

Adventas strengths
opportunities
weaknesses swot
marketing essay



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Introduction

Company background

Adventa Berhad is an investment holding company. Its main business is to manufacture medical products and devices for the healthcare industry. It provides surgical and medical examination gloves and non gloves products. Moreover, it also provide airway management, feeding and drainage tubes, syringe and needles, IV therapy, diagnostic, wound care, urology, non-woven products, hemodialysis disposals, infection control, and autoclave tapes. Adventa also generate and offers energy and electricity using biomass technology. Furthermore, it also involved in trading of healthcare equipment and appliances. Now, it is based in Kota Bharu, Malaysia and has operations in Germany, Hong Kong, and Uruguay.

The company's workforce is over 2000 and is located in five countries. In June 2004, Adventa was listed on Bursa Malaysia, Malaysia Stock Exchange. The subsidiaries of Adventa are committed to strong, sustained growth within their disciplines. This is mainly because it's good product quality and employee commitment to customers. The company is continuously searching for talents that can improve strength and contribute ideas to the organization. Adventa wants to add values and improves returns through the implementation and commercialization of its ideas and innovations.

SWOT analysis

The SWOT analysis clearly shows that Adventa's strengths, opportunities, weaknesses and the threats to its business.

2. 1 Strengths

Extraordinary product quality.

Adventa has good control in their product quality. This can be seen as Adventa has been awarded many certificates and awards. For example, EN ISO 13485: 2003, ISO 13485: 2003 with CMDCAS, ISO 9001: 2000. Adventa has managed to provide excellent product as well as a wide range of product breadth. This has made Adventa obtain a better position in the industry.

Strong research and development growth.

To be more competitive in the industry, Adventa has good investment in Research and Product Development platform. The R&D team is built over the lifetime of the company's operating units. With a good R&D team, Adventa managed to produce a wide range of new products that can guarantee improving revenue and a better net income.

2. 2 Weaknesses

Poor manufacturing cost control.

Adventa has increasing cost of goods sold over the recent years. Adventa's cost of goods sold is increasing from RM211. 3 million in years 2008 to RM372. 1 million in years 2011 which is almost nearly 76 percent in only 4 financial years. High cost structure has already cut down their earnings.

Weak balance sheet and unhealthy cash flow.

Adventa has a relatively weak balance sheet and unhealthy cash flow over the recent financial years. The current ratio of years 2011 is weakened compared to in years 2008. Theoretically, current ratio must be maintained above 2 to be considered as healthy, Adventa fails to achieve that level.

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Besides that, the quick ratio of Adventa also considered as unhealthy too. Since quick ratio must be achieve at least 1, Adventa only managed to achieve at only 0.7 in recent 2 years.

2.3 Opportunities

New potential market for health care products.

There are new potential market around the world today for Adventa to continue expand its business activities. As the world's aging population is increasing sharply in the past 2 decades, it is a good opportunity for Adventa to offer more health care products. This is because these aging populations need more health care products than the younger generations.

Joint venture with local company.

Adventa can try to form a joint venture with local company when they are expanding their business into a whole new market. By doing this, Adventa not only can increase their market share in the industry but also overcome the shortcoming and weakness of their weakness. In addition, Adventa also can achieve cost saving because the local company has already has all the critical information about the local market.

2.4 Threats

Unstable latex price.

Latex is the main raw material of Adventa's products, and it constitutes a huge amount of its production cost. As the global latex price is fluctuating and showing an uptrend in price. Therefore, it is a threat for Adventa because a higher latex price directly contributes to higher production cost. It is unfavorable to Adventa because its earnings will decrease.

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Strong competitors.

There are very strong competitors in this rubber gloves industry such as Top Glove, Supermax, Latexx and so on. Top Glove is the world largest manufacturer of rubber gloves while Supermax is the second largest manufacturer after Top Glove. As a company in the same industry with these strong competitors, Adventa's sales revenues is likely to be affected because the economics of scale obtained by the strong competitors.

Competitive Profile Matrix (CPM)

SUPERMAX

TOP GLOVE

ADVENTA

LATEXX

Critical Successful Factor

Weight

Rating

Score

Rating

Score

Rating

Score

Rating

Score

Financial Position

0. 23

3

0. 69

4

0. 92

1

0. 23

2

0. 46

Expansion Market Share

0. 14

3

0. 42

4

0. 56

1

0. 14

2

0. 28

Marketing

0. 18

3

0. 54

4

0. 72

2

0. 36

1

0. 18

Distribution Channel

0. 15

4

0. 60

3

0. 45

2

0. 30

1

0. 15

Customer Service

0. 06

3

0. 18

4

0. 24

2

0. 12

1

0. 06

Product Improvement

0. 10

3

0. 30

4

0. 40

1

0. 10

2

0. 20

Management

0. 03

3

0. 09

4

0. 12

2

0. 06

1

0. 03

Competitiveness

0. 11

3

0. 33

4

0. 44

2**0. 22**

1

0. 11

Total

1. 00

3. 15

3. 85

1. 53

1. 47

Competitive profile matrix is strategic management tool to conduct comparison among the company and its rivals in the same industry. CPM can

screen out company strengths and weaknesses compare to its main competitors.

The critical successful factors include the internal and external issues that considered the most important issues related to the survival of the company in particular industry. The weight of each factor represents the important of each factor. The ratings in the CPM represent both strengths and weaknesses. 4 represent major strengths, 3 represent minor strengths, 2 represent minor weaknesses and 1 represent major weaknesses.

From the financial position perspectives, CPM shows that Top Glove is the top performer among all. The financial position of Adventa is still left behind compared to its competitors. This can be seen from its weak balance sheet and unhealthy cash flow. This indicates that Adventa should come out a new strategic plan to manage their business activities as well as improving the cash flow of the company.

From the expansion market share perspectives, Adventa is left behind by its rivals. From the reliable market analysis, Top Glove and Supermax have already expanded their business worldwide which is over 140 countries. Meanwhile, Adventa has not reached these numbers of countries. In term of marketing effort, Adventa is slightly outperforming one of its competitors, Latexx. This has shown that Adventa is putting an effort to market its products.

From the distributions channel and customer services perspectives, Adventa can only outperform Latexx. Adventa has around 5 offices, 5 factories and 1 warehouse around the world. Therefore, they can always create a successful

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supply chain and keep efficient value chain. Customer services of Adventa also outperformed Latexx. They are recognized for their effort and commitment that they put in to provide high class services to their customers. Meanwhile, it is important to mention that Top Glove and Supermax is still a better one compared to Adventa. Therefore, there is still a space for Adventa to improve their customer services.

Lastly, the management and competitiveness perspectives, Top Glove and Supermax are outperforming Adventa and Latexx. Both the largest world manufacturer has the better ability to manage their company and business activities compared to Adventa and Latexx. Thus, they are managed to capture a larger market share in the world.

Generally, Top Glove gains the highest score followed by Supermax, Adventa and Latexx accordingly. Therefore, Adventa has to improve its overall performance in order to compete with the top manufacturer.

Financial Ration Analysis

There are several type of financial ratios analysis discussed within this section, include short term solvency or liquidity, long term solvency measures and profitability. To elaborate further, Adventa Bhd has to compare with its main rivals.

Short term solvency, or liquidity, ratios analysis

The table below is the short term solvency, or liquidity, ratios analysis for Adventa from 2008 to 2011.

Liquidity ratios

2008

2009

2010

2011

Current ratio

1. 68

1. 68

1. 11

1. 36

Quick ratio

1. 13

1. 13

0. 70

0. 73

The table below is the comparison of short term solvency, or liquidity, ratio analysis for Top Glove, Supermax, Latexx and Adventa in 2011.

Liquidity ratios

Top Glove

Adventa

Latexx

Supermax

Current ratio

3.12

1.36

1.56

2.13

Quick ratio

2.35

0.73

0.92

1.28

Current ratio for Adventa in recent 4 years shows that it has the ability to cover its short term liabilities by utilizing its short term assets, because its current ratio is maintained above 1. In 2008 and 2009, Adventa's current ratio remains constant at 1.68 and drops to 1.11 in 2010. But, it increase again to 1.36 in 2011, it is a good new for Adventa because its ability is

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increasing. Comparing with rivals, Adventa is relatively poor performer in this aspect because all 3 competitors' current ratios are higher than Adventa.

Quick ratio of Adventa managed to maintain above 1 in 2008 and 2009, but it drops to 0.7 in 2010 and 2011. These data means its ability of covering short term liabilities by using its most liquid asset is decreasing. Quick ratio has shown a downtrend in recent years. Similar to current ratio, quick ratio of Adventa shows that it is relatively poor performer compared to its main competitors.

Long term solvency or financial leverage ratio analysis

The table below is the long term solvency or financial leverage, ratios analysis for Adventa from 2008 to 2011.

Financial Leverage Ratio

2008

2009

2010

2011

Total debt ratio

0.47

0.46

0.47

0.53

Debt-equity ratio

0. 90

0. 86

0. 87

1. 10

Times interest earned ratio

6. 03

4. 29

6. 61

3. 31

The table below is the comparison of long term solvency or financial leverage, ratio analysis for Top Glove, Supermax, Latexx and Adventa in 2011.

Financial Leverage Ratio

Top Glove

Adventa

Latexx

Supermax

Total debt ratio

0. 19

0. 53

0. 39

0. 35

Debt-equity ratio

0. 24

1. 10

0. 65

0. 54

Times interest earned ratio

10. 44

3. 31

9. 89

7. 27

Total debt ratio of Adventa maintained below 1 throughout the recent years. This means that its assets are sufficient to cover its liabilities. But, Adventa's total debt ratio has shown an uptrend in 2011 and it is not good news for

investors who intended to invest in Adventa. Therefore, Adventa should work harder to maintain its total debt ratio.

Debt-equity ratio of Adventa managed to maintain below 1 in 2008, 2009 and 2010. It increased to 1.10 in 2011. The ratio means that it still has enough equity to finance its assets. Adventa's debt-equity ratio show a relatively flat trend line in recent years which around 0.86 to 1.10. As compared to rivals, it is still poorest performer which scores the highest score.

Time interest earned ratio Adventa floated over the years. In 2011, it drops to 3.31. This is because earnings before interest and tax of Adventa has decreased from RM 33.7 million in 2010 to RM 23.5 million in 2011.

Profitability ratios analysis

The table below is the profitability ratios analysis for Adventa from 2008 to 2011.

Profitability Ratios

2008

2009

2010

2011

Profit Margin

0.08

0.06

0.10

0.01

Return on Assets (ROA)

0.06

0.05

0.09

0.01

Return on Equity (ROE)

0.12

0.09

0.16

0.02

The table below is the comparison of profitability ratio analysis for Top Glove, Supermax, Latexx and Adventa in 2011

Profitability Ratios

Top Glove

Adventa

Latexx

Supermax

Profit Margin

0.06

0.01

0.10

0.10

Return on Assets (ROA)

0.08

0.01

0.10

0.09

Return on Equity (ROE)

0.10

0.02

0.16

0.14

Profit margin of Adventa is not constants in recent years. In 2011, it drops to 0.01 which is only 1 percent of profit margin. Compared to its competitors who have 10 percent of profit margin, it is a very low profit margin.

Therefore, Adventa needs to consider changing its marketing strategy in order to increase its profit margin.

Return on asset of Adventa shows downtrend in 2011. It drops to 0.09 in 2011. It is the lowest ROA among the rivals. Its shows that Adventa is not utilizing its assets to generate sales.

Return on equity of Adventa shows downtrend in 2011 similar to its profit margin. It has the lowest ROE among the competitors. This figure shows that it is not good in generate profit with the equity invested by shareholder.

Boston Consulting Group (BCG) Portfolio Matrix

Industry growth rate

Management services Question marks Stars

Dog Cash cows

Energy supplier Healthcare Products

Relative market share

The Boston Consulting Group (BCG) matrix has divided a company business unit into 4 category include question marks, stars, dogs and cash cows.

Questions marks mean that the business unit has high industry growth rate and low market share. Stars mean that the business unit has high industry growth rate and high market share. Dogs mean that the business unit has low industry growth rate and low market share. Cash cows mean that the business unit has low industry growth rate but high market share. Adventa has 3 major business units which are management services provider, energy suppliers and healthcare products manufacturer.

According to the diagram, healthcare products which include medical gloves which are surgical gloves fall into cash cows category. It means that healthcare products business unit of Adventa has the highest market share among other business unit in the company. Meanwhile, Adventa faces strong competition against Top Glove, Supermax, Latexx and many other companies. Therefore, the healthcare products industry has low industry growth rate.

Adventa involved in energy supplier which is the generation and transmission of electricity using biomass energy. This business unit has low market share and low industry growth rate. Although it falls into dog category, energy supplier business unit is still generating profit for Adventa. So, it should not be divested.

Adventa involved in providing management services. This business unit falls into question marks category. Therefore, it has the potential to gain addition market share and become stars and eventually cash cows. In contrast, it also

has the potential to degenerate into dog. Therefore, Adventa should carefully monitor this business unit in order to determine whether it is worth to invest in it.

Recommendation – SWOT Matrix

SWOT matrix is a graphical representation of the SWOT framework. The following table is the SWOT analysis for Adventa. There are several strategies based on the SWOT analysis are recommended.

The table below is the SWOT matrix for Adventa.

Strengths

Weaknesses

Extraordinary product quality.

Strong research and development growth.

Poor manufacturing cost control.

Weak balance sheet and unhealthy cash flow.

Opportunities

S-O Strategies

W-O Strategies

New potential market for health care products.

Joint venture with local company.

Joint venture with local company in new potential market.

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Invest in R&D to develop new and improved health care products.

Fully utilize assets to generate cash flow.

Develop new policy of cost control to achieve cost efficiency.

Threats

S-T Strategies

W-T Strategies

Unstable latex price.

Strong competitors.

Use derivative instrument to hedge to unstable latex price.

Build capacity in foreign market.

Emphasize on marketing efforts.

Emphasize research and development.

S-O Strategies

Strategies formulation based on the strengths and opportunities.

Joint venture with local company in new potential market.

Adventa is recommended to join venture with local company in the new potential market so that they can achieve cost saving and has better understanding of the market. Therefore, they can produce the products that fulfill the needs and wants of the market.

Invest in R&D to develop new and improved health care products.

Adventa is recommended to invest more in the R&D department. This is because R&D is the root of the new and improved health care products. With better health care products, Adventa can increase its market share in the world and fulfill the increasing global demand of health care products.

W-O Strategies

Strategies formulation based on the weaknesses and opportunities.

Fully utilize assets to generate cash flow.

Adventa is recommended to utilize its assets. For example, Adventa should use 100 percent of plant capacity to produce products. This is because waste of capacity is sunk cost. It cannot be recover in the future date.

Develop new policy of cost control to achieve cost efficiency.

Adventa is recommended to introduce new policy of cost control in order to minimize its manufacturing cost. With a lower cost structure, Adventa can improve the revenues. For example, use of lower price of raw material.

S-T Strategies

Strategies formulation based on the strengths and threats.

Uses derivative instrument to hedge to unstable latex price.

Adventa is recommended to use derivatives instrument to hedge against the latex price. Futures contract enable Adventa to lock in the latex price, so that they can avoid the problem caused by the unstable latex price.

Build capacity in foreign market

Adventa is recommended to build new capacity in foreign market. Having capacity at foreign market, Adventa can save cost because there is no longer shipping cost. It also can enhance its market share by producing in larger volume compared to its competitors.

W-T Strategies

Strategies formulation based on the weaknesses and threats.

Emphasize on marketing efforts.

Adventa is recommended to emphasize on marketing efforts. This is because marketing will help to outperform their competitors. For example, with an interesting and informative advertisement, it can increase their sales revenues. Indirectly, they can improve their revenue.

Emphasize research and development

Adventa is recommended to emphasize on R&D efforts. This strategy can help them to produce new and innovative products. For example, uses other materials instead of latex in order to achieve cost saving. Besides that, with new innovative products, they can differentiate their products against competitors.

Conclusion

Corporate strategy is important part in order to manage an organization. However, strategy formulation is a critical part in corporate strategy. To formulate an excellent strategy, there are many aspect needs to be

considered. Therefore, few matrixes are used to help in strategy formulation. This report is completed and written out focusing on Adventa.

This report has enables researcher to apply corporate strategy knowledge and skills in strategic planning and strategy formulation. So, researcher hopes that this report will meet the requirement of this course.