The Situation Analysis provides important information that'll help you make good management decisions. It outlines your current product portfolio, the market you are in and helps you see future potential.

It starts by looking at current and future market demands. Next, it reviews your company's and the overall industry's production capacity. It concludes by examining your profitability and your product offerings.

A Perceptual Map is a simple way to chart what customers want in terms of a product's size: its weight and dimensions…and performance: its speed and accuracy.

Customers are concentrated into market segments….These segments are represented by the circles on the map.

The first part of the Perceptual Map exercise shows how the needs of customers change. Each year, customers demand smaller, faster products. This makes the circles move on the map. We call this "Segment Drift."

The second part describes a position within the circle called the "Ideal Spot."

Products with coordinates that are near the ideal spot attract more attention than those that aren't.

This Perceptual Map exercise will give you an accurate prediction for the location of each segment's ideal spot for the next several years.

The Demand Analysis estimates market growth.

You can use the Demand Analysis as you work on sales forecasts.

While you can calculate the demand for the upcoming year, growth rates in future years are unknown. Planners address this uncertainty with scenarios: worst case, average case and best case.

The average case assumes that the current growth continues into the future. The Demand Analysis uses the average case.

The Demand Analysis is an external measure that looks at the number of units the market will want.

The third exercise, the Capacity Analysis, looks internally to see how many units your company can supply.

The analysis also illustrates the costs of increasing capacity and making your factory more efficient through automation.

Higher automation lowers labor costs because you'll need fewer workers.

The fourth exercise looks at margins. The contribution margin measures how much money is left over from your sales income after all direct costs, like material and labor, have been subtracted.

Manufacturing companies such as yours like to maintain margins of at least 30%. Generally, a 30% margin is needed to cover fixed costs.

The second part of the Margin Analysis helps you understand your margin potential: If you could cut your costs to the minimum and raise prices to the maximum, how much money could you make?

<pause>

<Start Consumer Report For Capstone>

The last activity lets you think like a customer. The Consumer Report asks you to evaluate your products from the consumers' point of view. They have four main buying criteria: Price, Age, Positioning and MTBF or Mean Time Before Failure.

If your products are priced higher than what your customers are willing to spend, they get poor ratings. If their reliability is high, they get high ratings.

The Consumer Report also asks you to evaluate Awareness, how many customers know about your products, and Accessibility, how easy is it for customers to find your product and buy it.

Awareness is controlled by the promotion budget.

Accessibility is determined by the sales budget.

To conclude, the Consumer Report asks you to give each product an Overall rating. < End Consumer Report for Capstone>

<Start Consumer Report For Foundation>

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<End Consumer Report for Foundation>

The information in the Situation Analysis is vital for helping you understand your company and marketplace so you can develop a strategy for your business.

<pause>

Good Luck!