

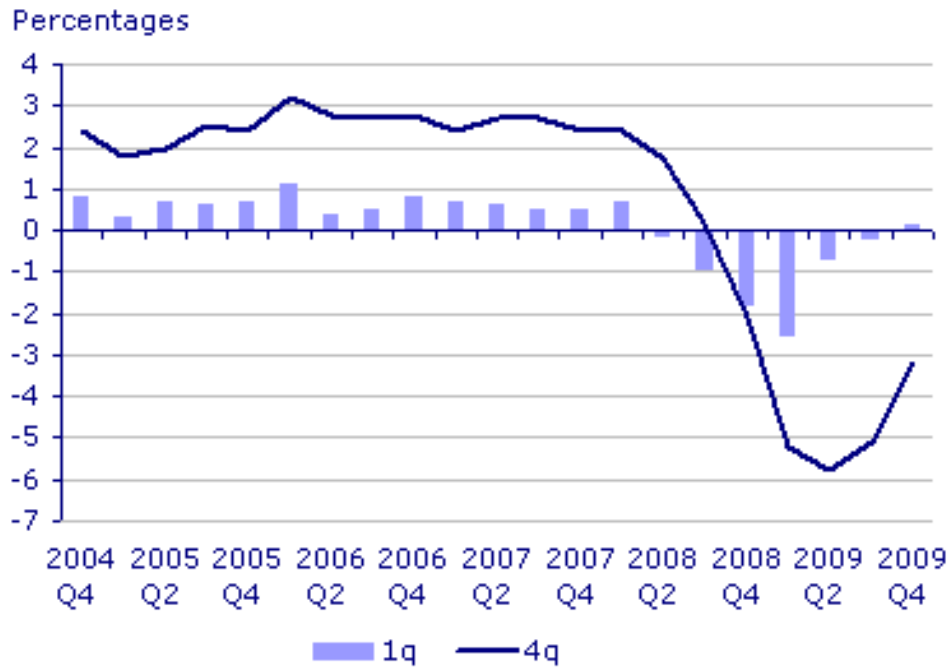
Looking at the external market dynamics to help your business survive the recession and become more competitive

30 January 2010

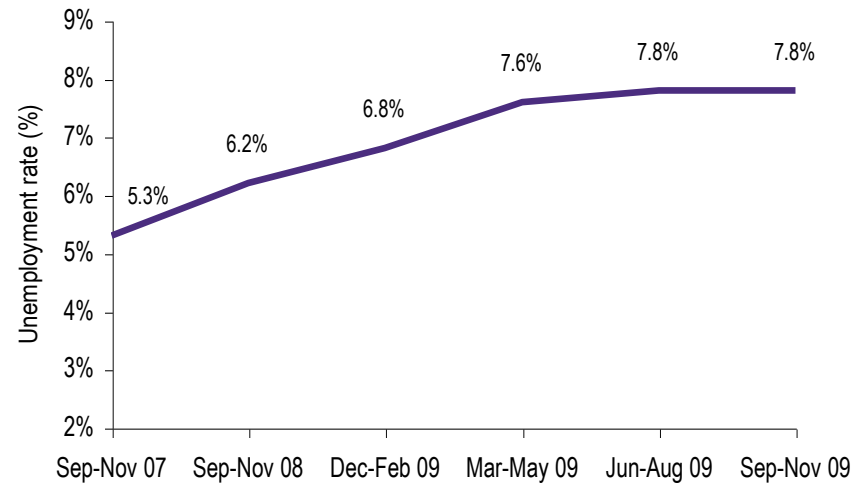
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UK market

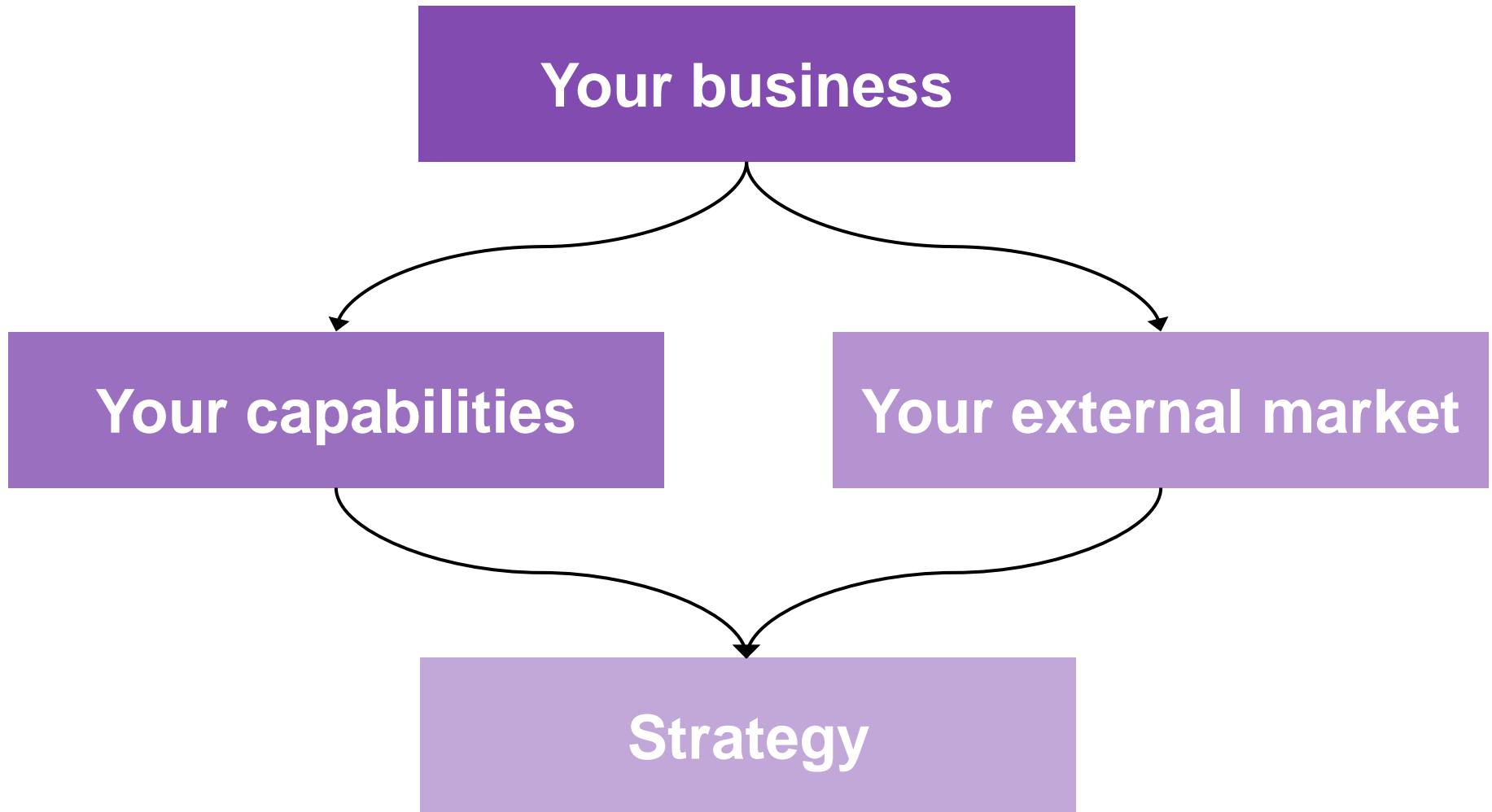
GDP growth, Q4 04-Q4 09



Unemployment rate, Sep-Nov 07-Sep-Nov 09



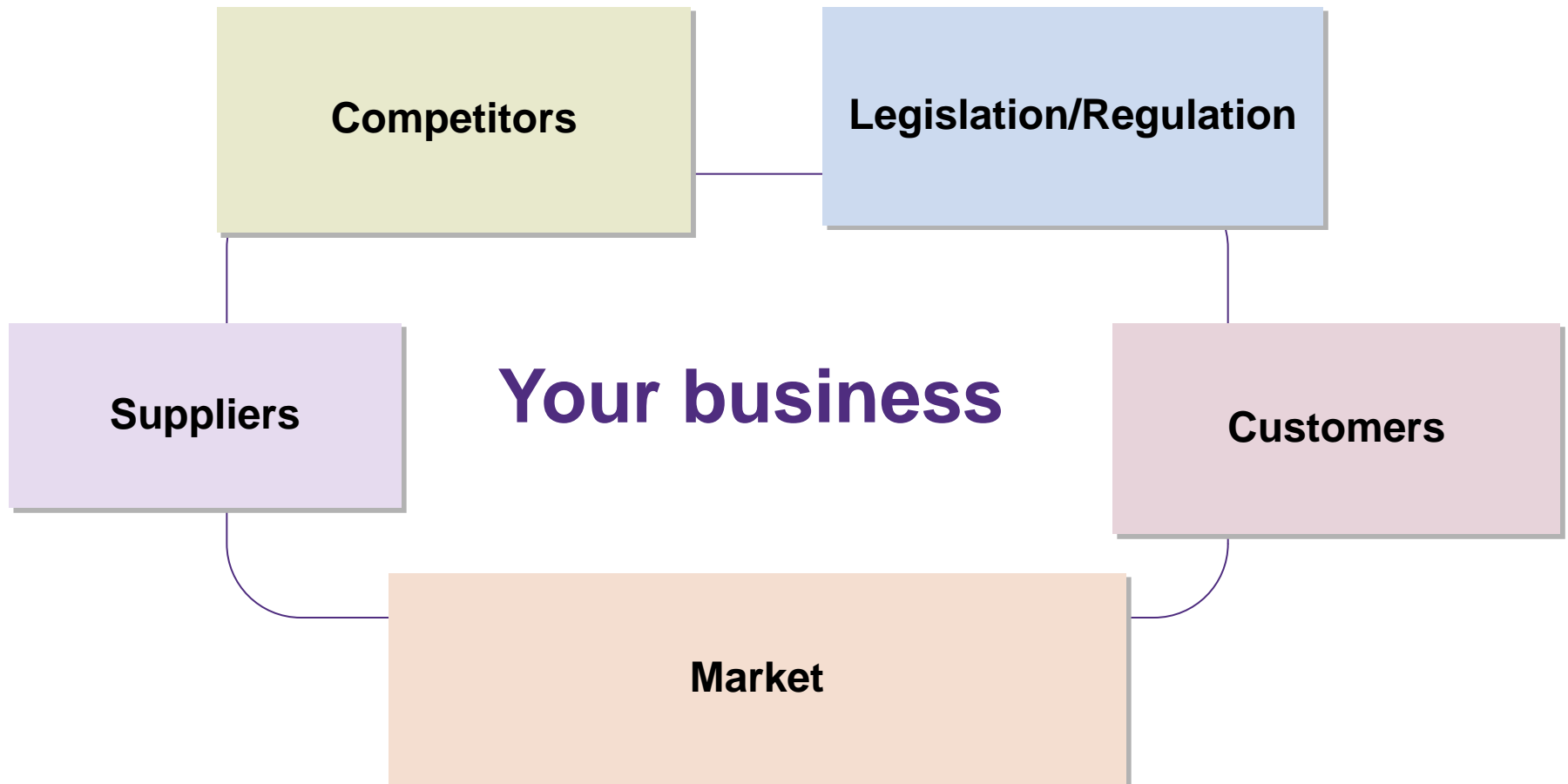
Understand your business



Companies are driven to look at the market as commercial due diligence is essential for success

- Uncertain and rapidly changing environment
- Understand and anticipate market dynamics
- Scenario analysis to expose risks and opportunities
- Anticipate competitors' strategic moves
- Consumer profiling and referencing to understand how the current economic conditions have impacted consumer behaviour and whether these changes are likely to persist once the economy recovers

What is happening in the market?



Why is it important?

Case study : Project Shoe

The engagement

- Commercial review on a large sports wear manufacturer
- The manufacturer's financial performance was well below expectations and we had been asked to conduct a commercial due diligence to determine why this was the case

What we did - The key aspects of the support provided were to:

- Understand the cause of the financial underperformance, providing comfort to the bank that it was recession led rather than any long-term competitive/market/customer issues
- Localise the issue through competitive benchmarking and other analysis, determine if it was caused by a short term recession impact or a longer term corporate strategy flaw
- Identify the key areas where revenue loss and understand if this could be turned around
- Outline areas for a potential turnaround, ranging from a re-development of corporate strategy, adapting the business model or a potential exit strategy from one of their markets

Key outcomes and benefits

- Identified key areas which were negatively affecting the profitability of the company, such as branding and distribution strategy
- Using our findings and projections we recommended the company was able to realign their distribution strategy to address market positioning and also re-calculate the potential short-term loan requirements from the bank as well as change

Why is it important?

Case study : Project Elba

The engagement

- In October 2009, Grant Thornton advised on the restructuring for one of the world's largest chain of hotels

What we did

- CDD on the 9 hotels and 6 markets through desktop and primary research
- Assessed the tourism markets at the 6 countries, focusing on the dynamics of leisure and business tourism and how that could evolve in the next 4 years
- Identified the key growth drivers and risks, conducted an external review of the market place to get an understanding driver performance in the future and impact on the client
- Mystery shopping, benchmarked the hotel against key competitors, assessed branding, collated customer feedback to and identified growth and stagnant markets

Key outcomes and benefits

- Which hotels were doing well and which were not
- Was it purely due to the recession or if there were fundamental problems with the hotel (poor operation, strong competition, declining popularity as a tourist destination etc)
- Give comfort to the client on likely performance in the next few years, what were the key issues that needed to be addressed and any upside potential

Why is it important?

Case study

The context

- In December 2009, Grant Thornton advised a injection moulding company on how to increase sales. The company supplied the automotive market and had experienced strong decline in turnover due to the recession

What we did

- We moderated workshops to allow the client to focus resources on the most appropriate strategy to increase sales (combination of existing and new products and customers)
- The team tested management's view on (non)-attractiveness of other markets by doing a high-level analysis of growth drivers, growth forecasts, competitive intensity
- The client requested us to assess the medical device market which the management considered as a potentially interesting market to enter
- The analysis involved market sizing, analysis of barriers to entry, analysis of legislation, competition and prioritisation of applications that best suited the client's capabilities

Key outcomes and benefits

- The client understood that it had no real USPs vs. competition
- The client acknowledged that the medical device market could provide an alternative to declining markets such as automotive, but barriers to entry were high
- The team was able to guide the client's thought process and train the client on the processes to use in customer profitability analysis or steps in identifying new markets

Questions?

