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MGMT 570

Strategic Management

Chapter 3 Exercises

Exercise 3A; Competitive Intelligence (CI) Certification.

1. Strategic and Competitive Intelligence Professionals

The Strategic and Competitive Intelligence Professionals (SCIP) are a global nonprofit organization dedicated to improve and increase the skills of knowledge professionals in order to help their companies excel. SCIP helps insure the success of its members through leadership, education, advocacy, and networking. SCIP is one of the only global membership organizations in its field.

2. The Journal of Competitive Intelligence and Management

The Journal of Competitive Intelligence and Management is the scholarly journal that is referred to in the competitive intelligence profession. It was published by the Society of Competitive Intelligence Professionals, and was co-edited by SCIP members Dr. Craig Fleisher and Dr. John Prescott. The journal holds key information covering all aspects of the field, aimed to further the development of CI. The journal's main audiences are CI practitioners, managers who use CI in their decision making process, government organizations and vendors.

3. The Institute for Competitive Intelligence

Founded in 2004, the Institute for Competitive Intelligence is aimed to provide post graduates a strong competitive intelligence training program in order to carry the title of a certified CI professional. The institute holds workshops in 4 different languages being English, German, French, and Spanish. The institute serves 9 countries and 15 cities, making them the leading organization in hosting competitive intelligence workshops. Their general principles revolve around high education quality and intensive practical oriented learning. The institute offers 7 different certificates

4. The Fuld-Gilad-Herring Academy of Competitive Intelligence

The Fuld-Gilad-Herring Academy of Competitive Intelligence was established in 1996. The academy is an educational organization dedicated to training managers in the field of competitive intelligence. The Fuld-Gilad-Herring Academy of Competitive Intelligence is the only CI academy to be accredited by the International Association of Continuing Education and Training.

In attending the academy, the trainee will be going through a 9 course program, which includes both coursework and a certification exam. The academy is the largest training institute in its field and has two levels of certification CIP-I and CIP-II.

5. Competitive Intelligence Ethics: Navigating the Gray Zone

Competitive Intelligence Ethics: Navigating the Gray Zone provides an overview of the issues surrounding competitive intelligence ethics with contributions from different respected professionals within the field. The Strategic and Competitive Intelligence Professionals and The Conference Board's Council on Competitive Analysis published Competitive Intelligence Ethics: Navigating the Gray Zone in 1997.

Exercise 3C; Develop an EFE Matrix for PepsiCo

Team members: Mike VonZweck, Faisal AlHedaib

Opportunities	Weight	MVZ		FA		AS	
		Rating	Score	Rating	Score	Rating	Score
1. PepsiCo has gained a lot from previous international expansion and should continue to do that. \$100 million investment in China, and a \$500 million investment in India	0.10	4	.40	4	.40	4	0.4
2. Snacking being a long term trend is projected to have a growth at \$560 billion	0.10	3	.30	4	.40	4	0.4
3. World population expected to grow at 8 billion by 2025 mostly in developed countries that offer PepsiCo products.	0.06	3	.18	3	.18	4	0.24
4. Pepsi Co can thrive in the bottled water market, worth over \$24 million as of 2012.	0.06	2	.12	4	.24	3	0.18
5. Novel – natural sweetener pending approval by FDA	0.04	3	.12	4	.16	3	0.12
6. “Let’s Move” campaign leading to healthier options	0.04	3	.12	2	.08	4	0.16

7. Increasing advertisements during sporting events.	0.06	2	.12	4	.24	4	0.24
Threats	Weight	MVZ		FA		AS	
		Rating	Score	Rating	Score	Rating	Score
1. More than 50% of the income is from abroad, and since the US has a strong dollar compared to other currencies, the income should fall.	0.07	2	.14	3	.21	2	0.14
2. Snyder's increase in its market share by 1.6% was almost all taken from PepsiCo.	0.06	3	.18	3	.18	3	0.18
3. Soft drink sales were projected to decline by as much as 2.7%, down \$63,459 million in value.	0.08	3	.24	4	.32	3	0.24
4. PepsiCo might be vulnerable to disruption from labor unrest which could result in strikes. In 2008 a strike in India shutdown production for an entire month.	0.03	3	.09	3	.09	3	0.09
5. Corn prices are expected to rise, 0.3% so far.	0.03	3	.09	3	.09	3	0.09
6. In 2011 Coca Cola was declared the world's most	0.10	2	.20	4	.40	4	0.40

valuable brand.							
7. PepsiCo's presence in the energy drink market (expected worth \$21 billion by 2017) could fail due to competition.	0.06	2	.12	3	.18	4	0.24
8. Operating in a mature industry (beverages).	0.04	1	.04	4	.16	4	0.16
9. Aggressive strategy by Coca Cola (main competitor)	0.07	4	.28	4	.28	4	0.28
Total	1		2.74 (MVZ)		3.61 (FA)		3.56 (AS)

Exercise 3D; Perform an External Assessment

Opportunities

1. Expansion in the international arena
2. Kuehne + Nagel merger offering superior perishables logistics
3. Offer longer cold and freezer storage hours for customers
4. Growing market
5. Customer loyalty – develop a deeper relationship with client companies.
6. Seasonal high demand of some fruits and vegetables – January – March green onions and asparagus season.
7. Promotional techniques to boost the business, CFI could attend more events and conferences as well as develop a marketing strategy to attract more exporting companies.
8. Social factors such as lifestyle changes could prove to be an opportunity for Commodity Forwarders if the change is towards healthier eating habits, the demand for fruits and vegetables will increase.
9. Competitor's vulnerabilities
10. Commodity Forwarders' experience and knowledge – contacts and space commitments with over 40 carriers.
11. CFI was the first company in the industry to offer 24 hours, 7 days a week coverage along with a full line of inbound, high humidity forced-air cooling, inventory temperature control and distribution services software including web access remote printing of all documents.

Threats

- 1) Trade sanctions (tariffs and such)
- 2) Weather changes/global warming (affects the growth of many fruits and vegetables)
- 3) Competition within the field such as: Braincess, Courier Express, BlueChip International, and Dietl International Services.
- 4) Pests can be a threat to the perishable products being stored and shipped from CFI

- 5) Server error, the CFI server could crash making it almost impossible to ship products since all operations and information is found online regarding shipments and their containers.
- 6) Supplier dependent, CFI is highly dependent on the suppliers of fruits and vegetables for daily operations and shipments
- 7) FDA rules and regulations
- 8) Airline freight prices increase
- 9) Unstable political and legal systems in foreign markets
- 10) Strop relationship of competitors with some of the major distributors of fruits and vegetables

References;

- "CFI - Commodity Forwarders INC | Transporting Perishable Products Worldwide." *CFI - Commodity Forwarders INC | Transporting Perishable Products Worldwide*. Web. 20 Feb. 2015. <<http://www.cfi-lax.com/about-us/locations>>.
- "Pests and Diseases in Fruit and Vegetables." - *Detailed Guidance*. Web. 20 Feb. 2015. <<https://www.gov.uk/pests-and-diseases-in-fruit-and-vegetables>>.
- "Trade Sanction Definition | Investopedia." *Investopedia*. 25 Feb. 2004. Web. 20 Feb. 2015. <http://www.investopedia.com/terms/t/tradesanction.asp>

Established in 1974 by Alfred Kuehlewind, Commodity Forwarders Inc. (CFI) is a privately held 24 hour company that specializes in the transportation and distribution of perishable products worldwide. CFI established themselves as a major force with not only domestic but also international air carriers as well along with many steamship lines. Commodity Forwarders currently have 13 offices in different regions such as Anchorage, Los Angeles, Chicago, Honolulu, Maui, Kona, Hilo, etc., and are all shipping perishable products via truck, rail, air, and ocean. Commodity Forwarders also handles temperatures sensitive cargo, and have over 160 employees specialized in the matter. The company handles perishable products not just into or within the United States, but also exiting the country. CFI handles all types of perishable freight such as;

- Frozen fish/Chilled fish
- Meats
- Fruits
- Vegetables
- Flowers
- Organic produce
- Dry cargo

Commodity Forwarders established themselves as a strong force in the market with a viable competitive advantage. Being the first company in the industry to offer the services it provides for clients such as; printing of all documents, high humidity forced- air cooling, inventory temperature control and distribution services, CFI placed itself at the top as a leading company in its given market. This provided CFI with many opportunities when looking at its external environment. Through their knowledge and experience, Commodity Forwarders was able to establish contracts and space commitments with over 40 carriers, this provides CFI the advantage over other shipping companies, and it also insures that CFI has freight space. This places CFI ahead of competition. Another presented opportunity is the competitor's vulnerabilities and shortcomings, since CFI is placed ahead in the industry, making the competition vulnerable, resulting in more clients choosing to use CFI's services over others. CFI could further increase the opportunity provided by developing promotional techniques to boost

the business, the company could send representatives more often to conferences and events in the industry. The company can attract more distributors by developing more marketing techniques.

Another opportunity found is within the commodity itself, the seasonal high demand of fruits and vegetables increases business operations rapidly. During the spring, its green onions and asparagus season, CFI ships on average 6 LD7 containers, which each hold around 200 boxes. CFI can take advantage of this and create another opportunity through it, CFI can offer client companies longer freezer storage hours with extra fees, for those companies who can benefit greatly by this service since they do not have a storage facility of their own.

Trade in fruits and vegetables has increased and has become more important during the last decades, therefore there is a growing market, this is an opportunity for a leading company in the industry. The improved handling and transportation factor has played a major role in the development of the industry. Social factors such as lifestyle changes is a big opportunity for CFI, if the change is towards healthier eating habits, the demand for fruits and vegetables will increase, resulting in the increase of sales as well. CFI could further benefit themselves by expanding in the international arena, they currently have authorized agents in Europe and Asia, I would suggest opening an office in the location where the agents operate, or expand into the Middle East as there's a major market gap in this specific industry.

Just like opportunities, there are many external threats that are uncontrollable or unavoidable that CFI could possibly face in the future. Given the fact that CFI is in charge of the transportation and distribution of perishable products, it makes the company highly dependent on suppliers. The suppliers determine the intensity of daily operations in the company, which can be considered a threat. Another threat is that competitors such as Braincess and Courier Express already have a developed loyal customer base, and some of them might be "out of reach" to Commodity Forwarders.

Since CFI handles perishable products, mainly fruits and vegetables, weather changes can be a dangerous threat to daily operations. Some of the fruits and vegetables require precise temperatures for effective growth, and if it was raining all month for example, the produce will be probably get damaged, therefore cannot be shipped. Another common threat when it comes to perishable products is pests. Pests and diseases in fruits and vegetables can have negative

economic impact on the entire fruit and vegetable industry. Since CFI also exports and imports vegetables, there is a threat from the spread of foreign pests and diseases as well.

Given the fact that CFI also deals with the trade of fruits and vegetables internationally, many threats can arise. Trade sanctions is an uncontrollable factor that can be a threat to the company. Import tariffs of another country can all of a sudden increase, which will increase the cost of shipping. FDA rules and regulations can also be a threat to the company as they are uncontrollable and have a great effect on CFI's daily operations. CFI currently does the screening of shipments in their location since they are FDA approved, this minimizes the time spent delivering shipments to the airport, if the FDA decided to change the regulations, CFI will be deeply affected. Airlines freight prices can also increase, and it's a major factor that determines the company's profitability.

Commodity Forwarders also run their daily operations on their server, when a server error occurs it's portrayed as a threat since operations freeze. CFI cannot conduct its processes when there's a server error. Another possible threat is the unstable political and legal systems in foreign markets abroad. For example; one of CFI's major clients is Adel and Sadiq, a company that distributes fruits and vegetables in Bahrain. During February 14, 2011 Bahrain was declared unstable since a revolution has started. As a result, Adel and Sadiq decreased the usual shipments they received, decreasing profits for Commodity Forwarders.

Exercise 3G; Develop a Competitive Profile Matrix for PepsiCo

Critical Success Factors	Weight	PepsiCo		Coca-Cola		Dr Pepper/Snapple	
		Rating	Score	Rating	Score	Rating	Score
Advertising	0.12	4	0.48	4	0.48	2	0.24
Financial position	0.10	3	0.3	4	0.4	3	0.3
Market share	0.12	3	0.36	4	0.48	3	0.36
Brand image	0.11	4	0.44	4	0.44	2	0.22
Product range	0.09	4	0.36	3	0.27	3	0.27
Product quality	0.13	4	0.52	4	0.52	3	0.39
Geographical expansion	0.10	3	0.3	4	0.4	3	0.3
Customer loyalty	0.12	3	0.36	3	0.36	3	0.36
Distribution	0.11	3	0.33	4	0.44	4	0.44
Total	1		3.45		3.79		2.88