

Using EMU to revisit your business strategy

This guide highlights the strategic issues facing organisations in all sectors of the economy in the context of Economic and Monetary Union (EMU).

EMU will increase price transparency and will as a result

- Increase competition
- Provide customers with greater choice
- Reduce the barriers to entry into other European markets

Why should you read this?

To identify the opportunities and threats presented by EMU from a customer perspective.

But it won't affect me until 2002?

Companies who will gain most from EMU are those who are thinking now about the strategic

impact of EMU and incorporating this into their business strategy.

Firms who react too late will be forced to rush the process and find themselves poorly positioned vis-a-vis more agile competitors. Organisations who want to gain competitive advantage should begin

Sparkassen Savings Bank has estimated that if each of their 60 million customers required 15 minutes of advice on EMU it would cost them DM 1 billion - approx. IRE380 million or IRE6.31 per customer

From January 1999, **Phillips** will begin to invoice their customers in Euros and will be encouraging their suppliers to use Euros.

Deutsche Bank conducted a poll of their staff to determine what EMU questions they needed to have answered. A selection of these questions were answered in a booklet which was widely distributed.

addressing the questions raised in this guide *NOW*. Some European organisations have already begun to tackle these issues.

A step-by-step guide to the key EMU questions

COMPETITORS

Who are your potential competitors (existing/new) in Ireland and Europe?

What is their strategic intent following EMU?
Do they have a genuine interest in your market?
Will this be influenced by EMU?

Initial research

What competitors do you need to research in greater detail?

How would this research be conducted?
Is there an opportunity to do syndicated research with a group of companies in Ireland or Europe?

Detailed research

MARKETING & DISTRIBUTION

How valuable is your brand in a European context?

Will your product come under attack from high profile foreign products?

Will ethnic marketing become a key differentiating factor in your market?

Brand loyalty

Will the elimination of foreign exchange transaction costs make European markets more attractive to you?

What will your strategy be for entering these markets e.g. strategic alliances?

Markets

Is there potential for a strategic alliance with a compatible European company?

How would you find potential strategic partners?

Is there an opportunity to share new product development costs with another company?

Strategic alliances

Increased understanding of the competitors in your market

- develop new distribution channels for your product range?
- upgrade your marketing literature?

Distribution channels

What are the key messages you want to communicate about EMU to your customers or suppliers?

How will you communicate with your customers about pricing in Euros, etc?

When will you start to communicate with your customers?

Comms.

EMU focused marketing strategy & communications

A step-by-step guide to the key EMU questions - contd.

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How will you price your products/services in Euros (e.g. will you round up/down to 100 Euros or 99 Euros)?

For how long will you quote prices in both Euros and Irish pounds?

Pricing

What new products are being developed elsewhere in Europe that you can learn from?

What products can you develop/enhance in response to EMU?

New products

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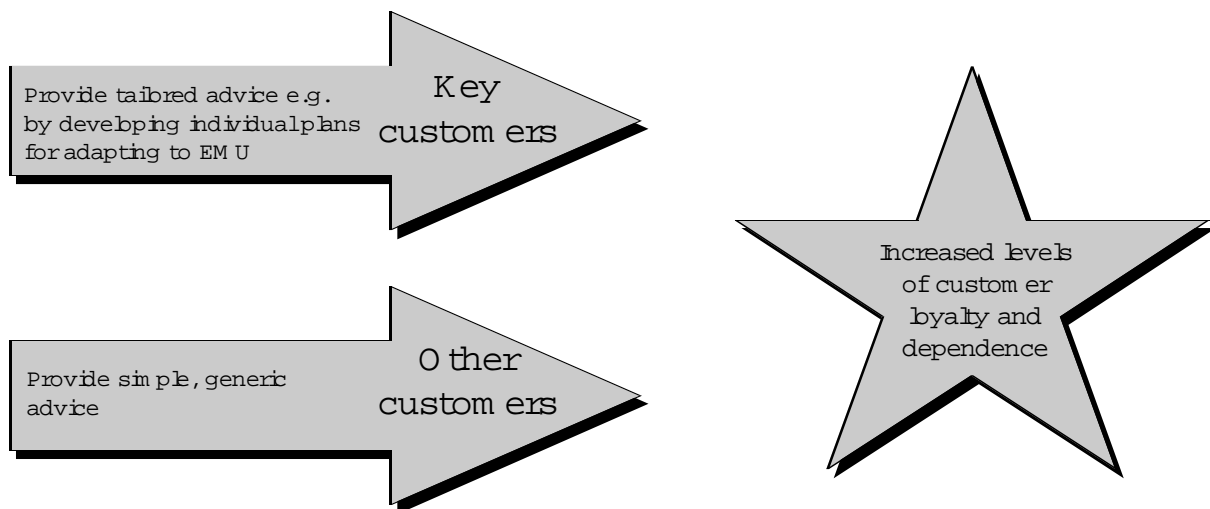
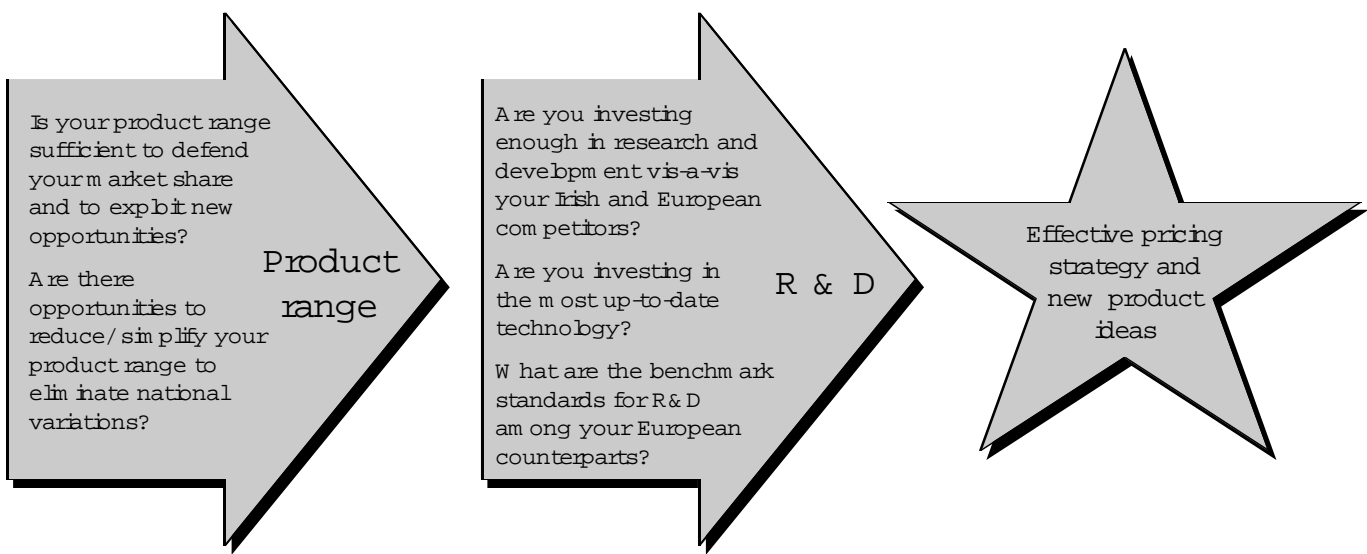
Which of your customers will be most impacted by EMU?

How will they be impacted?

EMU impact

What can you do to help your customers adjust to EMU?

Advice

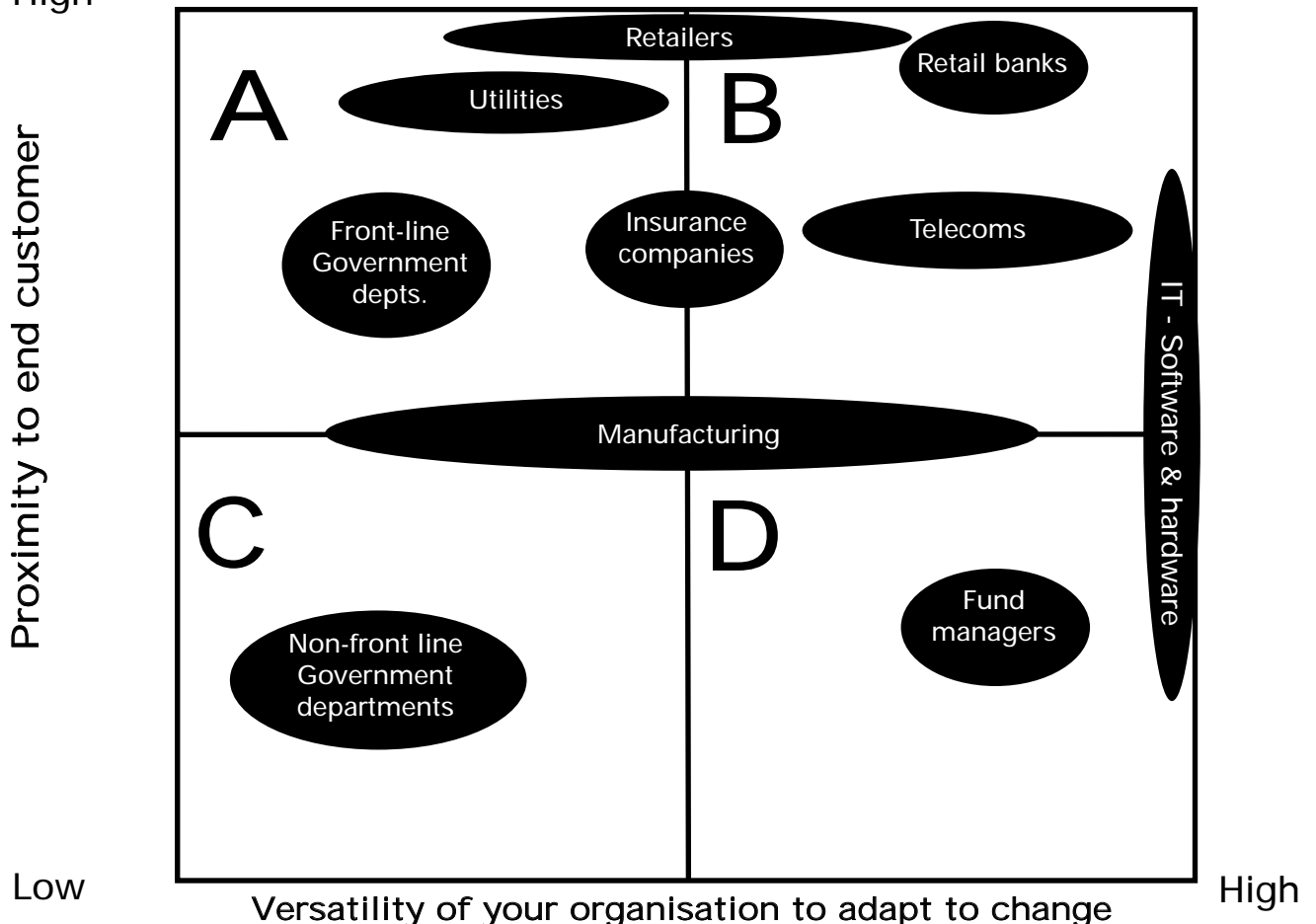


How will EMU impact the relationship you have with your customers?

The impact that EMU will have on your organisation and its relationship with your customers will largely depend on:

- the extent to which you work with end customers
- the ability of your organisation to adapt to change (i.e. its versatility)

High



Factors which determine the versatility of your organisation include management with an international orientation, foreign language skills, the ability to adopt and use new technology, efficient internal procedures, staff skill base and marketing ability

In which segment does your organisation find itself in our “versatility matrix” on the opposite page?

Organisations closest to the end customer (e.g. retailers, retail banks) will bear the greatest responsibility for educating or informing the public about the practical implications of EMU (e.g. new pricing, conversion rates).

Organisations with a high degree of versatility have the greatest opportunity to gain competitive advantage from EMU.

A

Organisations located in this segment face **the greatest challenge** from EMU, from a customer perspective. They need to educate and inform their customers while recognising the constraints placed on them by their limited ability to adapt to change.

In order to provide accurate and timely information to customers, these organisations need to:

- train staff in EMU, the Euro conversion rate, how to handle customer enquiries, etc.
- “acquire” the required skills e.g. foreign languages
- adapt their technology to the Euro, dual pricing, etc.
- develop/amend customer and internal documentation e.g. brochures, price lists
- estimate the amount of time that will be spent with customers explaining EMU

B

The **greatest opportunity** provided by EMU, from a customer perspective, lies with organisations in this segment. They have the versatility to benefit from EMU through fostering increased customer loyalty and dependence.

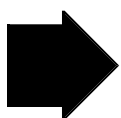
By analysing the impact of EMU on their different customer segments, these organisations can provide tailored advice to those customers most impacted by EMU and generic advice to other customers. This analytical process provides a unique opportunity to build or increase customer loyalty in a focused and proactive manner.

High levels of versatility will enable organisations in this segment to exploit their competitive advantage more rapidly than organisations in Segment A.

C & D

EMU will have a more limited impact on organisations which do not deal regularly with the end customer. These organisations face the smallest challenge and relatively little opportunity from EMU.

They can assume that their customers will be informed about EMU by other organisations and government campaigns. They will nevertheless have to adapt their technology and marketing materials to the new currency and post EMU business environment.



If your organisation is in Segments A or B, you have the opportunity to lead the market in terms of preparing for EMU. You should move quickly to begin these preparations.

If you are in Segments C or D, you will have more time to make these changes than organisations in Segments A or B. You should observe the experience of organisations in Segments A and B in adapting to EMU and learn from their mistakes!

How was our strategic view on EMU developed?

It was developed on the basis of:

- discussions with senior executives across a range of sectors, focusing on the strategic implications of EMU for their business
- extensive research on work completed by the Association for the Monetary Union of Europe and major European companies whose preparations for EMU are already underway
- analysis by our EMU team of the key issues involved and brainstorming on the strategic implications.

To learn more about our services, call us at 01 260 3122

Key EMU dates



Who are Prospectus - Strategy Consultants?

Prospectus is an independent Irish strategic consultancy, providing strategic consulting and research services across a range of industries, including financial services, the public sector, semi-state, utilities, high tech and manufacturing.

Prospectus specialises in 'putting strategy to work'. We bring an extensive range of specialist skills, in-depth industry knowledge, and international experience to our clients, helping them to:

- identify areas of opportunity
- develop plans to exploit these opportunities
- put these plans into practice.

We also conduct practical research which will directly assist clients in conceiving, developing and implementing corporate and business strategies.

Prospectus is part of The COBA Network, a large international partnership of strategic consultants, covering Europe and North America, committed to sharing knowledge, experience and skills for the benefit of our clients.