12.3 Corporate and international strategy

Name: _____ Class: _____ Date: _____ **Total: 14 marks**

KEY WORDS Ansoff matrix • synergy

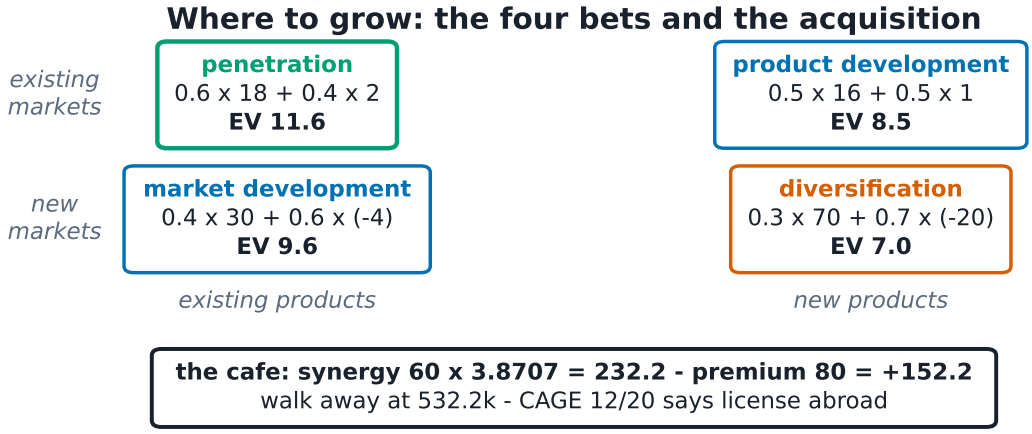
Objective

Rank the growth bets by expected value, value an acquisition, and read CAGE distance.

1 Key knowledge and worked examples

■ Bets, premiums, distance

Ansoff: penetration, market, product, diversification - risk rises with each step out. Acquisition value = synergy PV minus premium; walk-away = standalone + synergy PV. CAGE: cultural, administrative, geographic, economic.



The boring quadrant wins the arithmetic

■ Worked example. The bakery

EVs 11.6 / 9.6 / 8.5 / 7.0; cafe synergy 60 x 3.8707 = 232.2 - premium 80 = +152.2, walk-away 532.2; CAGE 12/20 - license ✓.

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2 Practice

Four bets: penetration (0.7 x 12k, 0.3 x 1k), school contracts (0.5 x 24k, 0.5 x -6k), a frozen range (0.6 x 10k, 0.4 x 0), buying a farm shop (0.25 x 60k, 0.75 x -16k).

2.1 The four expected values, and the ranking. [4]

2.2 The farm shop: standalone 220k, synergies 45k a year for four years at 8%. The annuity factor (three decimals), the synergy PV, and the value created at a 300k offer. [4]

2.3 The walk-away price. [2]

2.4 The farm shop's export idea to Spain scores CAGE 2 + 3 + 2 + 2. The total, and the recommended entry form. [4]

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Solutions

2.1

- Penetration $8.4 + 0.3 = 8.7$k; schools $12 - 3 = 9.0$k.
- Frozen 6.0k; farm shop $15 - 12 = 3.0$k. Ranking: schools 9.0 > penetration 8.7 > frozen 6.0 > farm shop 3.0.

2.2

- $AF = (1 - 1.08^{-4})/0.08 = 3.3121$.
- PV $= 45 \times 3.312 = 149.0$k; standalone 220, so the 300k offer carries an 80k premium. Value $= 149.0 - 80 = +69.0$k.

2.3

- $220 + 149.0 = 369.0$k.

2.4

- $2 + 3 + 2 + 2 = 9$ of 20 - near-ish, but the admin 3 is the blocker.
- License or partner: keep the recipe and brand home; direct export buys the admin distance at retail.

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