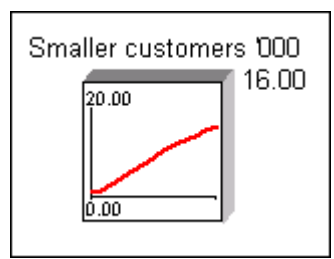


Exploring new business options with mystrategy®

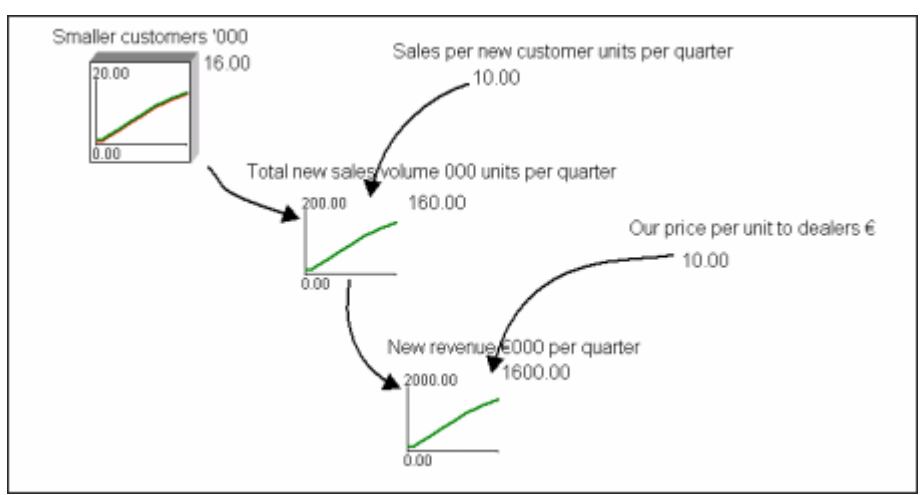
In this situation the best approach is to work from the "opportunity" back to the resources you must develop to take it. For example... 'If we were to add a new sales channel, what might we be able to achieve in extra sales and profits?'

NOTE: This example contains more than 12 elements in total and therefore cannot be built in full with the free mystrategy® reader. However the sample file can be opened and explored with the reader.

- Specify the opportunity in terms of the number of tangible resources [most often 'customers'] you think you can develop into the future.
 - Opportunity:** 'We could use dealers to reach perhaps 16,000 smaller customers over the next 12 quarters.'
 - Measure:** Customers, which is a resource.
 - Action:** Set the timescale in mystrategy® to run from periods 0 to 12, in quarters, with "Today" being 0. Add a resource to the desktop and sketch or type in an estimated growth in customers over the 12 quarters.



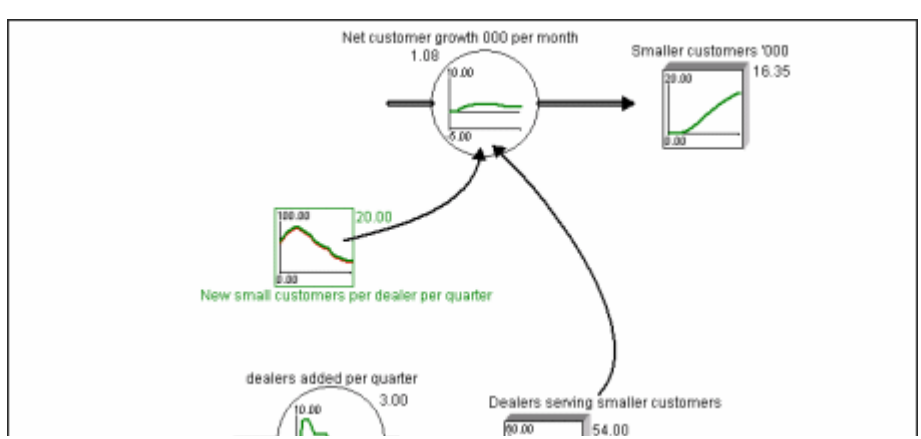
- Use the mystrategy® calculation facility to calculate the sales volume and revenue that may result. Build this up in the same way as you might in a spreadsheet - each element is equivalent to a spreadsheet cell. Keep it simple so you can see the logic.



- 'Expected sales per small customer of 10 units per quarter will produce sales volume of 160,000 units per quarter' ...
- ... and if we charge dealers €10 then sales of this volume would result in incremental revenues of ~€1.6m per quarter.'

- Assess the other resources that you will have to develop if the increased sales channel is to be achieved.

- 'There are about 50 dealers to be won, the largest

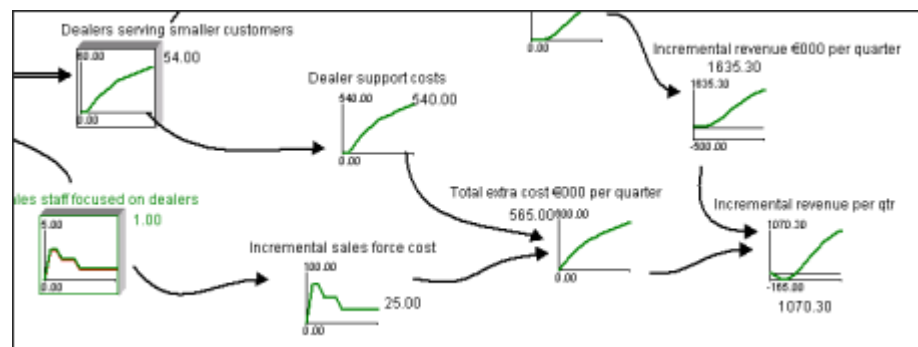


bringing us up to 100 small customers in the early quarters [though later dealers will reach fewer new customers]. In the example we have added a data set for new small customers per dealer per quarter that peaks early and then tails off.

- 'We can allocate 3 sales people for 2 months, reducing to 2 and then 1 to win these dealers.' Add this data to the "Sales staff focused on dealers" resource. Note: make sure these are joined to an **inflow** into the resource "dealers serving smaller customers" - not directly to the resource.
- The customer win rate (the inflow into the resource "smaller customers") can now be calculated from the number of dealers multiplied by the average number of customers they bring each quarter.
- Now that there is an inflow to "smaller customers", you can delete the data entered in step 1 - on the graph tab for smaller customers, select the "clear" button. If you run the sample simulation the numbers won now reach 16.35 ('000).

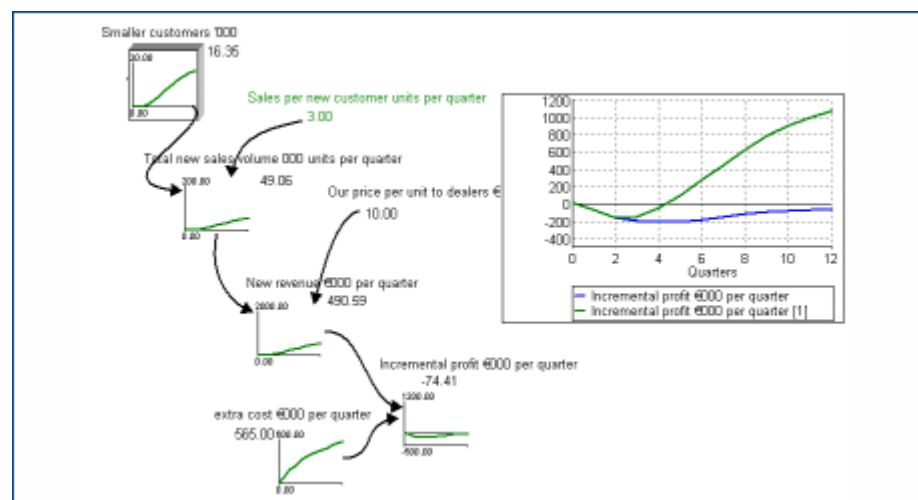
4. Calculate the extra costs involved and subtract these from the expected new revenues to forecast incremental profits

- The extra sales people cost €25,000 per quarter each, so add a variable for the sales force costs and enter the equation in.



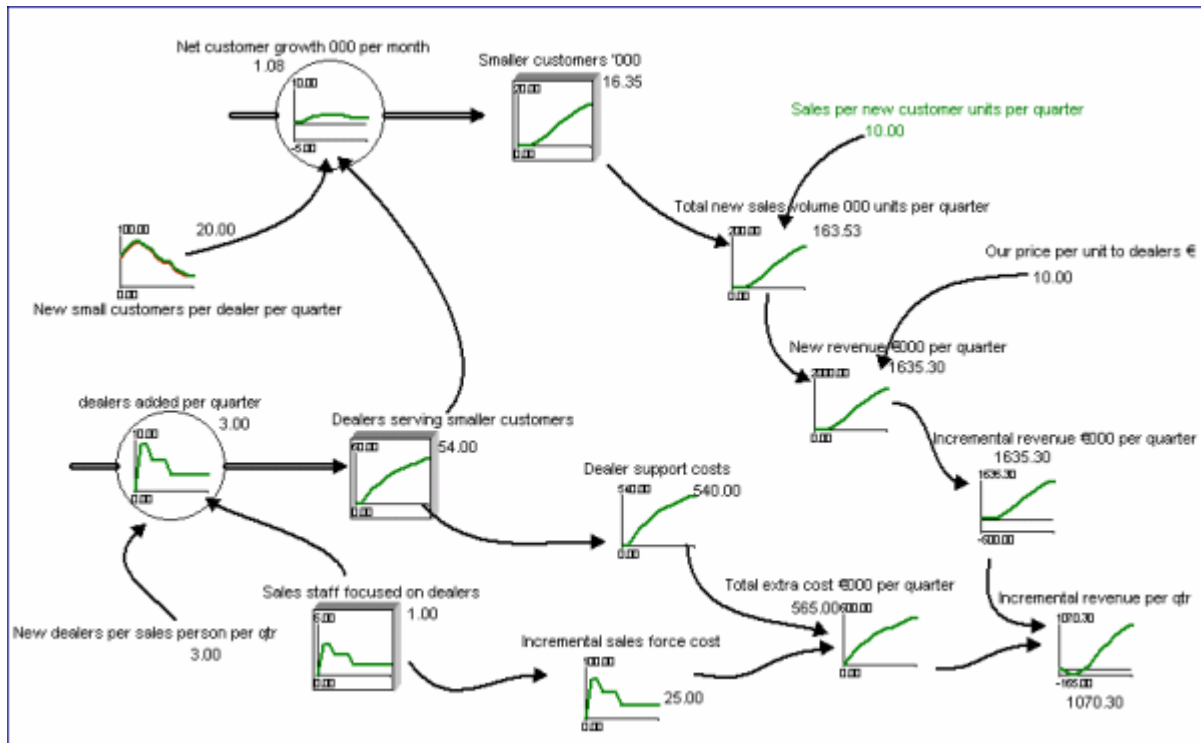
- Dealer support will cost €10,000 per dealer, so add another variable for that with an equation.
- Add variables for total costs and incremental revenue with the costs and revenue leading in. On running the simulation we can see total costs will grow to €565,000/qtr and incremental profits will reach ~€1million per quarter.'

5. With a small amount of data we have built a small model that illustrates the basis of a possible increment to the business. But what if our estimates turn out to be too optimistic? Use mystrategy® comparative graphs to explore what will happen if key



assumptions change - for example:

- 'If our dealers struggle to sell to these small customers, only achieving average sales of 3 unit per quarter, we will not hit sufficient revenue to make this channel profitable.'



Visit www.stratgydynamics.com/mystrategy for more information about the mystrategy® software and the sample model that accompanies this example.

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