

# Good example of recommendation memo- case study a123 systems. case study

[Finance](#), [Market](#)



## **Introduction**

This paper recommends strategies that A123 system should consider in their operations to maintain competitive advantage as well as help it overcome challenges that are detrimental its survival causing the untimely collapse. The diversification of the product portfolio, process revaluation to shorten lifecycle development of products, increase sales force to cater for the growing market, promotion and awareness creation, monitoring inventory. The implementation will be gradual within a timeframe of one and five years. The results expected are shorter production cycle, improved sales, increase in market share, optimum inventory and efficiency in production.

## **Background**

A123 systems was established in 2001 to commercially produce Nano scale materials using a proprietary Nano phosphate technology licensed by MIT. In the year 2005, the company centered its operations in developing lithium ion batteries with superior qualities such as ability to charge faster, more power retention and smaller sizes. The company has since expanded rapidly owing to its business collaboration, partnerships and strategic national and international alliances. Other external factors that have favored the expansion include the rise in oil prices and the need for environmental conservation.

The major markets served by A123 can be categorized into consumer, electrical grid, government and transportation. A123 is an innovative organization that aims at shifting from the current lithium ion batteries to next generation energy storage solutions and become profitable in the long

run. It aims at being the market leader by offering advanced battery solutions that are superior to those of its competitors (Hoffman, 2011).

## **Recommendation**

This paper recommends

- 1) The diversification of the product portfolio,
- 2) Process revaluation to shorten lifecycle development of products,
- 3) Increase sales force to cater for the growing market,
- 4) Promotion and awareness creation,
- 5) Monitoring inventory

## **Basis for recommendation**

There are currently only three varieties of lithium-ion batteries that A123 produces for government, transportation, consumer and electric grid market yet the firm has heavily invested in manufacturing facilities in china, Korea and in the United States. There is need to evaluate what other products the company can manufacture to maximize the efficiency of the manufacturing plants. At the same time, the new generation prototypes need to be manufacture for testing so that A123 is ahead of the competition (Spagnuolo, 2015).

The sales cycles should be shortened. This will require an evaluation of the life cycle of the lithium-ion batteries to not more than 18 months from review to commercial production for the automotive industries. This way A123 will be more efficient than competitors and substantially cut costs and save time (Hoffman, 2011).

Engaging in awareness campaign. People worldwide are becoming cautious

of the need for environmental conservation as the effects of climate change are becoming more vivid. They need to be advised on lifestyle changes they should embrace such as shifting to hybrid cars thereby increasing demand of hybrid cars consequently A123 products (Hoffman, 2011).

Too much capital is invested in manufacturing lithium-ion batteries and there is need to keep track of the inventory. When the inventory level rises capital is withheld in a non-usable form while it could be used for other activities (Hoffman, 2011).

## **Discussion**

The population growth in china and India provide a promising market for A123 products. The company should also consider deploying more sales and marketing staff for lithium-ion batteries. Alternatively create more strategic alliances similar to IHI in japan that has proven effective in marketing. There is also untapped market in Europe, South America, Australia and Africa which A123 should make strategic arrangement on their exploitation. Given the massive investment in manufacturing facilities there is need for their effective utilization to meet a worldwide demand.

## **Next steps**

Collaborate with automotive partners to create a five years awareness campaign in social networks and main stream media to promote use of hybrid-electric vehicles.

The research and development team to add to add three more prototypes in the product portfolio in the next three years (Spagnuolo, 2015)

## **Exhibit 1**

### Porter's Five Forces Analysis

Exhibit 1 shows the general outlay of the market and we shall use it to evaluate the competitive strength and position of A123. The rivalry in the industry is high and 123 faces competition in its main markets namely consumer, electric grid and transportation

Threats of new entry in the market are low due to presence of trade barriers such as high capital requirements and intellectual property protection.

Major suppliers are in the Far East therefore raw material are cheap making it cost effective to set up manufacturing facilities.

More opportunities exist if more awareness is created thus buyers are provided with sizable amounts of information to making informed decisions.

## **References**

Paulette Spagnuolo (2015) A123 Announces Breakthrough in Lithium-ion Starter Batteries retrieved from; <http://www.a123systems.com/da6fda44-5e17-45e8-a37e-a952eac55b7b/media-room-2015-press-releases-detail.htm>

Hoffman, Allan. (2011). Lithium-Ion Battery System for Electric and Hybrid Cars.

Retrieved from; <http://repub.eur.nl/pub/38669/>