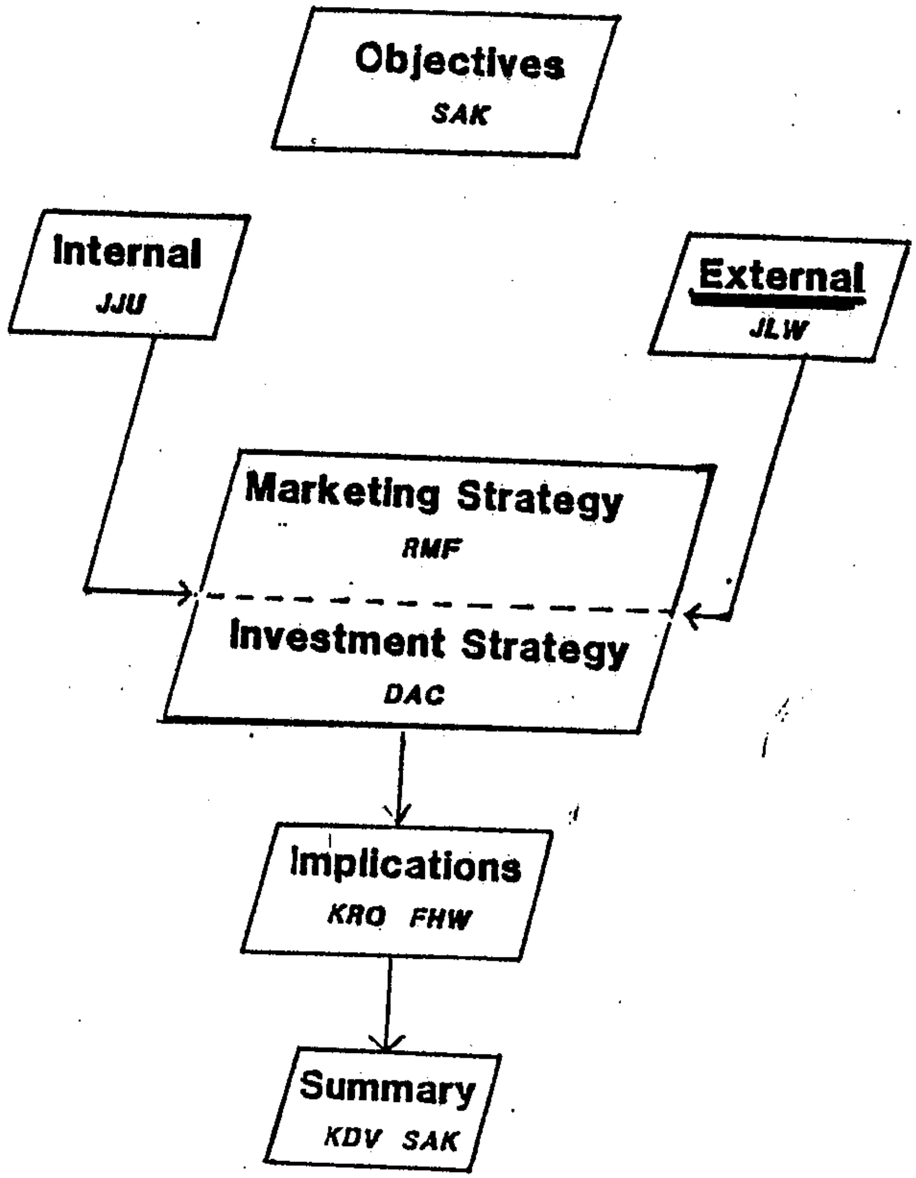
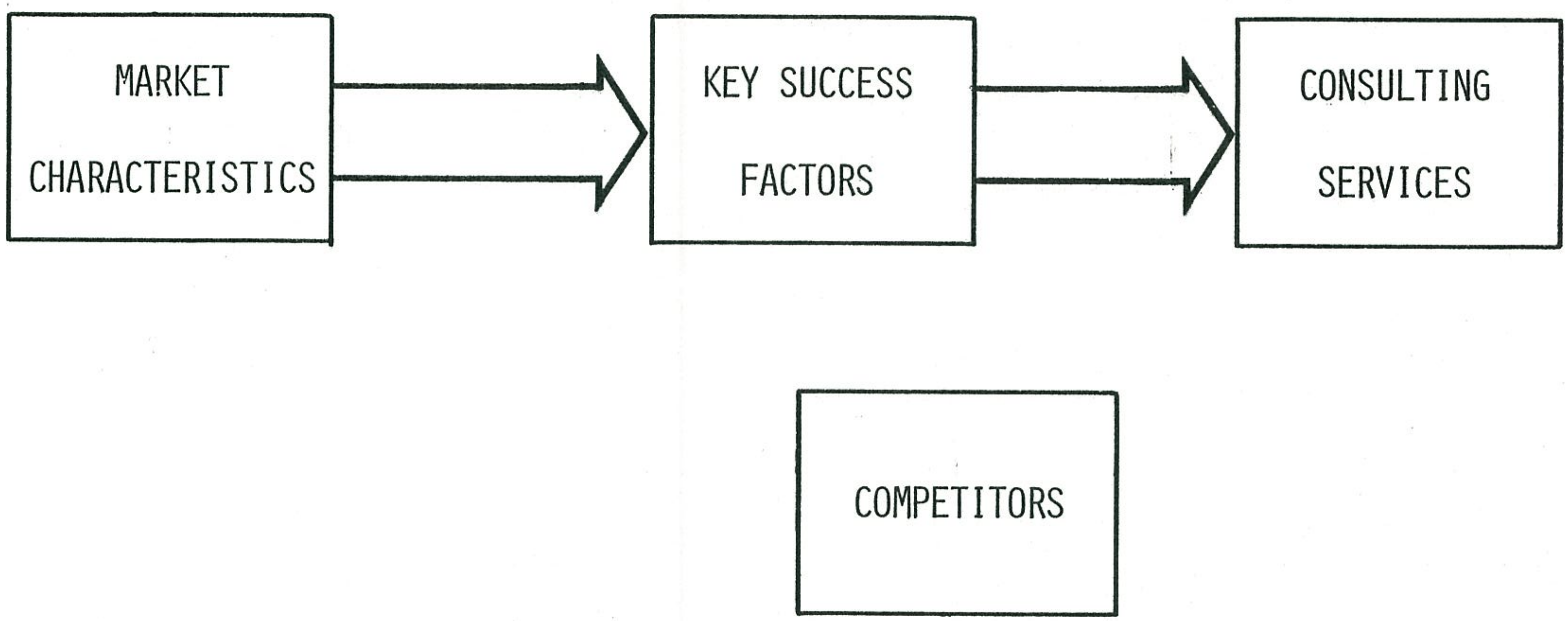

Objectives
SAK
Internal
JJU
External
JLW
Marketing Strategy
RMF
Investment Strategy
DAC
Implications
KRO FHW
Summary
KDV SAK

III. EXTERNAL ENVIRONMENT

A. MARKETS

B. COMPETITION

III. A. EXTERNAL MARKETS



III. A. EXTERNAL MARKETS

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III. A. EXTERNAL MARKETS

1. OVERALL MARKET POSSIBILITIES

- THREE MAJOR CLASSIFICATIONS

INDUSTRIAL PRODUCTS

- RAW MATERIAL OR INTERMEDIATE MARKET
- NINETEEN MAJOR SECTORS
- CONSOLIDATED
- EXAMPLES
  - MINING
  - TEXTILES
  - CHEMICALS
  - FABRICATED METAL
  - ELECTRICAL EQUIPMENT

CONSUMER PRODUCTS

- SOLD TO FINAL CONSUMER
- FIFTY FOUR MAJOR SECTORS
- PARTIALLY FRAGMENTED
- EXAMPLES
  - PACKAGED FOOD
  - APPAREL
  - FURNITURE
  - RADIOS AND TVS
  - MOTOR VEHICLES

CONSUMER SERVICES

- DELIVERY CONSUMER PRODUCT OR SPECIALIZED SKILL
- THIRTY-THREE MAJOR SECTORS
- HIGHLY FRAGMENTED
- EXAMPLES
  - COMMUNICATION & BROADCASTING
  - DEPARTMENT STORES
  - HOTELS
  - MEDICAL SERVICES
  - BUSINESS SERVICES

III. A. EXTERNAL MARKETS

1. Overall Market Possibilities

- Industry Characteristics Are Different For Each Sector

Characteristics of Business	Industrial Products	Consumer Products	Consumer Services
# OF CUSTOMERS	LOW	MEDIUM	HIGH
CAPITAL INTENSITY	HIGH	MEDIUM	HIGH (FACILITY)
LABOR INTENSITY	LOW	MEDIUM	HIGH
TECHNOLOGY	PROCESS	CONVERSION	LAYOUT
SKU's	LOW	MEDIUM	HIGH
INVENTORY RISK	LOW	MEDIUM	HIGH
WORKING CAPITAL	LOW	MEDIUM	HIGH
MARKET	INTERNATIONAL	NATIONAL	LOCAL
# OF FIRMS	FEW	MORE	MANY
SCALE IMPACT ON COSTS	HIGH	MEDIUM	LOW
KEY SUCCESS FACTOR	COST	PRODUCT	SERVICE
MENTALITY	MANUFACTURING	PRODUCT	MERCHANT
TIME FRAME FOCUS	LONG	MEDIUM	SHORT

III. A. EXTERNAL MARKETS

2. CURRENT KSA MARKETS

- MAJOR MARKETS ARE CONSUMER PRODUCTS PLUS SUPPLIERS AND CUSTOMERS

INDUSTRY SECTOR	% OF FEES IN 1980
* APPAREL	57 %
* FOOTWEAR	3½%
* HOSIERY AND KNIT	2½%
* FURNITURE	1½%
* HOME TEXTILES	2 %
* CARPET AND RUG	2 %
* OTHER	1½%
SUB-TOTAL	70 %
* TEXTILE SUPPLIERS	12 %
* RETAIL CUSTOMERS	9 %
	91 %

III. A. EXTERNAL MARKETS

2. CURRENT KSA MARKETS

- DEVELOPING MARKETS ARE CONSUMER SERVICES AND MINING

INDUSTRY SECTOR	% OF FEES 1980
* HEALTH CARE	3½%
* HOSPITALITY	1½%
* MINING AND CHEMICALS	4 %
	9 %

III. A. EXTERNAL MARKETS

3. Characteristics of Current KSA Markets

- Consumer Products

	CHARACTERISTICS	SUCCESS FACTORS	SERVICES / IMPACT		
	1. MANY COMPETITORS 2. SEASONAL PRODUCT CHANGE 3. SOLD THROUGH RETAILERS 4. MOVING TO CONSUMER MARKETING	1. FOCUSED MARKETING TARGETS 2. DESIGN/MERCHANDISE MANAGEMENT 3. EFFECTIVE SALES ORGANIZATION 4. CONSUMER MARKETING	PRODUCT AND MARKETING STRATEGY / VOLUME AND PRICE POINTS	•MARKETING	PRODUCTIVITY
	5. HIGH SKU 6. HIGH INVENTORY RISK 7. HIGH WORKING CAPITAL 8. MANY CUSTOMERS	5. INTEGRATE MARKETING & OPERATIONS 6. INVENTORY & RECEIVABLE CONTROL 7. DELIVERY & CUSTOMER SERVICE 8. EFFECTIVE DISTRIBUTION	MERCHANDISE AND DISTRIBUTION CONTROL / MANAGE RISK	•• WORKING CAPITAL CUSTOMER SERVICE	
NON VERTICAL	9. OWNED CAPACITY/CMT/IMPORTS 10. LABOR PACED MANUFACTURING 11. FLEXIBLE TECHNOLOGY 12. MOVING TO MECHANIZATION	9. SOURCING STRATEGY 10. INDUSTRIAL ENGINEERING 11. HRD 12. TECHNOLOGY APPLICATIONS	OPERATIONS AND SOURCING / PROFITABILITY	•• LABOR FIXED ASSETS	
VERTICAL	13. LESS FLEXIBLE PROCESS TECHNOLOGY 14. HIGH FIXED COST	13. FIXED ASSET INVESTMENTS 14. CAPACITY UTILIZATION		•• MATERIALS ENERGY	

III. A. EXTERNAL MARKETS

3. Characteristics of Current Markets

- <u>Basic Textiles</u>

Characteristics	Success Factors	Services	PRODUCTIVITY
1. CAPITAL INTENSIVE	1. SKILLFUL INVESTING	1. INVESTMENT STRATEGY	
2. EQUIPMENT DETERMINES PRODUCT	2. CAPACITY IN RIGHT MARKET	2. MARKET RESEARCH/EVALUATION	
3. TECHNOLOGY CHANGING	3. KNOWLEDGE OF TECHNOLOGY	3. IN-DEPTH KNOWLEDGE OF EQUIPMENT/ROI	
4. RELATIVELY CONSOLIDATED	4. COMPETITIVE POSITIONING	4. COMPETITOR KNOWLEDGE/ EVALUATION	
5. TECHNOLOGY DETERMINES PRODUCTIVITY	5. TECHNOLOGY APPLICATION	5. TECHNOLOGY/ROI EVALUATION	
6. COST IS CRITICAL	6. MAN/MACHINE PRODUCTIVITY	6. IE/HRD/PROCESS CONTROL/MU/ENERGY	
7. CONTROL IS CRITICAL	7. MEASUREMENT/MONITORING CONTROL	7. COST SYSTEMS/ PRODUCTIVITY MEASUREMENT	

III. A. EXTERNAL MARKETS

3. CHARACTERISTICS OF CURRENT MARKETS

- <u>RETAILING</u>

CHARACTERISTICS	SUCCESS FACTORS	SERVICES	PRODUCTIVITY
1. DEALS WITH END USER	1. CLEAR IDENTITY	1. CONSUMER RESEARCH	
2. HIGHLY COMPETITIVE	2. COMPETITIVE POSITIONING	2. POSITIONING STRATEGY	
3. RAPIDLY FLUCTUATING DEMAND	3. GOOD SALES/INVENTORY INFORMATION	3. P.O.S./P.O.M. SYSTEMS	
4. HEAVY INVENTORY INVESTMENT	4. DEPENDABLE/COMPETITIVE VENDORS	4. SOURCING STUDIES	
5. HIGH SKU'S	5. MERCHANDISE CONTROL	5. RECEIVING/PROCESSING ENGINEERING	
6. EXP NSIVE FACILITIES	6. PRODUCTIVITY OF SPACE	6. PRODUCTIVITY IMPROVEMENT	
7. LABOR INTENSE WITH HIGH TURNOVER	7. PRODUCTIVITY OF LABOR	7. HRD	
8. VARIABLE SIZE SALES FORCE	8. EFFECTIVE USE OF SALES PERSONNEL	8. SALES FORCE SCHEDULING	

III. A. EXTERNAL MARKETS

3. Characteristics of Current Markets

- <u>Health Care</u>

Characteristics	Success Factors	Consulting Services
1. LOCAL CONSUMER MARKET	1. UNDERSTAND HEALTH NEEDS	1. CONSUMER MARKET RESEARCH
2. COMPETE FOR PHYSICIANS SERVICES	2. MEDICAL STAFF MIX	2. MARKETING STRATEGY
3. COMPLEX FACILITY	3. EQUIPMENT/FACILITY MIX	3. FACILITY PLANNING
4. LABOR INTENSE	4. HIGH PRODUCTIVITY OF LABOR/ SPACE/EQUIPMENT	4. FUNCTIONAL FACILITY DESIGN
5. HIGH FIXED FACILITY LOST	5. FACILITY MAINTENANCE	5. MAINTENANCE PROGRAMS
6. COST EXPLOSION	6. PERSONNEL SCHEDULING	6. OPERATION AUDITS
7. GOVERNMENT REGULATED BUSINESS	7. GOVERNMENT APPROVED EQUIPMENT AND FACILITY	7. CERTIFICATE OF NEED
8. THIRD PARTY REIMBURSEMENT	8. ALLOCATION OF COST TO OPTIMIZE REIMBURSEMENT	8. MANAGEMENT/COST CONTROL SYSTEM
9. PROFIT MOTIVE ABSENT	9. DIVERSITY AWAY FROM PUBLIC SECTOR	9. STRATEGY

III. A. EXTERNAL MARKETS

3. CHARACTERISTICS OF CURRENT MARKETS

- <u>HOSPITALITY</u>

CHARACTERISTICS	SUCCESS FACTORS	CONSULTING SERVICES
1. LOCAL CONSUMER MARKET	1. UNDERSTAND CONSUMER	1. CONSUMER MARKET RESEARCH
2. INTENSE COMPETITION	2. UNDERSTAND COMPETITION	2. COMPETITIVE POSITIONING
3. LABOR/CONSUMER INTERFACE	3. SERVICE/PRODUCT MIX & PRICING	3. PRACTICABLE DESIGN CONCEPT
4. HUGE PROPERTY INVESTMENTS	4. NEGOTIATE GOOD LOCATIONS	4. REAL ESTATE/LEGAL
5. UNEVEN DEMAND RATE & HIGH FIXED COST	5. TRAFFIC/TURNOVER/OCCUPANCY	5. MARKETING
6. LABOR INTENSE	6. PRODUCTIVITY OF SPACE/LABOR	6. PREDICT DEMAND/CONTROL LABOR
7. FACILITY/CONSUMER INTERFACE	7. FACILITY PERFORMANCE	7. FACILITY DESIGN AND MAINTENANCE

III. A. EXTERNAL MARKETS

3. CHARACTERISTICS OF CURRENT MARKETS

- MINING

CHARACTERISTICS	SUCCESS FACTORS	CONSULTING SERVICES
1. SPECTACULAR GROWTH 2. MAINLY NEW WESTERN MINES 3. HIGHLY CAPITAL INTENSIVE 4. SLOW TO CHANGE TECHNOLOGY	1. MARKET EVALUATION 2. SITE EVALUATION 3. EQUIPMENT FEASIBILITY	1. GEOLOGICAL ENGINEERING 2. SOCIO-ECONOMIC IMPACT 3. ENVIRONMENTAL IMPACT
5. DECLINING PRODUCTIVITY 6. BULK MOVEMENT	5. ATTRACT, TRAIN, RETAIN • SKILLED WORKERS • SUPERVISORS • MANAGEMENT 6. EFFICIENT SUPPLY, WAREHOUSE, AND TRANSPORTATION	5. TRAINING • OPERATOR SKILL • SUPERVISOR TECHNICAL • MANAGEMENT • MAINTENANCE 6. MATERIALS HANDLING

III. A. EXTERNAL MARKETS

4. Other Markets With Similar Characteristics

- Consumer Products Industries Grouped by Product and Technology

TYPE TECHNOLOGY	TYPE PRODUCT: Variable Fashion Products	TYPE PRODUCT: Standard Basic Products	TYPE PRODUCT: Commodity Package Goods
JOB SHOP / SINGLES	COUTURE CLOTHING	MOBILE HOMES TRAVEL TRAILERS AND CAMPERS BOATS	
BATCH / LABOR PACED	APPAREL KNIT OUTERWEAR CURTAINS HOME FURNISHINGS CANVAS PRODUCTS FURNITURE-UPHOLSTERY FOOTWEAR HAND BAGS JEWELRY DOLLS AND TOYS ATHLETIC AND SPORTING GOODS FINDINGS, PLEATING, EMBROIDERY	WOOD KITCHEN CABINETS LUGGAGE LEATHER GOODS HAND TOOLS SMALL WEAPONS LAWN AND GARDEN EQUIPMENT MUSICAL INSTRUMENTS KNIT UNDERWEAR HOSIERY BURIAL CASKETS	CUTLERY WATCHES ARTIFICIAL FLOWERS BROOMS AND BRUSHES
CONTINUOUS / ASSEMBLY LINE OR INTEGRATED PROCESS	CARPETS FABRICATED HOME TEXTILES FURNITURE-CASE GOODS	TIRES AND INNER TUBES RUBBER AND PLASTIC FOOTWEAR GLASSWARE CHINA AND UTENSILS MOTORCYCLES AND BICYCLES TYPEWRITERS ELECTRONIC COMPUTING EQUIPMENT HOUSEHOLD COOKING EQUIPMENT ELECTRICAL HOUSEWARES AND FANS VACUUM CLEANERS SEWING MACHINES LAMPS RADIOS AND TVS MOTOR VEHICLES REFRIGERATION & HEATING EQUIPMENT HOME LAUNDRY EQUIPMENT	PACKAGED FOOD AND BEVERAGES TOBACCO SMALL ARMS AMMUNITION PHONOGRAPH RECORDS PENS AND PENCILS

III. A. EXTERNAL MARKETS

4. Other Markets With Similar Characteristics

- There are a Number of Other C.P. Markets Similar to Current KSA Industries

	FURNITURE	FASHION ACCESSORIES [1]	ATHLETIC PRODUCTS	DOLLS GAMES TOYS	COSMETICS	CONSUMER ELECTRONICS [2]
1. INDUSTRY VOLUME ($ BILLION)	10.4	7.5	4.0	4.0	8.3	6.7
2. FIVE YEAR GROWTH	3.0%	1.5%	6.0%	2.8%	4.8%	8.0%
3. NUMBER OF COMPANIES	2,500	1,200	550	350	700	500
4. COMPANIES OVER 3 MILLION	725	300	100	75	200	200
5. NUMBER OF EMPLOYEES (000)	308	130	80	55	55	97
6. SALES PER EMPLOYEE (000)	44	40	48	67	153	70
7. IMPORTS	8%	30%	17%	23%	3%	28%
8. EXPORTS	1%	4%	12%	9%	1%	9%
9. PROFIT RATE A-TAX	3%	3%	7%	5%	8%	5%

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(1) LUGGAGE, PERSONAL LEATHER, JEWELRY, WATCHES

(2) TELEVISION, HI-FI, VIDEO CASSETTE RECEIVERS, RADIOS, CALCULATORS

	FURNITURE	FASHION ACCESSORIES (1)	ATHLETIC PRODUCTS	DOLLS GAMES TOYS	COSMETICS	CONSUMER ELECTRONICS (2)
1. INDUSTRY VOLUME ($ BILLION)	10.4	7.5	4.0	4.0	8.3	6.7
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(1) LUGGAGE, PERSONAL LEATHER, JEWELRY, WATCHES

(2) TELEVISION, HI-FI, VIDEO CASSETTE RECEIVERS, RADIOS, CALCULATORS

III. A. EXTERNAL MARKETS

5. Potential Size of KSA Practice

- HAVE IDENTIFIED UP TO 16 CURRENT OR POTENTIAL KSA MARKETS
- FULLY DEVELOPED CONSULTING PRACTICE IN ALL SECTORS WOULD BE <u>HUGE</u>
- LOGICAL C.P. MARKETS ARE INDIVIDUALLY SMALL/SOME ARE GROWING

GROWTH TREND AND POTENTIAL CLIENT BASE

	CURRENT INDUSTRIES	TESTING INDUSTRIES	POTENTIAL INDUSTRIES
GROWING			8% Consumer Electronics 200
GROWING		5% Health Care 700	6% Athletic Products 100
GROWING		4% Mining 2,000	5% Cosmetics 200
GROWING	3% Carpets & Rugs 150	4% Hospitality 5,000	
GROWING	2% Retail 2,000	3% Furniture 400	3% Dolls/Games/Toys 75
GROWING	2% Home Textiles 200		2% Fashion Accessories 400
SHRINKING	1% Textiles 700		
SHRINKING	1% Apparel 2,300		
SHRINKING	1% Hosiery/Ktwr 200		
SHRINKING	-1% Footwear 200		

'79-'84 GROWTH	INDUSTRY	POTENTIAL CLIENTS

III. A. EXTERNAL MARKETS

5. Potential Size of KSA Practice

- Fully Developed KSA Practice in Integrated C.P. Industries

Industry Sector	Industry Volume	5 Year Growth	Number of Companies	Potential Clients
* Apparel	43.0	1.0	14,000	2,800
* Hosiery & Knitwear	4.0	1.0	1,000	150
* Footwear	4.7	(1.0)	335	50
* Home Textiles	4.0	3.0	2,500	50
* Furniture	10.4	3.0	2,000	200
* Carpets & Rugs	5.4	3.5	325	115
* Fashion Accessories	7.5	1.5	3,000	400
* Athletic Products	4.0	6.0	540	80
* Dolls, Games, & Toys	4.0	2.8	340	50
* Cosmetics	8.3	4.8	500	75
* Consumer Electronics	6.7	8.0	500	75
* Textiles	40.0	1.0	4,000	530
* Retail	275.0	1.5	15,000	2,000
Total	417.0	2.0 /year	44,000	6,575

- Will be 2 to 3 times size of current practices

III. B. COMPETITORS

1. <u>FIVE SOURCES OF CONSULTING COMPETITION</u>

   . FUNCTION SPECIALIST MANAGEMENT CONSULTANT

   . MULTI-FUNCTION "GENERALISTS"

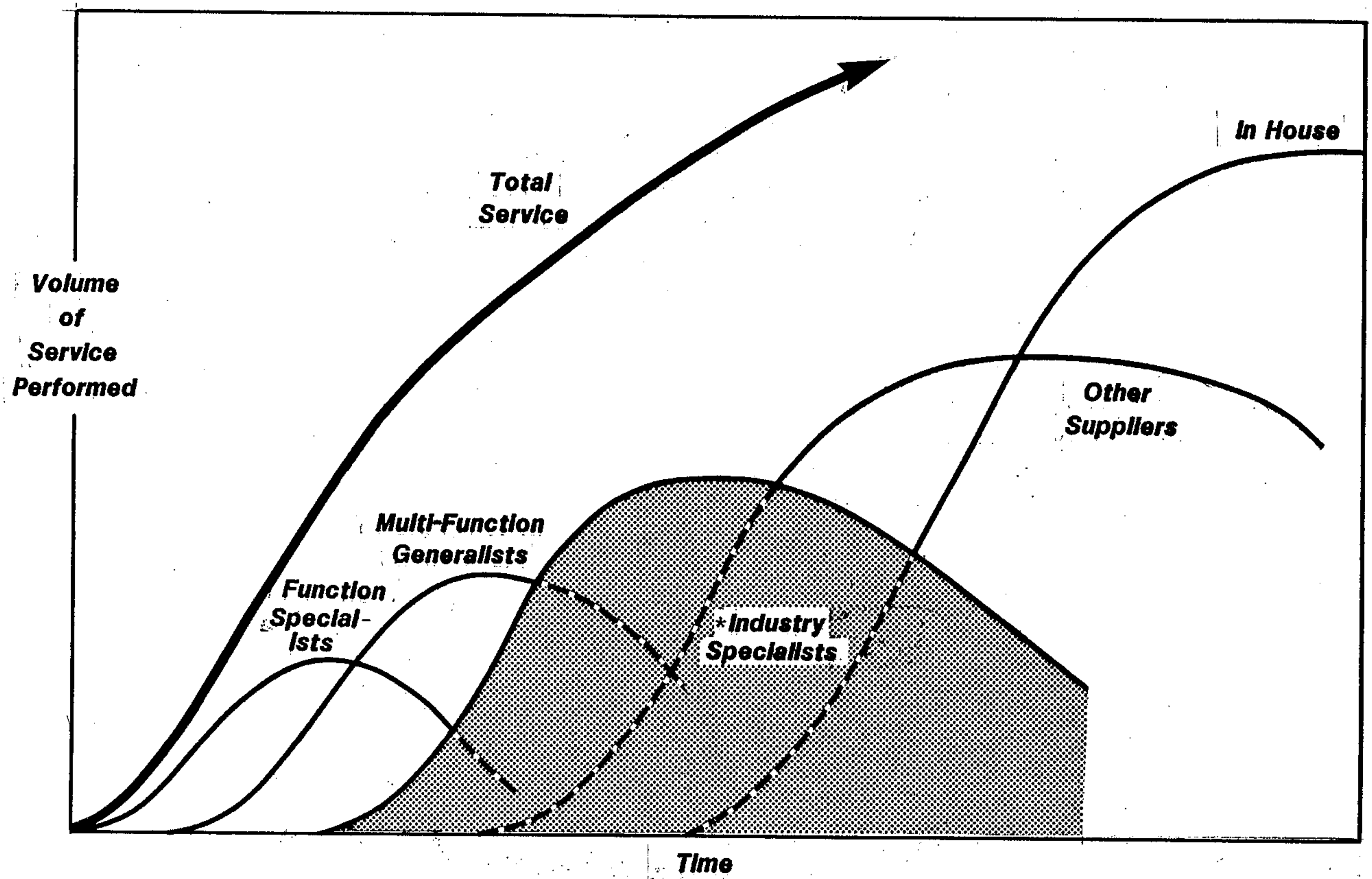
   . INDUSTRY SPECIALIST MANAGEMENT CONSULTANTS

   . OTHER SUPPLIERS OF PRODUCTS AND SERVICES

   . IN-HOUSE CLIENT COMPETITION

III. B. COMPETITORS

2. LIFE CYCLE OF CONSULTING SERVICES



III. B. COMPETITORS

3. FUNCTION SPECIALIST MANAGEMENT CONSULTANTS

- Single Function Firms or Groups in Larger Firms
- Provide Service to Wide Range of Industry Sectors
- Single Function Firms Adding Services

Strategy	MIS	Distribution	Productivity	HRD
BCG (200)	• ARTHUR ANDERSEN (2,800)	• AT KEARNEY (80)	• PROUDFOOT (800)	• HAY (850)
BAIN (150)	• COOPERS & LYBRAND (600)	• SEDLACK (65)	• PA/EUROPE (200)	• TPF & C (400)
BRAXTON (70)	• ERNST & WHINNEY (1,000)	• GARR (40)	• BOOZ (150)	• HARBRIDGE HOUSE (120)
RESOURCE PLANNING ASSOCIATES (75)	• TOUCHE ROSS (520)	• DRAKE SHEAHAN (30)	• LESTER B KNIGHT (500)	• GENERALISTS
*1,000+ Practitioners in ten years	*10,000+ Practitioners in twenty years	*500 Practitioners in ten years	*5,000 Practitioners in twenty years	*3,000 Practitioners in ten years

III. B. COMPETITORS

4. Multi-Function Generalists

- Started as Function Specialists and Added Services
- Did Not Perform Well in 1970's/Board Room Consulting Fading
- Targeting Multi-Nationals/"Threshold" Companies/Multi-Discipline Public Sector

BOOZ ALLEN & HAMILTON	A.D. LITTLE	MCKINSEY	A.T. KEARNEY	CRESAP MCCORMICK & PAGET	PEAT, MARWICK MITCHELL
(1600 @ 10%/YR)	(900 @ 15%/YR)	(650 @ ?/YR)	(350 @ 15%/YR)	(100 @ SHRINKING)	(1100 @ 7%/YR)
ALL FUNCTIONS	• ALL FUNCTIONS	• STRATEGY-60%	• PD/LOGISTICS	• HRD-30%	• CONTROL SYSTEMS
STRATEGY	• TECHNICALLY BASED GENERALIST	• ORGANIZATION-15%	• OPERATIONS	• MIS-30%	• OPERATIONS
MANUFACTURING	• 25% PUBLIC SECTOR	• OPERATIONS-8%	• STRATEGY	• STRATEGY	• PD/LOGISTICS
LOGISTICS	• ALL INDUSTRIES	• MFG INDUSTRIES-60%	• CHEMICAL	• ACQUISITIONS	• HRD
HEALTH		• SERVICE INDUSTRIES-40%	• FOOD		• MFG INDUSTRIES
AUTOMOTIVE					• HEALTH
ENERGY					• PUBLIC SECTOR
TRANSPORTATION					
EUROPE					

III.-B COMPETITORS

5. INDUSTRY SPECIALIST MANAGEMENT CONSULTANTS
   . FULL SERVICE APPROACH TO SINGLE INDUSTRY
   . KSA PROBABLY MOST SUCCESSFUL EXAMPLE
   . COMPETE WITH SMALL FUNCTION/PRODUCT SPECIALISTS

HEALTH CARE	RETAIL	PUBLIC SECTOR	CONSUMER PRODUCTS	TEXTILES
● MAIN LA FRANTZ (50)	● AMERICAN MGT. SYSTEMS (455)	● ICF (50)	● KSA (200)	● WERNER (100)
● CAMBRIDGE RESEARCH (50)		● DECISION SERVICES (50)	● MGT. DEC. SYSTEMS (100)	● LOPER (25)
			● SUMMEROUR (25)	● ROBERTS/ CURRY (25)
			● WEINTRAUB (15)	
			● GREEN/CAPLIN	

*MOST COMPANIES SERVE MULTIPLE INDUSTRIES

III. B. COMPETITORS

6. Other Suppliers of Products and Services

. Firms Supplying Non-Pure Consulting Services

- AUDITORS
- EDP SUPPLIERS
- EQUIPMENT SUPPLIERS
- MARKET RESEARCH FIRMS AND ADVERTISING AGENCIES
- FINANCIAL INSTITUTIONS

. Strong Competition in Mature Phase of Life Cycle

- CHEAPER THAN CONSULTANTS
- GREATER RESOURCES

. Entry to Cycle Depends on

- MARKET SIZE AND RECEPTIVITY
- EASE OF ACCESS TO KNOWLEDGE AND STANDARDIZATION

. Examples

- UNIVAC
- CAMSCO

III. B. COMPETITORS

7. <u>In-House Client Competition</u>

- Functional Managers and Staff of Client
- Level of Expertise Growing
  - ENGINEERING AND BUSINESS SCHOOLS
  - EX-CONSULTANTS
  - PROFESSIONAL DEVELOPMENT OPPORTUNITIES
- 30,000 consultants versus 3,000,000 managers
- Capability and Power Depends upon
  - IMPORTANCE OF NEED
  - FREQUENCY OF NEED
  - INTERNAL TASK ASSIGNMENTS