

RESUME

This report was commissioned to examine the causes of SGS B.V. (Agriculture, Food and Life department) for losing market share in their agriculture business line and to provide possible outlooks of the market for the year of 2020, together with feasible actions for strategic re-positioning.

1. PROBLEM BACKGROUND

The complexity of the current challenge SGS is facing stems mainly from the extremely volatile environment in which it operates, characterised by a large number of interactions of macro-environmental forces and the low influence level SGS can exert on its supply chain. A better understanding of these linkages is of paramount importance as this is the preliminary step for establishing a future market outlook and establishment of strategic decision support tools. SGS has become aware of its lack of market knowledge and reactive nature of strategic approach and strives for an appropriate re-positioning framework for the year of 2020, integrating the complex and dynamic interactions between the various market links and trends.

2. GOAL

The goal of this thesis is **to align SGS' strategic actions and processes with the trends of the depicted market picture for the year of 2020**. This paper is presented as a step-by-step tool for performing an integrated market analysis, supporting the establishment of feasible value creation strategic actions for a future state of the market. Based upon comparative studies from the research industry, preliminary objectives have been set; supporting the achievement of the goal and also representing the various steps required:

- To establish the suitable research methodology (theoretical frameworks)
- To depict the market overview in the current state (market segmentation, evolution and dynamics)
- To identify the drivers shaping the market picture
- To establish possible scenarios for the future market outlook
- To analyse the necessity of a possible strategy shift
- To identify feasible strategic actions for strengthening market position
- To elaborate on the possible implementation issues and recommendations

3. BENEFIT

The benefit of this paper is that it supports SGS in defining clear and advantageous strategic actions for the future, based upon consolidated and relevant data from its external environment. Therefore, SGS should be capable of identifying market fluctuations in the early stages of occurrence and approaching them by a pro-active attitude, gaining competitive advantage due to its responsiveness and agility.

Moreover, the value adding strategic actions proposed in this paper have the benefit of complying with all the possible future scenarios, therefore strengthening SGS position for the year of 2020.

4. METHODOLOGY

The volatility of the agricultural commodities market requires complex models for establishing future outlooks. In order to reach the set goal, this thesis proposes an integrated approach, combining the future "forecasting" with the strategic decision making process.

However, the classic forecasting techniques are not suitable for this matter, as their accuracy is restricted due to the large number of influencing factors/variables. Therefore, for the establishment of the future outlook, the "Scenario Based Planning" method has been selected. In relation with the last two steps of this framework, the "Strategy definition" and "Implementation", a strategy-defining tool has been identified, namely "Blue Ocean Strategy". This framework is based upon the principals of creating value in an uncontested market space and expanding market boundaries. It has been selected as it integrates the strategic vision with the option planning; linking macro-environmental factors with focus elements, by offering multi-directional strategic actions.

Other methods of analysis used for this paper include PESTEL tool, Porter's Five Forces, customers' survey or trend analysis. All of them are introduced in their respective chapters, together with the motivation for selection and applicability to this specific study case.

5. RESULTS

This research draws attention to the fact that the market share of SGS in the agricultural department decreased by approximately 10% in the last three years, due to factors such as the entrance of a new competitor in the market, the selection criteria shift from its largest category of clients (traders) and the available overall volumes in the Dutch market. These influences have been identified by performing both a situational and a transitional analysis, revealing the lack of market knowledge and consolidated overview of internal situation (e.g. inspected volumes per year) from SGS side.

Further investigation revealed that this shrinkage was driven by external factors causing fluctuations in the available volumes entering the two main Dutch ports (driven by demand distribution), together with changes in traders' strategy and price sensitivity (driven by focus on overall costs and consolidating of own infrastructure).

Moreover, these two dimensions were identified to be influenced by a conglomeration of various macro-environmental trends, with a higher penetration from external links, such as end-consumers. These factors appear to be the major drivers for the future market outlook.

In addition, regarding the strategic positioning of SGS, it has been identified that it does not use efficiently its capabilities (e.g. unique selling point: global network) and that it does not integrate the market requirements into its strategic definition. Due to this reason, the inquiry based upon testing the current strategy for the future scenarios showed that it is not suitable for the year of 2020. Therefore, the need for establishing value creating strategic actions was defined and the results have led to a modification of strategic approach.

6. RECOMMENDATIONS

The recommendations put forward by this thesis are based upon the concepts of enlarging the boundaries of SGS market space while following the market flows and trends. In relation with the identified lack of knowledge as a major cause for the current problem, the importance of monitoring of indicators and trends represents the foundation of the main recommendation of this paper: an integrated IT platform at global level, serving the purpose of consolidating world-wide in order to meet the challenge represented by the market volatility.

Moreover, the vertical integration of clients' portfolio, based upon the idea of penetration outside the immediate supply side link (traders) towards further tiers representing the demand side demand (feed cooperatives, governments until end-consumer) is considered to lower the dependency on only one customer segment and therefore strengthen SGS market position.

Furthermore, the complementary service packages designed in accordance with the requirements of each of the newly approached target markets offer the advantage of differentiation for SGS in front of its competitors, while satisfying its customer demands.

The report evaluates this range and concludes that by integrating these actions into their strategy plan for the year of 2020, SGS should be able to cope with the possible market fluctuations, while strengthening their market position.

The figure below illustrates the tool entailed by this thesis, based upon the steps undertaken in order to achieve the set goal. It serves as a framework suitable also for future reference, as the dynamics of the industry environment require constant monitoring.

