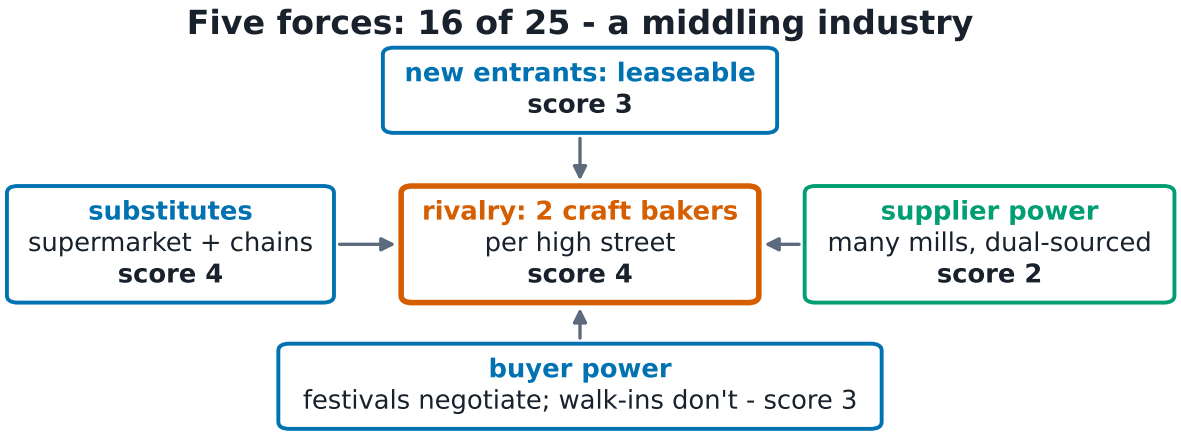
Exercise walk-through

12.5
Strategy under uncertainty

University Business

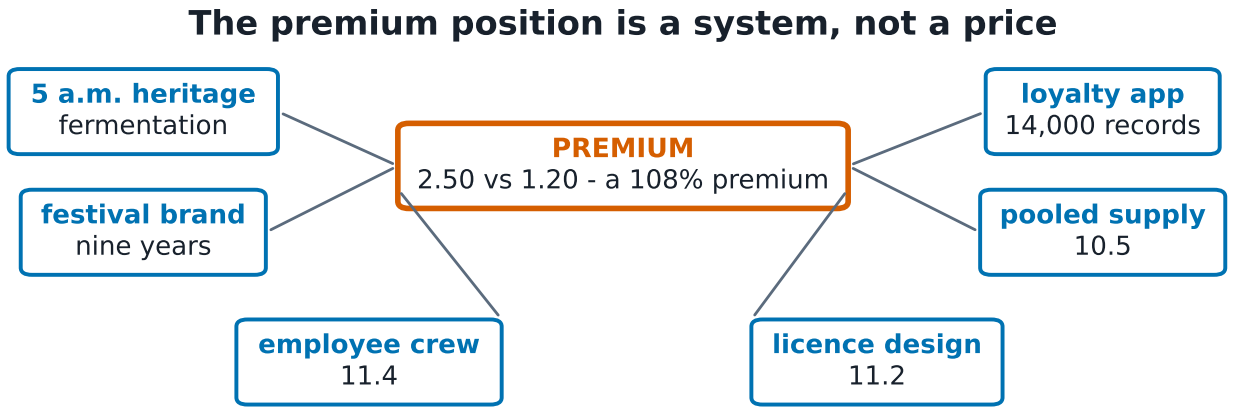
Industry and internal analysis: score, then act



total 16 of 25: the profit must come from position; industry average 6%, top quartile 11%

Five forces score 16 of 25; the bun earns an 8% margin.

Competitive strategy: position, fit, equilibrium

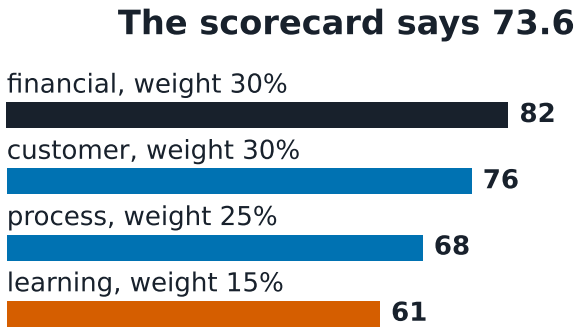


the 2.50 bun: materials 0.95 + labour 0.70 + energy 0.20 + distribution 0.15 + overhead 0.30

= cost 2.30, margin 0.20 (8%) - against the supermarket cost line of 1.60

> Six reinforcing activities carry a 108% price premium.

Implementation and organisation: the index, then the gap



index = 82(.30) + 76(.30) + 68(.25) + 61(.15) = 73.55

execution gap
strategy needs 32 supervisory h/wk
the roster has 28 - gap 4 hours

the cascade
objective - measure - target - initiative - owner
repeat purchase 34% - 45% by the festival

> Scorecard index 73.55 hides a 4-hour supervision gap.

Exercises 2.1–2.3

2.1 The expected value of the launch. [2]

2.2 The EVPI. [3]

2.3 The staged launch: compute its EV and compare with the unstaged alternative of $0.25 \times 60 + 0.75 \times (-16)$. [4]

Exercises 2.1·2.3

2.1 The expected value of the launch. [2]

2.1

- $0.4 \times 30 + 0.35 \times 12 + 0.25 \times (-8) = 12 + 4.2 - 2 = 14.2$k.

2.2 The EVPI. [3]

2.2

- With perfect information act only on boom and steady: $12 + 4.2 = 16.2$k.
- EVPI $= 16.2 - 14.2 = 2.0$k.

2.3 The staged launch: compute its EV and compare with the unstaged alternative of $0.25 \times 60 + 0.75 \times (-16)$. [4]

2.3

- Staged: $12 + 4.2 + 0.25 \times (-4) - 5 = 10.2$k.
- Unstaged alternative: $15 - 12 = 3.0$k. Staging wins by 7.2 - the tail again.

exercises.lol exercises.com.cn

Exercises 2.4·2.5

2.4 A research firm offers a market study for 4k. The verdict, in one sentence of arithmetic. [2]

2.5 Write a trigger for the staged launch. [3]

Exercises 2.4·2.5

2.4 A research firm offers a market study for 4k. The verdict, in one sentence of arithmetic. [2]

2.4

- The study at 4k exceeds the 2.0k EVPI ceiling: unbuyable at any quality.

2.5 Write a trigger for the staged launch. [3]

2.5

- Any pre-committed rule with a number and a date: e.g. pilot sign-ups below 60% of forecast by week 3 lapses the option.