

Strategic analysis of merbatty assignment



**ASSIGN
BUSTER**

Company Analysis Marietta currently has been offering a wide range of boats varying in price and sizes. In November 2012 Marietta was listed on the European Stock Exchange. Marietta is maintaining professional relationship with its key suppliers. After a good period of steady growth, it's now concentrating major market and capacity expansions. Marietta now targets the growing market in the Middle East region and is going to open a third boat building facility in Saurian, a country in the Middle East.

2.2 Industry Analysis

Marietta competes in the luxury boat building industry.

The industry is mostly concentrated in Europe and the USA, and recently the market has expanded and been expanding in Australia as well as some areas of Asia, especially in the Middle East region. There are over 180 different models of luxury boats produced globally whereas Marietta produces 15 different models of boat. In 2012, the luxury delivered nearly 3,600 engine-powered boats globally whereas Marietta generated a cash inflow of ? mm (before issue costs) in November 2012, possessing 8% of the global market share.

Buyer's power- Strong: The individuals and corporate customers who buy these luxury boats are successful, wealthy individuals who expect the highest standards of quality and customer service. So, in spite of fairly low switching costs, buying decisions are mostly influenced by factors such as quality, social status, branding and advertising.

Supplier's power- Moderate: Marietta has a number of key suppliers with whom it has started to maintain more professional relationships. Numerous suppliers are among the big guns in their fields as far as quality and reputation is concerned.

New entrants and rivalry – Strong: The threat of new entrants is high because the racket is growing, new entrants are expected to enter and compete. 3. SOOT Analysts Strength Provides high quality luxury boats Good management staff and skilled technicians. Long term relationship with suppliers. Use of latest technologies A wide range of boats varying in price and sizes Publicity and a brand image created by its charitable work. Commitment & reputation for on time delivery. Good records of customer satisfaction Weakness Absence of Numerates own sales employee. Slow rate of introducing new boats & designs. Unplanned charitable work.

Lack of boats for demonstration purpose. Too much dependence on some key suppliers. Opportunities Demand for customized boat, specially luxury boat is rising. Emergence of new markets with potential customers Demand for new designed boat equipped with modern technology is rising. Threats Sustaining internal capabilities Loss of key staff Loss of key suppliers Boat building companies are rising Suppliers giving more emphasis to other competitors. 4. Issue Analysis 4. 1 New design supplier for Sarnia: Financial Impact: Cost of 180 additional boats (depending on size) Coopers Designs = ? KICK x 180 = or ? 10. Million Arabian Interiors ? 1 or ? 10. 62 million Cost of 140 larger boats: Coopers Designs = ? KICK x 140 = ? ASK x 180 Arabian Interiors Difference: = ? ASK x 140 = ? 1 or ? 10. 26 million Additional 180 boats: It will cost Marietta ? 0. 18 million (? 10. Mm – ? 10. Mm) more if they hire Coopers Designs. 140 larger boats: It will cost Marietta ? 0. 14 million (? 10. Mm – ? 10. Mm) more if they hire Coopers Designs. Strategic Impact: Choosing Coopers Designs: Coopers has a design center in Debar, a city

about 200 miles from the Guardian boat building facility which makes it more strategically sound to choose Coopers

Designs. It is expected that 50% boats build from the Guardian facility will be used to serve Middle East customers and the rest 50% to other customers. Hiring Coopers Designs which is a multinational boat interior design business will serve both Middle East customers and customers from other parts of the world. Coopers has already showed its interest working with Marietta and has also indicated that it has spare capacity to design for all of Numerates boats wherever they might be built.

Choosing Arabian Interiors: Arabian Interiors is a Guardian based business, so they know the Middle East customer's preferences which will account for 50% of the boats built in the Guardian boat building facility. As Arabian Interiors is a relatively new business, Marietta can get some advantages in the negotiation process. Arabian Interiors is financed by a wealthy and well connected Sheikh who has expressed his desire to work with Marietta with an aggressive growth in order to increase the local sales drastically.

Recommendation: It is recommended, it will be best for Marietta to hire Coopers Designs. Being a multinational boat design business Coopers Designs can be used for the Middle East customers as well as other customers. The goodwill and assurance that Coopers Designs brings is worth that extra ? ASK they are charging for each boat. Potential solutions: For the accident: 1 As it is his first time, Paul can be warned that if this kind of incidents reoccurs he will obviously lose his Job and will be forced to compensate. 2 Paulo can be sacked as an example of zero tolerance for

negligence. A mandatory system should be established where a company personnel or health technician will examine every employee's fitness before entering the workplace. For negligence of management personnel: Jasper can be let go with a personal warning as he didn't have any direct control over the situation or mess up. 2 Jasper can be warned in the board meeting to ensure no recurrence of negligence of duty by the management personnel. 3 A notice to all the management personnel can be sent saying that they will be held responsible for any kind of losses to the company and damages to its facilities due to their negligence.

Recommendations: We recommend that a daily attendance system should be established to check every employee's fitness before entering the workplace. A warning should be given to all the employees along with Paulo that if these kinds of incidents reoccur, the responsible employee will lose his job and will be forced to compensate. A warning should be given to all the management personnel that they will be held responsible for any kind of loss to the company due to their negligence. 4. Racing Boat Discussion: Strategic and risk point of view: The proposal of racing a speedboat in the competition has a potential of greater publicity for Marietta to exhibit and compare the quality and performance of its boats with its competitors. A successful competition will result in greater customer allowing of Marietta but winning a speedboat racing competition needs specialized facilities, top quality technicians, professional top quality drivers and lot more. This will take away significant amount of Numerates concentration and resources from its conventional product line.

On the other hand an average performance will send a negative message to the customers resulting in loss of market image. Breakable point of view:

Profit per unit of P-3000 = ? 0. Mm Total cost of new speedboat project over the 2 year period mm + (? mix) = ? mm Extra P-3000 sales needed = 35 m = ? earn/? o. T-n In 2012 they sold 10 P-asses. So, their normal sales sums up to 20 odd ships in 2 years. From this point of view sale of extra 35 P-asses in 2 years seems to be too far The gains from this may be significant but will be expensive and uncertain.

On the other hand failure of the project will bring a huge blow for the company. From the economic point of view extra 35 P-asses will have to be sold in the period of 2 years to break-even the costs of racing and that seems to be unreachable with sales forecasted to be around 20 odd boats within that period. So, it is recommended that the proposal should be rejected. 4. 4 Sales Staff Discussion of the proposal: Strategic impact: Employing sales staff means loss of agents who have a lot of precious contacts and long standing reputation in the market.

On the other hand, firing the agents may make them working for the competitors. Selling by sales staff proves ineffective often. It may reduce cost but it brings a lot of new problems with it. Such as, recruiting, monitoring, motivating, controlling etc. According to the five year plan the commission to be paid to the agents will amount to around (? immix%) = ? mm. The cost of opening 20 sales offices will be ? moxie = ? mm. So the total cost of sales staff will be ? mm + ? mm = ? mm So, maintaining Numerates own sales offices will cost extra (? mm - ? mm) = ? mm which is quite an amount.

Reputation Impact: For Marietta, the network, contacts and reputation of the agents will take a while to rebuild. So, an adverse effect on the reputation of Marietta is predicted. It is recommended that the proposal of employing sales staff in place of the agents should be rejected. For the time being, sales agents should be kept to secure selling. But the following actions should be taken: Commission given to the agents should be revised to motivate the agents to sale of bigger Marietta boats more often.

A specific goal must be set for each agent that will indicate the number of boats the agent must sell within a period involving rewards for good performance. Agents should be encouraged to work exclusively for Marietta under specific contractual bindings. The performance of the sales agent should be evaluated in a regular basis. The constantly under-performing agents can be replaced by new agents or sales staff in the long run. 4. 5 JELL

This problem has a two dimensional impact on the company. These two dimensions can be better discussed as the “ Specific point of view’ and the “ Overall point of view. Specific point of view: The specific point of view deals with the charitable work of chairman Mr.. Alberta Blank and its impacts on the company. From this point of view the problem has the following specific impacts: Financial impact: In 2012, Alberta Blank spends total ? 0. Mm for charitable work through the company. The involvement of employees in charitable assignments on full pay has cost ? 3. Mm during this period. The charity by Alberta Blank will increase up-to ? 1. Mm in 2017. On the same time the “ Man years seconded for charity work” will increase gradually up-to ? 8. M in 2017. Strategic impact: This process causes many important employees to divert their time and attention away from the company which

result deprivation of getting the 100% employees effort. Reputation impact: Alberta Blank's charity work created a more sophisticated brand image for Marietta. Overall point of view: The overall point of view emphasizes on the fact that Chairman Alberta Blank and his son Jasper Blank still see the company as a personal affair. The involvement of Numerates employees in the charitable works that is driven by the personal belief of Mr..

Alberta Blank and the extra persuasion power of Jasper Blank that appears to exist just for being the chairman's son are strong evidence of existence of such mentality. From this dimension two major impacts can be pointed out. They are: Reduced decision making effectiveness to use company resources to patronize personal beliefs and motives. Lesser importance to the interest of the stakeholders Assessment of potential solutions: Minimizing charitable work: Though this would adversely impact on company image it will also safeguard some charity cost.

Reducing employee involvement in charitable works: A section/department can be formed to look after the charitable works of Marietta. This section/department will be handled by some specific employees backed by a specific charity fund and other needed resources to make sure employees only concentrate on their respective corporate duties. Formation of the charity section/department will also help in managing the charity works in more efficient and effective ways. Mr.. Roberto Blank can be reminded stating that the company is not subject to only his personal authority anymore, and the consent of the directors is important for every decision.

Personal advisers can be appointed to influence Alberta Blank decision making to be more corporate goal oriented. How the company is being run and whether it should be run in the same process The specific problem (charitable work): Long term: Marietta should reduce employee involvement in the charitable works. A section/department can be formed to look after the charitable works making sure that the employees concentrate on their respective duties. Short term: The current hearty projects will continue bur no further charitable work shall be undertaken until the formation of the new charity section/department. . 6 Late delivery of a Hull from Topers Impact of the problem: The short term view, customer will be dissatisfied and will expect a ? ASK discount for late delivery. And it is estimated that 5% of the boat-building technicians including supervisors will be idle for 10% of their time over the two-month period as a result of the late delivery. This will cost the company a loss of 2948. 8 working hours that can be stated as a loss of ? 53, 078. 4 if converted to economic figures.

In long term, the late delivery of the hull and the rising work load of Topers has created an anxiety within Marietta doubting the assurance of on time deliveries in future. Potential solution: I. Accepting the compensation: The economic analysis of the compensation offer stands like as follows: Details Amount(?) Compensations: Compensation for idle time created by the delay 88, 464 Compensation for discount to customer 25, 000 Ex-gratin payment 30, 000 Total Compensation 1 , 43, 464 Numerates losses for delay: Losses for idle hours created (53, 078. 4) Discount to be paid to the customer 25, 000) Total losses: Total gain: 65, 385. Working note: Total employees idle: $1940 \times 5\% = 97$ Total work hours: $97 \times 152 \times 2 = 29, 488$ Total hours idle: Total

loss for idle hours= 2948. XX? 18= ? 53, 078. 4 Compensation from topers= 2948. XX? 30=? 88, 464 It has to be considered that the ex-gratin amount will come with a legally binding contract that waives any further rights to sue Topers for any breach of contract. II. Taking the hull from a third party: Another hull supplier is willing to supply the hull at short notice. But the Hull can't be delivered until 15 January, 2014 and will exult in a loss of ? 50, 000.

So, this solution doesn't have any significant impact as the delivery will be only 15 days ahead of Topers with a loss of ? 50, 000 to bear. III. Partial acceptance of Toper's offer: This solution will have two steps. They are: A. Not the whole compensation offer should be accepted. The ex-gratin amount shall be rejected. Only the compensation for idle time and customer discount will be accepted. This step will result in the following economic gain/loss: (78, 078. 4) 35485. 6 hull delivery will result in termination of the contract along with all the business affairs with them and possibility of legal actions against them.

The partial acceptance of Toper's offer with assurance of no recurrence and warning for further breach of contract should be chosen as the final solution. Considering Toper's quality and the long term business relation, they should be allowed to deliver the hull with a final warning. Their compensation offer should be partially accepted as it will cover the losses due to the delay. But, the ex-gratin amount shall be rejected. They should be warned that any further delay in hull delivery will result in termination the contract.