External Analysis

# Alkaline)

Setting the Stage

Gillette:

* Beauty products
* global markets

Duracell:

* Battery (non rechargeable, mostly Alkaline.
* Mostly US (Oligopoly 3 large player)

# Economics

Growth on GDP: Assess YoY GDP growth; not in a recession; positive GDP and steady growth

Core Inflation (Could look at CPI):

* 2.5-3%
* Ensure sales increases > Inflation

Interest Rates:

* 5-6%

Globalization

Social Cultural: concerns about the environment, but no big movement towards re-usable

Shifts in preferences:

* More products need batteries, impulse purchase
* consumers don’t know how long batteries last
* No clear consumer preference on brands

Tech trends: World split between zink and alkaline, acceleration in model introduction

Govt interrventions: N/A

Legal battles

Business Trends: Gilette buys Duracel, Ryovac goes public

# Key Success Factors

Distributors/Shelf Space

Business Cycle: Battery growing by 7%

# Porter

Power of buyers: 3 main distributors: Groceries, discounters and drug stores, rationalization in all 3 industries. Fewer, bigger, more powerfull

Rivalry:

* Oligopoly; should not be that competitive, to be profitable, should have some kind of peace between bug players. Before Gillette got involved, Ryovac, Duracell and Energizer user to peacefully grow the pie. Only go to war in a very large market; bigger guys can outlast the smaller ones. No point going to war if only a few big players
* Industry is falling apart

Competitors:

* Energizer: Introduced new generation, same price
* Rayovac: 20% below Duracell and Energizer
* Money back guarantee
* Private labels
* Sony, Kodak, Panasonic making an entry

Gillette payed 18X earnings - aggressive

At the end of analysis, come up with summary – general environment and industry. Opportunities and threats. Worthy of ranking them down.

EFE matrix: Takes summary, orders and puts values on it. Goal is to score weight \* [0-4], evaluate current strategy and see how it fits with Opportunities and threats. Ensures that key factors are attended for; smaller ones are immaterial and ignored

Internal Analysis

Much higher Operating margins than Duracell; might be overpriced

1997-2000: Current Ratio reduced by half; might run into liquidity issues in the near term; includes ~30% reduction in inventory so really drying up cash reserves

SHE reduced by 60% - fire that CEO

Supply side – no info

Operations:

* recognizable brand
* Gilette diversified

Distribustions: Worldwide market