**Lazard**

Lazard is a preeminent financial advisory and asset management firm. They have been multinational since their founding in 1848. Today they operate in 43 cities across 27 countries. Lazard is the leading global independent advisor offering a wide array of financial advisory services to corporate, partnership, institutional, government, sovereign and individual clients around the world. Lazard is a world-class asset manager providing clients with a broad range of global investment solutions and investment management services in equity and fixed income strategies, alternative investments and private equity funds. Their clients include corporations, public funds, sovereign entities, endowments and foundations, labor union funds, financial intermediaries and private clients. Their investment solutions include traditional and alternative strategies for equity and fixed income securities, in global, multi-regional, local, and emerging market portfolios.

*Financial Advisory*

Lazard provides advisory clients with a quality of service they believe no other firm can match. Their client relationships are built on trust and discretion. They are deeply established in business centers around the world, with meaningful local relationships and insight. And as the world’s largest advisory-focused firm, they have exceptional depth of expertise across industry sectors and geographies.

*Asset Management Businesses*

Lazard serves investors around the world with a broad range of global investment solutions and investment management services. They have built the business over decades with an emphasis on strategies that benefit from intensive research and active management. The result is a strong pattern of long-term performance, global perspective and deep insight into local markets.

**Porter 5 force analysis**

Threat of existing competitors is medium. The threat of existing competition is medium because Lazard has a lot of competitors that it competes with in different areas of the business. Lazard has about 10 competitors in its M&A practice, 5 competitors in financial restructuring, about 8 competitors in the asset management business and so on. There are also several coalitions that take place in this industry and this allows other financial firms to compete more efficiently and effectively against Lazard thereby increasing the threat of existing competitors. There is also a high switching cost in the investment banking industry and this makes it hard for Lazard’s customers to switch to other competitors. Consumers in this industry usually have high loyalty and this means that they are less likely to switch to other competitors. This helps to reduce the threat of existing competitors.

Bargaining power of suppliers is low. The bargaining cost of supplier is low because their major suppliers are the staff that work there. Since there are a lot of labor in the market that can offer the service that Lazard requires, this reduces the power the suppliers have. Also since there are technological advancements taking place in the industry, that may be able to substitute the labor therefore the power of suppliers is low.

The bargaining power of customers is low. The bargaining power of customers is low because Lazard services a lot of customers and around the globe therefore, it is least likely that the customers can control the price or quality of product. Customers are also not very sensitive to price and tend to be price takers because they are not very knowledgeable on the service therefore the power they have to affect the price is low. There is also a high cost of customers to switch and the service provided by Lazard would most likely be different compared to other financial institutions. This also helps to keep the power of customers low.

The threat of new entrant is low. The threat of new entrants is low because it costs a lot of time and money to enter the industry. There would be a large requirement for specialist knowledge and it could be very expensive to train people to have this knowledge. Current companies in the industry already have a well-recognized brand and are already benefitting from economies of scale therefore it will be difficult for new entrants to establish a strong brand and also benefit from economies of scale. This difficulty in entering the industry makes the threat of new entrants low.

The threat of substitution is low. The threat of substitution is low because of the high switching cost and low number of competitors. The low number of competitors makes less options available for customers to switch to therefore reducing the threat of substitution. The high switching cost will also reduce the threat of substitution because customers will not be inclined to switch and due to how unique each service has to be, it will be really difficult for customers to switch to another substitute.

**SWOT Analysis**

Strengths

Lazard strengths includes its existing distribution and sales network. Lazard has a strong distribution and sales network and this allows them to work efficiently and gain more profit. Lazard also has experienced business units and this means that Lazard is able to perform its business functions in a very effective and experienced way. Lazard has a high growth rate and that means that Lazard is able to grow and expand and gain more revenue.

Weaknesses

Lazard weaknesses includes its low investments in research and development. Lazard does not invest much in research and development and this could limit its potential to grow and get more revenue. Lazard also has small business units and this may limit its productivity and its ability to compete effectively.

Opportunities

Lazard has the opportunity to expand in global markets. This would help increase its clientele and Lazard can benefit from more revenue. Lazard also has the opportunity to form new acquisitions. Doing so would allow Lazard to gain all the benefits of an acquisition such as obtaining quality staff or additional skills, accessing funds or valuable assets for new development, accessing a wider customer base and increasing your market share, diversification of the products, services and long-term prospects of the business, reduced competition, and all other benefits.

Threats

Threats to Lazard includes the increasing rates of interest which helps reduces investments and makes spending difficult. Government regulations could also be a threat to Lazard as they could limit Lazard in a lot of ways and not allow them to make as much profits. An increase in the cost of factors of production such as labor and technology would pose more expense on Lazard and therefore reduce the amount of profits that it could make.

**Strengths and Opportunities VS Weaknesses and Threats**

Lazard has a great amount of strength and opportunities. Lazard’s strength includes its strong distribution and sales network. This strength enables Lazard to be able to work efficiently and minimize cost and therefore have increased profits. Lazard’s experienced business units means that Lazard is able to perform its business functions very effectively and efficiently. The experienced business units also means that customers can rely and trust in Lazard for an excellent service. This trust would also positively affect Lazard’s image and Lazard can get more clients and an increased revenue. Lazard’s high growth rate means that Lazard is earning more revenue and an increased profit. Lazard can then invest this profit more efficiently and be able to offer better services to its customers for an even larger revenue. This high growth rate also has the potential of attracting shareholders which means that Lazard can have more capital to invest and offer better services. Lazard’s opportunities include the ability to expand in global markets and gain benefits such as less competition and larger market share in other markets. There are also so many other benefits that Lazard can benefit from by expanding into global markets such as learning new methods of doing its business. New acquisitions would also positively affect Lazard as Lazard can gain all the benefits of an acquisitions such as obtaining quality staff or additional skills, accessing funds or valuable assets for new development, accessing a wider customer base and increasing your market share, diversification of the products, services and long-term prospects of the business, reduced competition, and all other benefits. This benefits all point to better services being provided and increased revenue and therefore increased profits.

However, Lazard still has its weaknesses and threats to focus on. Lazard has low investments in research and development and this basically affects Lazard’s ability to innovate and provide better services. By investing more in research and development, Lazard can solve this problem and therefore be able to innovate and offer better services to its customers. This could also help Lazard to grow even larger and be able to gain bigger revenues. Due to the high growth rate that Lazard is currently experiencing, Lazard can invest more into its business units and also grow the business units so that it has larger business units. This could even attract more customers to Lazard and gain larger revenues. The new acquisitions are also capable of solving this problem and can help Lazard have larger business units. The threats which are the increasing cost of factors of production, government regulations, and increasing rates of interests are threats that can be offset if Lazard continues to thrive and have large profit margins. Also these are threats that affects all companies in the sector and not just Lazard. By investing more into research and development and generating new ideas, Lazard can solve many of the problems that it is facing and will not be at risk of falling due to its many strengths and opportunities.

|  |  |  |  |
| --- | --- | --- | --- |
|  | P/E | Profit Margin | Debt/Equity |
| Lazard | 10.54 | 42.38 | 0.7601 |
| Subsector | 18.50 | 10.80 | 3.1 |

The price to earnings ratio dictates how much investors would pay based on each dollar the company earns. The profit margin shows how much revenues have exceeded costs and the debt to equity ratio measures a company’s financial leverage. For price to earnings, a company would want a high price to earnings because it shows that company is valued in terms of the stock price to the share. In this case, comparing Lazard’s price to earnings of 10.54 and comparing it to the sector’s of 18.50, Lazard is performing significantly lower than the rest. However, the price to earnings can be affected due to the fluctuations in the stock market and any other issue that may be affecting the company’s ability to service its customers. Although Lazard is performing lower than the rest, the price to earnings is still positive which shows a good sign of strength.

The profit margin for Lazard is 42.38 compared to the subsector’s 10.80. This shows that the company is making significant amount of gains over the periods, which shows that the company is doing well. Investing in a growing and profitable company can cause investors to reap great returns on their investments. As long as Lazard continues to make positive and high earnings, the company would succeed in the market.

The debt to equity for Lazard is 0.7601 compared to the sector’s 3.1. When looking at a debt to equity ratio, investors want a company that has a good amount of financial leverage but not too much. The reason is if a company is relying heavily on debt for financing, it shows that the company is having issues with operations. However, a low debt to equity is not good either because it shows that the company does not use any debt financing. A debt to equity of less than one is considered low and above one high. Since Lazard’s debt to equity is below one, Lazard is probably capable to be able to pay off its debt but then it also shows that Lazard does not use much debt financing.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Earnings | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |  |  |  |
| Lazard | 1.36 | 0.65 | 1.21 | 3.2 | 7.4 |  |  |  |  |
| Subsector |  | -8.75 | 9.54 | 39.82 | 59.11 |  |  |  |  |
| S&P | 12.86 | -10.86 | 51.30 | -16.32 | 12.66 | -12.42 |  |  |  |