

**Deloitte.**

# Strategy

Mitja Pirc

DMS, 21.01.2021



# Agenda



**1. What Comes First? (The Chicken/Egg Dilemma)**



**2. Being Questionable: ask great questions**



**3. Balancing Factually Boring and Creative**

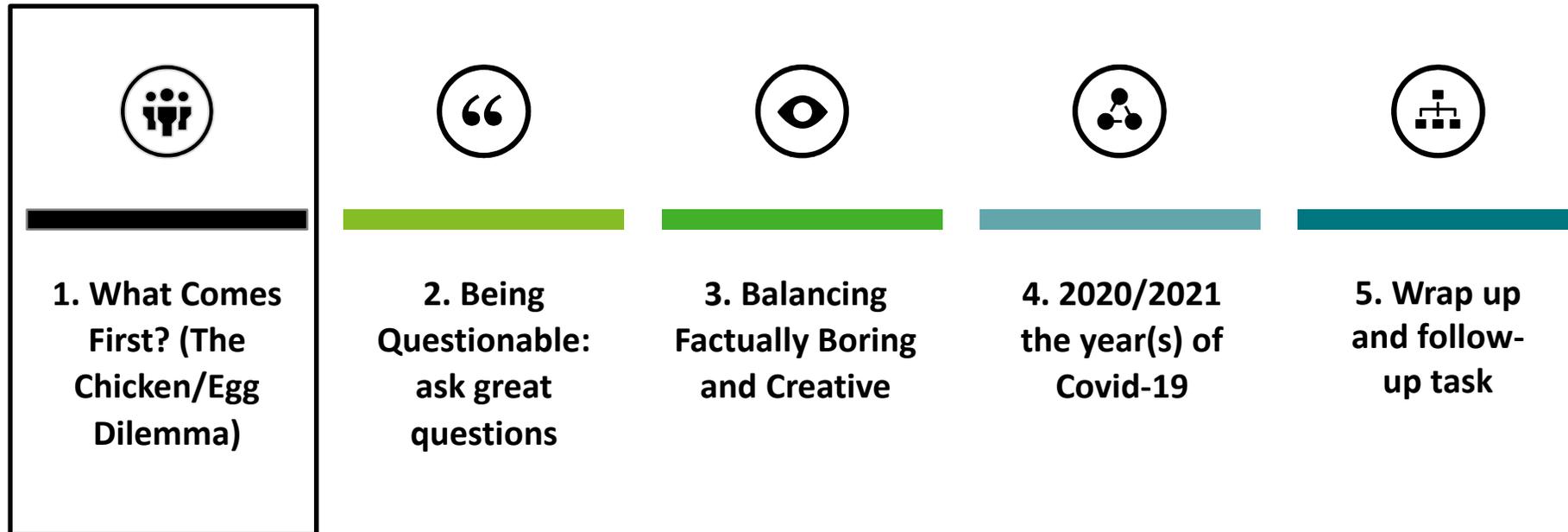


**4. 2020/2021 the year(s) of Covid-19**



**5. Wrap up and follow-up task**

# Agenda





**“Strategy is a *pattern* in  
a stream of decisions.”**

- Henry Mintzberg

- What is not a **strategy**?
- How to turn a strategy into a **plan**?
- When do you know a strategy is good?
- **Strategy = we are competitive?**
- Strategy = digital transformation?
- Strategy = like **start-ups**?
- Strategy = be **innovative**?
- First mover vs. Fast follower? (**best beats first**)
- Strategy: **Customer intimacy, Cost leadership, Niche?**



**Strategy – where we are now, our goal and approach. The horizon of the strategy can be short (weeks), mid-term (up to one year), longer term (multiyear)**

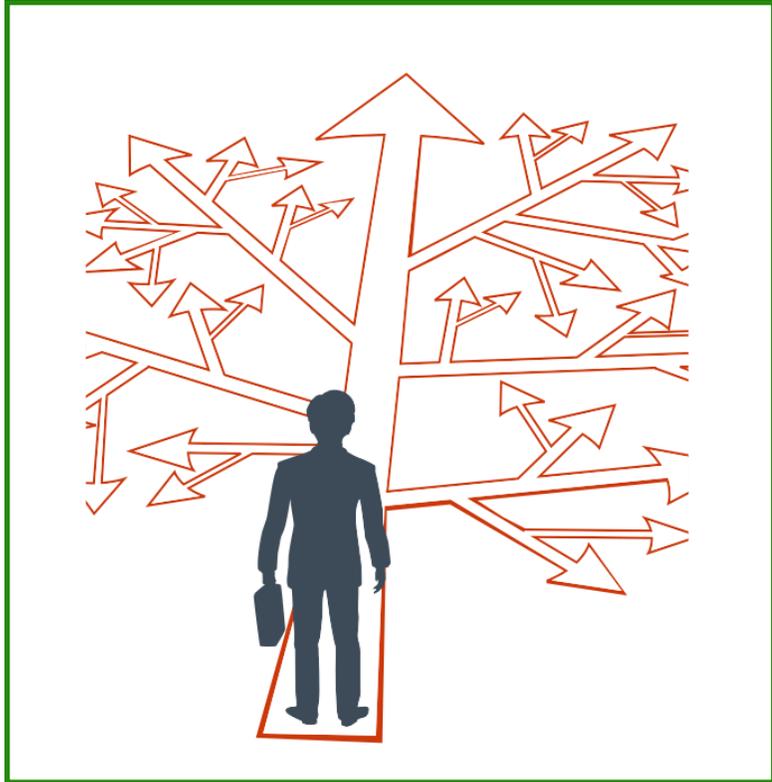
**1** 1. Where we are now?

**3** 3. What do we need to achieve our goal?

**2** 2. Where do we want to go?



# Decision makers face big challenges in these times: strategies, tactics and operations are all mixed up



# The key starting questions is what are our goals for the next 6-12 months?

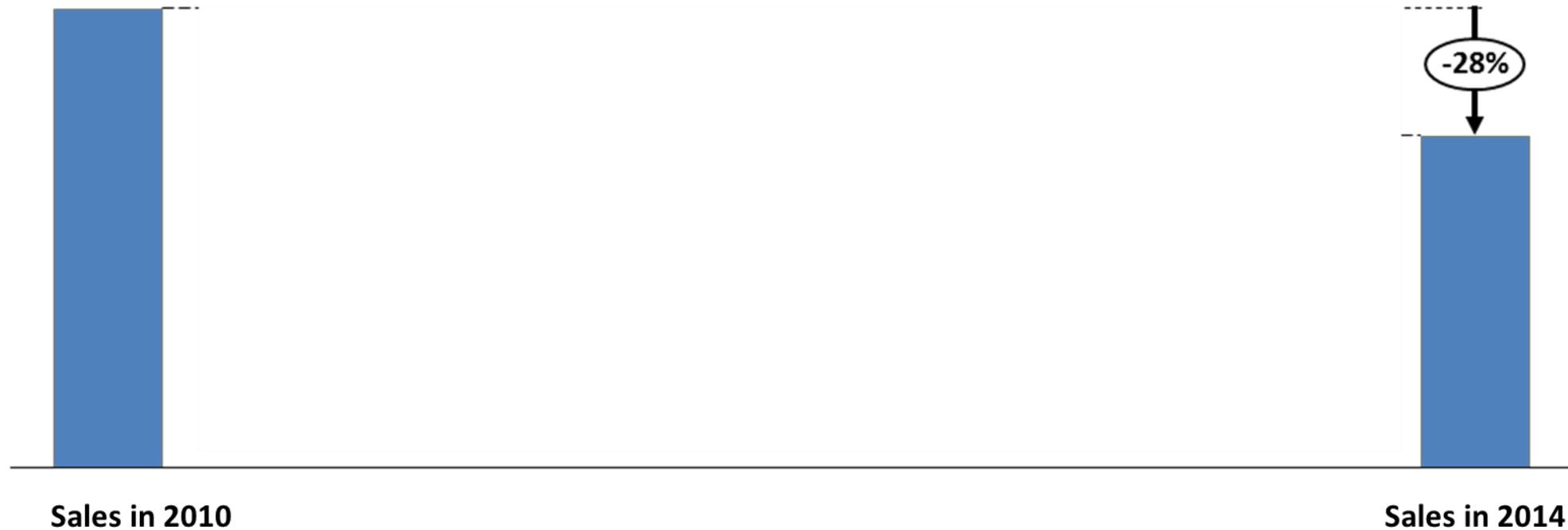
## OUR CORE BUSINESS GOALS:

1. Rapid growth for market share and market closure
2. Profit **optimization** for company sale
3. Company transformation for **survival**
4. Do we want **5% or 50%** growth next year?
5. How do we see ourselves on the long term (5, 10, 15 years in a market ecosystem?)
6. What do we need to do **today** (investment in technology, research, staff / competencies) to be competitive (= survive) in 5 years?

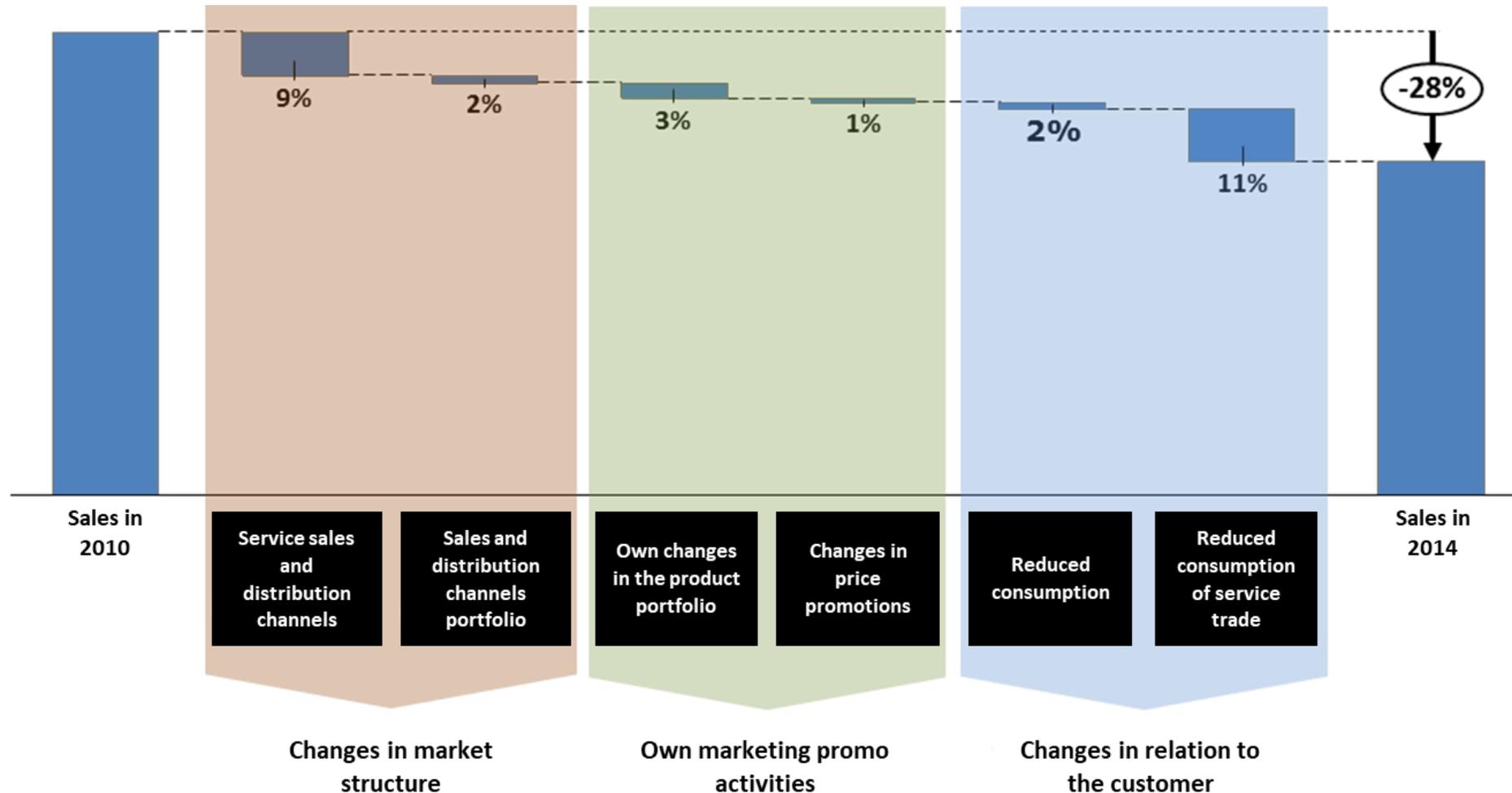
# Attitude towards strategy / plans is defining how the plan is prepared, contextualized and formalized

- Formal vs. informal strategy
- **Extensive documents vs. short strategies**
- Short-term strategies (= next year's budget) vs. long term strategy
- **Survival strategy vs. growth strategy vs. transformation strategy**
- The difference between **corporations, SMEs, entrepreneurs?**

**Example (Slovenia): Sales in the ABC category decreased by 28% (2014/2010). The trend is alarming and poses a risk to the company. The key question is what are the causes of the drop in sales and possible measures?**



**Key reasons for lower sales:** changes in sales channels and reduced category (consumer) consumption. Own marketing promo activities negatively affected sales.

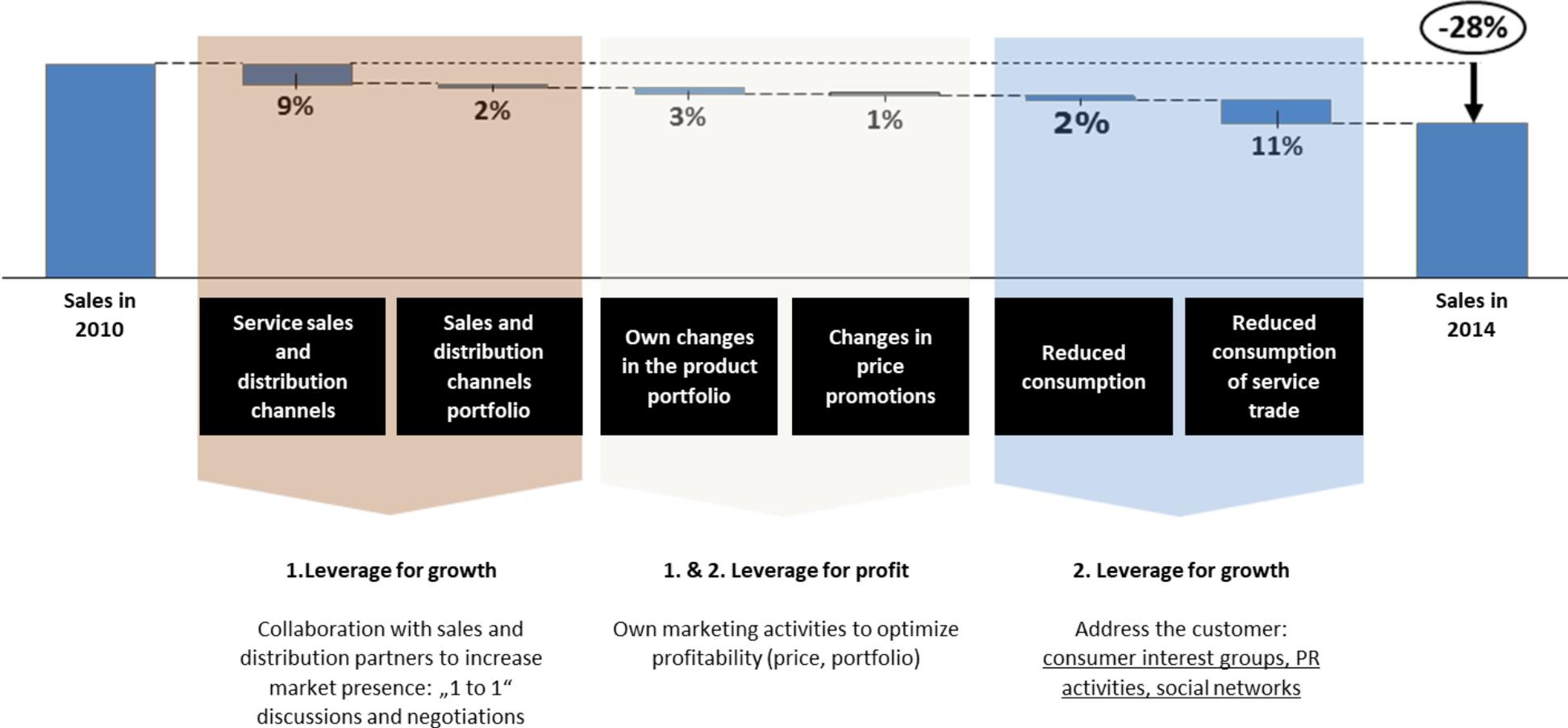


### Levers for revenue growth:

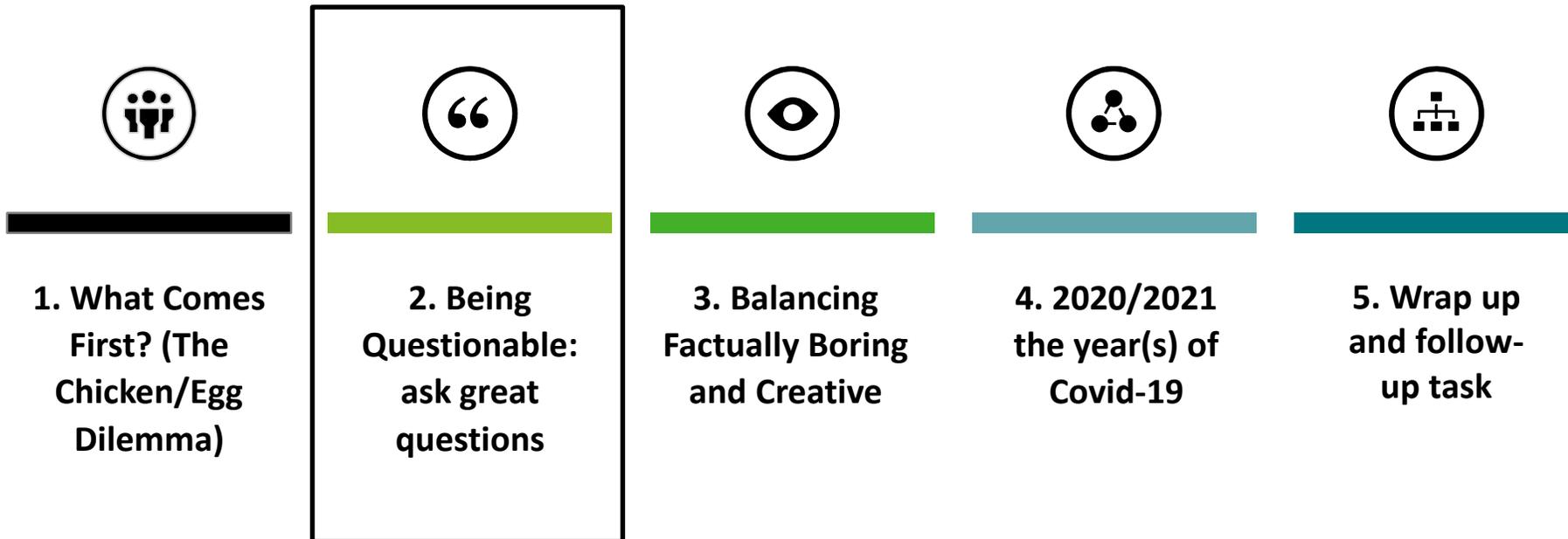
1. cooperation with sales and distribution partners,
2. addressing consumers (PR, etc.).

### Leverage for profit:

1. promotion optimization,
2. portfolio optimization.



# Agenda





**“The essence of  
strategy is choosing  
what *not* to do.”**

**- Michael Porter**

# Three key elements of a good strategy

## 1. Components of a good strategy

1. Clear diagnosis
2. A guiding policy
3. Coherent actions

## 2. Elements of a bad strategy

1. Fluff
2. Failure to face the challenge
3. Mistaking goals for strategy
4. Bad strategic goals

## 3. Competitive advantage

1. Ability to deliver value the market cannot match
2. Develop the current value at a lower cost
3. Create a sustainable advantage that can't be replicated by a competitor

## 4. How do you test your strategy?

1. Examine existing case studies or knowledge bases
2. Conduct a real-world test
3. Examine the risk factors and isolate them according to the probabilities
4. Scientific induction



**Diagnosis is the basis and the first step for preparation of options. At the end a decision is made on the most appropriate plan of actions and followed by implementation.**

Diagnosis		What is happening in the environment in which we operate and how are we prepared for a change?
Guidelines and decision	Assumptions	What is most likely to happen in our environment?
	Research	How can I adapt to change?
	Option selection	Which option will we choose together?
Implementation		Who is involved in implementation?

# Example (Slovenia, Croatia) (wine producer)

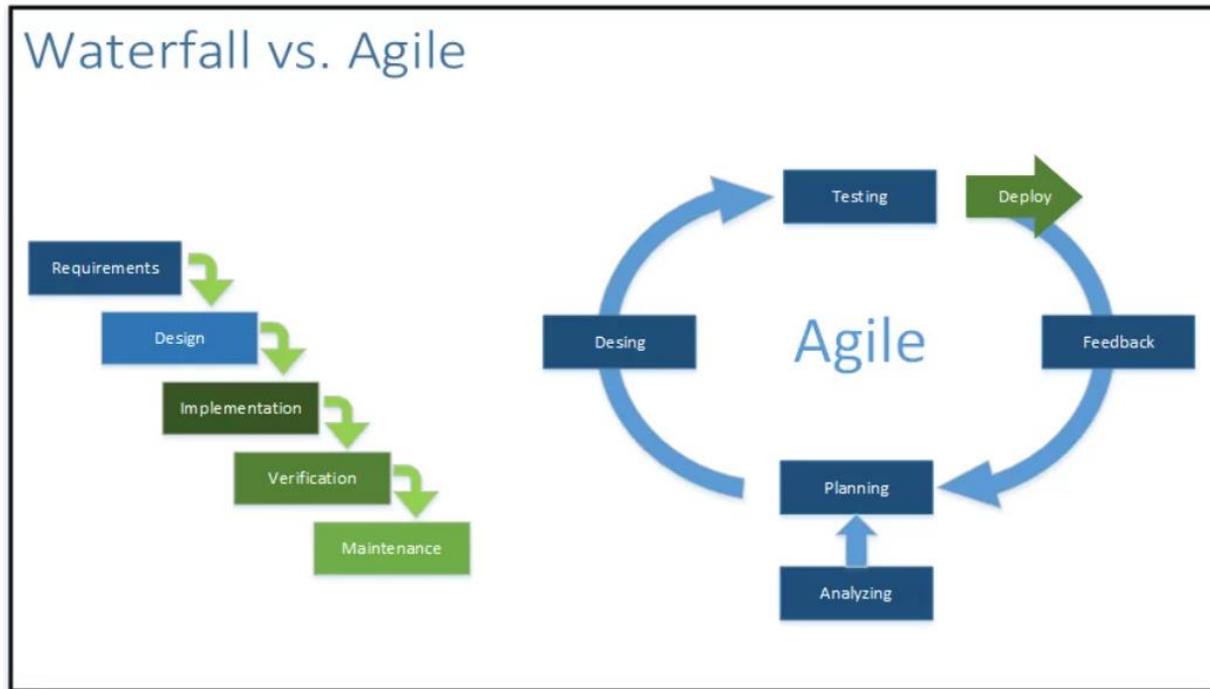
Diagnosis		 <p>Revenue has grown for three years, but stopped in the last year</p> <p>Saturation in the target group and existing channels</p> <p>Non existing communication between marketing and sales</p>
Guidelines and decision	Assumptions	 <p>The entire domestic market will not grow in the upcoming years</p> <p>Existing target groups do not allow for additional growth in market share</p> <p>Without collaboration between mkt and sales there will be no desired results</p>
	Research	 <ol style="list-style-type: none"> <li>1. Maintain focus on the domestic market vs. penetration abroad</li> <li>2. Combining the sales and marketing department vs. improving communication processes</li> <li>3. Production of new products for younger consumers vs. rejuvenation of brands</li> </ol>
	Options selection	 <ol style="list-style-type: none"> <li>1. Maintain a share in Slovenia and focus on Croatia through existing partners,</li> <li>2. Brand rejuvenation and existing products</li> <li>3. Preparation of adaptation of the organization and communication processes between marketing and sales</li> </ol>
Implementation		 <p>Define: activities, step by step approach for strategy implementation and assign responsibilities for implementation</p>

# The implementation plan consists of the steps that are necessary to achieve the desired goal, which was defined in the strategy.

Elements	Key question
Key steps	<ul style="list-style-type: none"><li>• What steps do we need to take on the way to the goal?</li><li>• Do we know the steps, do we know how to make them?</li></ul>
Responsible person	<ul style="list-style-type: none"><li>• Who will prepare the implementation plan?</li><li>• Who will be responsible for implementation according to the action plan?</li></ul>
Timeframe	<ul style="list-style-type: none"><li>• What is the time frame of the entire implementation and individual steps?</li><li>• Who oversees the implementation according to the timeline?</li></ul>
Real plan	<ul style="list-style-type: none"><li>• Is the prepared plan realistic and will we really be able to implement it with the available resources?</li></ul>
Important milestones	<ul style="list-style-type: none"><li>• What are the important milestones of implementation and who checks progress when reaching the milestone?</li></ul>

**Decide on Waterfall vs Lean approach**

# Waterfall vs Agile approach in selling, example of cross-selling of financial products to end customers (CEE)



## How to implement agile sales

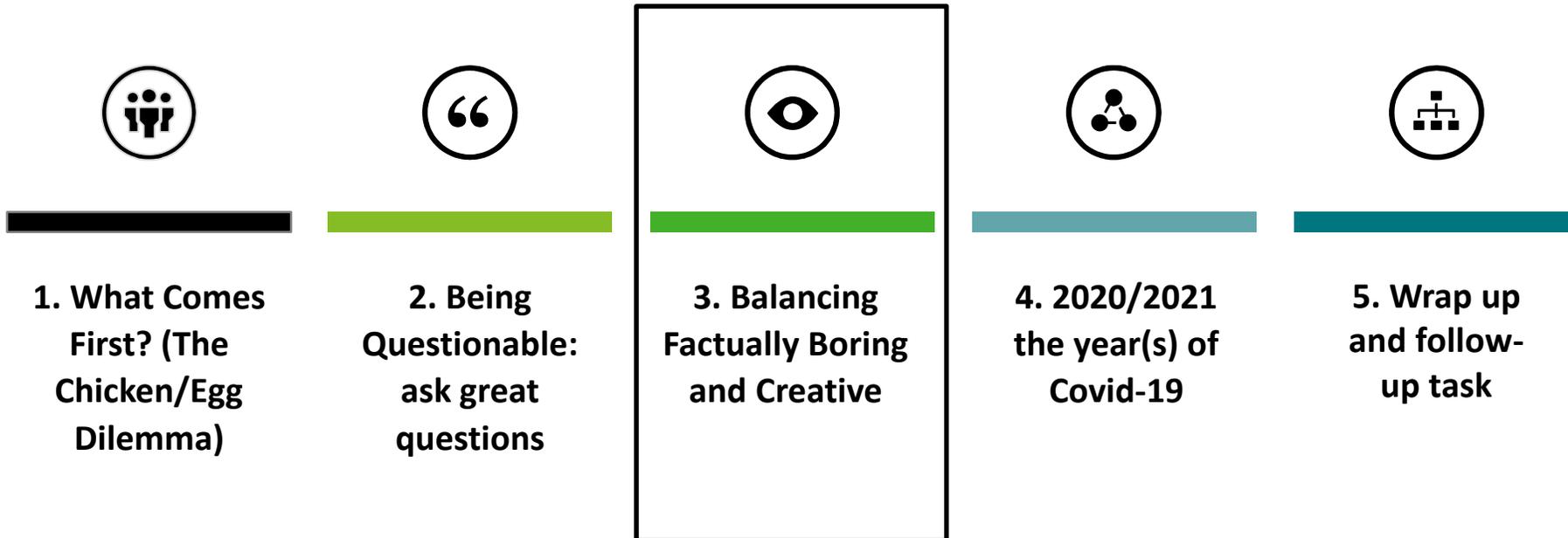
- Approach for first 100 days: go from “what offers work” to “quick wins” + “removing barriers”
- Start small and scale with time:

Activity	January	February	March
Quick Wins	█		
Removing Barriers		█	
Opportunity to Scale			█

## Three types of syncing meetings

- Daily “stand-up” = call each morning (15 mins)
- Weekly meeting / call (Friday afternoon) (1 hour)
- Monthly reporting to Management (1 hour)

# Agenda

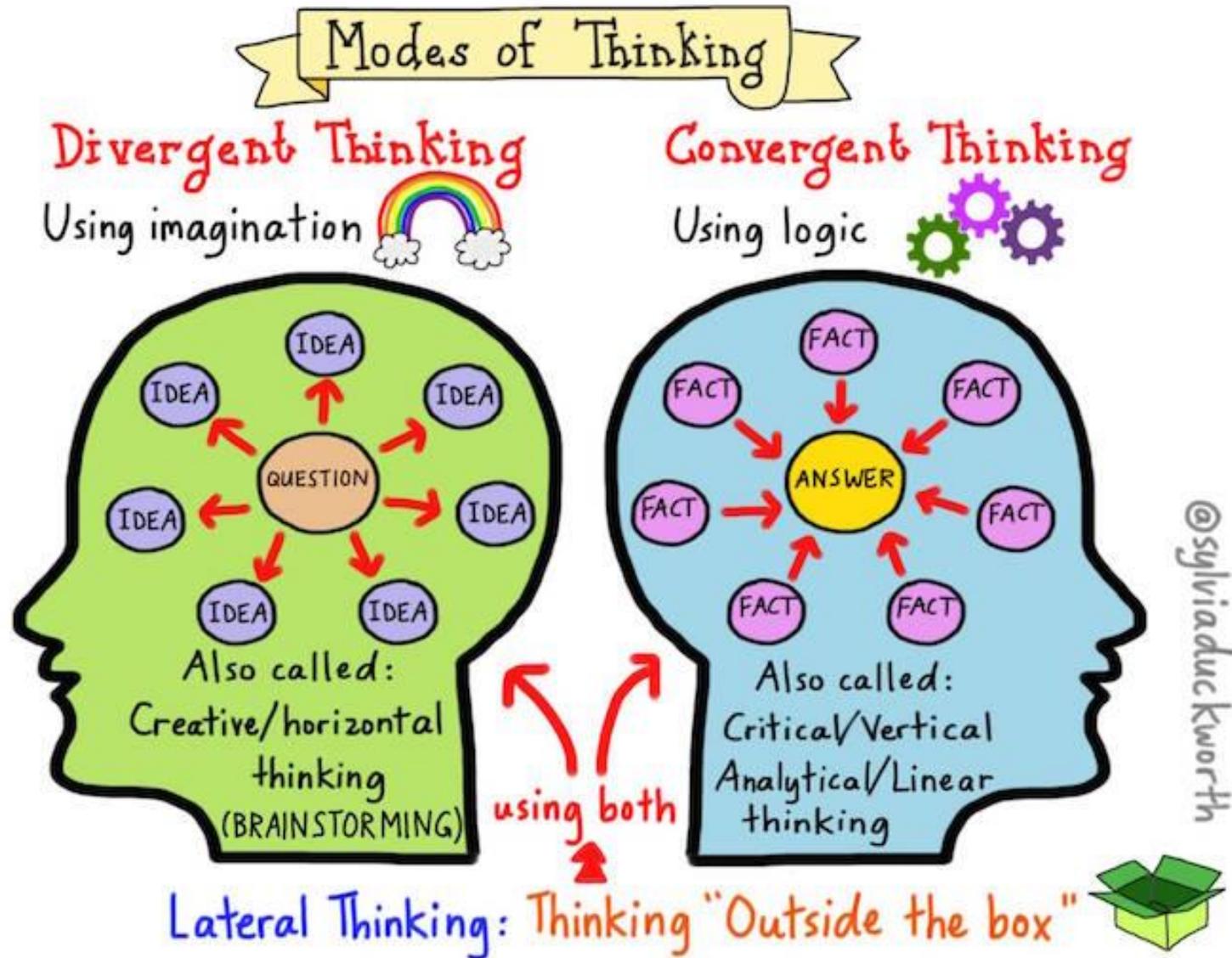




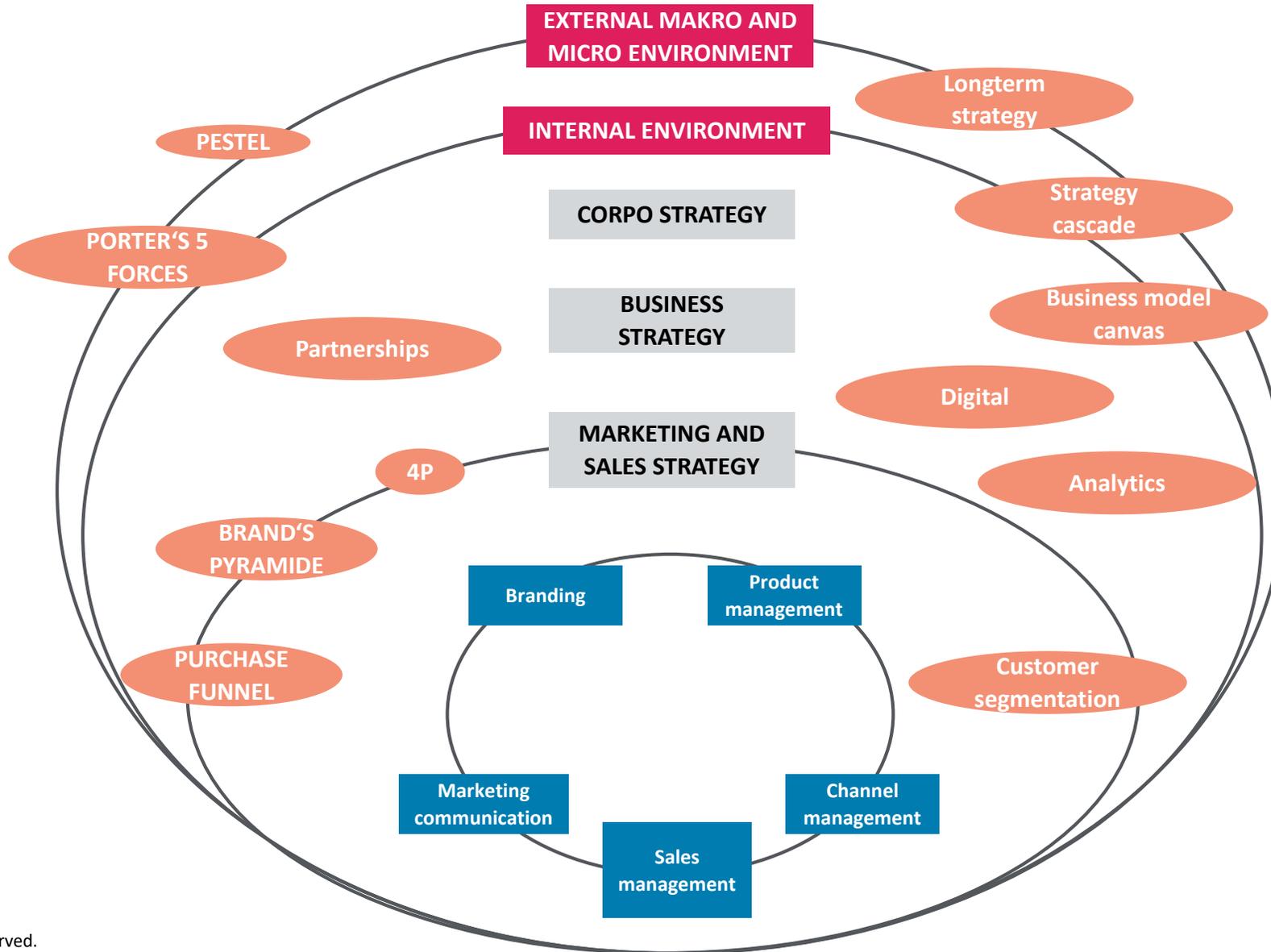
**“Culture eats strategy  
for breakfast.”**

**- Peter Drucker**

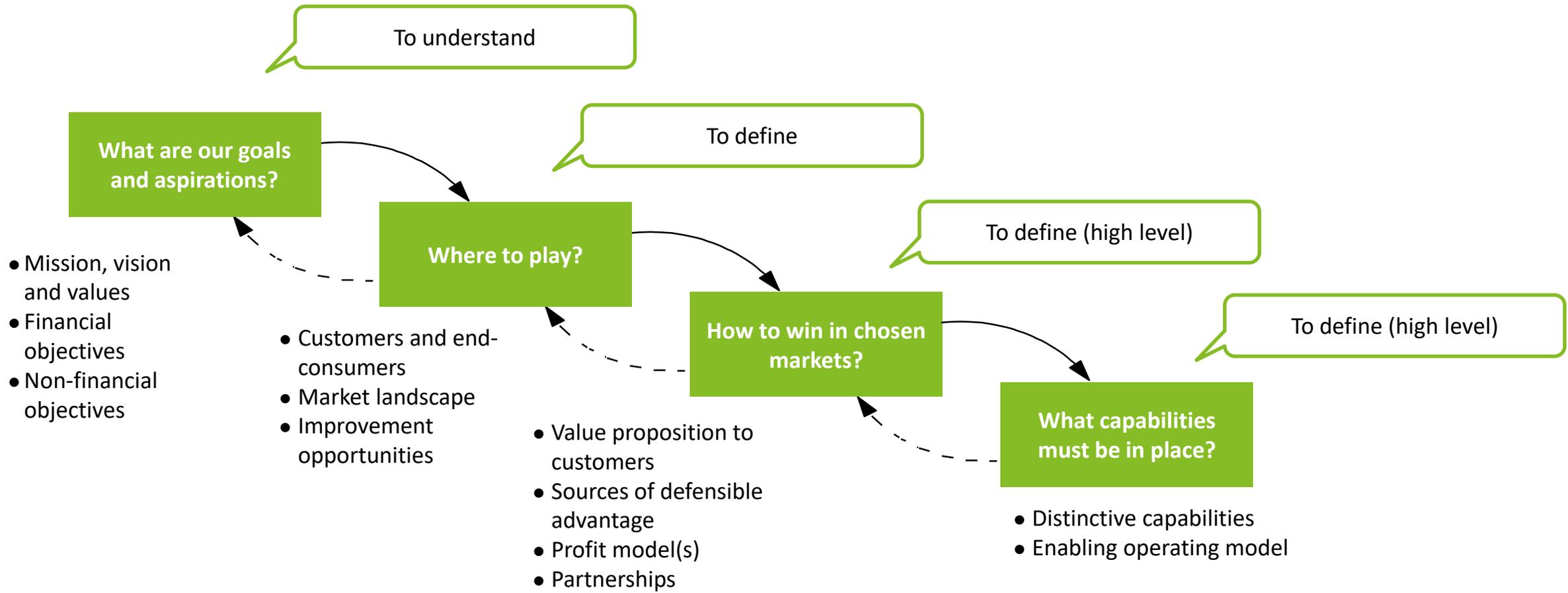
# Balancing Factually Boring and Creative



# The first step of a structured approach is to choose the most suitable model



# Strategy Cascade™ framework



# The Business Model Canvas

Designed for:     Designed by:     Date:     Version:

## The Business Model Canvas

<p><b>Key Partners</b> </p> <p>Who are our key partners? Who are our key suppliers? Which key resources are we acquiring from partners? Which key activities do partners perform?</p> <p><b>KEY PARTNER RELATIONSHIPS</b> Distribution agreements Production of key and critical parts Essential of particular resources and activities</p>	<p><b>Key Activities</b> </p> <p>What key activities do our Value Propositions require? Our core processes (internal) Customer Relationships? Revenue streams?</p> <p><b>KEY ACTIVITIES</b> Production Problem Solving Platform Support</p>	<p><b>Value Propositions</b> </p> <p>What value do we deliver to the customer? Which one of our customer's problems are we looking to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?</p> <p><b>VALUE PROPOSITIONS</b> Novelty Performance Customization "Getting the job done" Design Brand/Status Risk Cost Reduction Risk Reduction Accessibility Convenience/Usability</p>	<p><b>Customer Relationships</b> </p> <p>What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which types have we established? How are they integrated with the rest of our BUSINESS MODEL? How costly are they?</p> <p><b>RELATIONSHIPS</b> Personal assistance Self-Service Automated Services Communities Co-creation</p>	<p><b>Customer Segments</b> </p> <p>For whom are we creating value? Who are our most important customers?</p> <p><b>KEY SEGMENTS</b> Individuals Organizations Government Sub-sectors/Markets</p>
<p><b>Key Resources</b> </p> <p>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?</p> <p><b>KEY RESOURCES</b> Channel Creative, Intellectual Property, Skills Human Physical</p>	<p><b>Channels</b> </p> <p>Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? What are our best practices? Which are our most cost-effective? How are we integrating them with customer relationships?</p> <p><b>CHANNELS</b> 1. Awareness How do we make ourselves known to our target market? 2. Evaluation How do we let customers evaluate our proposition's value proposition? 3. Purchase How do we allow customers to purchase our products and services? 4. Delivery How do we deliver our value proposition to customers? 5. After-sales How do we provide post-purchase customer support?</p>	<p><b>Cost Structure</b> </p> <p>What are the most important costs inherent in our business model? Which key resources are most expensive? Which key activities are most expensive?</p> <p><b>KEY COST STRUCTURES</b> Cost of Direct Materials and Services, for sales, infrastructure, minimum automation, intensive subcontracting Sales Channel (focused on relationship, premium value-added activities)</p> <p><b>KEY COST STRUCTURES</b> Fixed Costs (salaries, rents, utilities) Variable Costs Economies of Scale Economies of Scope Economies of Experience</p>	<p><b>Revenue Streams</b> </p> <p>For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Customer Segment contribute to overall revenues?</p> <p><b>REVENUE STREAMS</b> Asset Sale Usage Fee Subscription Fee Licensing Advertising</p> <p><b>ASSET SALES</b> Upfront Royalty Residual Performance-based</p> <p><b>USAGE FEES</b> Usage-based Usage-based + variable Usage-based + fixed Usage-based + variable + fixed</p> <p><b>SUBSCRIPTIONS</b> Subscription Usage-based Usage-based + variable Usage-based + fixed</p> <p><b>ADVERTISING</b> Advertising Sponsorship Referral Affiliate</p>	

DESIGNED BY: Business Model Foundry AG  
(The creators of BUSINESS MODEL GENERATION and STRATEGYZER)

This work is licensed under the Creative Commons Attribution 4.0 International License. To view a copy of this license, visit <http://creativecommons.org/licenses/by/4.0/> or send a letter to Creative Commons, 171 Second Street, Suite 300, San Francisco, California, 94105, USA.

**Strategyzer**  
strategyzer.com

# Example 1: In the case of Company A (Cleaning products, Slo), we have identified growth opportunities using PESTEL analysis

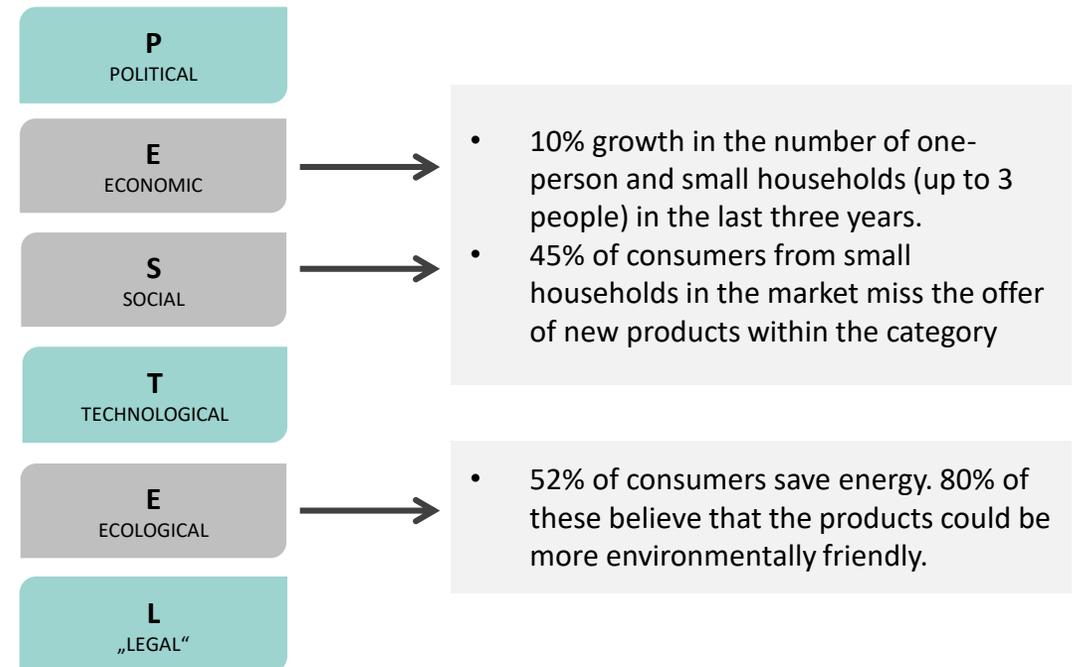
## Challenge

- **Situation:**
  - Company A's market share in the market is declining. (cleaning products)
  - Home category sales are declining
- **Goal:**
  - Definition of growth potential (potentially interesting categories) on the Slovenian market.

## Model selection



## Model utilization



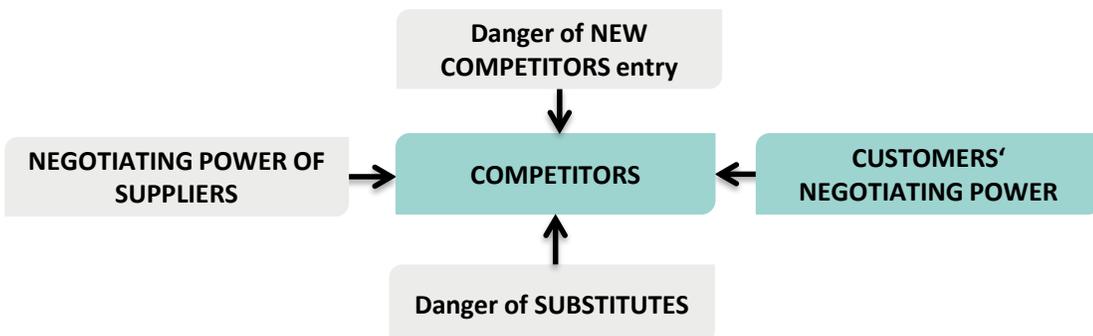
**There is an unmet need in the market for consumers for the relevant category of organic products for small households.**

# Example 2: In the case of Company B (IT company, Cro), who is losing its position in the market, we identified the main comparative advantage using the analysis of Porter's 5 forces

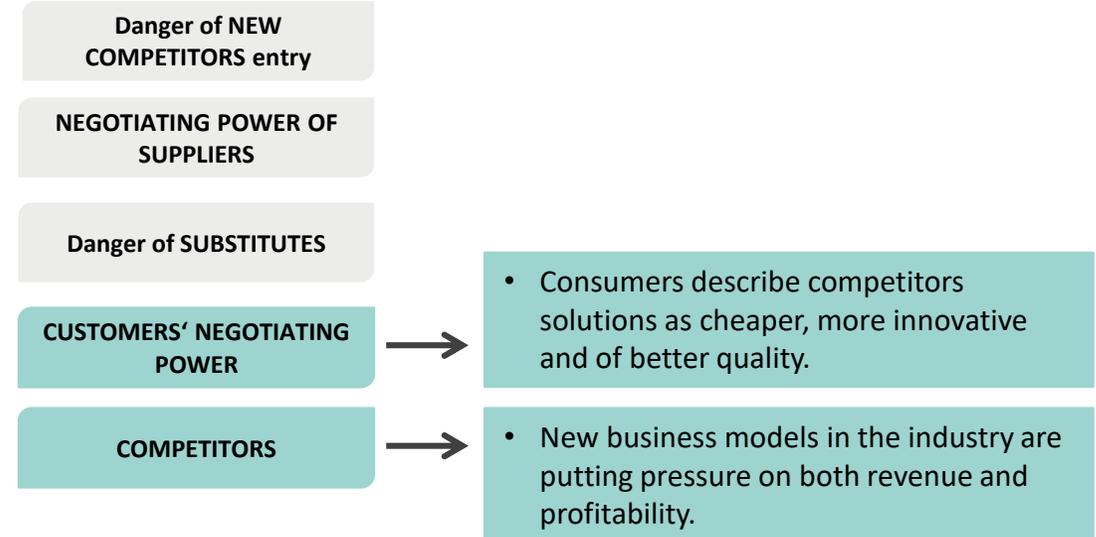
## Challenge

- **Situation:**
  - Company B is losing its reputation and position of provider quality solutions (implementation)
  - Company B plans to improve its offering in the
- **Goal :**
  - Preparation of market positioning strategy.

## Model selection



## Model utilization



Explore two alternatives:

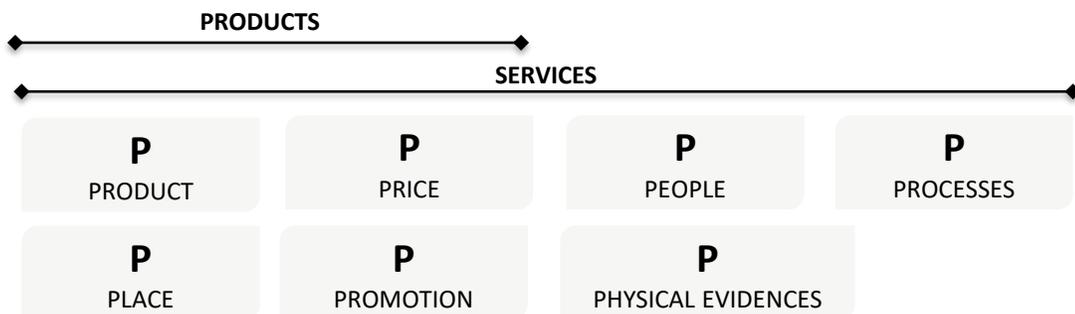
1. A different delivery approach to reduce costs and improve delivery (look for employee engagement, speed, etc.)
2. Enter one of emerging areas, e.g. cloud solutions

# Example 3: For the FMCG manufacturer (SEE), we developed the starting points for the product and brand portfolio using the 4P model

## Challenge

- **Situation:**
  - A range of different brand lines and product portfolio
- **Goal :**
  - Define the starting points for the product and brand portfolio optimization

## Model selection



## Model utilization

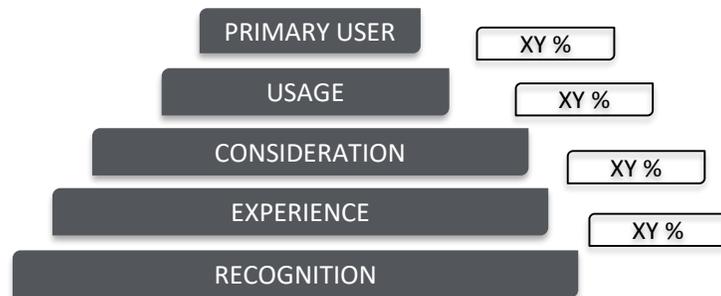


# Example 4: The power pyramid of the brand helped us to create relevant marketing goals for a company from the cosmetics industry (Slo)

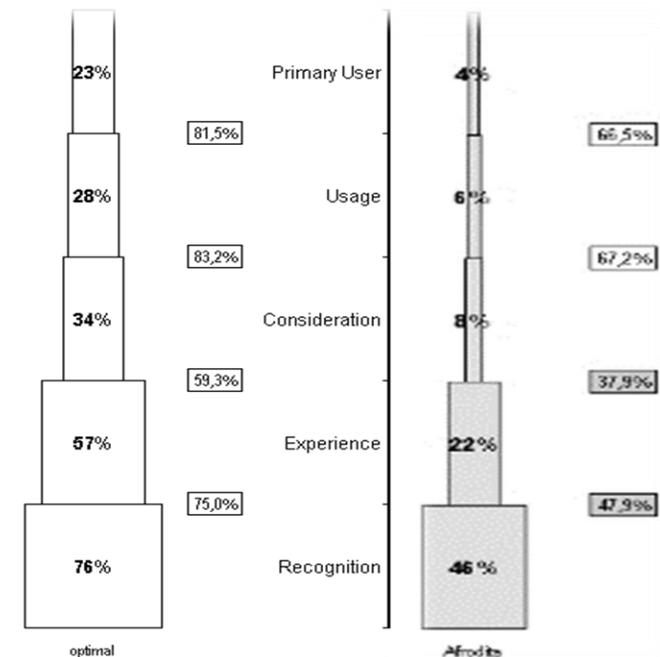
## The client's challenge

- **Situation:**
  - The company does not measure the strength of the brand.
  - It sets marketing goals based on subjective assessments.
- **Goal:**
  - Define brand strength and 'levels' where the brand ineffectively addresses consumers.

## Model selection



## Model utilization



- Consumers recognize a brand when they see it, however they do not test it

Creating a marketing goal: Consumers need to be encouraged to test the company's products.

# Example 5: The analysis of the car brand (Slo, Cro) purchase funnel resulted in better understanding of the purchase process and consumer's points of dissatisfaction during the purchase process

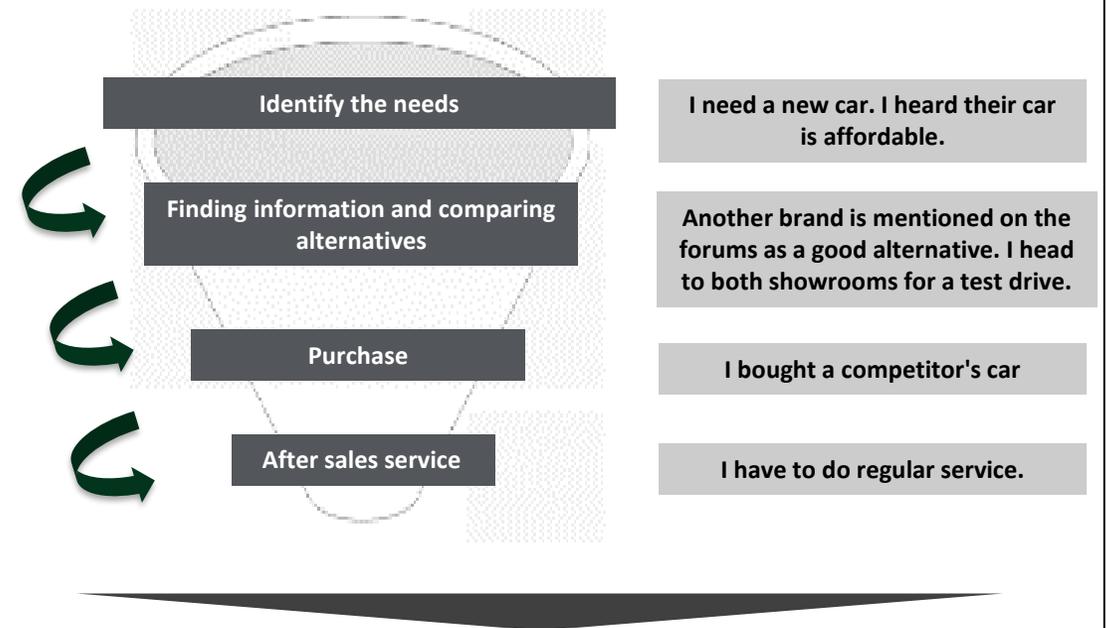
## Challenge

- **Situation:**
  - The company does not know the buying process of consumers and does not measure the conversion between the individual stages of the funnel.
- **Goal :**
  - Understanding the shopping funnel and identifying challenges at individual stages.

## Model selection



## Model utilization



Based on the understanding of the consumer's decision-making and the purchasing process, we found that consumers know the offering of our customer, however they are not satisfied with the possibility of test drives (too few vehicles available).

# Example 6: Alliances in entering other markets.

## Example 6a: Follow the big customers

## Example 6b: Partner with firms that have great market access

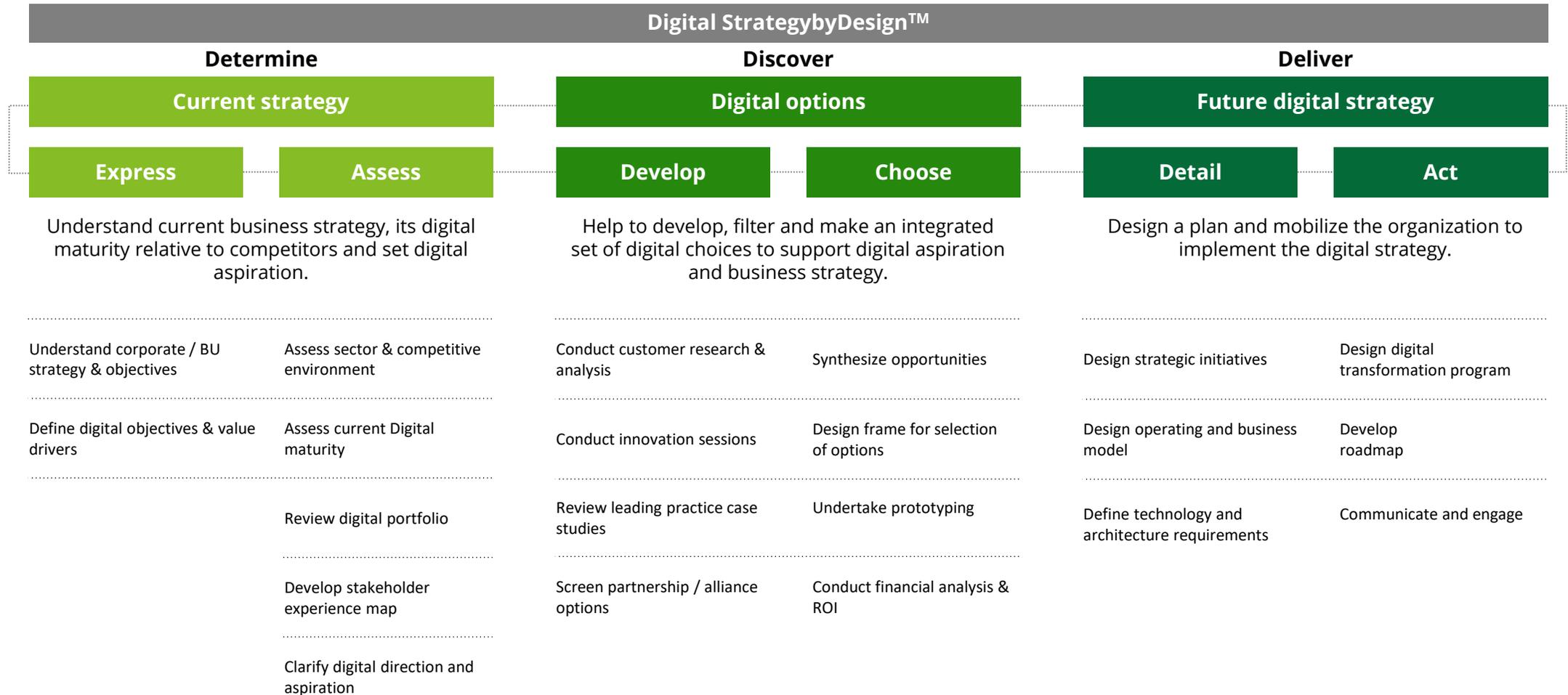
	Transactional connection	Strategic partnership	Joint venture	M&A
Goal	<ul style="list-style-type: none"> <li>Access to specific pre-existing elements of integration, e.g. sales channels</li> </ul>	<ul style="list-style-type: none"> <li>Creating total added value through risk management, investments and resources</li> </ul>	<ul style="list-style-type: none"> <li>Companies combine their equity and establish a joint and separate company</li> </ul>	<ul style="list-style-type: none"> <li>One of the companies takes over the other, along with intellectual property, employees and assets</li> </ul>
Features	<ul style="list-style-type: none"> <li>Small-scale cooperation</li> <li>Specific objectives</li> <li>Time-limited cooperation</li> </ul>	<ul style="list-style-type: none"> <li>Long term cooperation</li> <li>Reciprocal relationship</li> <li>Coordinated strategy</li> </ul>	<ul style="list-style-type: none"> <li>Long-term cooperation, but limited in time</li> <li>Each company maintains its own activities and continues its business path</li> </ul>	<ul style="list-style-type: none"> <li>Permanent, legally binding cooperation</li> <li>One of the companies takes over formal control of the other</li> </ul>

Costs, legal and integration complexity

Low High



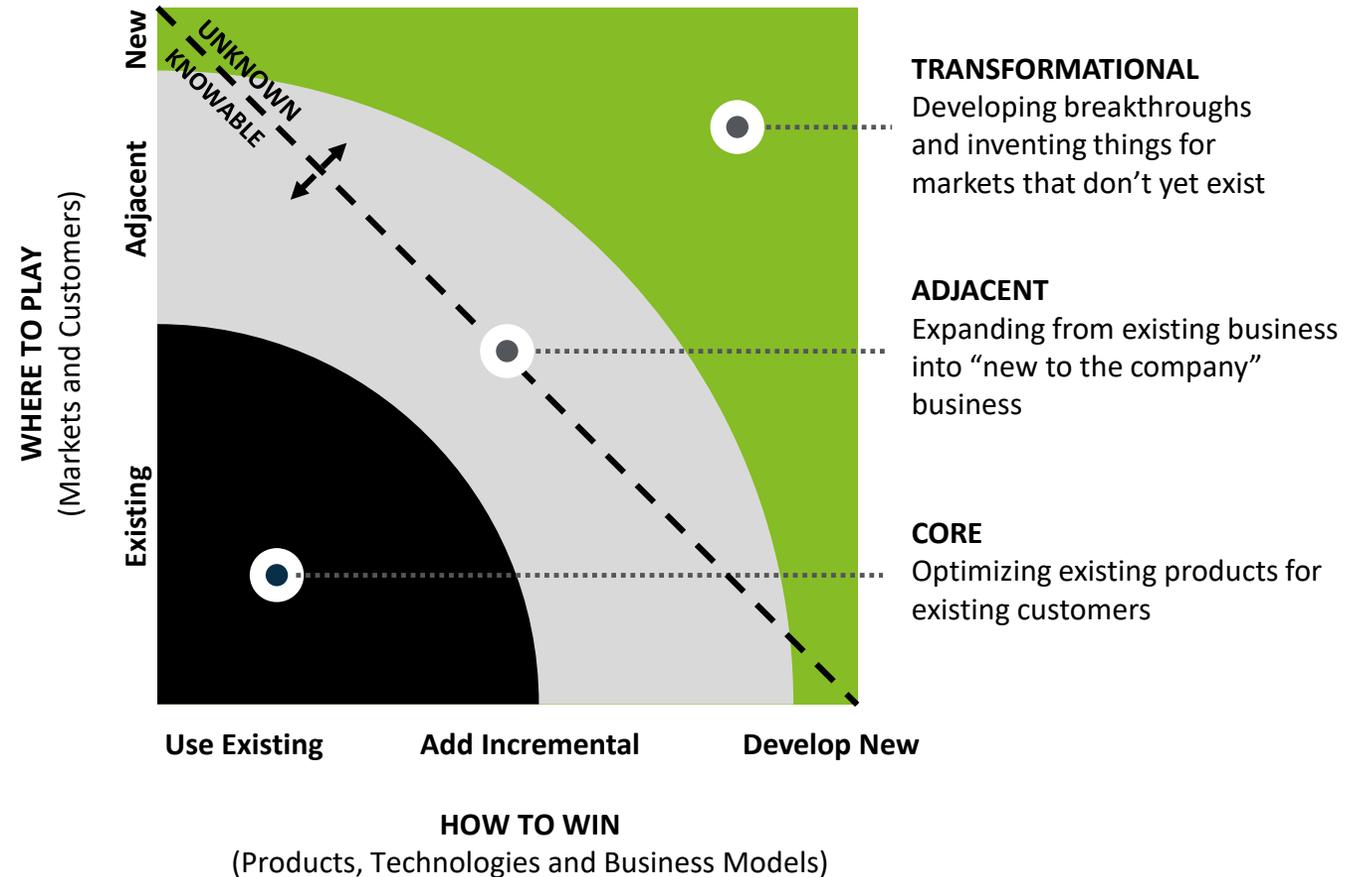
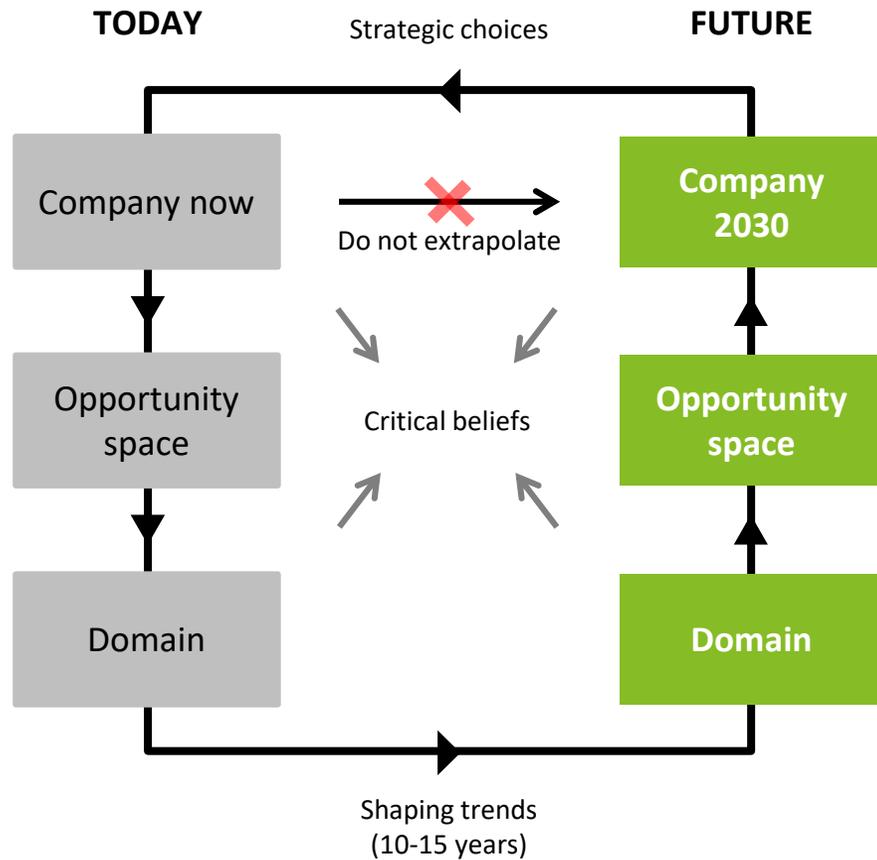
# Example 7: digital strategy, e-commerce strategy



# Example 8: An Insight Driven Organization embeds analysis, data and reasoning into their decision making processes



# Example 9: Long-term strategy and balanced growth portfolio



# Drivers of the future world

## Technological



Additive  
Manufacturing



Artificial  
Intelligence



Augmented  
Reality



Automation



Data storage



Cloud  
Technology



Geospatial  
Technology



Focus on  
Transparency



Internet  
of Things



Social  
Media



Technization of  
Healthcare



Digitization

## Societal



Competition  
for Talent



Concentration  
of Wealth



Crowdsourcing



Demand for  
Customization



DIY Movement



Urbanization



Empowered  
Women



Knowledge work



Mass  
Migration



Next-Gen  
workforce



Partnership  
Models



Sharing Economy

## Economical



Data  
Monetization



Industry  
Consolidation



Globalization



Resource Price  
Volatility

## Environmental



Resource  
Scarcity



Climate Change



Environmental  
Awareness

## Political



Political  
Fragmentation



Regulatory  
Landscape

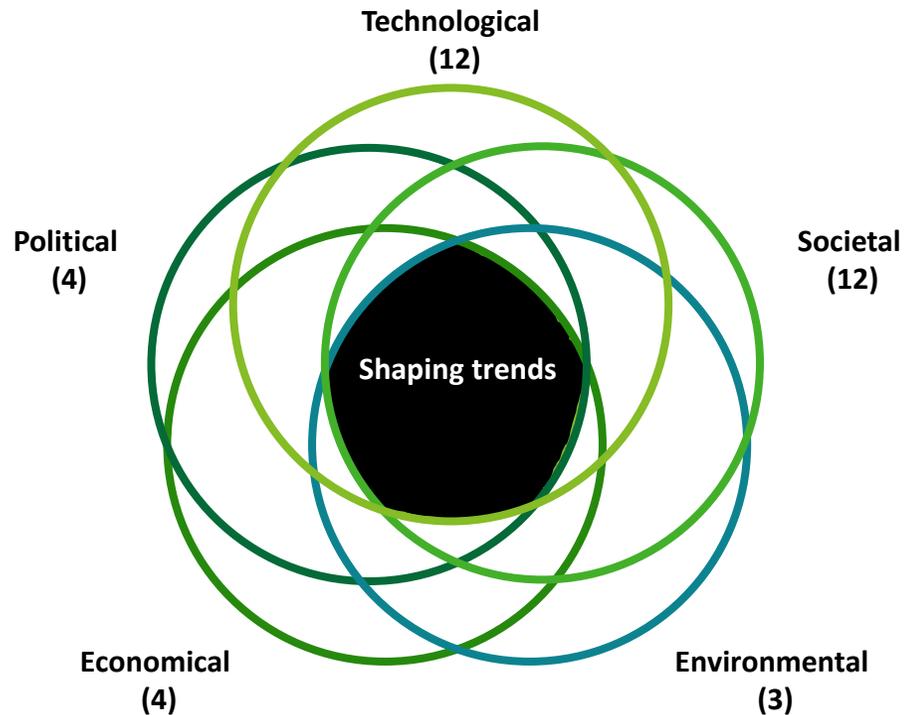


Social Unrest



Terrorist  
Organizations

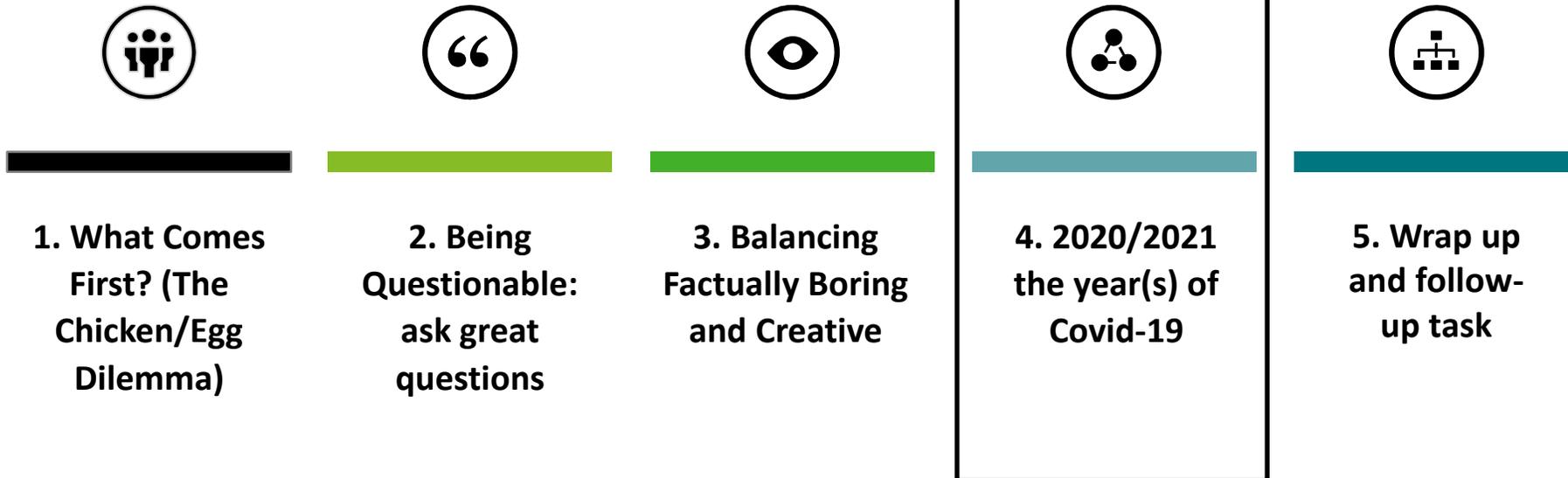
# From macro trends to shaping trend



## Examples of Shaping Trends

From Delivery Customers to Delivery Competitors.	From Durable Products to Consumable Goods.
From Welcome to Walls.	From I Want It Soon to I Want it Now.
From Marketed Sustainability to Imperative Sustainability.	From 'Hi Mum', to 'Hi Siri'
From Careers to Hustles.	From the human brain to the digital brain

# Agenda



# Due to high uncertainty there are multiple scenarios

1

Storm



## Best case scenario

- Health care systems are successful in combating virus spread and pandemic if over within 2-3 months
- Mid term disruptions on both supply and demand side
- Government stimulus in place to mitigate crisis

- Need for a fact based analytics on possible impact on 3-6m revenues and P&L
- Blocked supply chain or logistics centers
- Need to reduce temp. labor
- Need to cut down flexible costs
- Need for salary reductions

2

Tornado



## Mid-worse case scenario

- Virus remains chronic and returns in autumn
- Long term crisis on both supply and demand side
- Government stimulus in place but not sufficient to „kick start“ the economy

- Need for a fact based analytics on possible impact on 12m revenues and P&L
- Need to stop important CAPEX projects
- Blocked regions, borders, absenteeism and sick leaves crisis
- Strongly negative midterm cash flow
- Need for operations stops
- Need for staff lay-offs

3

Tsunami



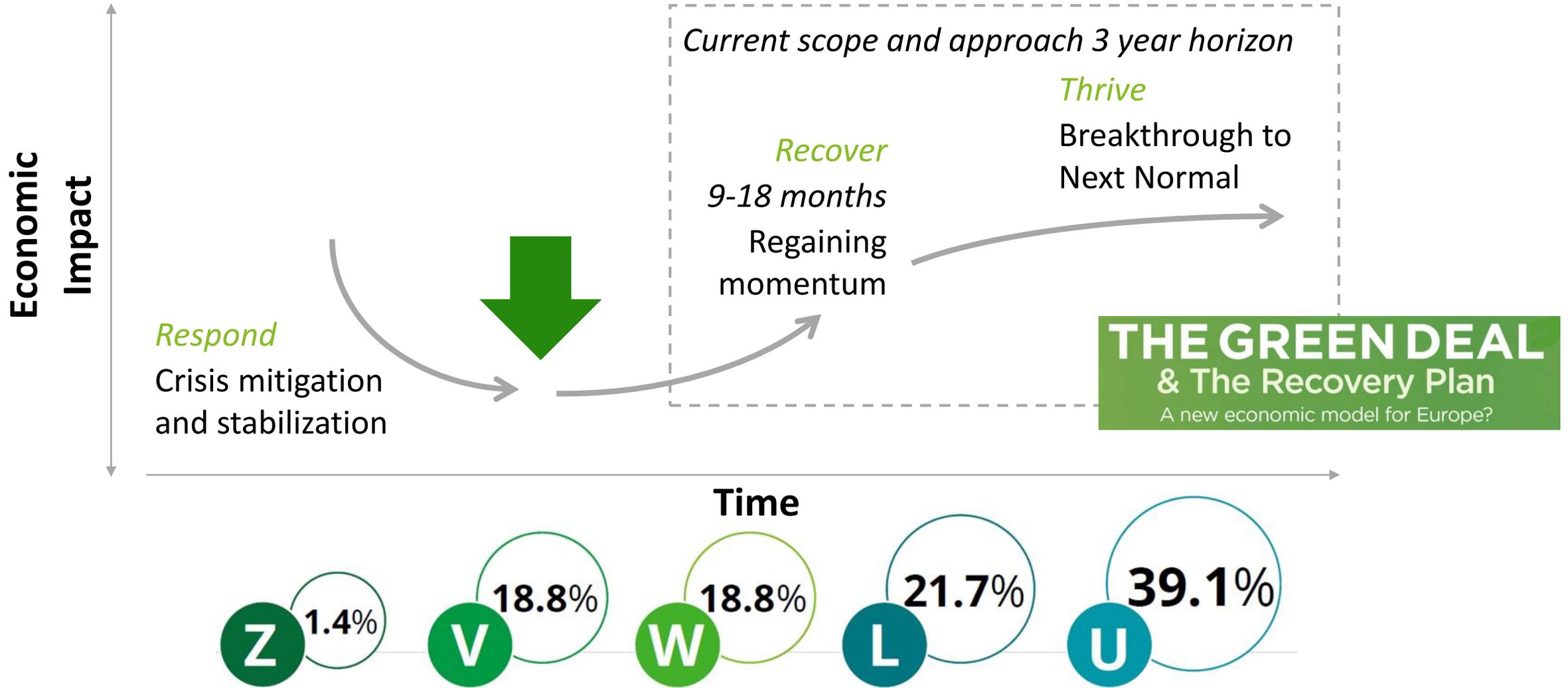
## Worst case scenario

- Most of population infected and/ or 18 months before situation stabilization
- Disruptive changes to business landscape
- Governments unable to combat economic depression

- Need for a fact based analytics on possible impact on 1-3y revenues and P&L
- Fix costs can not be covered
- Strongly negative long term cash flow
- Need for sell-out of assets and financial restructuring
- Need to close a part of the business
- Total turnaround program

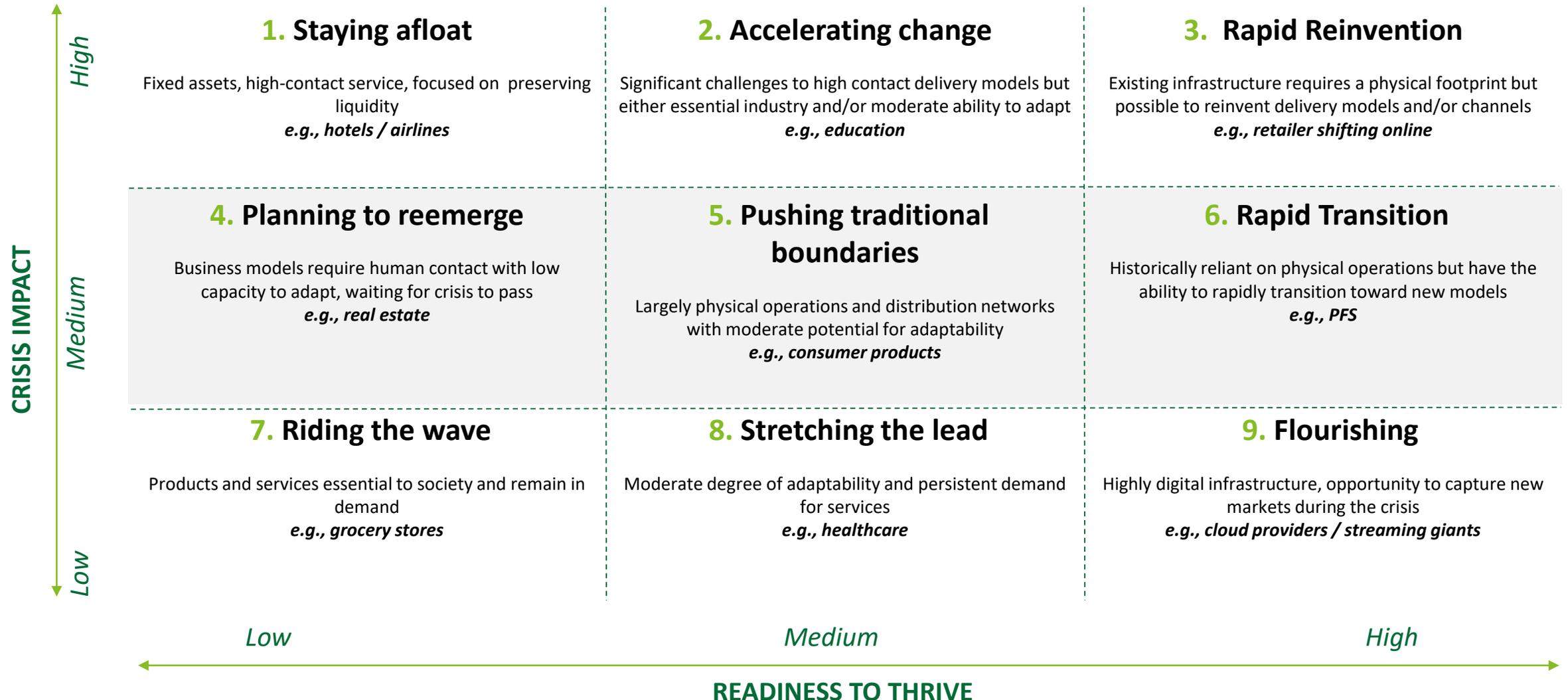
Selection of measures is based on level of crisis

# Crisis Management Response

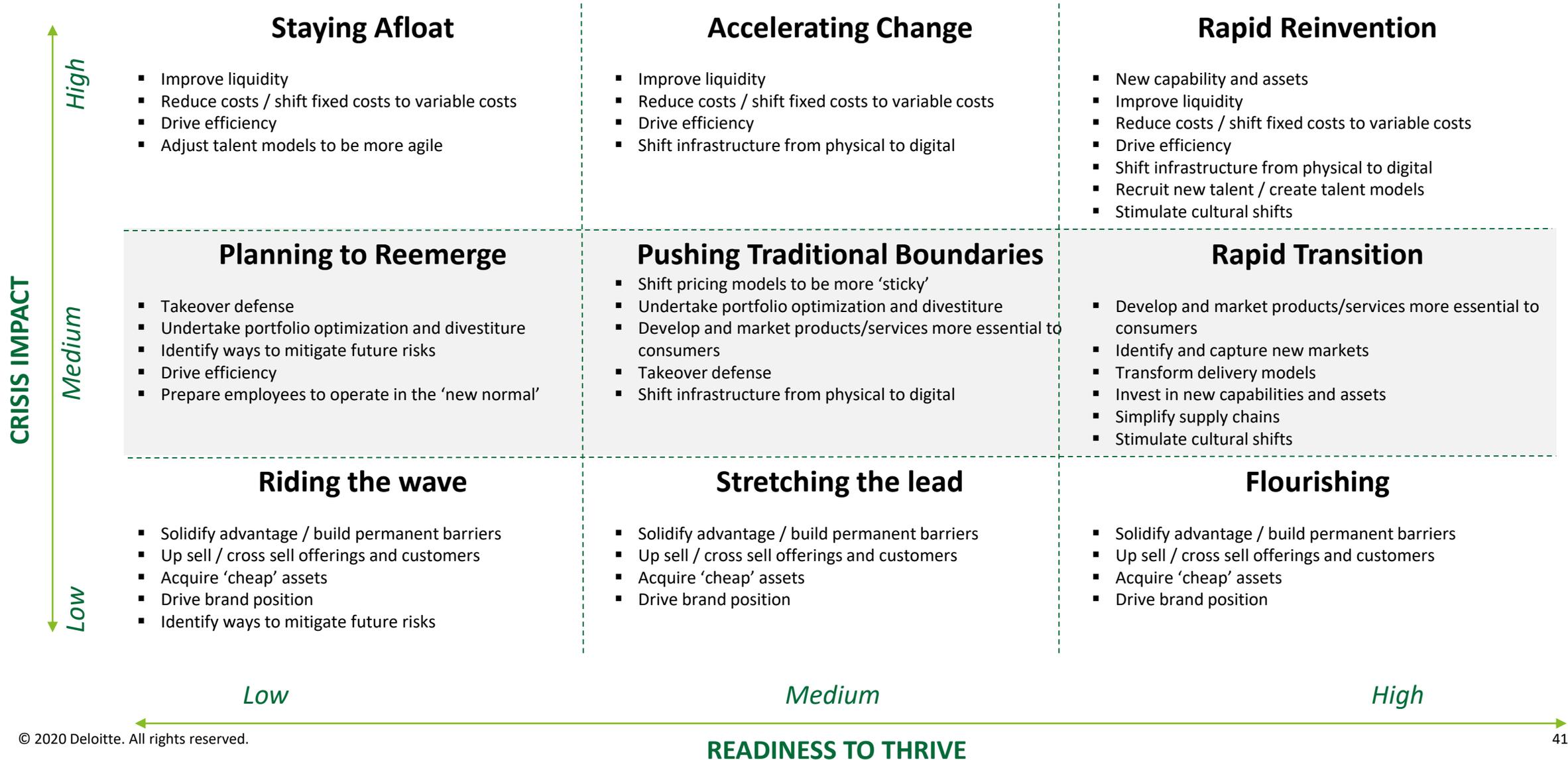


Source: Deloitte analysis

# Accelerator: Strategic Orientation map - Understanding our position within scenarios and our industry



# Accelerator: Strategic Orientation map - Understanding the most appropriate levers for our industry



# Self-diagnostic exercise

We believe that businesses in the **recovery phase** will be best orchestrated through three critical actions: **reflect**, **restart**, and **revitalise**. These actions can help businesses to bridge the crisis response to a successful future, by laying the foundation to thrive in the aftermath of the crisis.

## Recover

What stage of recovery is your business at?

How do you understand the stages of business action to plan for and address?

Some example questions the tool covers, over a range of different areas of your business.

What is the value?



### Reflect

Where do you stand today?

1. What has worked? What are you proud of?
2. What has been learned, and what has been missed in the response?
3. What needs to change?
4. What has the impact been on your workers?
5. What has the impact been on your competitors?

Get up to speed on the impacts to your business



### Restart

What can you kick start now?

1. What steps are required to restart your business?
2. What does it look like? What products and services, digital and physical?
3. What workforce is critical to restarting?
4. How will you comply with COVID restrictions. How do you measure compliance, and what processes need to be in place?

Identifying immediate steps for your business to action



### Revitalise

How can you start to shape your future?

1. Has COVID revealed new opportunities for your business?
2. What workforce productivity lessons did you learn and how you optimise moving forward?
3. Is there opportunity to scale virtual service offering, and how could you best minimise the bottom line?
4. Did COVID impact your reputation (by industry or business actions) and how can you optimise or mitigate this shift?
5. How could you better optimise your supply chain?

Re-visiting and forecasting to seize opportunities

# Self-diagnostic exercise: Reflect



# Self-diagnostic exercise: Restart



# Agenda



**1. What Comes First? (The Chicken/Egg Dilemma)**



**2. Being Questionable: ask great questions**



**3. Balancing Factually Boring and Creative**



**4. 2020/2021 the year(s) of Covid-19**



**5. Wrap up and follow-up task**

# Next steps – Suggestions for opportunities to explore immediately

1

**Find 3 new customer segments or channels you are not addressing yet:** What are possible ways of adding more revenue and creating stronger sales pipeline? Are there segments which are not addressing properly? Are there sales channels we are not using (enough), e.g. digital channels? Are our competitors doing something we are missing?

2

**Experiment with prices, but protect the revenue.** Create 3 ideas, how you could change you prices, e.g. short-term promotion, frame prices differently, bundle or unbundle offering?

3

**Improve the data and analyses you use.** Check if you have all the data (on time and fast) to make business decisions? What data/analyses are missing and what we can improve in the next days / weeks?

4

**Take advantages of opportunities provided by digitalisation of customers, employees, business partners.** Is there an opportunity to expand our market reach beyond our current markets? Can we change the way we sell, deliver products/services? What are the opportunities we can take advantage in the next days/weeks?

# Next steps – Follow-up task

Using learnings from today's workshop, prepare an improvement plan for next 6-12 months, taking into account:

- Covid-19 related reality: threats and opportunities
- Create full strategy structure: **diagnose, core, implementation plan**
- Use one or more tools for creating **competitive choices**
- Have in mind also cooperation/partnerships, stepping outside of immediate industry and playing macro trends

Keep in mind three key elements of strategy:

- a) Diagnose / Understand
- b) Core elements / Guiding principles
- c) Implementation plan / Set of coherent actions



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the “Deloitte organization”) serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 312,000 people make an impact that matters at [www.deloitte.com](http://www.deloitte.com). This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2020. For information, contact Deloitte Touche Tohmatsu Limited.