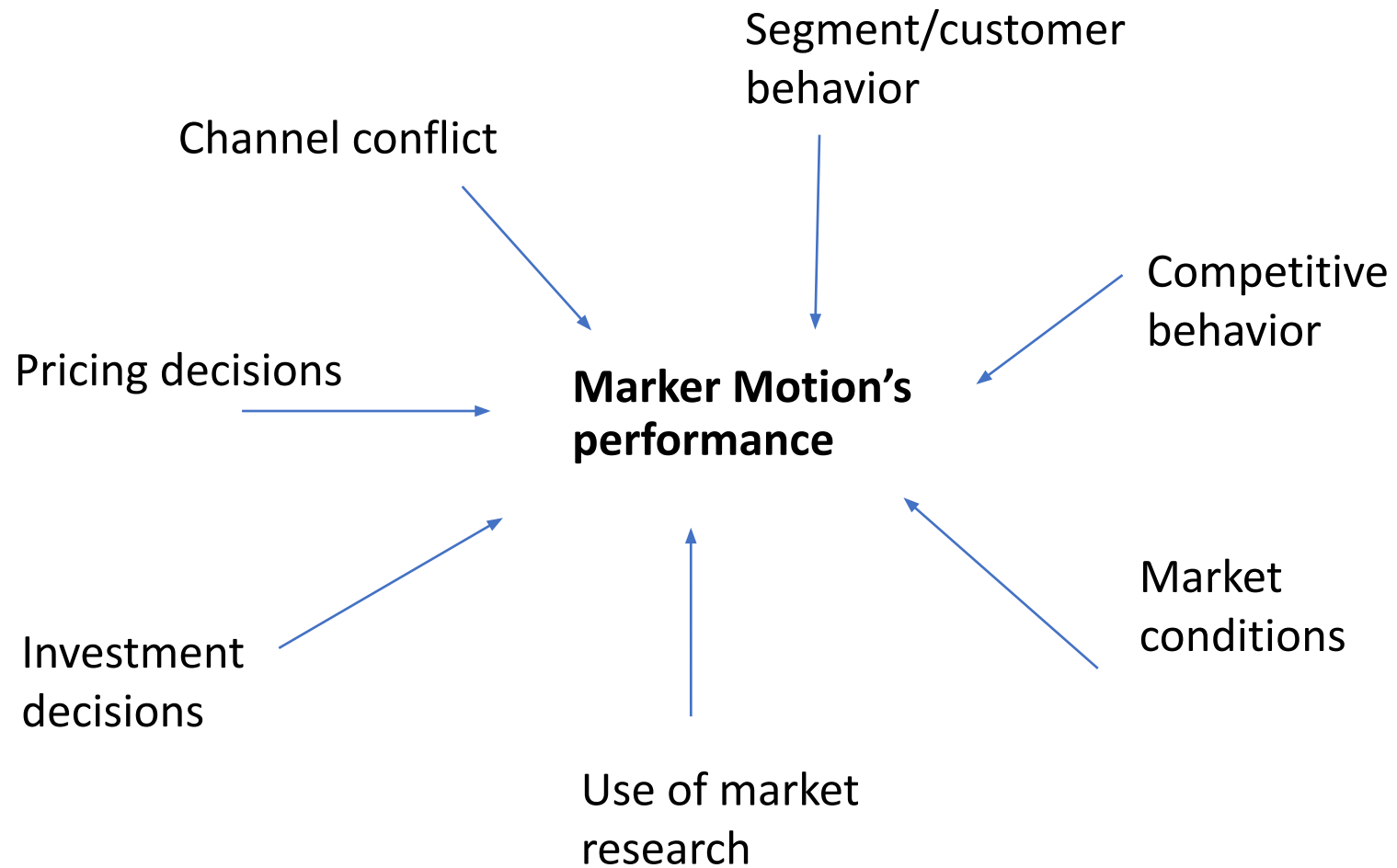


4 Managing the Global Business portfolio



Managing the Global Business portfolio



Managing the Global Business portfolio

Managing *markets*

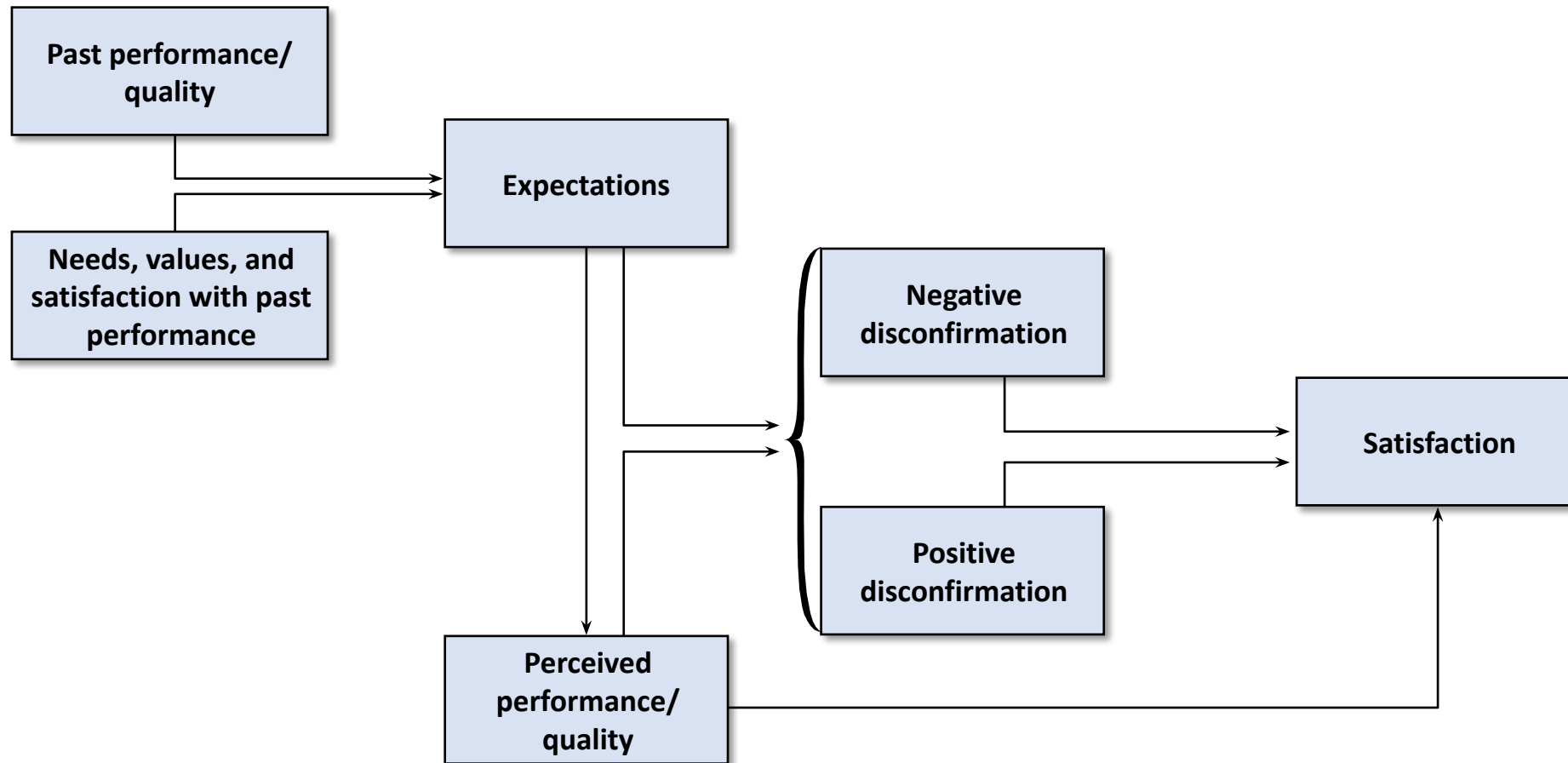


Managing *market segments*



Managing *customers*

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



Disconfirmation = Performance — 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

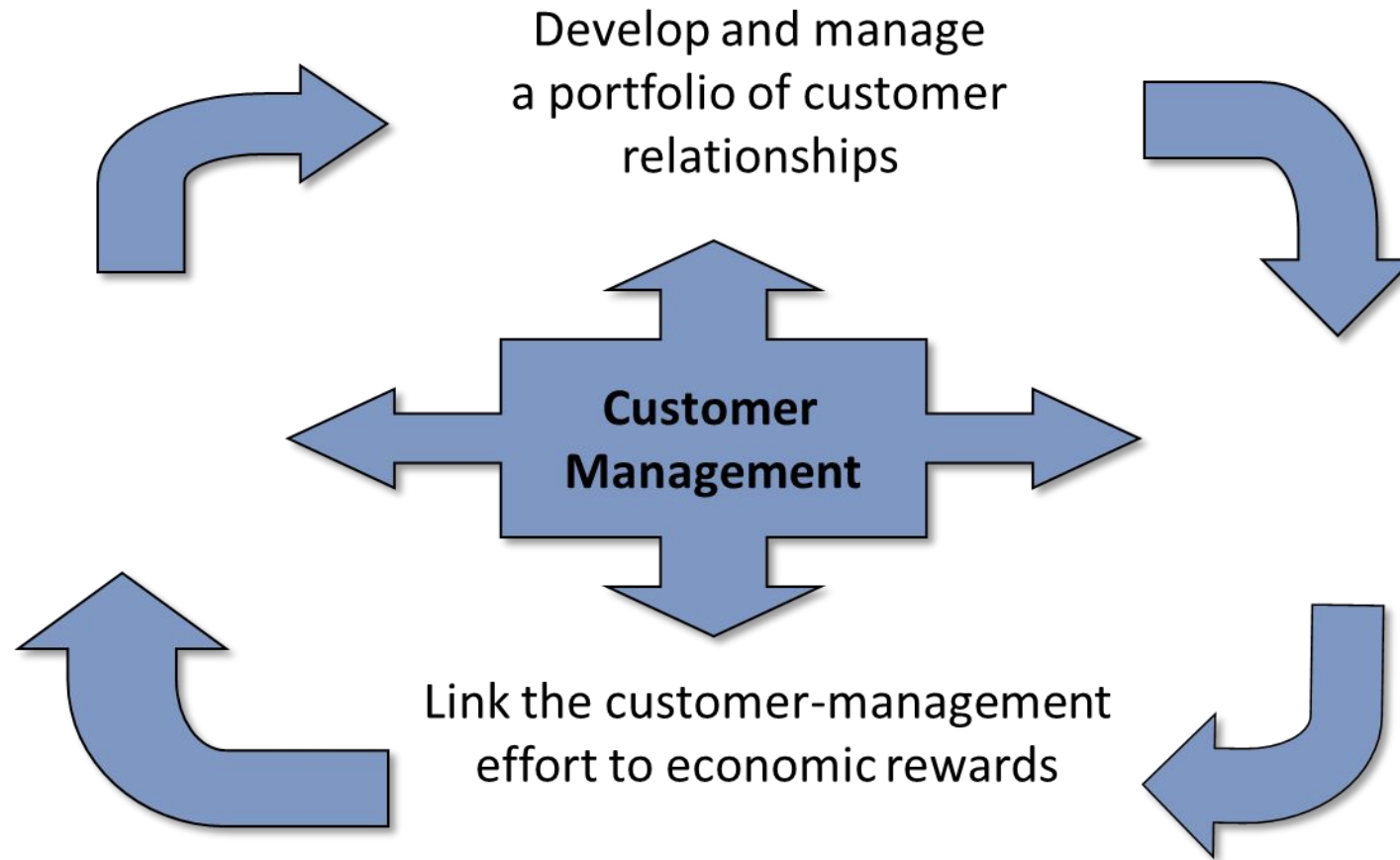
AI Impact of Investment Decisions (continued)

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



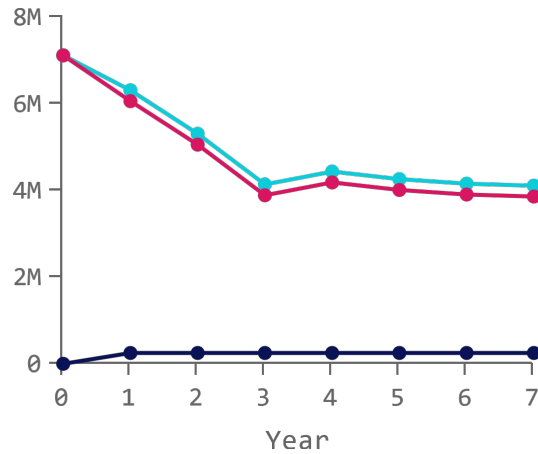
Customer Behavior

- 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

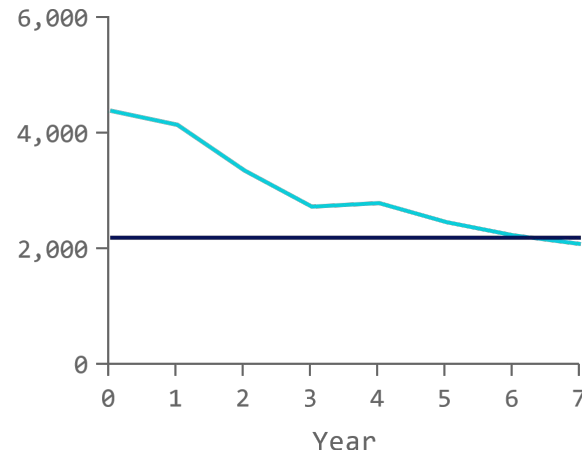
Chances of success

The low-investment anomaly



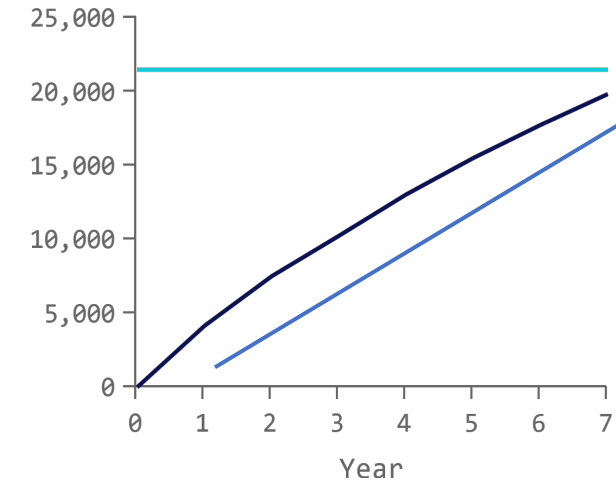
Consistent investing

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?