Market Entry & Profitability

Problem Statement :- Our client is a chemical manufacturing & selling company. Recently sales have dropped massively because of new waste disposal regulations, also market research has found industry will only grow at **3%** in next 10 years. Client wants to diversify, while keeping his current business intact, because they want to grow at a faster rate, what is the advice that you will give to him.

Here we want to identify diversification companies/opportunities for our client

Objective :- Is it to grow at a faster rate than 3%. Or
Ask for → there are other considerations like Profitability /
clear objective
Breaking out into new customer segments
↳

Ans :- To diversify for growth. & the expected Annual growth rate expected is >= 10%

                                    Current
As our client's industry is about to grow at approx 3-4% for a period of 10 Years. We have to find some industry avenues where client can invest that can return them. Growth of 10% or more.

<u>Framework</u> :- We can divide this into 3 steps.

      1) Identifying list of industries. to enter for diversi
         fication.   2,3 no. of

2) Shortlisting / Zero down on: the industries for Recommendation
3) How to enter into these industries.

\# Identifying the list of industries. → Understand the products
     of our client that it is currently producing → Cleaning Chemicals.
       • How Cleaning chemicals for what Kitchen, Bathroom,
Home, Dishes, Glass, Clothes. etc

       • Based on this information. we can decide to find.
     some different. products / industry in the cleaning space.

       • Understanding the customer segments & what are the other
Brand { Synnergy needs for customer segments & then Zero Down.
loyalty & potential { the industries. based on current customer needs.
buyers

       ⬇   If we have a (D2C brand) customers network.

\# This will give info about customer additional cleaning needs.
      eg:- Cleaning equipments, Laundry detergents, Dish washing
        Machine / liquid, laundry fragrance

\# Also consider needs of (B2B customers) ; responsible for huge
     chunk of our client's revenue. & Catering to their needs
     It can be Hotels, Railways, Public service Buildings, Malls.
        Restaurant chains & etc.

\# For Identifying more industries, we can look at our Competitors.
segment → Who are producing cleaning agents & are Big Conglomerates
    ↳ Seeing their Product lines / Customers.

② Shortlisting the identified industries as final 2,3 industries for Recommendation.

↳ • For this we need to check the growth rate of each industries & its projected growth rate on 5-10 Year basis Vs. Market Growth Rate.

- Whether consumer demand will increase or decrease in the upcoming years.
- Companies with more than 10% growth rate.
- Factors to consider for shortlisting.

Entry Barrier ⟹ Can be Regulations to enter the industry, Cost, Cost of Capital.

Competitions ⟹ If its much competitive than the margins will be lower.

Threat of substitute product, How are the suppliers do. they hold any bargaing power.

Using all these things we will shortlist our 2,3 industries.

③ How to enter into these industries

#Ways to enter.

- Mergers & Acquisitions ⟹ If we have enough cash on Balance sheet, then we can just acquire a company.

- Partnerships ⟹ Companies that we have synergies with. eg:- Our client has customer base & Distribution channels. then we can look for companies who can Manufacture the core products of the industries we want to enter in

- Lastly Client can do everything on their own ⟹ By analyzing the capabilities of doing it everything by oneself.

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Here we need to look at the synergies between New & Current Industry. ⟹ This should be strong enough. eg: Cleaning agents ⟹ Manufacturing Cleaning Utensils Equipments, Devices etc