- Weak market rivals?
- Emerging technologies?
- Growth of existing market?

**What are our threats?**
- New competitors?
- Shortage of resources?
- Changing market tastes?
- New regulations?
- Substitute products?
### Ben & Jerry’s: SWOT analysis

<table>
<thead>
<tr>
<th>Location of Factor</th>
<th>TYPE OF FACTOR</th>
<th>Favorable</th>
<th>Unfavorable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal</strong></td>
<td><strong>Strengths</strong></td>
<td>Prestigious, well-known brand name among U.S. consumers</td>
<td>Danger that B&amp;J’s social responsibility actions may add costs, reduce focus on core business</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40 percent share of the U.S. super premium ice cream market</td>
<td>Need for experienced managers to help growth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Can complement Unilever's existing ice cream brands</td>
<td>Flat sales and profits in recent years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Widely recognized for its social responsibility actions</td>
<td></td>
</tr>
<tr>
<td><strong>External</strong></td>
<td><strong>Opportunities</strong></td>
<td>Growing demand for quality ice cream in overseas markets</td>
<td>Consumer concern with fatty desserts; B&amp;J customers are the type who read new government-ordered nutritional labels</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increasing U.S. demand for frozen yogurt and other low-fat desserts</td>
<td>Competes with giant Pillsbury and its Haagen-Dazs brand</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Success of many U.S. firms in extending successful brand in one product category to others</td>
<td>International downturns increase the risks for B&amp;J in European and Asian markets</td>
</tr>
</tbody>
</table>
TOWS Matrix

- Strategic choices not available in SWOT
- Heinz Weihrich developed TOWS
- Systematic relationship between factors and selecting strategies for the same
- SWOT to be considered as planning tool, and TOWS as action tool
<table>
<thead>
<tr>
<th>The organisation</th>
<th>Stengths – S</th>
<th>Weaknesses – W</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Existing brand</td>
<td>1. Brand perception</td>
<td></td>
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<tr>
<td>2. Existing customer base</td>
<td>2. Intermediary use</td>
<td></td>
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<tr>
<td>3. Existing distribution</td>
<td>3. Technology/skills</td>
<td></td>
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<td>4. X-channel support</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Opportunities – O</th>
<th>SO strategies</th>
<th>WO strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cross-selling</td>
<td>Leverage strengths to maximise opportunities</td>
<td>Counter weaknesses through exploiting opportunities</td>
</tr>
<tr>
<td>2. New markets</td>
<td>= Attacking strategy</td>
<td>= Build strengths for attacking strategy</td>
</tr>
<tr>
<td>3. New services</td>
<td></td>
<td></td>
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<tr>
<td>4. Alliances/Co-branding</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Threats – T</th>
<th>ST strategies</th>
<th>WT strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Customer choice</td>
<td>Leverage strengths to minimise threats</td>
<td>Counter weaknesses and threats</td>
</tr>
<tr>
<td>2. New entrants</td>
<td>= Defensive strategy</td>
<td>= Build strengths for defensive strategy</td>
</tr>
<tr>
<td>3. New competitive products</td>
<td></td>
<td></td>
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<tr>
<td>4. Channel conflicts</td>
<td></td>
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</tr>
<tr>
<td><strong>TOYOTA</strong></td>
<td><strong>TOWS ANALYSIS</strong></td>
<td><strong>Internal Strengths</strong></td>
</tr>
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<td></td>
<td><strong>TOYOTA</strong></td>
<td>1. World's largest vehicle producer</td>
</tr>
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<td></td>
<td></td>
<td>2. Quality, durability and reliability</td>
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<td></td>
<td></td>
<td>5. 16 percent of the US market share</td>
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<td></td>
<td></td>
<td>6. Demand for Camry, sedans and Corolla</td>
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<tr>
<td></td>
<td></td>
<td>7. Innovative Multi-purpose vehicle</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8. Global production facilities</td>
</tr>
<tr>
<td><strong>External Opportunities</strong></td>
<td><strong>SO Strategies</strong></td>
<td>1. Increase presence in France by offering cost-efficient products (O1, S1, S2, S3)</td>
</tr>
<tr>
<td>1. Joint ventures with French motoring</td>
<td>2. Penetrating markets by offering customer oriented products (O2, O3, O5, O6, S1, S2, S3, S4, S5, S7)</td>
<td>2. Focus on local markets (W1, O1, O3)</td>
</tr>
<tr>
<td>2. Decreased interest rates on automotive loans in India</td>
<td>3. Offering new products range (O4, S1, S2, S7)</td>
<td>3. Reducing overall cost (W3, O1, O3)</td>
</tr>
<tr>
<td>3. Changing customers’ preferences</td>
<td></td>
<td>4. Recover Revenue (W5, O7)</td>
</tr>
<tr>
<td>4. Related/Unrelated Diversification</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Economic growth in India</td>
<td></td>
<td></td>
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<tr>
<td>6. Government of China reduced automotive taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Improving financial conditions</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>External Threats</strong></td>
<td><strong>ST Strategies</strong></td>
<td>1. Offering cost-efficient products (T1, S1, S2, S3, S4)</td>
</tr>
<tr>
<td>1. Market saturation and forceful competitive pressures.</td>
<td>2. Taking advantage of learning curve (T2, S1, S4, S5)</td>
<td>2. Offering fuel-efficient products (T3, W1, W4)</td>
</tr>
<tr>
<td>2. Competitors offering significant discounts</td>
<td>3. Producing cost-efficient products (T3, S3, S4, S7)</td>
<td>3. Increase domestic facilities and recover from crises by making short-term goals (T4, T5, W3, W5)</td>
</tr>
<tr>
<td>3. Increasing maintenance and oil costs</td>
<td>4. Producing locally (T4, S8)</td>
<td></td>
</tr>
<tr>
<td>4. Impact of fluctuations in foreign currency conversion rates</td>
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</tr>
</tbody>
</table>
BOSTON CONSULTING GROUP (BCG) MATRIX is developed by BRUCE HENDERSON of the BOSTON CONSULTING GROUP IN THE EARLY 1970’s.

- According to this technique, businesses or products are classified as low or high performers depending upon their market growth rate and relative market share.
- To understand the Boston Matrix you need to understand how market share and market growth interrelate.
THE BCG GROWTH-SHARE MATRIX

It is a portfolio planning model which is based on the observation that a company’s business units can be classified into four categories:

✔ **Stars**
✔ **Question marks**
✔ **Cash cows**
✔ **Dogs**

It is based on the combination of market growth and market share relative to the next best competitor.
### BCG of HUL

<table>
<thead>
<tr>
<th><strong>STAR</strong></th>
<th><strong>QUESTION MARK</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>AXE</td>
<td>Close Up</td>
</tr>
<tr>
<td>Fair &amp; Lovely</td>
<td>Breeze</td>
</tr>
<tr>
<td>Lakme Anti Ageing</td>
<td>Taj Mahal Tea Bags</td>
</tr>
<tr>
<td>Vim</td>
<td>Pepsodent</td>
</tr>
<tr>
<td>Wheel</td>
<td>Fair &amp; Lovely Menz Active</td>
</tr>
<tr>
<td>Surf Excel</td>
<td>Kissan Ketchup</td>
</tr>
<tr>
<td></td>
<td>Domex</td>
</tr>
<tr>
<td></td>
<td>Kissan Jam</td>
</tr>
<tr>
<td></td>
<td>Knor Soup</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>CASH COWS</strong></th>
<th><strong>DOGS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinic Plus</td>
<td>Taaza</td>
</tr>
<tr>
<td>Sunsilk</td>
<td>Brooke Bond Sehatmand</td>
</tr>
<tr>
<td>Vaseline</td>
<td>Bru</td>
</tr>
<tr>
<td>Red Label</td>
<td></td>
</tr>
</tbody>
</table>

**MARKET GROWTH**
- **High**
- **Low**

**MARKET SHARE**
- **High**
- **Low**
Ansoffs product market growth matrix

With this business can have fair idea about how its growth depends upon in new or existing market

Product/market expansion grid. Or its matrix is a portfolio planning tool for identifying companies growth opportunities

1. Market penetration
2. Market development
3. Product development
4. diversification
1. **Market Penetration**: focuses on selling existing products in to existing market, more selling policy, more exp of promotion, adv, personal selling. Aggressive in promotional campaign, pricing strategy

2. **Market development**: existing product in the new market

3. **Product development**: new product in new market, or developing product and adding in the existing market

4. **Diversification**: acquiring business, changing substantially, in to the market where company is having little knowledge and little experience
ADL Matrix (Arthur D Little is a portfolio analysis method that is based on product life cycle)

- Organisation can be in 5 different positions like Dominant, Strong, Favourable, Tenable (Justifiable), Weak...
- How organisation will behave in 4 life cycle stages, Embryonic (primary), Growth, Mature and Ageing
# ADL Matrix (Portfolio Management)

<table>
<thead>
<tr>
<th>Competitive Position</th>
<th>Industry Life Cycle Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Embryonic</td>
</tr>
<tr>
<td>Dominant</td>
<td>All out push for share. Hold Position.</td>
</tr>
<tr>
<td>Strong</td>
<td>Attempt to improve position. All out push for share.</td>
</tr>
<tr>
<td>Favorable</td>
<td>Selective or all out push for share. Selectively attempt to improve position.</td>
</tr>
<tr>
<td>Tenable</td>
<td>Selectively push for position.</td>
</tr>
<tr>
<td>Weak</td>
<td>Up or out</td>
</tr>
<tr>
<td></td>
<td>Growth</td>
</tr>
<tr>
<td></td>
<td>Hold Position. Hold Share.</td>
</tr>
<tr>
<td></td>
<td>Attempt to improve position. Push for share.</td>
</tr>
<tr>
<td></td>
<td>Attempt to improve position.</td>
</tr>
<tr>
<td></td>
<td>Find niche and protect it.</td>
</tr>
<tr>
<td></td>
<td>Find niche and hang on, or phased out withdrawal.</td>
</tr>
<tr>
<td></td>
<td>Turnaround or abandon.</td>
</tr>
<tr>
<td></td>
<td>Turnaround, orphaned out withdrawal.</td>
</tr>
<tr>
<td></td>
<td>Abandon</td>
</tr>
<tr>
<td></td>
<td>Mature</td>
</tr>
<tr>
<td></td>
<td>Custodial or maintenance. Find niche and attempt to protect it.</td>
</tr>
<tr>
<td></td>
<td>Harvest, or phase out withdrawal.</td>
</tr>
<tr>
<td></td>
<td>Phased out withdrawal, or abandon.</td>
</tr>
<tr>
<td></td>
<td>Aging</td>
</tr>
<tr>
<td></td>
<td>Hold Position.</td>
</tr>
<tr>
<td></td>
<td>Hold position or Harvest</td>
</tr>
</tbody>
</table>
General Electric Model ("Stop-Light" strategy model)

1. Developed by GE firm McKinsey & Company
2. Other Name business planning matrix
3. System is inspired by traffic control lights
4. Green for go, Yellow for caution and Red to stop
5. Based on two factors: Business Strength & Market Attractiveness are on 2 different axis
6. GE nine-box matrix is a strategy tool that offers a systematic approach for the multi business enterprises to prioritize their investments among the various business units. It is a framework that evaluates business portfolio and provides further strategic implications.
G.E. multi factorial analysis is a technique used in brand marketing and product management to help a company decide what product(s) to add to its product portfolio and which opportunities in the market they should continue to invest in. It is conceptually similar to B.C.G. analysis, but somewhat more complicated. Like in BCG Analysis, a two-dimensional portfolio matrix is created. However, with the GE model the dimensions are multi factorial. One dimension comprises nine industry attractiveness measures; the other comprises twelve internal business strength measures. The G.E matrix helps a strategic business unit evaluate its overall
Industry attractiveness consists of many factors that collectively determine the competition level in it. There’s no definite list of which factors should be included to determine industry attractiveness, but the following are the most common:

- Long run growth rate
- Industry size
- Industry profitability
- Industry structure (use Structure-Conduct-Performance framework to determine this)
- Changes in demand
- Trend of prices
- Seasonality
- Availability of labor
- Market segmentation
The following factors determine the competitive strength of a business unit:

- Total market share
- Market share growth compared to rivals
- Brand strength (use brand value for this)
- Profitability of the company
- Customer loyalty
- Your business unit strength in meeting industry’s critical success factors (use Competitive Profile Matrix to determine this)
- Strength of a value chain (use Value Chain Analysis and Benchmarking to determine this)
- Level of product differentiation
- Production flexibility
The performance of products or business units becomes evident.

It’s more sophisticated business portfolio framework than the BCG matrix.

Determines the strategic steps the company needs to adopt to improve the performance of its business portfolio.

Needs a consultant or an expert to determine industry’s attractiveness and business unit strength as accurately as possible.
GE Portfolio Matrix

**Business Strength**
- **Strong**
  - Protectors Position
  - Invest to Build
  - Build Selectively

**Medium**
- Build Selectively
- Selectivity/Manage for Earnings
- Limited Expansion or Harvest

**Weak**
- Protectors and Refocus
- Manage for Earnings
- Divest

**Market Attractiveness**
- **High**
- **Medium**
- **Low**

**Strategies**
GE Matrix for Apple Inc.

<table>
<thead>
<tr>
<th>Industry Attractiveness</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>iPad</td>
<td></td>
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<tr>
<td>iTunes, iPod</td>
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<tr>
<td>iPhone</td>
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<tr>
<td>Laptop</td>
<td></td>
<td></td>
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<tr>
<td>iMac, Peripherals and Software</td>
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</tbody>
</table>
Portfolio Analysis

1. Usefull to Multi-Product & Multi Business firm (SBU)

2. Top level management views its Product Lines & Business Units as a series of Investments from which it Expects Returns.

3. Best Business portfolio is the one that best fits the companies strengths and weaknesses to opportunities in the environment

4. It basically helps in decision making about resource allocation
There are Three important concepts to be understood for different models of portfolio analysis.

1. **SBU:** is a unit of the company that has a separate mission and objectives and which can be planned independently from other businesses of the company.

2. **Experience Curve:** units costs decline as a firm accumulates experience in terms of volume of production. (learning effects, economies of scale, product redesign and technological improvements in production)

3. **Product life Cycle:** it basically helps in strategic choice. Considering the stage in which they are in
SBU:
SBU is a Unit of the Company that has a separate Mission & Objectives & which can be planned independently from other businesses of the organisation. It is a Single Business or a Collection of Related Businesses which offer scope for Independent planning and which might feasibly stand alone from the rest of the organisation. It is treated separately for strategic management purposes. SBU is helpful in creating an “SBU Organisational Structure”
THANK YOU
Example: Strategic Group Map of Selected Retail Chains
Strategic Group Mapping

Strategic group mapping is a technique for looking at your position in your sector, field or market. It is a tool for competition analysis. 

Strategic group map help to define the scope of firm`s competitors.

A strategic group is a concept used in strategic management that groups companies within an industry that have similar business models or similar combinations of strategies. For example, the restaurant industry can be divided into several strategic groups including fast-food and fine-dining based on variables such as preparation time, pricing, and presentation. The number of groups within an industry and their composition depends on the dimensions used to define the groups.
Organizations in the same strategic group can resemble one another in any of the several ways:

1. Comparable product-line
2. Comparable Breadth
3. Sell In the same price/quality range
4. Emphasize the same distribution channels
5. Same product attributes'
6. Identical technological approaches

Key Success Factors (Indicators) (drivers) = allows to prosper in the market place = the particular strategy elements, product attributes, resources competencies, competitive capabilities
Strategic Group Analysis (SGA) aims to identify organizations with similar strategic characteristics, following similar strategies or competing on similar bases.

Such groups can usually be identified using two or perhaps three sets of characteristics as the bases of competition.

**Examples of the SGA:**
- Extent of product (or service) diversity.
- Extent of geographic coverage.
- Number of market segments served.
- Distribution channels used.
- Extent of branding.
- Marketing effort.
- Degree of vertical integration.
- Product (or service) quality.
- Pricing policy.