BUSINESS STRATEGY

Suggested Answers
July-August 2024

Answer to the Question# 1(a):

The government has granted licenses to 62 banks across public and private sectors in Bangladesh. However, the banking industry faces severe challenges, including liquidity crises, rising non-performing loans, management inefficiencies, and overall mismanagement. Some banks are now on the brink of collapse, posing significant risks to small depositors and the broader financial system.

To address these issues, the government has announced a plan to rescue weaker banks by merging them with comparatively stronger ones. On April 4, 2024, Bangladesh Bank (BB) issued a circular detailing guidelines for both voluntary and compulsory mergers. Among the initial measures, it was revealed that the struggling Padma Bank would be merged with another banking institution to protect its customers and stabilize the financial sector. While the proposal aims to prevent immediate bank failures, questions remain about how such mergers will effectively safeguard depositors' interests and bring long-term stability to the financial system.

Critics argue that the narrative around mergers may serve the interests of certain groups whose reckless actions contributed to the sector's current disarray. Without proper accountability and state intervention, these measures could inadvertently reward past wrongdoers. Instead, there is a need for a holistic approach that goes beyond the narrow framework of mergers. This approach should include filtering out the culprits responsible for the mismanagement and reducing the number of banks in a manner that ensures greater stability and efficiency.

According to media reports, the government has decided to merge 10 banks, pairing 5 weaker banks with 5 relatively stronger ones. These plans include several private banks, such as National Bank, AB Bank, Union Bank, Global Islami Bank, Bangladesh Commerce Bank, and ICB Islamic Bank, as well as the National Bank of Pakistan, a foreign institution. This initiative aims to gradually reduce the total number of banks in Bangladesh from 61 to 50 or fewer.

The government's merger plan is a necessary step to rescue the banking and financial sectors from their current state of mismanagement. However, for these efforts to succeed, clear and comprehensive guidelines must be established to protect the interests of depositors, creditors, and other stakeholders. Both merging parties should benefit from the process, ensuring that stronger banks are not unduly burdened by absorbing weaker institutions. Furthermore, the government must address the underlying issues that led to the crisis, including regulatory lapses, lack of accountability, and mismanagement.

In the long run, a robust mechanism for supervision and accountability is essential to prevent a recurrence of these challenges. Mergers alone cannot solve systemic problems; they must be part of a broader strategy aimed at strengthening governance, improving transparency, and fostering trust in the banking system. By taking decisive and well-planned actions, the government can pave the way for a more resilient and sustainable financial sector.

Answer to the Question# 1(b):

The terms *merger*, *amalgamation*, and *acquisition* dominate the discourse surrounding the recent initiative by Bangladesh Bank (BB) to address the ongoing banking crisis. Surprisingly, *liquidation*—an obvious legal and financial recourse for insolvent banks—has been excluded from the framework. Equally underrepresented is the concept of a *bailout*, despite its critical role in facilitating the so-called mergers. This oversight raises significant questions about the transparency and efficacy of BB's approach to stabilizing the banking sector.

Each of the key terms employed in BB's circular carries distinct legal and operational implications:

- **Merger**: A consolidation of two or more legal entities, resulting in the creation of a new company or the absorption of one entity by another.
- **Amalgamation**: A broader concept that encompasses mergers, but with the flexibility to include a mix of operational and structural changes to form a new entity.
- **Acquisition**: A process where one entity (the acquirer) takes over another, retaining its identity while absorbing the acquired entity.

These terms, used interchangeably in the guidelines, highlight ambiguities in the framework and allow for flexibility, perhaps to serve concealed agendas.

In contrast, **liquidation**—a process involving the closure of a bank, sale of assets, and distribution of proceeds to settle liabilities—seems like the most pragmatic option for banks with negative net worth. Liquidation offers a clear path to shield depositors and creditors from further harm by prioritizing asset recovery. However, its omission from the discourse raises doubts about whether this absence is legally or strategically driven.

A *bailout*, by definition, refers to government or multilateral payments, often in the form of loans or guarantees, to rescue entities in financial distress. These payments are generally not statutory entitlements but are justified on grounds of broader economic stability. In Bangladesh's banking crisis, bailouts have been indirectly mentioned but remain underexplored, despite their relevance to ailing banks like Padma Bank.

The crisis stems from deep-seated issues: bad loans driven by the collusion of large borrowers, compromised management, and weak regulatory oversight—all underpinned by political patronage. Bailouts in such scenarios risk becoming band-aid solutions that mask systemic failures while shifting the financial burden to taxpayers or external lenders.

The World Bank's 2019 advocacy for bank mergers underscores the enduring pressures on Bangladesh to reform its banking sector. However, the absence of genuine accountability measures has perpetuated a cycle of asset depletion and external borrowing. With no mechanisms to prosecute those responsible for the sector's decline, bailouts and subsidies risk becoming recurring interventions to sanitize bank books and attract fresh inflows of loans.

The BB circular of April 2024, which lumps *amalgamation*, *merger*, and *reconstruction* under a single title, reflects a deliberate vagueness that allows wide interpretive latitude. The inclusion of *compulsory merger* further complicates the legal landscape, raising questions about its compatibility with existing company laws. Notably, while the circular discusses voluntary and compulsory mergers, it does not address the possibility of *partial acquisitions*, such as the transfer of select branches or assets—a move that could be strategically significant.

Even more striking is the complete omission of *liquidation* from the discussion. This exclusion is inexplicable, especially given that it is a natural legal recourse for banks with unsustainable liabilities. One might argue that if *compulsory mergers* are deemed legally viable, *compulsory liquidation*—particularly in cases where public depositors' interests are at risk—should be equally justifiable.

The ambiguities in BB's formulations appear deliberate, potentially allowing room for discretionary decisions that may favor select groups or serve hidden agendas. While the introduction of amalgamation and merger guidelines is a step toward addressing the crisis, the lack of clarity around liquidation and bailouts risks undermining the credibility of these efforts.

Moving forward, a robust and transparent legal framework is essential. This framework should prioritize depositor protection, hold wrongdoers accountable, and balance the need for market stability with the imperative to reduce the concentration of market power. Without these measures, the ongoing banking reform may merely paper over systemic issues, setting the stage for future crises.

Answer to the Question# 1(c):

The following issues must be taken into account for making the program successful

1) if some banks fail to meet the criteria of competition and efficiency, it is better, by the rule of thumb, to let them die. The only exception could be a bank that is so big and so important that its death might have serious negative unbalancing impacts at the macroeconomic level of the country.
2) if the merger could create a monopoly, then it should not be pursued. A monopolistic market will not provide competitive services to consumers and, as a result, the common people would lose out. The impacts of bank mergers on various sectors of the whole of the economy must also be evaluated.
3) to overcome the fundamental problems facing the banking sector in Bangladesh, structural reforms are necessary. Mergers cannot be the alternative to those unpalatable but necessary reforms.
4) if mergers take place in the banking sector, the job security of the workforce in weaker banks and the interest of the depositors of those banks must be ensured.
5) in the context of the overall economy, there is always an optimal number of banks to have. If the actual number of banks in the economy exceeds that optimal number, various vulnerabilities creep in.

Success of the bank merger will depend on the clear guideline from the government. It needs emphasising that success of BB's merger-move depends on

(i) Whether and how the defaulters are made to pay and possible recover plan,
(ii) How the accounts of acquired banks are closed (ideally, liquidation procedure should be followed),
(iii) How the purchase price is to determine after due process of valuation of assets and liabilities.
(iv) How the settlement price will be paid or settled
(v) How the employees of the acquired bank should be absorbed in the acquired bank a clear guide line is to be there.
(vi) How the depositors are assured of their savings WITHOUT hassle.

Answer to the Question# 2(a):

Memo
To: Board of Directors
From: Managing Director
Date: Today

Pros and Cons of Using AI in Our Hospital
Pros:
1. **Real-Time Data**: AI provides quick, accurate data, improving diagnosis, reducing wait times, and cutting costs.
2. **Task Automation**: AI streamlines scheduling, patient tracking, and analysis, freeing staff to focus on patient care.
3. **Saves Time and Resources**: Automated processes boost efficiency and lower operational costs.
4. **Enhances Research**: AI analyzes vast datasets, advancing disease research and treatment development.
5. **Reduces Physician Stress**: Automation of routine tasks alleviates workload, improving job satisfaction.

Cons:
1. **Needs Oversight**: AI lacks empathy and human judgment, requiring professional monitoring.
2. **Overlooks Social Factors**: AI might miss economic or cultural considerations in patient care.
3. **Inaccuracies**: Limited data on rare conditions or demographics can lead to misdiagnoses.
4. **Security Risks**: AI systems are vulnerable to cyberattacks, requiring strong security measures.

Conclusion:
AI can revolutionize healthcare, but its success depends on human oversight, addressing limitations, and implementing robust security.

Answer to the Question# 2(b):

While AI offers significant benefits such as cost reduction and easing clinician workloads, it also poses ethical challenges, particularly concerning employment. The displacement of professionals, including those who have heavily invested in education and training, raises serious equity concerns.

A 2020 World Economic Forum report projected that AI could create a net total of 12 million jobs by 2025. However, it also estimated that 85 million jobs would be displaced or eliminated during the same period. This disparity is largely due to the integration of AI into various industries, where roles involving repetitive tasks become increasingly redundant.

Although AI has the potential to transform healthcare and other sectors positively, it is critical to address its social implications. Balancing technological advancements with measures to support affected workers is essential to ensure equitable outcomes and minimize disruptions.

Answer to the Question# 3(a) (i):

According to the Pecking Order Theory, companies choose the source of finance which, for one reason or another, is easiest for them to access. This results in an initial preference for retained earnings, followed by a preference for debt before turning to equity.

Project finance primarily benefits sectors or industries where, projects are structured as a separate entity, apart from their sponsors.

Generally, such projects tend to be relatively huge because of the time and other transaction costs involved in structuring, and because of the considerable capital equipment that needs long-term financing.

The financing options have related costs and benefits. The subsidized loan will be cheaper than the bank term loan. Typically loans will incur issue costs of approximately 1.5% the loan proceeds. Similarly, the rights issue will incur administrative costs of say 2.0% the loan proceeds. However, the financing costs are offset by Tax Relief on Work Down Allowances (WDA).

Broadly speaking, major advantages of project finance are:

- Allows the promoters to undertake projects without exhausting their ability to borrow amount for traditional projects.
- Limits financial risks to a project to the amount of equity invested.
- Enables raising more debts as lenders are sure that cash flows from the project will not be siphoned off for other corporate uses.
- Provides stronger incentives for careful project evaluation and risk assessment.
- Facilitates the projects to undergo careful technical and economic review.
- Eliminates the dependency on alternative nature of funding a project.
- Facilitates the arrangement of liability financing and credit improvement, accessible to the project but unavailable to the project sponsor.
- Enables the diversification of the project sponsor's investments to reduce political risk.
- Gives more incentive for the lender to cooperate in case of a distressed loan.
- Matches specific assets with specific liabilities.

Some of the major risks of project finance are:

- Complexity of the process due to the increase in the number of parties and the transaction cost.
- Expensive as the project development and diligence process is a costly affair.
- Time consuming or litigious negotiations.
- Complexity due to lengthy documentation.
- Requires broad risk analysis and evaluation to be performed.
- Requires qualified people for performing the complicated procedures of project finance.

Other relevant merits and risks related to the specific financing strategies include:

Source of finance	Merits	Risks
Retained profits	▪ quick and convenient ▪ easy access as aninternal source of finance ▪ no interest payments to make	▪ once the source of finance is utilized, it is not available for any future unforeseen problems the business might face
Selling assets	▪ can create space for more profitable uses ▪ can be quick ▪ raise money from unused equipment	▪ might not get the full market value of the assets or even be able to sell them at all ▪ might need the assets in the future
Term Bank loan	▪ easy and quick toaccess ▪ can get a significant amount of money at one time	▪ Incurs interestcosts ▪ difficult for a start – up business project to access

Development Institutionsand Venture capital funds	▪ potential to raise huge amount of money ▪ they may offer advice and help ▪ Development institutions offer concessional financing	▪ Debt may be convertible, in some cases may assume shareholding and involvement in managing the business entity ▪ they may have a different vision for the business than the major shareholders.
New Share Issue	▪ Relatively easy wayto gain money ▪ potential to raise huge amount of money ▪ they may offer advice and help	▪ Borrower must giveaway part of the business ▪ they may have a different vision forthe business thanthe owner does ▪ leaves a businessopen to takeovers
Right shares issue	▪ Potentially large amounts of funds can be raised ▪ no interest payable	▪ May result inchanges in shareholding structure andcontrol ▪ Shareholders who do not subscribe loose shareholding
Leasing	▪ no large upfrontpayments ▪ leasing company may be responsible for repairs and maintenance	▪ over time it can bea more expensive way to obtain assets ▪ assets aren't owned by thebusiness
Government grants/Concessional loans	▪ Cheap source of finance, don't need to be paid back ▪ Easily available to government ownedentities, small businesses. ▪ Government mayunderwrite loans.	▪ business needs to meet certain criteria ▪ It can be time- consuming to applyand access grants

Answer to the Question# 3(a) (ii):

- Carbon credits are a cornerstone of carbon emission trading schemes, developed under the Kyoto Protocol to combat global warming.
- The **Kyoto Protocol** is an international agreement aimed at reducing carbon dioxide and other greenhouse gas emissions to levels that prevent significant interference with the Earth's climate. Carbon credits play a vital role in mitigating the greenhouse effect by curbing emissions on an industrial scale.
- Countries ratifying the Kyoto Protocol are assigned maximum allowable levels of greenhouse gas emissions. If a country exceeds its quota, it can purchase carbon credits from another country that has stayed below its assigned limit. This creates a system where excess capacity in one region offsets overuse in another.
- Under this scheme, total annual emissions are capped, and the market assigns a monetary value to any surplus or deficit in emissions, incentivizing reductions and fostering sustainable practices globally.

Answer to the Question# 3(b):

The normalized earnings reflect the expected operating profit adjusted for corporation tax.
Normalized Earnings = Operating Profit×(1−Tax Rate)
Normalized Earnings=315million×(1−0.30) = 315×0.70 = 220.5 million
The required earnings represent the minimum return on the company's total assets based on the **minimum expected rate of return (10%)**.
Required Earnings=Asset Base×Minimum Expected Rate of Return
Required Earnings=605million×0.10=60.5million
The excess earnings reflect the portion of the company's normalized earnings that exceed the required earnings.
Excess Earnings=Normalized Earnings−Required Earnings
Excess Earnings=220.5million−60.5million=160million
Using the **industry's average return on assets (15%)**, we calculate the intangible value as the present value of the excess earnings, assuming a perpetual growth rate.
Intangible Value = Excess Earnings

Industry Return on Assets−Growth Rate

Intangible Value = $\frac{160}{0.15 - 0.06}$ 1,7777.78 smillion

The total value of Hanly Ltd. is the sum of the tangible asset base and the intangible value.
Total Value of Hanly Ltd.= Asset Base +Intangible Value
Total Value of Hanly Ltd.=605million+1,777.78million=2,382.78million
The offer price by Robi Ltd. is **TK3 billion**, which is higher than the calculated value of Hanly Ltd. **(TK2,382.78 million)**.
The offer price of **TK3 billion** exceeds the estimated value of Hanly Ltd., suggesting that the offer is financially beneficial to Hanly Ltd.'s shareholders. However, the management should consider other factors, such as strategic alignment and long-term prospects, before making a final decision.

Answer to the Question# 3(c):

Social Time Preference

Year	0	1	2	3	4	5
Undiscounted net Benefits	(10,500)	(20,500)	10,000	20,000	20,000	20,000
Discount factors 6%	1.00	0.943	0.890	0.840	0.792	0.74
Net Present Value	(10,500)	(19,331.5)	8,900	16,800	15,840	14,800

NPV = 26,508.50

Social Opportunity Cost Rate

Year	0	1	2	3	4	5
Undiscounted net Benefits	(10,500)	(20,500)	10,000	20,000	20,000	20,000
Discount factors 8%	1.00	0.926	0.857	0.794	0.735	0.681
Net Present Value	(10,500)	(18,983)	8,570	15,880	14,700	13,620

NPV = 23,287

Comment: Using social time preference rate the project delivers a higher positive NPV over the time period compared with using Social Opportunity CostRate, because the latter benefits are discounted more heavily hence the NPV being lower

Answer to the Question# 4(a):

Break Even calculation

Strategy 1
ZSW's selling price to retailer: BDT 250X80%= BDT 200
Unit sold: 16m/BDT 200=80,000 Units
Variable cost per unit 10m/80,000= BDT 125
Fixed cost with advertising: BDT 7 m+1n= 8mn
Contribution per unit: 8m/80000= BDT 100
Break even selling price: BDT 100+ BDT 125= BDT 225

Assumed fixed and variable cost in 2025 are same as 2024.
Strategy-2
Fixed cost with website cost= BDT7ml+0.5 ml= BDT 7.5 ml
Variable cost per unit+ 125 +25+ BDT 150
Breakeven contribution per unit =BDT7.5 ml/80,000= BDT 93.75
Break even selling price: 93.75 +150= 243.75

Strategy 2 appears to have the higher break even price but this is not comparing like with like. The Strategy 2 price is the ultimate retail price to the consumer, whereas, the Strategy 1 price is the wholesale price to the immediate customers i.e., the retailers.

If the retailers were to maintain their 20% margin, this will give an ultimate selling price of BDT 281.25 in strategy 1. At this price demand is likely to be lower than in strategy2. The impact of advertising would therefore have to compensate for the increased price. In addition, the higher fixed costs in Strategy 1 will mean higher operating gearing and therefore higher risk.

Answer to the Question# 4(b):

b) Marketing Mix (4Ps) Analysis for Strategies 1 and 2

Factor	Strategy 1 (Advertising)	Strategy 2 (Online Selling)
Product	Focuses on brand promotion to highlight quality. No changes to the product itself.	Maintains product quality but emphasizes convenience via online channels.
Price	Allows an increase in price due to improved brand perception.	Higher margins due to bypassing retailers but adds variable marketing costs.
Place	Relies on traditional retail networks with smaller reach.	Direct-to-consumer model, eliminating middlemen and gaining broader market access.
Promotion	Heavy focus on advertising campaigns to build a stronger brand image.	Uses digital marketing strategies, which can be more targeted but require consistent investment.

Merits and Demerits of Strategy 3 (Strategic Alliance)

Merits

1. **Market Access:** Collaboration with the Australian company opens access to international markets, enhancing brand visibility.
2. **Product Diversification:** Expanding into surfboats reduces reliance on core products and balances revenue streams.
3. **Shared Resources:** Both companies can leverage each other's strengths in manufacturing and distribution.

Demerits

1. **Dependency Risks:** Reliance on the partner for sales could create vulnerabilities if the partnership weakens.
2. **Cultural/Operational Misalignments:** Differences in business practices and customer expectations may lead to friction.
3. **Profit Sharing:** Commission on sales (20%) reduces overall profit margins.

d) **Tools and Techniques for Managing Strategic Alliance**

1. **Project Management Tools:** Use software like Microsoft Project or Asana to track milestones, resource allocation, and timelines.
2. **Legal Frameworks:** Establish clear contracts outlining roles, responsibilities, profit-sharing, and dispute resolution mechanisms.
3. **Communication Tools:** Platforms like Slack or Zoom can ensure smooth communication across different time zones.
4. **Performance Metrics:** Use KPIs such as sales growth, market share, and customer satisfaction to monitor the partnership's success.
5. **Risk Management:** Conduct regular SWOT analyses to identify and mitigate potential risks.

Example: A partnership between Nike and Apple for wearable tech succeeded due to shared goals, regular communication, and clearly defined roles.

Answer to the Question# 5(a):

Porter identifies four elements of national competitive advantage that support the export efforts of successful firms.

These elements and how they can be applied to Happy Kids are explained below.

Factor conditions are a country's endowment of the inputs to production, such as human resources, physical resources, knowledge, capital and infrastructure. Porter distinguishes between basic and advanced factors.

The latter are more important for sustained success, and include modern communication and investment in facilities and highly educated personnel. Bangladesh appears moderately endowed with these advanced factors, having semi-sophisticated financial markets.

Demand conditions in the home market have determined how Happy Kids has responded to customer needs. Careful marketing has made this response successful and the company has an enviable reputation at home for quality, innovation, reliability and customer focus that should transfer well to the world market. The success that has been achieved to date has meant that the company has the necessary economies of scale to be able to compete globally.

As the home market has shaped Happy Kids' priorities, the company would be well advised to use this experience and seek abroad those segments that have been successfully targeted in the domestic market. This will require an investment in market research, as the company must determine how well the products will be received abroad. This is vital, as there is little point in launching products if the customers do not want them or can see little difference from existing offerings towards which they may already feel very loyal.

The impact on the home market of more international activity must also be considered. Does Happy Kids have the resources to be able to support both markets, and continue to maintain its accustomed high standards?

The presence of related and supporting industries at home, which have to date supplied the company with the components it has needed for its successful products, will be important in launching those products internationally. The continued support of these suppliers will be vital, at least in the initial stages of international development. Happy Kids must assure itself that these suppliers have the resources to provide a higher level of support. Otherwise, international suppliers may need to be sought and this will demand closer and more complex supply chain management.

National firm strategy, structure and rivalry issues create distinctive business environments in different countries. For example, domestic rivalry is important because tough domestic rivals teach a firm about competitive success, and rivals for the home market have to try different strategic approaches.

Happy Kids has been successful against strong competition in the domestic market and this has provided good training for the international market, which may feature more, and larger, competitors than Happy Kids has been used to facing at home. However Happy Kids must ask itself whether its reputation for supplying reliable and good quality products will be enough to guarantee its success in a wider competitive market. It could be that the wider market does not value reliability and quality as highly as Happy Kids' domestic customers. This would wipe out its main differentiating factor.

Answer to the Question# 5(b):

Benchmarking can be very useful for business, both in relation to internal processes and to wider management concerns.

Internally, the adoption of best practice should improve productivity; reduce waste and costs associated with quality failures; and contribute to increased customer satisfaction.

At the operational management level, benchmarking is useful if there is any tendency to complacency and it can improve awareness of the processes by which value is currently created and how they could be improved in the future.

At the strategic level, benchmarking can be an important contributor to awareness of competition in the changing task environment and how the company is responding to it, both practically and strategically.

There are disadvantages to benchmarking. A full programme can overload managers with demands for information, restrict their attention to the factors that are to be benchmarked and affect their motivation by seeming to reduce their role to copying others. It can also undermine competitive advantage by revealing trade secrets. Strategically, it can divert attention away from innovation and the future by focusing it on the efficiency of current operations. This is a particularly important point for Happy Kids, with its current move towards exporting: this will require a great deal of attention by managers at all levels.
If Happy Kids were to undertake a programme of benchmarking, firm commitment by the Managing Director would be essential to drive it along. It would then be necessary to identify the areas in which improvement was sought and to decide how such an improvement would be identified and measured. Since benchmarking is about processes rather than results, measures would have to be rather more detailed than the usual summary measures used in normal management reports.

It would then be necessary to identify suitable benchmarking partners. Some industries, such as printing, run sophisticated benchmarking programmes; Happy Kids may be able to join such a scheme.

Alternatively, trade associations or chambers of commerce may be able to help. Happy Kids need, not, of course, benchmark against competitors, or even against other motor accessory manufacturers. Its distribution operation, for instance, might be compared with a similar operation in a completely different industry.

Once a scheme of measurement and comparison is in place, it is necessary to determine what improvements are possible and to implement them. It will be tempting for the Managing Director of Happy Kids to delegate this role to a single manager, but better results will be obtained if the responsibility for making and monitoring the necessary changes is embedded in the normal management structure. Success and failure in making and continuing the agreed improvements can then be monitored as part of the normal performance review process.

Answer to the Question# 6(a) (i):

Porter's Five Forces Model Analysis for GP Ltd

1. Threat of New Entrants

- **IT's Role:** IT can lower operational costs, help target and retain customers with CRM tools, and offer superior services like apps and e-bill payments to differentiate GP.

2. Rivalry Among Competitors

- **IT's Role:** Data analytics can help personalize offers, while innovation (e.g., bundled services) and AI-powered customer support can enhance customer loyalty and differentiate GP from competitors.

3. Threat of Substitutes

- **IT's Role:** Integrating VoIP services and partnering with OTT platforms can help GP stay competitive against alternatives like WhatsApp and Messenger.

4. Bargaining Power of Customers

- **IT's Role:** Loyalty programs, personalized offers, and self-service platforms can reduce churn and improve customer satisfaction.

  5. Bargaining Power of Suppliers

- **IT's Role:** IT can optimize supplier management and reduce dependency on external vendors by predicting infrastructure needs.

  Conclusion: IT can help GP Ltd enhance customer retention, differentiate its offerings, and improve efficiency to maintain profitability.

ii) Changes to Channel Structures via Internet and E-Commerce

1. **Disintermediation**
   - **Customer Value:** Lower prices and faster delivery by cutting out intermediaries.
   - **Example:** Amazon sells directly to consumers.
2. **Mass Customization**
   - **Customer Value:** Personalized offerings that increase customer satisfaction.
   - **Example:** Nike's "Nike By You" custom footwear platform.
3. **Enhanced Customer Interaction**
   - **Customer Value:** Real-time support and better decision-making with easy access to product details.
   - **Example:** Zappos' exceptional online service.

These changes help businesses like GP provide better customer value, increase satisfaction, and stay competitive.

Answer to the Question# 6(b) (i):

Advanced Corporation can benefit from gap analysis. Gap analysis is the analysis of how the firm can pursue strategies to close the gap between extrapolated current performance and the long-term objective.

- The fixed gap analysis is the one that has remained the same for a period of time.

- The continuous gap analysis carries out changes to the gap from year to year.

A clear distinction between fixed and continuous gap analysis must be appreciated by the firm. Advanced can pursue the closing of the gap that has remained stagnant for years. This may either prove easy or difficult depending on the changes that have taken place within the organization and the external environment.

Advanced can also continue to revise the gap based on changes in current results that can either make the objective farfetched or too easy to achieve. There is a possibility that the firm pursued fixed gap analysis and this could have led to complacency, especially during the glory years. The firm now requires revising the gap in regard to current performance and its impact on the long term objective when extrapolated.

Answer to the Question# 6(b) (ii):

Link and demonstrate how they close the planning gap

Growth strategies can be pursued to close the planning gap. The speed at which this is achieved will depend on the type of growth strategies.

Below is the demonstration of how growth strategies can close the planning gap.

(i) **Organic growth-**this is where the firm ploughs back its profits, uses debt or its reserves to grow. For the firm because of its size and strategic posture in the market, this may not be the best way to close its planning gap especially after years of stagnation.

(ii) **Mergers-**this is where the firm combines resources on a 50/50 combination to create a new enterprise. The pulling of these resources offers much needed capital to break barriers of entry or fund many projects. The increased size also offers a bigger and greater market strategic posture. The combination of these objectives can help the firm close the planning gap much quicker. The biggest challenge in mergers closing the planning gap lies in the cost of integration and overcoming the cultural barriers. This is something Advanced must resolve to close the planning gap.

(iii) **Acquisition-**this is where Advanced takes over another firm. This can be done by seeking firms with strategic advantages where Advanced is weak or has limitations. These can range from cash resources to markets. For example if the entry into a new market is a way to close the planning gap, then acquiring a firm that has presence in that market will be the fastest way to close the planning gap. The advantage with this strategy is that it is easy to go past the cost of integration and cultural barriers as Advanced can impose these on the acquired entity.

(iv) Franchising-the other strategy Advanced can pursue in closing the planning gap relate to offering its technical know- how and systems to someone with the money/capital to undertake its activities at a monthly fee. The Franchisee rides on Advanced brand name, management competence and operational knowledge. This strategy is cheaper than the above 2 strategies.

My recommendation is that Advanced considers acquisitions as a way to closing the planning gap.

Answer to the Question# 6(b) (iii):

Identify Ansoff Matrix strategies

The Ansoff Matrix offers Advanced strategic choices that work in a different way in which they close the planning gap compared to growth strategies.

Ansoff Matrix looks at the direction of competition and growth as defined by current or new products versus current or new markets serviced by the firm.
The strategies are as follows:-

(i) Market penetration-Advanced can consider the possibility of increasing the market share in markets where there is still potential. Withdrawing from unprofitable markets can help redirect resources to markets that are profitable. Given the scenario, this may prove a difficult way to close the planning gap.

(ii) Product development-Advanced can develop new products or acquire firms that have new products the firm can use to improve its profitability. Apple did it with strategic movement into smart phones.

(iii) Market development-acquisitions can still be pursued into newer markets by buying firms that can help distribute its products. This can see increased revenues.

(iv) Diversification-related diversification can be pursued by Advanced by looking at other businesses that are either related or unrelated to current operations. This is considered to be very risky and the returns may not be worth it.

Growth strategies can be pursued in the areas of product development and market development. This many help the firm close the planning gap.

---The End---