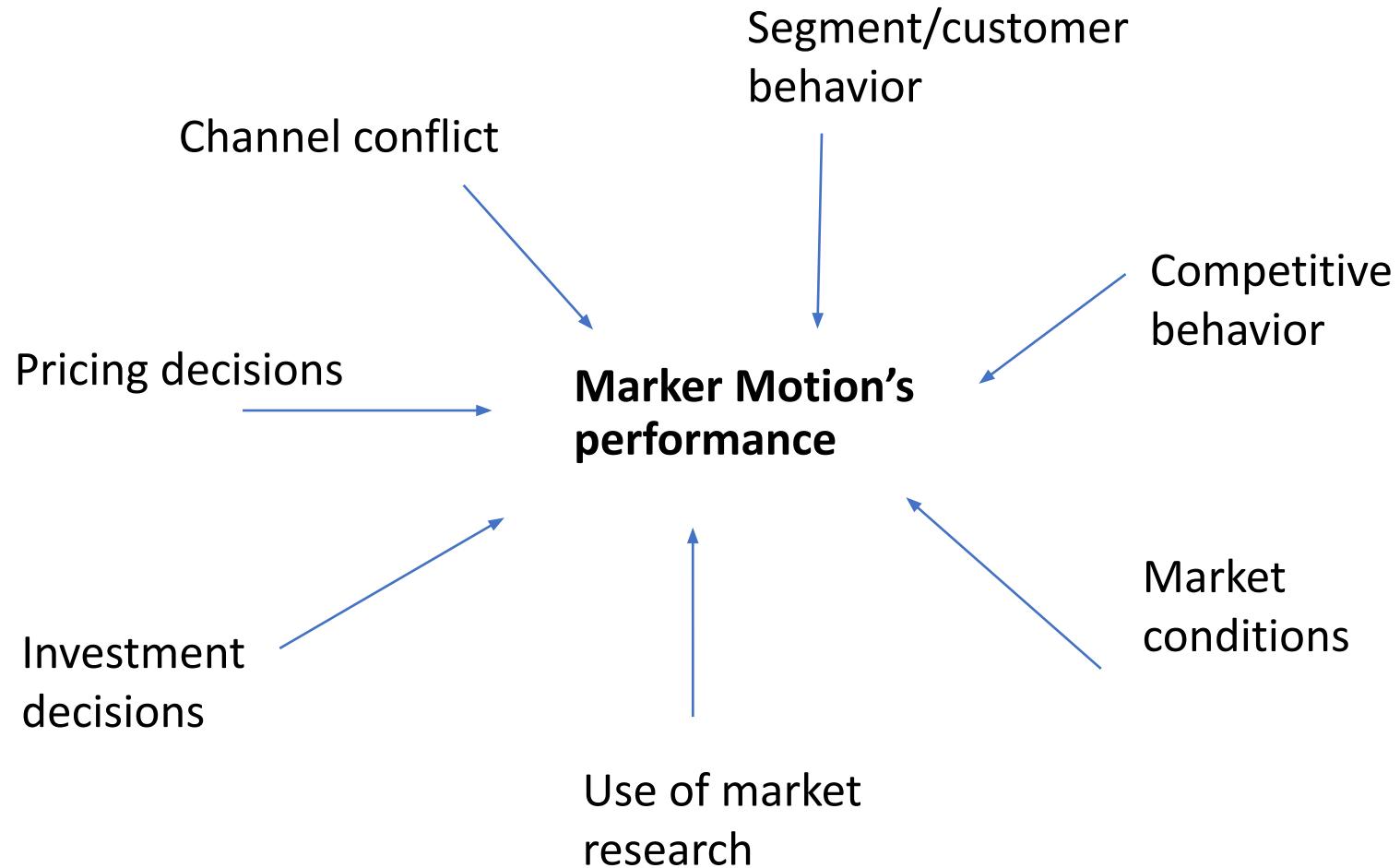


4 Managing the Global Business portfolio



Managing the Global Business portfolio



Managing the Global Business portfolio

Managing markets

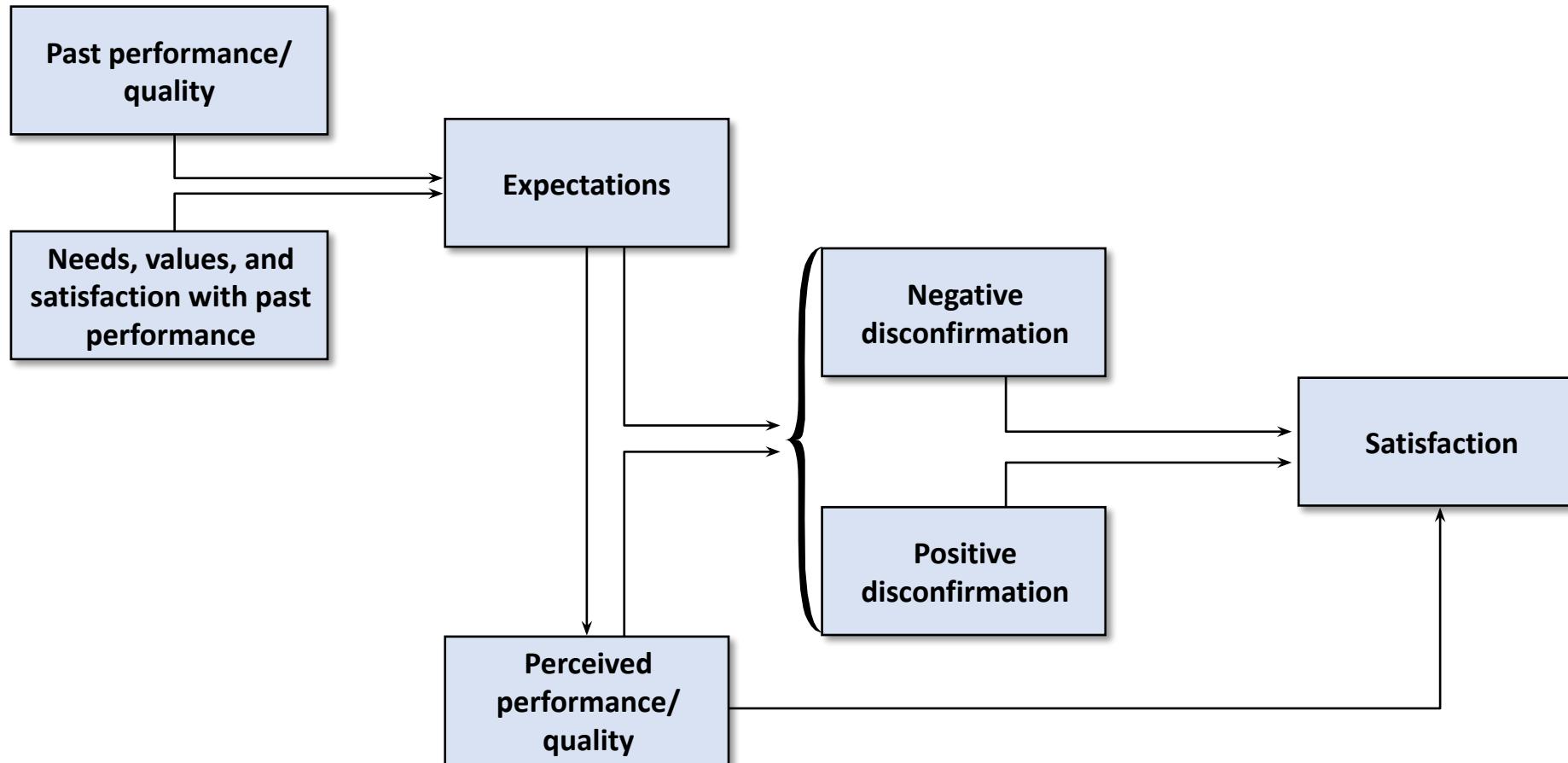


Managing market segments



Managing customers

Link Between Customer Expectations, MM's AI Performance, and Satisfaction



$$\text{Disconfirmation} = \text{Performance} - \text{Expectations}$$

Understanding the Market

Mature market:

- Approximately 5% growth per year (not explosive market growth)
- Competitive marketplace
 - Over 100 general and specialized manufacturers
 - MM facing market loss and margin pressures
- Technology-intensive products
 - Periodic product performance enhancements to keep up with gradual (but continually increasing) customer demands

Impact of Investment Decisions

There is a continual struggle between the short and long term

Profits = revenues – cost

Investments typically increase costs in the short-run but increase revenues over time.

- As a result, if large scale investments are made
 - The investments will have downward pressure on profits
 - Lower profits means that management will cut the budget
 - Lower budget can impact the ability to sustain higher effort
 - Net result: such an investment strategy is not sustainable

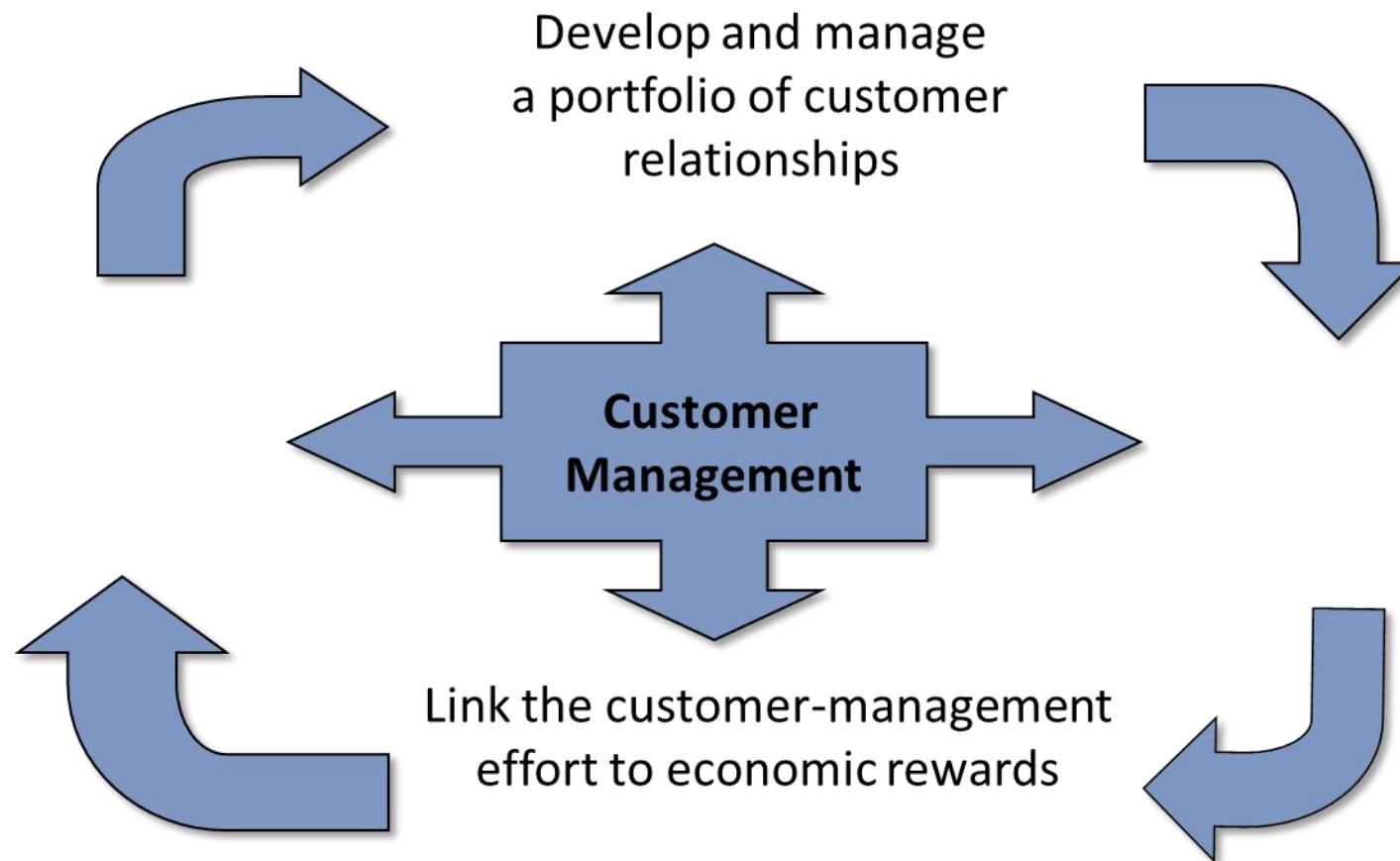
AI Impact of Investment Decisions (continued)

A long-term relationship-building strategy works when you

- Understand the interplay between immediate and lagged effects of your investment decisions
- Understand that you cannot go after all segments
- Carefully pick the segments/customers you want to serve
- Craft and implement all elements of your marketing effort to go after the segments selected

If done correctly, the simulation rewards any effort to build long-term relationships (loyalty) with customers

Customer Management Process



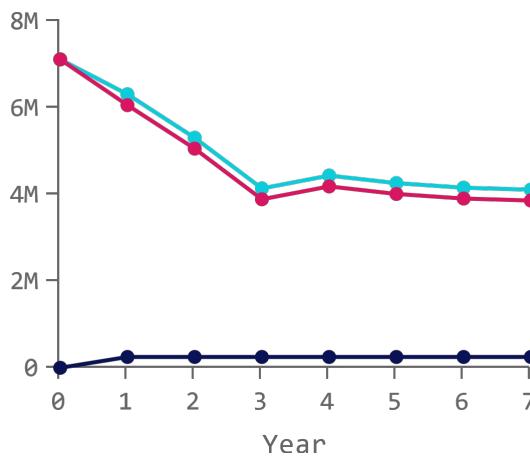
Customer Behavior

- Needs evolve very slowly
 - Importance of different attributes does not change much over time
- Customers change expectations when vendors change performance
- Satisfaction = $f(\text{Performance}, (\text{Expectations} - \text{Performance}))$
 - How well you performed
 - How well you performed relative to my expectations
- Expectations = $f(\text{Past Performance})$
 - What I expect from you is based on how well you did last time

Recap of Results

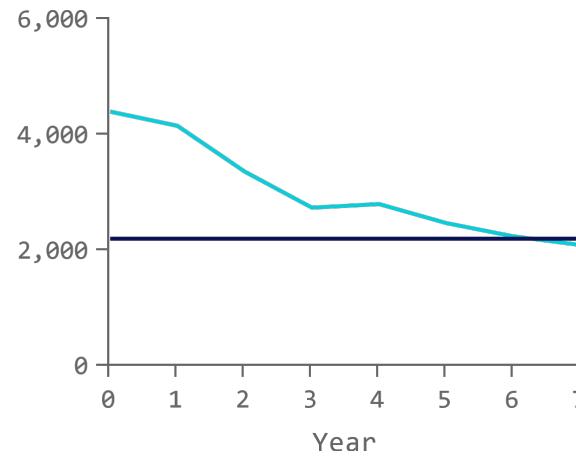
Chances of success

The low-investment anomaly



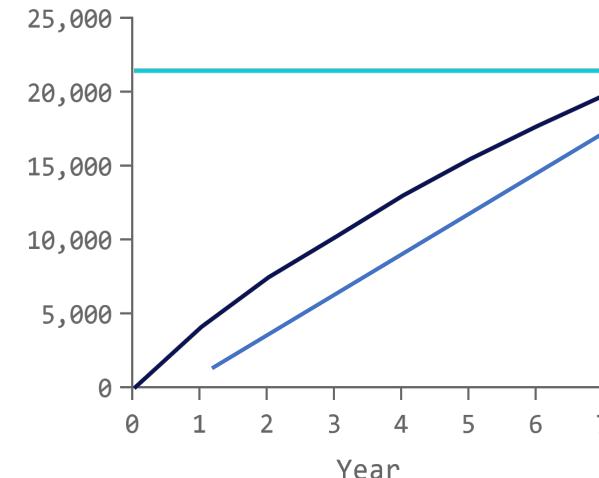
Consistent investing

Annual investment vs. Final Year Target



Combine risk impact

Amount at stake vs capital & Budget



- As previously mentioned in the abstract, cash is king.
- The board of directors and top management should invest in international R&D and try diversification.
- Did revenues and profits increase?