



RAFFLES LEGACY LEARNING

BUSINESS STRATEGY MASTERCLASS

BOOK TWO - DEVELOPING YOUR OWN STRATEGY

PHASES OF STRATEGY I



MASTERCLASS COURSEBOOK



BUSINESS DYNAMICS

Every business sits amid a constant flow of external events and systems which affect its performance and influence its activities.

One of the most powerful weapons in strategy is an ability to ‘see the future’ more clearly than competitors.

By focusing on the future, you will be able to spot and exploit profitable opportunities ahead of competitors and anticipate future risks by effective action. By mastering the flow of your customers and business “ecosystem”, you will be able to stay on top of your business challenges - now and in the future.

High priority business dynamics can be related to competitors, economic growth, customer and consumer spending patterns, capital markets, interest rates, labor markets, competitive scale investment and initiatives, supplier dynamics, product substitution, pricing, regulatory and tax system rules, channels, and technology evolution.

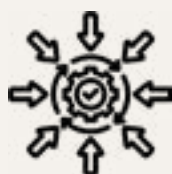
There are four perspectives necessary to understand the relevant dynamic systems affecting a business:



1 External trends with current impact



2 External trends with future influence



3 Internal trends with current impact



4 Internal trends with future influence





1. External trends with current impact

TREND / PATTERN	IMPLICATIONS
Competitors and channels	<ul style="list-style-type: none"> Increased distribution power of rivals Long-term cost and margin pressure Full portfolio approach to be taken Hiring opportunity of best people
Industry globalizing	<ul style="list-style-type: none"> Expand list of distributors to cover priority global markets Market research to understand growth sources Need to understand segment-specific behavior
Price war in Asia	<ul style="list-style-type: none"> Shrunk regional profit pool 25% for a two-year period Impact on long-term brand equity
Sport watches accelerating in popularity	<ul style="list-style-type: none"> Need to add sports range ASAP under new brand, or acquisition


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2. External trends with future influence

TREND / PATTERN	IMPLICATIONS
Emerging of global 'overclass' with maximum purchasing power	<ul style="list-style-type: none"> Identify and understand most important customers Increase models and range to address key segments Launch and market multi-model 'ultra' High-End Collection
Increased wealth in emerging markets	<ul style="list-style-type: none"> Explore opportunities in China, India, Middle-East, Africa Review Latin America sales opportunities with partners Other distribution alternatives/partners to be reviewed
Rise of Internet	<ul style="list-style-type: none"> Update website and on-line marketing program Staff training in use of e-communication Monitor competitor online actions Establish Raffles Collectors e-community Master social media opportunities


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3. Internal trends with current impact

TREND / PATTERN	IMPLICATIONS
Orders consolidating	<ul style="list-style-type: none"> Average order size and price pressure both increasing Set up key account program to determine opportunities/costs to get more business from top 100 accounts at profitable prices
Service emerging as major differentiator	<ul style="list-style-type: none"> Set up new service centers in USA and Asia Consider third party service and link to sales program
Asian costs rising by 4%, prices declining by 10% this year	<ul style="list-style-type: none"> Regional costs (especially distribution) to be addressed Pricing discipline program launched
Profits flat despite rising sales in Europe	<ul style="list-style-type: none"> Review phasing of new product introduction Outsource non-essential functions (payroll, logistics, printing) Reduce costs while improving service and increasing brand spend
Low satisfaction among Perso staff and poor values	<ul style="list-style-type: none"> Lack of cohesion and capability in management team to be addressed Consider sale


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4. Internal trends with future influence

TREND / PATTERN	IMPLICATIONS
Declining loyalty of staff	<ul style="list-style-type: none"> Succession planning and mentoring programs needed in Switzerland and in regions Vesting ESOP with broad participation post IPO
Increased use of technology	<ul style="list-style-type: none"> Increase investment in training and development Migration to integrated/single system for budget, control and management accounts
Performance-based compensation	<ul style="list-style-type: none"> Internal survey on proposed new approach Transition from current seniority-based "lockstep" compensation system - phase in over 18 months
More inclusive organizational models	<ul style="list-style-type: none"> Change 100 year old "command and control" Geneva-centric approach to greater input and implementation freedom in e.g. marketing and display


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4. Internal trends with future influence (continued)

BUSINESS ELEMENT	HISTORIC PARADIGM	FUTURE PARADIGM
1. Industry	Fragmented Industry	Consolidating channels and competitors
2. Distribution	Owned distribution only or third party only	Blended distribution - mix of third party and hybrid options
3. Brand	Single	Multiple for multiple segments
4. Customer	Loyal with few watches	"Promiscuous" with many brands
5. Price	Stable and high	Pressure to reduce
6. Culture	Family Business	International Business
	 Era of Stability	 Era of turbulence, globalization and consolidation



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