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**Liwayway Marketing Corp.**  
Strategic Management Paper

Submitted to:  
Mr. Real C. So

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Strategic Management (Entre 7)

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4M1

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## I. Executive Summary

Liwayway Marketing Corporation started during the post-war era in the Philippines. LMC started just by distributing starch and coffee. Through time, they started to diversify into Packaged Food Industry specifically with savoury snack. Since then savoury snack became their primary business operation and cut off distributing the starch and coffee.

With the external forces using Porter's framework, the present task environment was analysed of how it will affect the whole industry. Macro-environmental was also analysed and it was categorized according to PESTEL and Demographics. The opportunities include globalization, changes in the lifestyle of the consumers, influence of the internet and technological innovations which could boost or lose the participants in the industry. Competition in the industry was analysed by using the strategic map. The strategic map used different dimensions that are relevant to the company and from there, major competitors were identified; Universal Robina Corp, Nissin Corp., Republic Biscuit Corp., and Regent Foods.

In the internal analysis, the profile of Liwayway Marketing Corp. was further described-products offering and corporate social responsibility. The value chain consists of primary activities, where it is directly a profit generator and supporting activities, where it does not generate profit to the company directly. The financial analysis using financial tools like ratios helped in determining the stability of LMC. Relevant information was gathered using the online i-viewer of SEC.

Having the internal and external analysis on the first part of the paper, SWOT/TOWS matrix can now be formed to conceptualize probable strategies to be used by LMC. The strategies mentioned were aligned with their vision to become the market leader. Present strategies of LMC were examined if it will all still be relevant in the future using the strategic dimensions. Proposed strategies were now criticized and rated using the QSPM tool and concluded that diversification is the most attractive strategy to be implemented.

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## IV. Introduction

This paper focuses on the proposed strategic planning of Liwayway Marketing Corporation in the Industry of Packaged Food. Liwayway Marketing Corporation and its brand Oishi is the topic of this paper with an aim of understanding the current situation in the industry and improving the strategic plan in relation to the current circumstance in the industry.

Liwayway Marketing Corporation started 60 years ago with manufacturing and distributing starch and coffee, their famous Liwayway Gawgaw. Through time, Oishi ventured into food snack with Oishi Prawn Crackers and Kirei Yummy Flakes which the Filipino love even until now. Growing over time, their product variation grew larger and larger. While still being famous for savory snack, they also have ventured into milk, cereals, popcorn, biscuits, chicharon and beverages.<sup>1</sup>

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<sup>1</sup> <http://oishi.com.ph/products/>

## V. External Environmental Analysis

### 1. Definition of Industry (Include Overview)

#### Packaged Food Industry

Packaged Food is a food that's already pre-prepared and packed for consumption. It has many categories under it namely, Baby Food, Baked Goods, Biscuits and Snack Bars, Breakfast Cereals, Confectionary, Dairy, Ice Cream and Frozen Desserts, Oils and Fats, Processed Fruit and Vegetables, Processed Meat and Seafood, Ready Meals, Rice, Pasta, and Noodles, Sauces, Dressings, and Condiments, Soup, Spreads, and finally Sweet and Savory Snacks.

Packaged Food was created to keep the people's food in a longer state. Food back then was contained in papers, cloth, or wooden crates. Then later on, food were put into cans and then improved into glass containers. However, due to its fragility and heaviness, people invented machines that can make paper bag or carton containers. And now, we have different kinds of packaged food from plastics to aluminium cans to carton of different shapes and sizes that is appropriate for preserving food at any condition.<sup>2</sup>

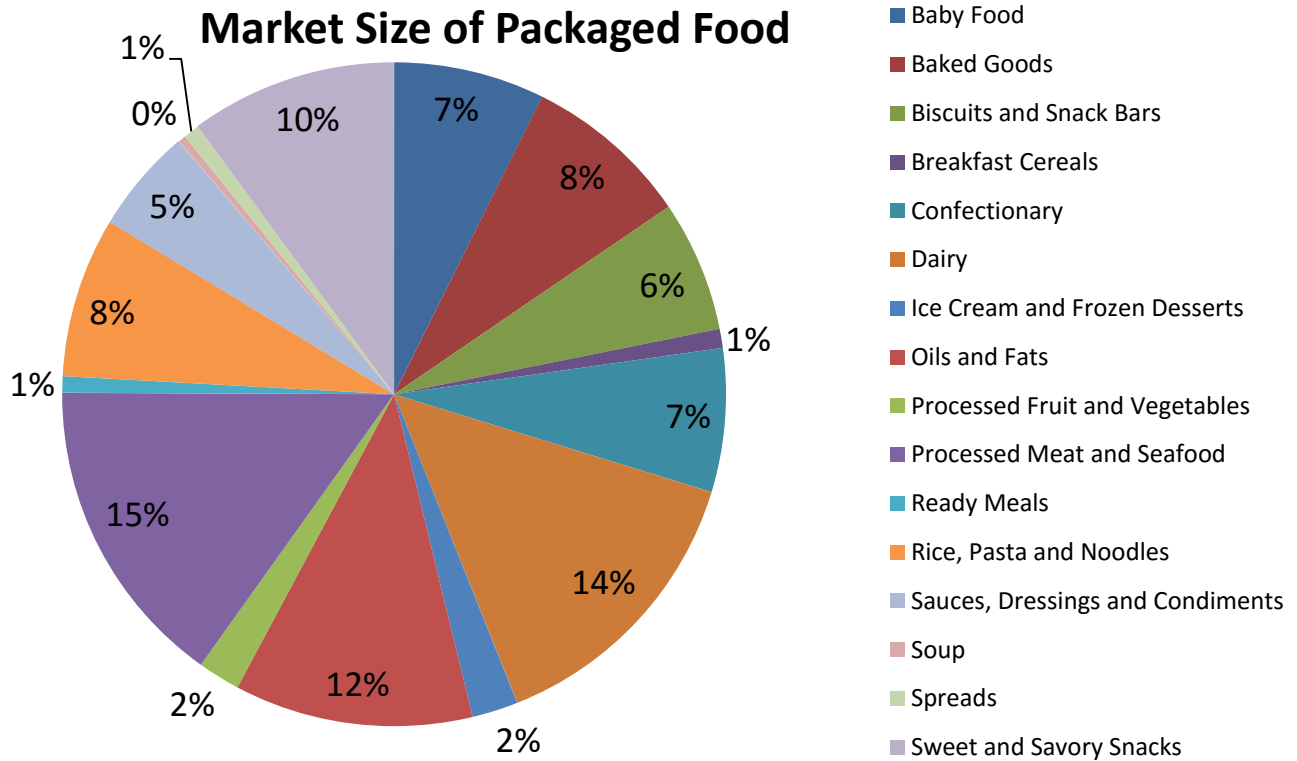
As of 2015, the largest in terms of market size among these categories is the Processed Meat and Seafood with 76,688<sup>3</sup>. The others are shown in a graph below

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<sup>2</sup> History of Packaged Food, Seungyeon, 2016

<sup>3</sup> Market Size of Total Packaged Food, Euromonitor. 2016





## Philippine Packaged Food Industry Overview

According to Euromonitor, the company with the highest share in the packaged food industry is Nestle SA with 9.4% share followed by JG Summit Holdings Inc. with 8.3% while my chosen company Liwayway Marketing Corp. has 1.5% company share in the said industry.

The Philippines have a wide set of variety of food dishes from different provinces and heritages. However, due to urbanization, cities and even in the provinces, packaged food became their go-to comfort food. This is mainly because of the fast-paced lifestyle of the Filipinos in urbanized area.

Competition among different packaged food manufacturers are now set on high because the demand is also high in the Philippine market.<sup>4</sup>

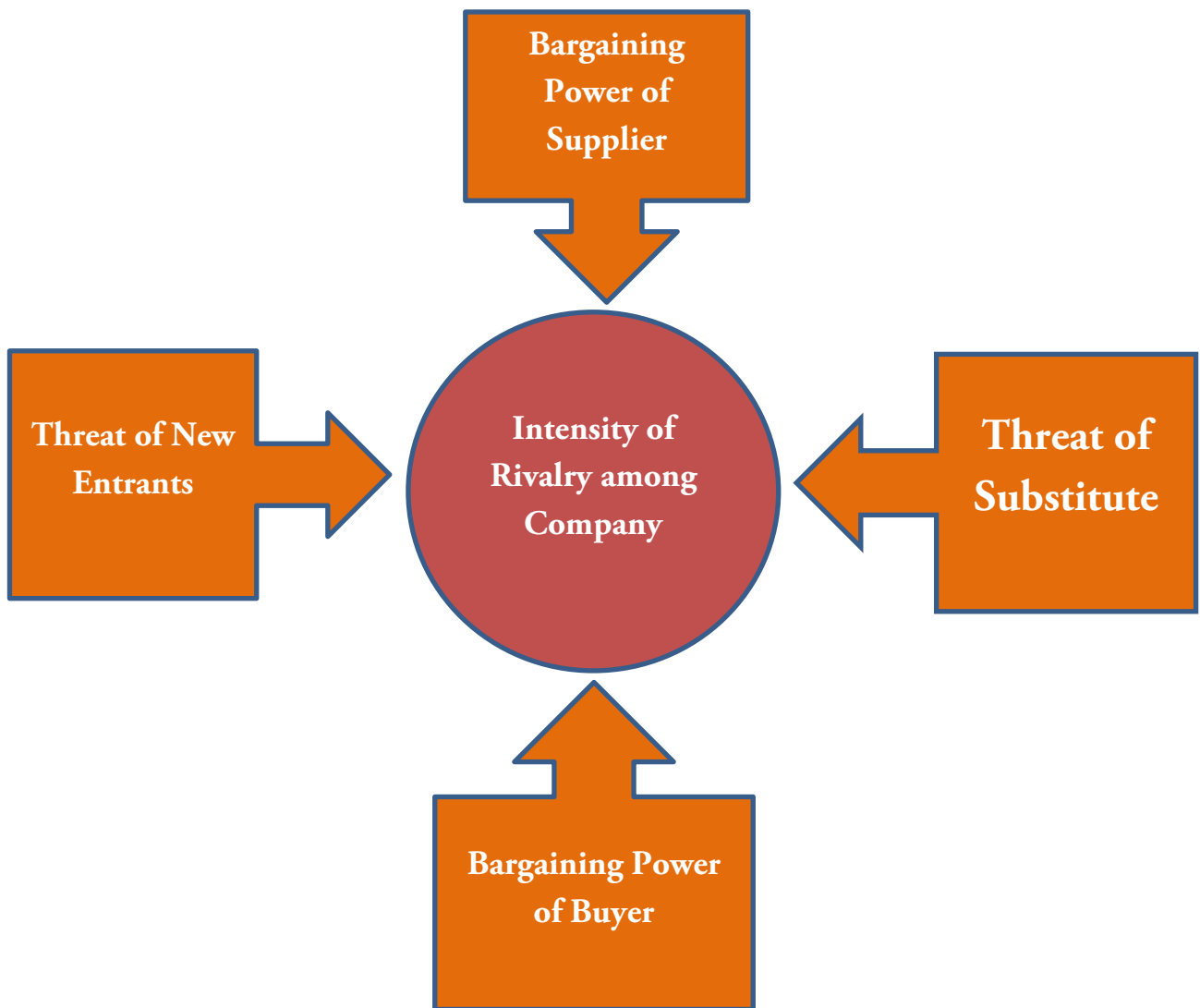
<sup>4</sup> Packaged Food in the Philippines, Euromonitor. 2016

## 2. Analysis of Present Task Environment

Present Task Environment is the major factors that affect the business. It includes all the external forces that affect the decision of the business. It could include the competitor, the supplier, the customer, the distributor, and other external forces directly affecting the business.

Though not all forces can be assessed because of its number, it can be easily evaluated by using Porter's Five Forces Framework. By using Porter's Framework, we can assess the current task environment of a certain company. It evaluates the threat of new entrants, threat of substitutes, bargaining power of supplier and bargaining power of buyers.

To show in a diagram, below is Porter's Five Forces Framework.



## **Bargaining Power of Supplier is Weak**

The bargaining power of supplier is weak because in a manufacturing company, they source their raw materials usually from different supplier. So the raw materials they get from supplier 1 can also be offered to the manufacturing company with lesser cost from other suppliers. Not only the raw materials but other materials that are needed in order to produce their product like plastic, paper, sticker, tubes, foil for packaging can be found in other supplier. Therefore they have lesser power over the company. They don't have much control on the price because the manufacturing company might switch to other supplier when they feel threatened by the supplier, making their bargaining power of supplier weak.

For Liwayway Marketing Corp., they have a wide variety of food and beverage offering that needs different kinds of material and ingredients. Most of their raw materials are locally produced while some are imported from other countries. Especially for a multinational company, they have many sources of supplies that they can choose from according to the quality, quantity, price and other elements depending on what they demand.

## **Bargaining Power of Buyer is Strong**

When we say buyer, it may mean the reseller or the end consumer. Buyer is a vital factor in a business because they determine the profitability and success of the business along with the other factors. In any kind of businesses, when no one buys your product or avails of your service then you are not growing or even moving, maybe even getting a negative net profit because of the costs and expenses that you are gaining.

In order for the bargaining power of buyer to be strong against the company, there are conditions that must be met, namely, when the products of the industry is a big part in the purchase of the buyer specially for a manufacturer of snack and beverage like Liwayway Marketing Corp. the industry of Packaged food is a big part in the consumer's budget; when the competition is high and when switching cost for the buyer is low. They can easily switch to other brand that offers lower price but almost the same quality. Particularly, when the product of the company is undifferentiated or common where it can be easily exchanged by the competitor's product; when the buyer is knowledgeable of the market. In the reseller perspective, many resellers are smart in picking what to sell in their store because even their customers are now more careful and sensitive to what they purchase. So the manufacturing company in the packaged food industry is at a disadvantage when it comes to the bargaining power of their buyers.

## Threat of New Entrant is Weak

Threat of new entrant is the number of competitors that wanted to venture in the same industry and are potential rival of the market share and revenue. According to cleverism.com, there are many ways for a new firm to enter the market. One is when a company from a different industry buys or absorbs the current company in the industry. For example, when company A from Personal Hygiene Industry buys company B from the industry of Packaged Food then company A easily gets in in the industry of Packaged Food. Two, when a company diversifies its product offerings to other categories, thereby catering to different need and having different set of competitors or maybe the same as in the other companies who diversified also. Three, when the new entrant has a competitive edge against the other existing companies in the industry. For example, when company A has discovered a new way of producing snacks that can lessen the cost therefore have a competitive price, then they can enter the industry of Packaged Food with a single bullet that can be a serious threat to the other already existing companies and finally other ways like having an increased demand and when existing companies have a large control and influence in the industry or category hereby controlling all the new entrants that can be a threat to them.<sup>5</sup>

For a manufacturer of snack food and beverage like Liwayway Marketing Corp. the threat of new entrant is weak because the industry is already congested of many companies. Also there are already established companies that are hard and near impossible to be beaten. So most likely, when a new company tries to penetrate the same industry, they usually have a niche market or market that has specific need and demand that caters to a different type of consumer. Like what I said in the Definition of Industry above, Nestle SA has the highest company share in Packaged Food Industry with JG Summit Holdings Inc. behind it, both of which have already established a brand in the Philippine market since time in memorial.

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<sup>5</sup> [Cleverism.com/threat-of-new-entrants-porters-five-forces-model/](http://Cleverism.com/threat-of-new-entrants-porters-five-forces-model/)

## Threat of Substitute is Strong

A threat of substitute is a risk that a certain company faces because of the other choices of products that can be an alternate to their own products. A substitute can be identified when the effect of your product has a similar or slightly different effect compared to what a whole new different product can offer to your consumer. It can also be because of the price. For example, when a customer is price sensitive and your product is more expensive than the other product not in your category, then most likely that customer will purchase the other product because it will yield a similar effect like your product but a lot more affordable. Aside from price, it may be because of the availability of your product. When your product is immediately needed by the customer and he sees it is not currently available where he is buying then most likely he will just grab a different product that will give him the same effect. For example, in breakfast drinks, a person wants to buy coffee-based RTD but your product is out of stock then that person will not go to the other store just to find your product, unless he is a loyal, but instead he will just grab the soy-based RTD which also gives him an energy boost in the morning.

## Intensity of Rivalry among Competitor is Strong

For Packaged Food, the intensity of rivalry among competitors is strong because the products offered by the companies of different categories are undifferentiated meaning most companies are offering the same, if not a little to no difference at all, with their competitors in the same category. Also, switching costs among the competitor's products are low or none at all. Therefore, consumers can easily change their purchase especially for fast moving consumer goods. Also the availability and distribution of the rivals are almost the same. They penetrate the same market and they fight for the same market. If there is a difference among competitors that is maybe their strategy. Some companies have a different supplier that costs lesser compared to their competitor thus having a more affordable product. Some company might be having a different distribution strategy than their competitor.

Competitive Force	Intensity
Bargaining Power of Supplier	Weak
Bargaining Power of Buyer	Strong
Threat of New Entrants	Weak
Threat of Substitute	Strong
Rivalry Among Competitor	Strong

Table 2.1

### 3. Analysis of Potential Changes in the Macro-environment

Macro-environment affects the industry in a way that it affects everyone from the manufacturer to the supplier to the distributor to the reseller up to the final consumer. It is important that we are updated with the changes that will affect the business. There are six major branches that we have to check that will affect the whole business system namely, Political, Environmental, Social, Technological, Legal and Economical.

#### Political & Legal

Political changes pose an important factor in the business or in the whole country. A change is said to be under political if it involves the stability of the government structure, the attitude of the government officials. It basically talks about the attitude and environment that the government are emitting. This affects the company in a way that how the government works or acts will set the difficulty of the business.

The difference between legal and political, according to oxford.com is that in political factor it talks about the environment in the government meanwhile in a legal sense, it focuses on laws and regulations passed by the government that affects the industry. However, the similarity of political and legal is that both of the change they create has an immediate effect in the whole industry.

#### **Tax on Sweetened Drinks<sup>6</sup>**

According to a news article by Business World last August 2016, drinks that are sugar-based are subject to have a 12% tax that is to be carried by the consumers. The drinks that are affected by House Bill 292 are any kind of sugar-based drinks like caloric sweeteners, artificial sweeteners in liquid or syrup form. Because of this house bill, consumers might be hesitant to buy sugar-based drinks now because of the incremental increase in the price.

#### **DepEd Regulation of Junk Food<sup>7</sup>**

The Department of Education wanted to regulate the selling of junk foods inside and outside the school, even the stores outside the school premises and especially the school canteen. This is to promote the importance of eating healthy food even in snack time. Students usually have their *baon* aside from extra money allowance. The students are buying junk foods in their school canteen or stores near their school during their

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<sup>6</sup> <http://www.bworldonline.com/content.php?section=TopStory&title=sweetened-drinks-face-new-tax&id=132326>

<sup>7</sup> Packaged Food in the Philippines, Euromonitor. April 2015

break time or recess. So the Department of Education wanted to lessen the distribution or availability of junk foods inside and outside the school hoping it would lessen the consumption of the young ones of not healthy snack food.

This will have an impact in the packaged food industry because most of the product offerings of the companies under this industry are manufacturing snacks that are not using healthy and natural ingredients that may put the health of the consumer in danger.

### **Philippine Government Making Efforts in School to a Healthier Lifestyle**

Another effort made by the government to persuade the country on trying to eat or live a healthy lifestyle is the Healthy Beverage Option Act of 2014. This act will prevent the selling of soft drinks or harmful energy drinks to young students in elementary school and high school. Students usually go for soft drinks rather than water or other healthy juices and beverages when buying refreshment in their school. So the government wanted to put healthier beverage in school canteen so the students will have more option other than soft drinks.

### **Government Regulation on the Use of Food Additives<sup>8</sup>**

The government of the Philippines released its updated list of food additives to be used with limitation or absolute ban in food packaging as a chemical component for longer shelf-life and artificial substitute for food flavours. In the Food Packaging Industry, shelf-life is probably one of the important characteristics that a manufacturer needs to consider. With the government regulation of its usage, companies in the industry are facing a restriction of the mention additives in the new list in their production.

### **Economic**

Economic factors can be inflation, deflation, exchange rate, tariffs, GDP, GNP, rate of employment and unemployment and level of income. Its change has a central effect on all the factors.

### **The Philippines Continues To Benefit from Low Commodity Prices<sup>9</sup>**

Based on the report from Euromonitor, the Philippines is reliant on import products. So when oil and rice lessened their price, the Philippines is affected because all other commodities became less costly. This affects all of the industry, not only the Packaged Food Industry because the ingredients needed from raw material to the final product

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<sup>8</sup> <http://www.fda.gov.ph/attachments/article/19772/BC%202006-016.pdf>

<sup>9</sup> Economy, Finance and Trade Philippines. Euromonitor 2016

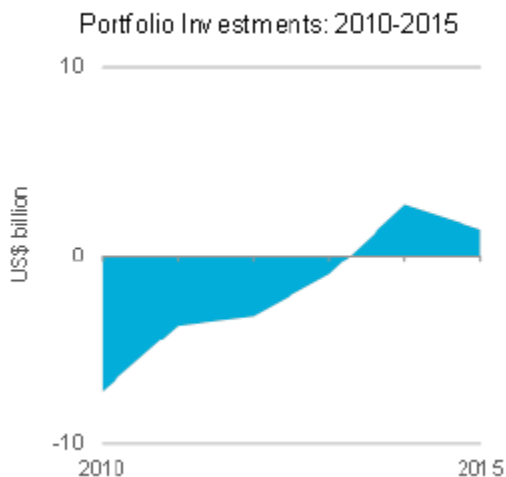
has surely at least one component that we are importing from other countries. Therefore, when their cost becomes low, it has an effect to the industries.

**Inflation is giving a good performance**

According to Euromonitor, Philippines’ inflation rate had its best performance last 2015 since 1986. Inflation rate is performing at its best now because the supply of food is enough so the prices are significantly low and also the electricity cost is low. The effect that it will have in the Packaged Food industry is that the cost in their production and operating expense can be lowered too, thereby creating economies of scale.

**Foreign Direct Investment**

Foreign Direct Investment is the investment that a business who originated in other countries wanting to invest their business also here in the Philippines. It has also been giving a good performance since 2010 and this 2014 it reached 69.4% real growth. The investors are engaged in investing more here in the Philippines because mainly of the macro-environmental stability, said Euromonitor.



Graph by the Euromonitor shows the growth and decline of FDI in USD here in the Philippines with 2014 as its peak

**Socio-cultural**

Socio-cultural is a factor that includes the changes in culture and tradition of the people. When a change occurs in the socio-cultural factor, the people will need time to adjust before they can actually adapt to that change. This means that whatever change is brought about by the socio-cultural, people will not respond to it immediately because



we are talking about a change in their usual way of doing things. Socio-cultural changes are change in lifestyle, consumer consumption, rate of population and education.

### **Consumer Trends: Impulse and Indulgence Products**

The demand for impulse and indulgence products continue to be sustainable with a growth of 6% last 2014. These products are the ones who can be easily bought without much hesitation or thinking that's why most of the impulse and indulgence products are located near checkouts so consumers can easily and readily grab it and then pay for it. These products include chocolate, candies, sweets, and novelty snacks.

### **Increasing Trend on Health-consciousness**

There is an increasing trend in the health-consciousness of the Filipinos. Many are being careful on the ingredients of what they buy and what they are eating and the effects of it to their body. However, according to Ms. Riza Mantaring, president of Sun Life Financial Philippines, Most of these people are just all talk. Meaning they don't really put into execution whatever they want to change in their lifestyle especially if it involves diet and exercise. Still, the attractiveness of healthy products to the consumer can be a good influence or driver for them in to buying the company's product offering.

### **Demand for premium quality baby food**

Parents are now opting for a higher quality of baby products especially baby food. Although Filipinos are known for preferring breastfeeding as the best and cheapest food for their baby, they are still looking for food supplements that are safe for their baby like milk. This demand is supported by the fact that there is a growing number of baby foods that are organic meaning, Filipino parents support these type of food even though it is a little bit more expensive than the average quality baby food.

### **Technological**

Technological change changes everything. This includes innovations, inventions, research and digital development. It can affect the industry especially for manufacturers who are looking for a more cost-efficient way of producing goods which can also be an advantage to the firm or for promotion in communicating their product and or by making distribution network wider and easily accessible.

### **Increase Usage in Social Media**

According to a survey made by UM, Filipinos are active on social media for 53 hours a week compared to the global average time of being active on social media which is 42 hours per week. There can be an implication to these since social media nowadays are

vehicle to promote the product offerings even in any kind of business. Utilizing social media can create a wider reach for the target market of the companies but with lesser cost than the traditional media like TV, radio and print.

### **Emergence of M-commerce**

The emergence of m-commerce basically is rooted with the proliferation of internet connectivity at any type of device and also the digitisation of everything. Calls became possible even without a prepaid load through the use of internet connection and with the different kind of electronic gadgets being invented mainly cell phones, tablet and phablets; internet became a potential ground for commerce or selling. This gave birth to m-commerce or mobile commerce. With the different offers made by the largest telecommunication companies, getting an internet connection is easy and can be customized according to your preferences.

### **Milk Processing Facility**

Based on the report made by Euromonitor last year, dairy in the Philippines mostly relies on imports. However, the local government of Negros Occidental teamed-up with a Japanese company to build a facility here in the Philippines of dairy production, specifically milk so that we wouldn't have to rely so much on imported milk products. This will not only supply the demand of dairy products here in the Philippines but we can now also import our own dairy to other countries that hopefully can be accomplished in the year 2020.

### **Demographics**

Demographic simply means the mixture and level of age, gender, economic class in a geographical area.

### **Household Size**

Based on the pictograph below by Euromonitor, 13.9 million of the household in the Philippines is couple with children while the rest are equal with 1.9 million for couple without children and single-person homes and single-parent homes. The impact it has on the industry is the consumption level of the people per household. If a large number of household in the Philippines has a family member consisting of two parents and one or more child, then their budget for food is also large. The implication of this on the industry is that a larger household size creates a larger demand for different needs like food that the companies can satisfy.

### Households by Family Type: 2015

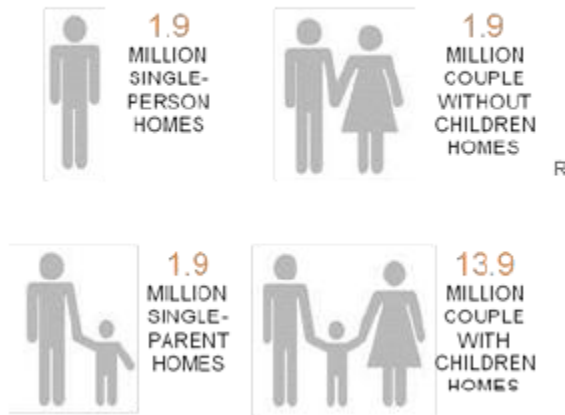


Photo by Euromonitor International

### Expanding Middle-class

With the continued growth of the middle-class in the Philippines, there will be a greater opportunity to target new customer segment, said Euromonitor. Since the middle-class is growing and they are looking for a good quality product for a price, then companies are diversifying to cater to what need the middle-class demands. Many companies now offer healthier products compared to their original product offerings just to get a larger market in the middle-class.

### Tweenagers

Tweenagers aged 9-12 is forecasted by Euromonitor to reach 8.9 million by 2020. During this stage in life, the tweenagers are most likely to be in grade school up to high school wherein they spend longer time in school and are usually given *baon* or food allowance. Due to this, there is also a great number of tweenagers who are obese or malnutrition. So parents are extra careful of what their children are eating and buying in school. Aside from money allowances, they prepare lunch box for them to ensure that they will eat a good meal at least during lunch. The implication on this in the industry is that companies might want to have a set of product extension that will cater to what the parents of these tweenagers demand.

#### 4. Threats and Opportunities

Potential Changes in Macro-environment	Segment	Opportunity or Threat
Tax on Sweetened Drinks	Political-Legal	Threat
DepEd Regulation of Junk Food	Political-Legal	Threat
Philippine Government Making Efforts in School to a Healthier Lifestyle	Political-Legal	Opportunity
Government Regulation on the Use of Food Additives	Political-Legal	Threat
Philippines Continues To Benefit from Low Commodity Prices	Economic	Opportunity
Inflation is giving a good performance	Economic	Opportunity
Foreign Direct Investment	Economic	Threat
Consumer Trends: Impulse and Indulgence Products	Socio-culture	Opportunity
Increasing Trend on Health-consciousness	Socio-culture	Opportunity
Demand for premium quality baby food	Socio-culture	Opportunity
Increase Usage in Social Media	Technological	Opportunity
Emergence of M-commerce	Technological	Opportunity
Milk Processing Facility	Technological	Threat
Household Size	Demographics	Opportunity
Expanding Middle-class	Demographics	Opportunity
Tweenagers	Demographics	Opportunity

Table 4.1

## Threats

### **Political-Legal**

Tax on sweetened drinks is a threat to the industry because the sales of the company will be affected especially if they are offering beverages. Many companies will be affected by this tax because most of the companies have sugar-based drink. Almost all of non-alcoholic drinks are sugar-based, if not contains sugar in them.

Even if this tax will be carried by the consumers, it will still affect the company because from now on, consumers are hesitant to buy these drinks because it is such a burden to their wallet or budget. Threat of substitute will be triggered wherein consumers might be going to the alternative rather than in the industry.

With the foreign investors trying to penetrate the Philippine market by investing directly their business operation here, local companies are now facing the globalization by competition. This has a big impact on the local companies since they have to up their game because of the heightened competition including the milk processing facility planned to be built here.

Another regulation issued by the government through FDA is the updated list of food additives in the Philippines. Food Packaging Industry is not new in food additives since they use it in their products for longer shelf-life and preservation of the product's quality.

### **Economic**

Though foreign investor are a good sign that a country has a stable economy, new entrants from outside the country will trigger more competitors which is a threat to the existing ones in the industry. If a foreign competitor wants to invest here in the Philippines then the local competitors will be alarmed since there will be another rival who is foreign.

Being a foreign investor has it advantage in the market. They might have more efficient way or process of producing their goods that are not known here in the Philippines or they might have suppliers who provide higher quality raw materials that are more affordable than those of the competitors, thus having a competitive edge against the local existing competitors

## Opportunities

### **Socio-cultural**

Everybody wants to be healthy but only a few are actually serious about it. The growing trend of being health-conscious can be taken as an opportunity by the industry to create more products that are healthy and that the consumer will like.

Even the babies who know nothing about being healthy have an increasing demand in better quality baby food. The parents of these babies are opting to find and are willing to buy healthier food supplement for their baby. The industry can grab this opportunity to create product offerings that these parents will buy.

### **Technological**

The dairy category in the Packaged Food Industry can use this opportunity to utilize locally produced dairy products rather than getting imported dairy products with much larger cost due to tariffs. The opportunity not only lies in supplying dairy products locally but also exporting our own dairy products globally. It is a big opportunity for the whole country, not only the companies under the industry, to showcase our high-quality dairy products to other countries with the help of the Japanese.

Another important opportunity for the industry is the utilization of social media advertising in their promotion plan. If the companies can reach many people with lesser cost then they can garner a larger revenue and/or exposure with just a click by the consumers.

Creating a platform for easy purchasing of the products in the industry is an opportunity for the company to reach many potential buyer, not only it is easy on the part of the buyer but also on the part of the seller because of distribution reach.

### **Demographic**

The expansion of household sizes, the growing number of consumer belonging in the middle-class and the increasing count of tweenagers (9-12) are all an opportunity for the industry to create more products to satisfy the increasing number of demand from the consumers. With the continued increase in the demand, the industry of Packaged Food will also be sustainable and strong since the people who are willing to buy are at the same time increasing too.

## **4.1 Effect of Potential Changes on the Task Environment**

### **Impact on the Bargaining Power of Buyer and Seller**

The potential changes brought about by the external macro-environmental forces to the bargaining power of buyer and seller is an opportunity for them to supply more to the company in the perspective of the seller while an opportunity for the buyer to increase their purchase with lesser cost. With the reduction of global oil price, other commodities are also affected by lowering their price. Purchasing more supplies with lower price creates economies of scale to the manufacturer by producing more products but at a lower cost.

### **Impact on New Entrants**

For the new entrants who want to get a piece on the market share in the industry, entrance might be harder because the government are taking extra measures to make sure that food being produced by the companies are healthy and safe for the people. Although it has always been a priority by the government to make sure that the ingredients and components of a product are good, it will still be harder to enter the industry because barriers will take into the form of government laws and regulation. Also, there is an increasing variety of demand from different market segment, wanting to cater to a large market share might mean that the new entrants would have to consider satisfying all those need, if not, then target only a niche market with a specific market segment demanding specific needs.

### **Impact on Rivalry among Competitors**

There are more opportunities for competitors to compete with other companies rather than having the impact as a threat, specially this digital age. In the industry of Packaged Food where there is congestion in competitors, low switching cost and undifferentiated product offerings, they can take out the battle of rivalry online. According to the reports made by Euromonitor that was mentioned earlier, most Filipinos are active user of internet and have access to it on any device. This is now a game-changer for the companies to utilize the internet in gaining advantage among their competitor. They can use the internet as a platform in promoting their products and in making their products available due to the proliferation of m-commerce in the Philippines.

### Impact on New Substitute

With the globalization of the market, there will be many threats of new substitute. Many international companies are investing here in the Philippines due to many factors and this will lead to new entrants that can also become a substitute for the existing products. Adding to the impact is the colonial mentality of the Filipinos, wherein they patronize imported products whenever affordable to them simply because it was made from other countries or imported. Now with the increase of globalization, companies will not only have to worry about local competitors but also foreign substitutes that are a threat to them.

## 4.2 The Resulting Changes in the Present Task Environment

Task Environment	Intensity	Factors
<b>Bargaining Power of Buyer</b>	<b>HIGH</b>	Lower Price of Commodities
		Foreign Direct Investors
		Inflation Rate Decreased
		Increase in Middle-class and Household Sizes
<b>Bargaining Power of Supplier</b>	<b>LOW to MODERATE</b>	Foreign Direct Investor
		Tax
<b>Rivalry Among Competitors</b>	<b>HIGH</b>	Globalization
		Use of Internet and m-commerce
<b>Threat of New Entrants</b>	<b>LOW</b>	Government Laws
<b>Threat of Substitute</b>	<b>HIGH</b>	Globalization

Table 4.2.1



### 5. External Factors Evaluation Matrix (EFE)

The External Factors Evaluation Matrix shows the threats and opportunities that companies might face.

Key External Factor	Weight	Rating	Weighted Score
<b>Opportunities</b>			
1.Consumer Lifestyle	0.16	4	.64
2.Technological Innovations	0.11	3	.33
3.Globalization	0.15	3	.45
4.Increase Population	0.10	2	.20
<b>Threats</b>			
1.Government Laws	0.14	2	.28
2.Tax	0.10	2	.20
3.Competitors	0.16	3	.48
4.Inflation	0.08	2	.16
<b>Total</b>	<b>1</b>		<b>2.74</b>

Table 5.1

## 6. Industry Competitive Analysis



### Universal Robina Corporation (URC)

Founded by John Lim Gokongwei Jr., for 50 years URC have been providing the Filipino with its snack food offering. Its most popular brand is Jack n' Jill for snack food, C2 for RTD cold tea and Great Taste for coffee. Currently, they have operations in eight other countries and they are now exporting to US and Europe as well.<sup>10</sup>



### Regent Foods Corporation

Established in 1946 by Mr. See Pue, a snack manufacturing company that is now also on international market. Its most famous snack is Tempura, Sweet Corn and Cheese Ring



### Monde Nissin

Monde Nissin has a plant in Sta. Rosa that manufactures snack and noodles. With its famous snack like Monde Special Mamon, Nissin Wafer, Voice biscuit and Bingo cookie sandwich. They also have subsidiary brands like Sky Flakes and Fita by M.Y. San and agency

brands like Pringles, Kellogg's and Mama Sita's.<sup>11</sup>

<sup>10</sup> [http://www2.urc.com.ph/company\\_profile](http://www2.urc.com.ph/company_profile)

<sup>11</sup> <http://www.mondenissin.com/products#brands>



### **Republic Biscuit Corporation (Rebisco)**

Rebisco has been around for 50 years producing a large variety of snack food for the Filipino people. Under Rebisco are other group of companies like Multirich with their famous wafer stick, Superstix; Suncrest with their breads like Crossini; and of course Rebisco's famous Hansel, Bravo and Rebisco Crackers.<sup>12</sup>



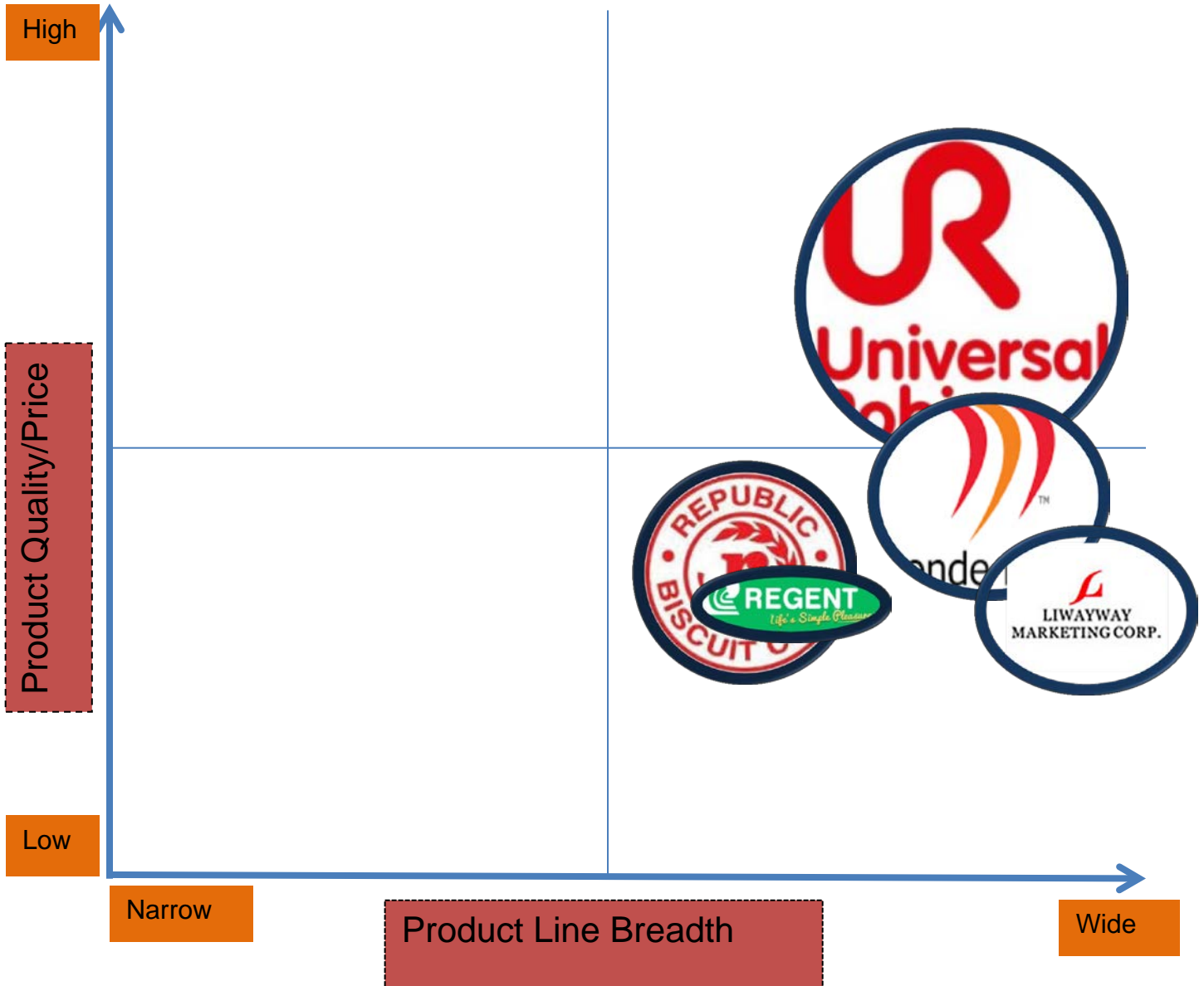
### **Liwaway Marketing Corp.**

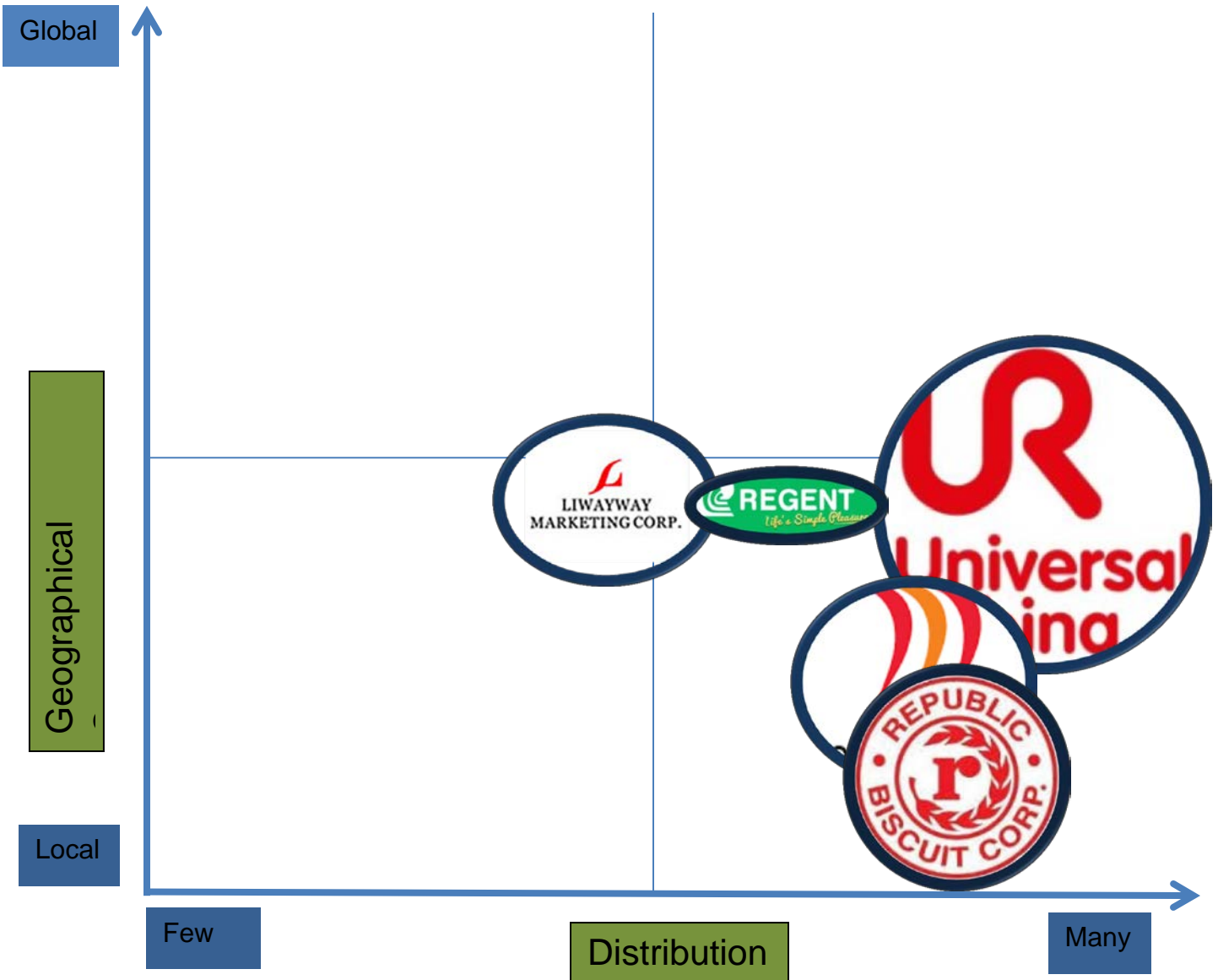
Liwaway Marketing Corp. started with producing starch and coffee 60 years ago but then ventured out into snack with their breakthrough products, Oishi Prawn Crackers and Kirei Yummy Flakes. Now, Oishi is extending their product variation to beverage like Smart-C, Milk like Oaties, and sweet and savory snack like Crispy Patata, Cracklings and Bread Pan.<sup>13</sup>

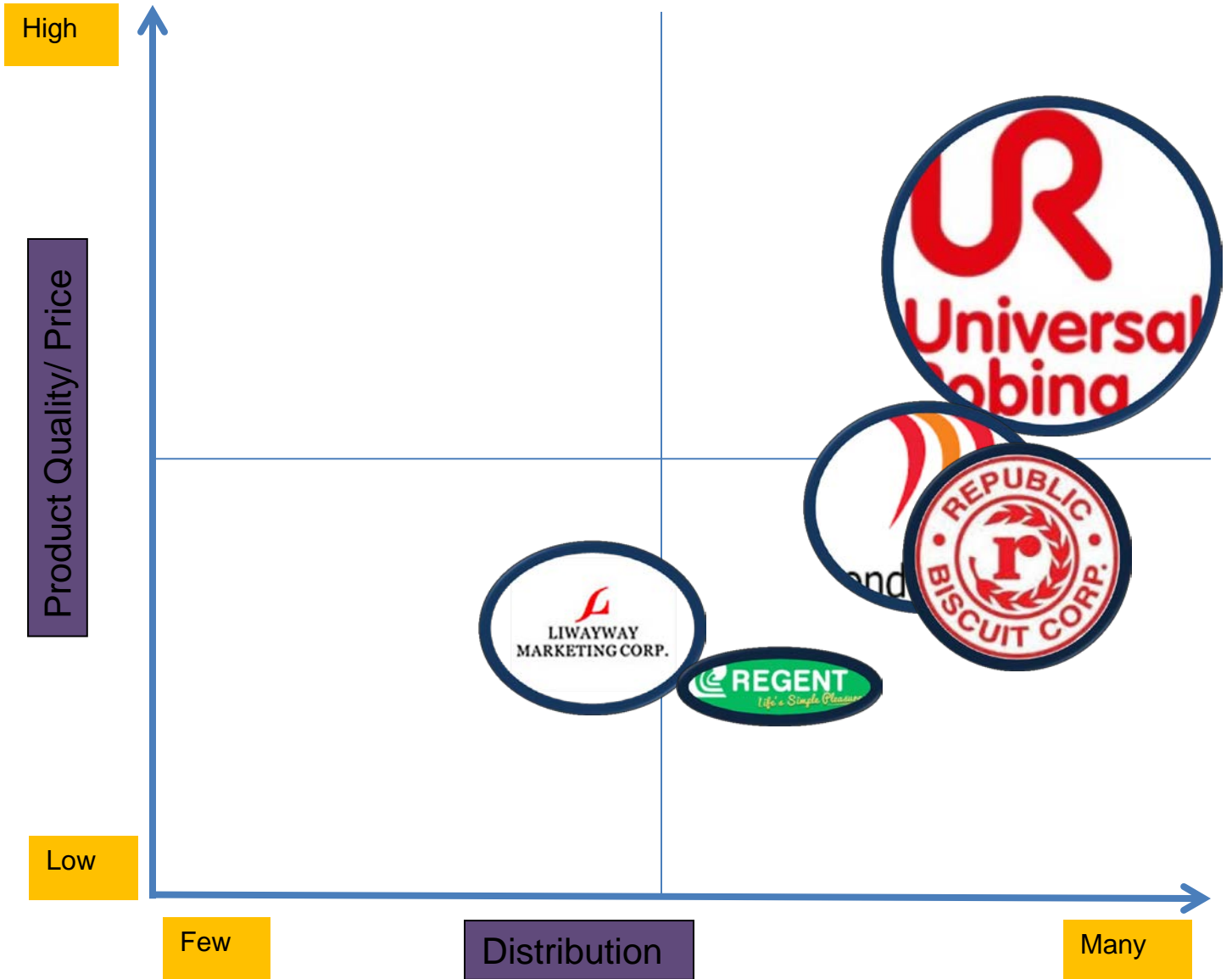
<sup>12</sup> <https://www.rebisco.com.ph/products.php>

<sup>13</sup> <http://oishi.com.ph/info/history.html>

### a. Strategic Map







### 7. Competitive Performance Matrix(CPM)

	Liwayway Marketing Corp.			Universal Robina Corp.		Republic Biscuit Corp.	
Critical Success Factors	Weight	Rating	Weighted Score	Rating	Weighted Score	Rating	Weighted Score
Market Share	0.20	2	0.4	5	1.00	3	0.6
Availability	0.18	3	0.54	3	0.54	3	0.54
Promotion	0.15	3	0.45	3	0.45	2	0.3
Product Line Breadth	0.11	4	0.44	3	0.33	2	0.22
Pricing	0.17	4	0.68	2	0.34	3	0.51
Loyalty	0.19	3	0.57	3	0.57	3	0.57
Total	<b>1.00</b>		<b>3.08</b>		<b>3.23</b>		<b>2.74</b>

	Nissin Monde			Regent Foods Corp.	
Critical Success Factors	Weight	Rating	Weighted Score	Rating	Weighted Score
Market Share	0.20	4	0.8	1	0.20
Availability	0.18	3	0.54	2	0.36
Promotion	0.15	3	0.45	1	0.15
Product Line Breadth	0.11	2	0.22	2	0.22
Pricing	0.17	2	0.34	5	0.85
Loyalty	0.19	3	0.57	3	0.57
Total	<b>1.00</b>		<b>2.92</b>		<b>2.35</b>

Table 7.1

## VI. Analysis of Internal Environment

### 1. Company Overview



Liwayway Marketing Corporation was established in 1946 starting its humble beginnings with repackaging of starch and coffee. The famous starch named as Liwayway Gawgaw started to advertise in magazines and radios. Liwayway got their name during the post-war era which means optimism and hope, just perfect for the innate spirit of Filipinos. Mr. Carlos Chan is the owner of Liwayway Marketing Corporation.

Liwayway Marketing Corporation serves their customers a large variety of product offering through their brand Oishi. In fact, their first savory snack is widely known for the name of the brand, Oishi Prawn Crackers, that when a customer says he wants an Oishi, he particularly meant the Prawn Cracker. From then on, Oishi started to venture out to other category like Beverage, Milk, Cereals, and Cookies, Biscuit and Wafers.

Liwayway believes they can achieve their vision in becoming the leading food company in the market by following ideals:

1. Provide our consumers with the widest range of quality food products at best value;
2. Live by and uphold the creed of business integrity in all our dealings;
3. Develop and nurture long-term relationships with our suppliers, distributors, and consumers; and
4. Maintain an excellent work force by being involved in the development of our employees' skills, knowledge, and attitude.

Aside from their ideals, they also believe in being a Good Chef. A Good Chef has the following principles:

- Clean equipment and good personal hygiene
- Choice ingredients and appealing presentation



- Precise and standardized process for consistent quality
- Efficient and not wasteful
- Cleanliness and safety in the kitchen<sup>14</sup>

Here are Oishi's Product Offerings:



<sup>14</sup> <http://oishi.com.ph/about/our-principles/>

## 2. Corporate Values including CSR



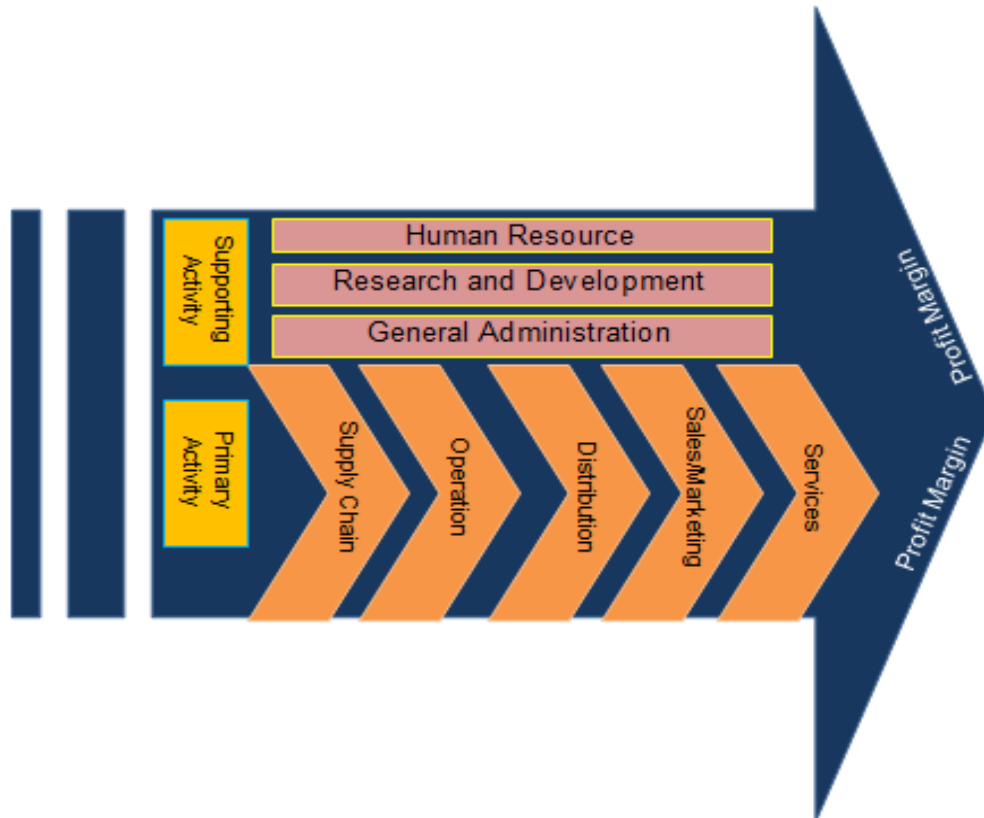
In line with their ideals and principles, Liwayway Marketing Corporation also involves itself in various Corporate Social Responsibility activities. They promote education for children emphasizing on books on fun facts in the field of arts, science, history, culture, and sport. They also have a book series that educated the Filipino kids about financing in a captivating

story of the ant. These books won several awards in the year 2006 and 2011 in partnership with Adarna House, the largest publisher of children's book. Aside from educating the Filipino kids, LMC also advocates the Habi Bags. Habi Bags are bags, containers, and accessories made from recycled scrap packaging materials, given that they are in the food packaging industry. These Habi Bags are woven by the people from Baseco and became their means of livelihood. This is a joint project of Kabalikat sa Kaunlaran ng Baseco Inc., Urban Poor Associates and Maraming Bayani Foundation.<sup>15</sup>



<sup>15</sup> <http://oishi.com.ph/info/supports.html>

### 3. Value Chain Analysis



The model above shows the original value chain model. Value Chain is an interconnected process of set of activities in an organization that generates directly and indirectly value or in companies, revenue and profit. It was Michael Porter who introduced value chain in his book, *Competitive Advantage*. Since then, it was a business tool used by every organization who wanted to holistically understand the value of their business.

In Porter's Value Chain, it is parted in two activities namely, Primary Activity where value is generated directly and is the main generator of profit and Support Activity where activities are generating value by supporting and fortifying the primary activity.

#### **Primary Activities**

Primary Activity includes the movements of supply chain, operations, sales and marketing, and services.

### Supply Chain

Supply chain is the activity of acquiring, purchasing and delivering all the materials to be used in the business from raw materials up to the distribution of the final product to the end customer. It involves the management of the supplier, manufacturer and retailer. The supply chain of the company directly generates value to the company because it “supplies the chain”. From the name itself, all the materials/supplies needed for the whole company to execute its operation of product/service in order to create the product/service that will make revenue and in turn, value or profit. With careful analysis and good strategic management, supply chain can be a distinctive competency of a company.

WHAT TO ASSESS	• Soundness of material and inventory control systems
	• Efficiency of raw material warehousing activities
	• Development of alternate sources for inputs to minimize dependence on a single supplier
	• Procurement of raw materials (1) on a timely basis, (2) at lowest possible cost, (3) at acceptable levels of quality
	• Procedures for procurement of plant, machinery, and buildings
	• Development of criteria for lease-versus-purchase decisions
	• Good, long-term relationships with reliable suppliers

Table 3.1

The table above shows what are the factors and characteristics that a company should assess in their supply chain in order to know what aspect they should improve.

Liwayway Marketing Corporation has various suppliers from different countries. Their top supplier in savory snack is GL Food Wholesale Inc<sup>16</sup> and their milk used in Oaties is from New Zealand.

For their plants and warehouse facilities, LMC, being a multinational company, has 12 factories in China, three factories here in the Philippines, two in Vietnam and one in Indonesia and Myanmar.

From their plant in Imus, Cavite, Cagayan de Oro and Cebu, the product will be distributed to different wholesalers and retailers for the reach and access of the final consumer.

<sup>16</sup> [www.datamyne.com/supplier2030547/liwayway-marketing-corporation](http://www.datamyne.com/supplier2030547/liwayway-marketing-corporation)

**Operations**

WHAT TO ASSESS	• Productivity of equipment compared to that of key competitors
	• Appropriate automation of production processes
	• Effectiveness of production control systems to improve quality and reduce costs
	• Efficiency of plant layout and work-flow design

Table 3.2

An operation is a systematic process of converting the raw materials into the final products that will generate revenue and sales. Involved in operation is the production process, quality check control, packaging and repacking for distribution.

The operation of a company can be a competitive edge because it is something of internal where your competitors can't easily benchmark it or copy it. It is something the company can manipulate and be controlled internally.

Liwayway Marketing Corporation has three factories in the Philippines. The main factory is in Imus, Cavite and two satellite factories in Cagayan de Oro and Cebu and many other factories abroad.

Liwayway Marketing Corporation has always been innovative in their product variations. This could only mean that they have the capacity to create and produce different kinds of products, of any form and of any flavour.

With 50 different kinds and variants of savoury snack and other food and beverage product, Liwayway has proven their competitors that they can create and produce a wide variety of food products efficiently for only having three factories in the Philippines and yet being able to produce them effectively.

**Distribution**

WHAT TO ASSESS	• Timeliness and efficiency of delivery of finished goods and services
	• Efficiency of finished goods warehousing activities

Table 3.3

Distribution is important because it makes the product accessible to the customers, without it the customer will be having a hard time in purchasing their desired product.

Liwayway Marketing Corporation has their main warehouse in Pasay City. According to an article by pressreader.com, Mr Carlos Chan's kind-heart is what made the success of LMC; it can be reflected on their employees whom he treats like a family and also to his partner distributors here in the Philippines that lasted for decades.

Liwayway Marketing Corp's brand Oishi can be found at large retailers and small business distributors until to sari-sari stores. However, not all of Oishi's products are equally distributed or given attention in distribution. Some products of them are not available in many retail outlets, some are found only in large major supermarkets or retailers.

### **Sales and Marketing**

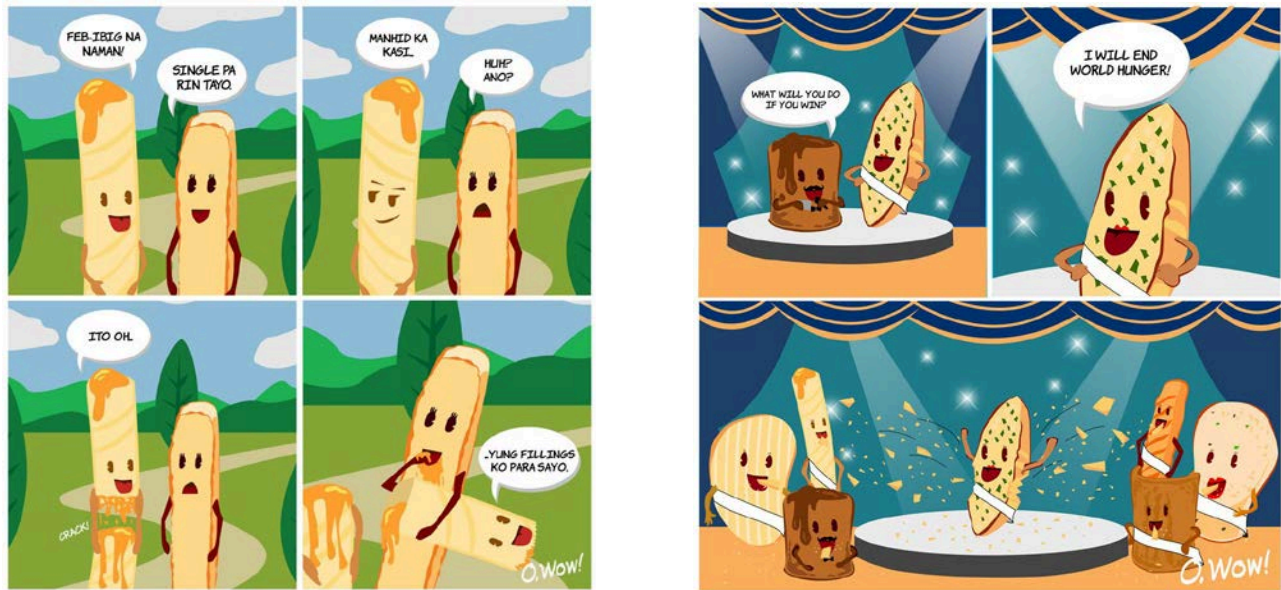
<b>WHAT TO ASSESS</b>	• Effectiveness of market research to identify customer segments and needs
	• Innovation in sales promotion and advertising
	• Evaluation of alternate distribution channels
	• Motivation and competence of sales force
	• Development of an image of quality and a favourable reputation
	• Extent of brand loyalty among customers
	• Extent of market dominance within the market segment or overall market

Table 3.4

Sales and Marketing are the part in the value chain that is in charge in managing the four P's; product, place/distribution, price and promotion. Sales and marketing generates direct value to the company because they make sure that the products are bought by the customers.

Liwayway Marketing Corporation has many ambassadors and ambassadress that are close and influential to the target audiences which are called Team-O, they are Maine Mendoza, Kathryn Bernardo, Daniel Padilla, Ramon Bautista, Alex Gonzaga and Elmo Magalona. They are helping the brand to be exposed to the audience through their personalities in the showbusiness.

Aside from marketing using celebrities, LMC also promotes Oishi in top social media platforms which include Facebook, Twitter and Instagram. In fact, Oishi's way of promoting in Facebook is quite becoming popular and at the same time funny and interesting. Oishi is using strip comics with their products as the characters who seemingly have a little bit of dark humor.



Another task under Sales and marketing is the distribution of the product. Distribution is important because it is the hand that reaches out the product to the customer to make it available to them and accessible at the right place and time.

Price is also under sales and marketing because it weighs the cost to create the product and the value that it delivers to the customers. Price can also be a competitive advantage when strategically managed because it is one of the important things that a customer looks at when considering what to purchase. And also price makes the company different to its competitors.

**Services**

<b>WHAT TO ASSESS</b>	• Means to solicit customer input for product improvements
	• Promptness of attention to customer complaints
	• Appropriateness of warranty and guarantee policies

Table 3.5

Services are important also because it includes all the experiences the customer gets when buying the product especially after-purchase experience

Most companies neglect and forget the consumers experience after purchasing the product simply because they already purchased the product. However, knowing the feedback of the customer after they purchase the product and their comments and

suggestion can generate direct value to the company. The information and insight coming directly from the users can be used for further improvement of the product.

Liwayway Marketing Corporation can be reached in their official website, oishi.com.ph if there are any inquiries, complaints and questions to be asked and also for comments and suggestions their hotline number and email are available for messages.

Aside from their official website and hotline numbers, customers can also reach them on communicating just about everything in their social media accounts like Facebook’s Official Page, and official Twitter and Instagram account.

**Supporting Activities**

Supporting activities are also part of the value chain, even though it generates value indirectly, because it helps in the execution of the primary activity to make it efficient. The supporting activities are Human Resource Management, Research and Development, and General Administration.

**Human Resource Management**

WHAT TO ASSESS	• Effectiveness of procedures for recruiting, training, and promoting all levels of employees
	• Appropriateness of reward systems for motivating and challenging employees
	• A work environment that minimizes absenteeism and keeps turnover at desirable levels
	• Levels of employee motivation and job satisfaction
	• Relations with trade unions
	• Active participation by managers and technical personnel in professional organizations

Table 3.6

Human Resource is the function in the organization that handles all the human relations in the company and all its involvement like job analysis, hiring, training and development, salaries, complaints, firings, employee satisfaction, motivation, evaluations and performances, and many others.

These are all important in the value chain because the company’s employees are what make the company. They can also be representative and reflection of the brand of the company and without them generating the value and profit would be impossible.

Liwayway Marketing Corporation values their employees greatly and it reflects in the activities and programs to nurture and take care of them. According to indeed.com.ph, where former employees can post comment and reviews about their experiences in



their former companies, Liwayway Marketing Corporation is a good working environment starting from the people in the workplace where they can eat with their superiors without the sense of inferiority; their work time are flexible and open; they said LMC has good management and even in small things like free food during meetings and free transportation and allowance fees although their processing time for hiring application is at least in 2 weeks.

### **Research and Development**

WHAT TO ASSESS	• Success of research and development activities in leading to product and process innovations
	• Qualification and experience of laboratory technicians and scientists
	• Quality of working relationships between R&D personnel and other departments
	• Ability of work environment to encourage creativity and innovation
	• Timeliness of technology development activities in meeting critical deadlines
	• Quality of laboratories and other facilities

Table 3.7

Research and development is also included in the supporting activities because it makes product innovation possible. It includes the facilities to conduct experiments and lab testing for food tasting and nutrition count.

Liwayway Marketing Corporation has evidently a good research and development as shown in the different product lines and variation. Not only have they had different product offerings, they also have different variations per product line. This only shows that LMC really puts an importance and effort in their research and development.

Their various product innovations that answers to the different needs of the customer only proves that other departments and their R&D department are having a smooth relationship and the benefits are communicated very well to all other departments in the company.

## General Administration

<b>WHAT TO ASSESS</b>	• Capability to identify new-product market opportunities and potential environmental threats
	• Quality of the strategic planning system to achieve corporate objectives
	• Coordination and integration of all value chain activities among organizational subunits
	• Ability to obtain relatively low-cost funds for capital expenditures and working capital
	• Level of information systems support in making strategic and routine decisions
	• Timely and accurate management information on general and competitive environments
	• Relationships with public policy makers and interest groups
	• Public image and corporate citizenship

Table 3.8

General Administration is shown in the financial statement as operating expense simply because it includes all expenses consumed and used in the company in its day-to-day operation, thus operating expense or administrative expense.

General administration includes rent, utilities like electricity, water and telecommunication, and office supplies. These activities are only supporting activities because these are not directly affecting the product of the company.

Liwayway Marketing Corporation's efforts in the general administration can be shown in the income statement under administrative expense which incurs 20% through the years which means they do not let general administration fail or be under appreciated.

PRIMARY ACTIVITIES	POOR	AVERAGE	EXCELLENT
• Soundness of material and inventory control systems		✓	
• Efficiency of raw material warehousing activities		✓	
• Development of alternate sources for inputs to minimize dependence on a single supplier			✓
• Procurement of raw materials (1) on a timely basis, (2) at lowest possible cost, (3) at acceptable levels of quality		✓	
• Procedures for procurement of plant, machinery, and buildings			✓
• Development of criteria for lease-versus-purchase decisions		✓	
• Productivity of equipment compared to that of key competitors		✓	
• Appropriate automation of production processes			✓
• Effectiveness of production control systems to improve quality and reduce costs			✓
• Efficiency of plant layout and work-flow design		✓	
• Timeliness and efficiency of delivery of finished goods and services		✓	
• Efficiency of finished goods warehousing activities			✓
• Effectiveness of market research to identify customer segments and needs			✓
• Innovation in sales promotion and advertising			✓
• Evaluation of alternate distribution channels	✓		
• Motivation and competence of sales force		✓	
• Development of an image of quality and a favourable reputation			✓
• Extent of brand loyalty among customers			✓
• Extent of market dominance within the market segment or overall market		✓	
• Means to solicit customer input for product improvements	✓		
• Promptness of attention to customer complaints		✓	

Table 3.9

SUPPORT ACTIVITIES	POOR	AVERAGE	EXCELLENT
• Effectiveness of procedures for recruiting, training, and promoting all levels of employees		✓	
• Appropriateness of reward systems for motivating and challenging employees		✓	
• A work environment that minimizes absenteeism and keeps turnover at desirable levels		✓	
• Levels of employee motivation and job satisfaction		✓	
• Relations with trade unions			✓
• Active participation by managers and technical personnel in professional organizations			✓
• Capability to identify new-product market opportunities and potential environmental threats			✓
• Quality of the strategic planning system to achieve corporate objectives	✓		
• Coordination and integration of all value chain activities among organizational subunits	✓		
• Ability to obtain relatively low-cost funds for capital expenditures and working capital	✓		
• Level of information systems support in making strategic and routine decisions		✓	
• Timely and accurate management information on general and competitive environments		✓	
• Relationships with public policy makers and interest groups		✓	
• Success of research and development activities in leading to product and process innovations			✓
• Qualification and experience of laboratory technicians and scientists		✓	
• Quality of working relationships between R&D personnel and other departments		✓	
• Ability of work environment to encourage creativity and innovation			✓
• Timeliness of technology development activities in meeting critical deadlines			✓
• Quality of laboratories and other facilities			✓

Table 3.10

#### 4. Financial Analysis

##### Horizontal Analysis

##### Statement of Income

##### For Years 2012-2015

	2012-2013	2013-2014	2014-2015
<b>Revenue</b>	7%	9%	14%
<b>Cost of sales</b>	7%	9%	15%
<b>Gross Profit</b>	7%	8%	12%
<b>Distribution Cost</b>	4%	7%	13%
<b>Administrative Expenses</b>	20%	3%	17%
<b>Finance Cost</b>	-7%	5%	-4%
<b>Other Income</b>	372%	-83%	66%
<b>Other Expenses</b>	233%	-63%	8%
<b>Profit Before Tax</b>	42%	-4%	25%
<b>Income Tax</b>	43%	-4%	43%
<b>Current</b>	15%	14%	42%
<b>Deferred</b>	62%	-58%	14%
<b>Net Profit</b>	41%	-4%	17%

Table 4.1

Horizontal Analysis tells us the growth of the company through the income statement annually. For Liwayway Marketing Corporation, they had a decrease in the net profit on year 2014. Other part of the income statement also had a decrease: other income, other expenses, the overall profit before tax, and the deferred income tax.

**Vertical Analysis**  
**Statement of Income**  
**For Years 2012-2015**

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Revenue</b>	100%	100%	100%	100%
<b>Cost of sales</b>	77%	77%	78%	78%
<b>Gross Profit</b>	23%	23%	23%	22%
<b>Distribution Cost</b>	9%	8%	8%	8%
<b>Administrative Expenses</b>	5%	5%	5%	5%
<b>Finance Cost</b>	6%	5%	5%	4%
<b>Other Income</b>	0%	2%	0%	0%
<b>Other Expenses</b>	0%	0%	0%	0%
<b>Profit Before Tax</b>	4%	5%	5%	5%
<b>Income Tax</b>	1%	2%	1%	2%
<b>Current</b>	1%	1%	1%	2%
<b>Deferred</b>	0%	0%	0%	0%
<b>Net Profit</b>	3%	4%	3%	3%

Table 4.2

The table above shows the vertical analysis of the income statement of Liwayway Marketing Corporation for the years 2012 up to 2015. Vertical analysis is a financial tool used by companies to compare and analyse the portion of the account in the total revenue of the financial statement.

**4.1 SEC Financial Analysis for Years 2012, 2013, 2014, and 2015<sup>17</sup>**

**Balance Sheet**

LIWAYWAY MARKETING CORPORATION STATEMENTS OF FINANCIAL POSITION				
Notes	December 31, 2013	December 31, 2012	January 1, 2012	
		(Notes 1,37)	(Notes 1,37)	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	5,36 P616,993,625	P532,202,688	P515,251,366	
Trade and other receivables	6,36,37 782,184,424	647,007,105	617,600,304	
Due from related parties - current	35,36,37 212,513,713	269,348,085	244,661,974	
Inventories	7 1,214,295,497	1,344,889,811	1,469,923,746	
Prepayments and other current assets	8 189,731,699	261,115,099	117,040,153	
<b>Total current assets</b>	<b>2,935,548,958</b>	<b>3,054,562,788</b>	<b>2,964,477,543</b>	
<b>Non-Current Assets</b>				
Property, plant and equipment - net	9,37 4,090,563,858	3,926,721,366	3,797,639,650	
Available for sale financial assets	10 38,981,550	40,926,550	28,571,550	
Due from related parties - long term	35,36 1,286,171,650	1,713,875,757	1,702,058,899	
Investment properties	11 268,213,714	212,144,714	212,144,714	
Deferred tax asset	34,37 13,828,041	4,916,635	0	
Non-current assets held for sale	12 1,638,228	1,638,228	1,638,228	
Other non-current assets	13 97,375,485	96,809,998	96,451,525	
<b>Total non-current assets</b>	<b>5,793,771,726</b>	<b>5,997,033,648</b>	<b>5,838,504,566</b>	
<b>TOTAL ASSETS</b>	<b>P8,729,320,684</b>	<b>P9,051,596,436</b>	<b>P8,802,982,109</b>	
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade payable & other payables	16,36 P629,222,016	P605,287,292	P557,365,319	
Borrowings - current portion	16,36 771,045,791	869,094,812	878,832,617	
Income tax payable	34 19,834,847	18,738,370	9,943,388	
Other current liabilities	15 63,713,395	59,780,655	50,051,974	
<b>Total current liabilities</b>	<b>1,483,815,249</b>	<b>1,552,900,529</b>	<b>1,496,193,298</b>	
<b>Non-current liabilities</b>				
Borrowings - non-current portion	16,36 3,696,693,089	4,095,000,000	3,996,785,719	
Deferred tax liability	20,34,37 591,238,654	586,721,018	599,281,835	
Retirement Benefit Payable	19 325,433,433	312,264,327	0	
Dealer's cash bond	17 82,998,950	84,712,893	89,098,566	
Lessee's Deposit	18 137,200	137,200	137,200	
<b>Total non-current liabilities</b>	<b>4,696,485,326</b>	<b>5,078,815,438</b>	<b>4,685,303,320</b>	
<b>TOTAL LIABILITIES</b>	<b>6,180,300,575</b>	<b>6,631,715,967</b>	<b>6,181,496,618</b>	
<b>EQUITY</b>				
Share Capital	21 800,000,000	800,000,000	800,000,000	
Cumulative earnings	21,37 387,325,666	224,350,081	238,990,160	
Other equity reserves	21,37 1,361,794,443	1,395,490,388	1,582,495,331	
<b>TOTAL EQUITY</b>	<b>2,549,020,109</b>	<b>2,419,880,469</b>	<b>2,621,485,491</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P8,729,320,684</b>	<b>P9,051,596,436</b>	<b>P8,802,982,109</b>	

2012-2013

LIWAYWAY MARKETING CORPORATION STATEMENTS OF FINANCIAL POSITION				
Notes	December 31, 2015	December 31, 2014		
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	5,39 P619,858,082	P681,056,953		
Trade and other receivables	6,36,39 802,952,022	761,412,731		
Due from related parties - current	38,39 228,142,741	244,300,989		
Inventories	7 2,165,124,081	1,779,209,575		
Prepayments and other current assets	8 291,907,476	291,455,296		
<b>Total current assets</b>	<b>4,107,980,322</b>	<b>3,757,435,524</b>		
<b>Non-Current Assets</b>				
Property, plant and equipment - net	9 5,334,352,021	4,827,582,401		
Available for sale financial assets	10 41,351,550	40,281,550		
Due from related parties - long term	38,39 1,625,991,985	1,958,262,485		
Investment properties	11 261,234,714	261,234,714		
Deferred tax asset	37 26,919,225	17,146,213		
Non-current assets held for sale	12 1,638,228	1,638,228		
Other non-current assets	13 154,698,839	146,090,138		
<b>Total non-current assets</b>	<b>7,439,478,462</b>	<b>7,252,235,729</b>		
<b>TOTAL ASSETS</b>	<b>P11,547,458,784</b>	<b>P11,009,671,253</b>		
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade & other payables	16,36 P788,365,806	P636,029,668		
Borrowings - current portion	16,36 1,209,670,080	1,162,760,000		
Income tax payable	37 31,616,747	19,270,971		
Unearned rent	15 1,833,180	983,981		
Other current liabilities	16 74,449,456	66,758,506		
<b>Total current liabilities</b>	<b>2,105,135,189</b>	<b>1,885,813,126</b>		
<b>Non-current liabilities</b>				
Borrowings - non-current portion	17,39 5,335,324,139	5,207,800,838		
Deferred tax liability	21 566,868,988	578,938,821		
Retirement Benefit Payable	20 418,064,266	376,968,655		
Dealer's cash bond	18,39 82,595,278	79,322,625		
Lessee's Deposit	19,39 359,326	594,620		
<b>Total non-current liabilities</b>	<b>6,403,211,997</b>	<b>6,243,825,569</b>		
<b>TOTAL LIABILITIES</b>	<b>8,508,347,186</b>	<b>8,129,638,695</b>		
<b>EQUITY</b>				
Share Capital	22 1,000,000,000	1,000,000,000		
Cumulative earnings	22,23 728,791,841	542,619,058		
Other equity reserves	22,24 1,210,520,557	1,337,413,500		
<b>TOTAL EQUITY</b>	<b>3,639,111,598</b>	<b>2,880,032,558</b>		
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P11,547,458,784</b>	<b>P11,009,671,253</b>		

2014-2015


<sup>17</sup> All figures are gathered and paid from SEC official website

**Cash Flow**

**LIWAYWAY MARKETING CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31**

	Notes	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit Before Tax		P231,899,327	P163,596,944
Adjustments for:			
Prior period adjustment		0	(4,002,127)
Interest earned	26	(2,871,235)	(5,047,503)
Interest expense	16	237,471,915	254,380,750
Depreciation and amortization	31	178,521,665	161,368,211
Operating income before working capital changes		645,021,672	570,296,275
Decrease (increase) in:			
Trade receivable	6,36,37	(55,097,319)	(54,092,913)
Inventories	7	130,594,314	125,033,936
Prepaid assets	8	77,347,776	(144,074,947)
Increase (decrease) in:			
Trade payable & other payables	14,36	27,868,062	57,614,266
Dealers' cash bond	17	(1,721,943)	(4,385,672)
Retirement Benefit Payable	19	13,189,106	16,238,892
Other non-current assets	13	(565,487)	0
Deferred tax	20,34,37	(4,401,770)	0
Cash provided by operating expenses		832,234,411	566,629,837
Interest paid	16	(237,471,915)	(254,380,750)
Interest received	25	2,871,235	5,047,503
Tax paid	34	(60,048,001)	(44,253,309)
Net cash provided by operating activities		537,585,730	273,043,281
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds of disposal of property & equipment	9,37	1,841,836	1,707,281
Investment property - increase	11	(56,069,000)	0
Acquisition of property & equipment	9,37	(386,840,176)	(334,458,857)
Net cash used in investing activities		(441,067,340)	(332,751,576)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of loans	16,36	(496,355,932)	(3,387,484,525)
Proceeds of loans	16,36	0	3,475,961,000
Due from related parties	35,36	484,538,479	(11,816,858)
Net cash provided by (used in) financing activities		(11,817,453)	76,659,617
<b>NET INCREASE IN CASH</b>		84,700,937	16,951,322
<b>CASH AT BEGINNING OF YEAR</b>		532,202,688	515,251,366
<b>CASH AT END OF YEAR</b>		P616,903,625	P532,202,688

*See Notes to Financial Statements.*





2012-2013

**LIWAYWAY MARKETING CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31**

	Notes	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit Before Tax		P277,369,671	P222,846,133
Adjustments for:			
Assessment and payment of 2013 taxes		(6,284,951)	0
Interest earned	29	(1,708,043)	(2,136,494)
Finance costs	17	238,600,110	249,605,873
Depreciation and amortization	34	241,104,819	198,582,656
Deferred input tax	13	(8,000,701)	(48,714,653)
Retirement benefit adjustment	20	10,929,790	9,586,988
Operating income before working capital changes		752,010,695	629,770,503
Decrease (increase) in:			
Trade receivable	2,6,38,39	(41,539,291)	(59,308,307)
Inventories	2,7	(385,910,506)	(564,914,078)
Prepaid assets	2,8	(452,180)	(61,490,819)
Increase (decrease) in:			
Trade & other payables	2,14,39	152,326,138	7,557,652
Unearned rent	13	49,199	983,981
Other current liabilities	13	7,690,950	3,045,111
Cash provided by (used in) operating expenses		484,175,005	(44,355,937)
Interest paid	17	(238,600,110)	(249,605,873)
Interest received	25	1,708,043	2,136,494
Income taxes paid	37	(86,406,927)	(70,358,531)
Net cash provided by (used in) operating activities		160,876,011	(362,183,867)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds of disposal of property & equipment	9	769,148	415,057
Investment property	11	0	6,979,000
Acquisition of property & equipment	9	(748,643,588)	(976,989,834)
Net cash used in investing activities		(747,874,440)	(969,595,777)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in Share Capital	22	0	200,000,000
Payment of loans	2,17,39	(872,001,341)	(971,045,791)
Proceeds of loans	2,17,39	1,046,434,642	2,873,867,749
Due from related parties	2,38,39	348,528,828	(703,878,091)
Dealer's cash bond	2,18,39	3,072,643	(3,468,315)
Lessee's deposit	19,36	(235,294)	457,420
Net cash provided by financing activities		525,799,478	1,395,932,972
<b>NET INCREASE(DECREASE) IN CASH</b>		(61,198,951)	64,153,328
<b>CASH AT BEGINNING OF YEAR</b>		681,056,953	616,903,625
<b>CASH AT END OF YEAR</b>		P619,858,002	P681,056,953

*See Notes to Financial Statements.*

2014-2015



**Changes on Equity**

**LIWAYWAY MARKETING CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31**

	Share Capital (Note 21)	Cumulative Earnings (Note 21,37)	2013			Sub-Total	Total
			Appropriated Retained Earnings	Revaluation Surplus	Unrealized Gain on Available for Sale Investments		
Balance, January 31, 2013	P 800,000,000	P 224,390,081	P -	P 1,368,964,338	P 26,526,050	P 1,395,490,388	P 2,419,880,469
Profit for the year		P 162,835,585				P -	P 162,835,585
Revaluation surplus on sold property				( 588,000)	( 588,000)	( 588,000)	( 588,000)
Unrealized Loss on Available for Sale Investments				( 4,945,000)	( 4,945,000)	( 4,945,000)	( 4,945,000)
Reduction of Rev. Surplus due to depreciation for the year				( 28,162,945)	( 28,162,945)	( 28,162,945)	( 28,162,945)
Balance, December 31, 2013	P 800,000,000	P 387,225,666	P -	P 1,340,213,393	P 21,581,050	P 1,361,794,443	P 2,549,020,109

	Share Capital (Note 21)	Cumulative Earnings (Note 21,37)	2012			Sub-Total	Total
			Appropriated Retained Earnings	Revaluation Surplus	Unrealized Gain on Available for Sale Investments		
Balance, January 01, 2012	P 800,000,000	P 238,990,160	P 170,000,000	P 1,398,324,281	P 14,171,050	P 1,582,495,331	P 2,621,485,491
Correction of Prior Year's Profit:							
A. Due to the Recognition of Pay until Year 2011		( 296,005,435)				-	(296,005,435)
B. Payments of Deficiency Taxes for 2010		( 4,002,127)				-	(4,002,127)
Profit for the year		115,407,483				-	115,407,483
Reversal of Appropriation for CDO,Cebu, and Tarlac		170,000,000	( 170,000,000)			(170,000,000)	-
Reversal of revaluation surplus of sold property				(1,197,000)		(1,197,000)	(1,197,000)
Unrealized gain on AFS Investments					12,355,000	12,355,000	12,355,000
Reduction of Rev. Surplus due to depreciation for the year				(28,162,943)		(28,162,943)	(28,162,943)
Balance, December 31, 2012	P 800,000,000	P 224,390,081	P -	P 1,368,964,338	P 26,526,050	P 1,395,490,388	P 2,419,880,469

**2012-2013**

**LIWAYWAY MARKETING CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31**

	Share Capital (Note 22)	Cumulative Earnings (Note 23)	2015			Sub-Total	Total
			Appropriated Retained Earnings	Revaluation Surplus	Unrealized Gain on Available for Sale Investments		
Balance, January 01, 2015	P1,000,000,000	P542,619,058	P0	P1,311,532,450	P25,881,050	P1,337,413,500	P2,880,032,558
Correction of Prior Year's Profit:							
Due to Adjustment of Retirement Pay Benefit		(39,165,822)				-	(39,165,822)
Deficiency Taxes for Year 2013		(6,284,951)				-	(6,284,951)
Profit for the year		182,389,980				-	182,389,980
Procedural Realization of Rev. Surplus for 2015		49,332,776		(28,162,943)		(28,162,943)	12,669,833
Unrealized Gain on Available for Sale Investments					1,070,000	1,070,000	1,070,000
Balance, December 31, 2015	P1,000,000,000	P728,791,041	P0	P1,283,369,507	P26,951,050	P1,310,320,557	P3,039,111,598

	Share Capital (Note 22)	Cumulative Earnings (Note 23)	2014			Sub-Total	Total
			Appropriated Retained Earnings	Revaluation Surplus	Unrealized Gain on Available for Sale Investments		
Balance, January 01, 2014	P800,000,000	P387,225,666	P0	P1,340,213,393	P21,581,050	P1,361,794,443	P2,549,020,109
Correction of Prior Year's Profit:							
Due to Adjustment of Retirement Pay Benefit		(41,948,234)				-	(41,948,234)
Profit for the year		156,368,850				-	156,368,850
Increase in Paid-up Capital	200,000,000					-	200,000,000
Procedural Realization of Rev. Surplus for 2014		40,232,776		(28,162,943)		(28,162,943)	12,669,833
Revaluation surplus on sold property		740,000		(518,000)		(518,000)	222,000
Unrealized Gain on Available for Sale Investments					4,300,000	4,300,000	4,300,000
Balance, December 31, 2014	P1,000,000,000	P542,619,058	P0	P1,311,532,450	P25,881,050	P1,337,413,500	P2,880,032,558

**2014-2015**

**Comprehensive Income**

24789.9164.0008

**LIWAYWAY MARKETING CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31**

	Notes	2013	2012
Net Profit		P162,835,585	P115,407,483
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Unrealized Gain (Loss) on AFS Investment	10	(4,945,000)	12,355,000
Revaluation Surplus		(840,000)	(1,710,000)
		(5,785,000)	10,645,000
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P157,050,585</b>	<b>P126,052,483</b>

See Notes to Financial Statements

BUREAU OF INTERNAL REVENUE  
DFOCAS  
JUL 24 2014  
E. BERNAL

2012-2013

33608.0166.0007

**LIWAYWAY MARKETING CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31**

	Notes	2015	As Restated, Note 40 2014
Net Profit		P182,589,980	P156,368,850
<b>OTHER COMPREHENSIVE INCOME</b>			
Unrealized Gain on AFS Investment	10	1,070,000	4,300,000
Revaluation surplus on sold property		0	(740,000)
Piecemeal realization of revaluation surplus	24	40,232,776	40,232,776
		41,302,776	43,792,776
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P223,692,756</b>	<b>P200,161,626</b>
<b>Basic Earnings per Share</b>	22	<b>P22.37</b>	<b>P20.02</b>

See Notes to Financial Statements

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BUREAU OF INTERNAL REVENUE  
DFOCAS  
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E. BERNAL

2014-2015

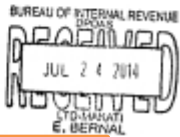
**Statement of Income**

24280.0104.0007

**LIWAYWAY MARKETING CORPORATION**  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31

	Notes	2013	2012
Revenue	22	P4,601,058,598	P4,306,482,461
Cost of sales	7.22.24.25.30.31	(3,557,685,347)	(3,327,093,261)
Gross profit		1,043,373,251	979,389,200
Distribution cost	27.30.31	(382,233,775)	(367,442,840)
Administrative expenses	19.28.30.31.32	(245,668,423)	(204,090,831)
Finance cost	16	(237,471,915)	(254,380,750)
Other income	26	68,550,234	14,516,518
Other expenses	29	(14,650,035)	(4,394,353)
Profit Before Tax		231,899,327	163,506,944
Income tax			五三九
Current	34	(61,143,679)	(53,084,080)
Deferred	34.37	(7,920,063)	4,894,619
		(69,063,742)	(48,189,461)
Net Profit		P162,835,585	P115,407,483

See Notes to Financial Statements.




**2012-2013**

33608.0106.0006

**LIWAYWAY MARKETING CORPORATION**  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31

	Notes	2015	2014
Revenue	25	P5,710,219,296	P5,007,011,879
Cost of sales	7.27.28.29.31.34	(4,447,029,010)	(3,878,431,444)
Gross profit		1,263,190,286	1,128,580,435
Distribution costs	30.33.34	(463,243,507)	(408,572,502)
Administrative expenses	31.33.34	(297,702,619)	(253,905,767)
Finance cost	17	(238,600,110)	(249,605,873)
Other income	29	19,658,946	11,833,832
Other expenses	32	(5,933,325)	(5,483,992)
Profit Before Tax		277,369,671	222,846,133
Income tax			
Current	37	(98,752,703)	(69,795,455)
Deferred	37	3,773,012	3,318,172
		(94,979,691)	(66,477,283)
Net Profit		P182,389,980	P156,368,850

See Notes to Financial Statements.



**2014-2015**

## 4.2 Financial Ratio

PROFITABILITY RATIO				
	2012	2013	2014	2015
Return On Asset	0.013	0.019	0.014	0.016
Gross Profit Margin	0.227	0.227	0.225	0.221
Net Profit Margin	0.027	0.035	0.031	0.319
Return On Equity	0.048	0.064	0.054	0.600
Operating Profit Margin	0.038	0.050	0.044	0.049

Table 4.2.1

Profitability Ratio is a given set of different measurement used to scale and track how much an organization generates its income or returns relative to its other expenses and costs.

Return on Asset

$$\frac{\text{net income}}{\text{total asset}}$$

It is used to measure how much return the organization is generating in utilizing its entire asset in a given fiscal period. Inc.com explained that, ROA when used internally determines if the organization should expand its operation or whether to create a new system in managing its asset. For external purposes, ROA is used to compare within industries with high-capital or low-capital. As for Liwayway Marketing Corp., their ROA from years 2012-2015 doesn't have much significant change with it gauging from 0.013-0.019.

Gross Profit Margin

$$\frac{\text{gross profit}}{\text{net sales}}$$

Gross profit is used to measure the organization's income in relation to its cost of goods sold. This will determine how efficient in gaining the income in the production process and all materials involved to produce the final product the organization is getting. The higher the ratio of gross profit margin of an organization, the better it is for them in

getting higher profit. For LMC (Liwayway Marketing Corp.), their gross profit margin doesn't have much significant incremental sales in the last five years. This means that their efficiency rate in their cost of goods sold didn't increase nor decrease.

Net Profit Margin

$$\frac{\textit{net income}}{\textit{net sales}}$$

Net profit margin is commonly used when finding an organization's profitability ratio because it shows how much of the sales are the actual net income after all expenses are deducted like tax and interest expense. This is basically what profitability ratio is showing. The higher the ratio, the more profitable the company is. Since 2012, LMC's net profit margin has a small incremental increase with a small decrease in 2014. However, LMC got back up in 2015 with an increase of 28% in its net profit margin.

Return on Equity

$$\frac{\textit{net income}}{\textit{Stockholder's equity}}$$

Stockholder's equity is how much from the net income is returned to each stockholder relative, of course, to how much is their share. If the return on equity is high, then this means that the organization is utilizing the money of the shareholder efficiently. LMC has been increasing their performance in returning their stockholder's equity since 2012 up to 2015. This is good news because this can be a motivation to their stockholders in contributing more to the company.

Operating Profit Margin

$$\frac{\textit{EBIT}}{\textit{net sales}}$$

EBIT is the profit without the deduction of interest and taxes. Operating Profit Margin tells us how efficient the whole production system is in a normal operating business day. The higher the operating profit margin, the more efficient the organization is in its normal business operation day. LMC's highest operating margin for the given years is during 2013 with 0.050 ratio while the other given years do not have much difference in comparison with each other.

LIQUIDITY RATIO				
	2012	2013	2014	2015
Current Ratio	1.967	1.978	1.992	1.951
Quick Ratio	0.759	0.889	0.765	0.676
Working Capital Turnover	2.868	3.169	2.675	2.851

Table 4.2.2

Liquidity ratio is another financial metric used to measure and determine the organization's "ability to pay its short-term debts", as quoted by study.com<sup>18</sup>. The most commonly used ratio is current ratio, quick ratio and working capital turnover.

#### Current Ratio

$$\frac{\text{current asset}}{\text{current liabilities}}$$

Using current ratio will give us the easiest way in measuring liquidity ratio because it uses current asset and current liabilities. This means how quick an organization is paying its liabilities due in a year and its asset converting it into cash. The higher the ratio, the more stable is the organization. Current asset is divided by current liabilities to show if the organization can pay their dues, LMC's current ratio is in good condition because it shows that they can meet their dues on time having an almost 2:1 ratio of short-term asset over short-term liabilities.

#### Quick Ratio (Acid Ratio)

$$\frac{\text{cash \& cash equivalents} + \text{accounts receivables}}{\text{current liabilities}}$$

Cash and cash equivalents and accounts receivables can be found in the balance sheet of the company, under the current asset. We are looking only for the ratio of the cash & cash equivalents and the accounts receivable to the current liabilities because these two has the highest liquidity in the current asset, meaning they are the quickest to be converted into cash thus the name, quick ratio. Having a high quick ratio does not guarantee an organization that it is in good track. If an organization's quick ratio is

<sup>18</sup> Study.com/academy/lesson/liquidity-ratio-definition-calculatio-analysis.html

higher than the average industry quick ratio, it may indicate that the organization is paying too quickly their obligations or liabilities and not maximizing the utility of their assets which they may use in some other form that generates profit or income. Yes, it is good to have a stable liquidity ratio but having too high quick ratio is not a good strategic action for the organization.

According to csimarket.com, the average quick ratio for non-cyclical consumer good for the year 2014 is 0.22 and the high quick ratio for the same year is 0.56. LMC has 0.765 quick ratio for the year 2014. This means that they are paying their short-term liabilities quickly.

### Working Capital Turnover

$$\frac{\text{sales}}{\text{current asset} - \text{current liabilities}(\text{working capital})}$$

Working Capital Turnover shows how much of your working capital is generating from your net sales. Working capital is current asset minus current liabilities. The higher the turnover, the more efficient is the use of the organization’s working capital. For LMC, they have high working capital turnover which means they are utilizing their working capitals well enough that it generates at least 2.6 in ratio relative to its sales.

LEVERAGE RATIO				
	2012	2013	2014	2015
Debt/Equity Ratio	2.740	2.425	2.823	2.800
Financial Leverage Ratio	3.542	3.579	3.636	3.811
Debt/Capital Ratio	0.733	0.708	0.738	0.737

Table 4.2.3

Leverage Ratio shows us how much is the debt of an organization. If the organization is low leveraged, this means that they have low debt relative to their asset or equity. If the organization is high leveraged, it is said that they have high debt. Three ratio measurements are used: debt/equity ratio, financial leverage ratio and debt/capital ratio.

## Debt/Equity Ratio

$$\frac{\textit{total debt}}{\textit{total equity}}$$

Debt-to-Equity Ratio is the measurement of how much of the creditors over investors are financing the operation in an organization. A high debt/equity ratio of more than 2 indicates that the organization is relying its operation more on their creditors over their investors. On a more crude explanation, the organization is relying on debt to finance their operation rather than fuelling on investments. An explanation to this might be; the investors are hesitant in investing more in the organization and the creditors have more participation. This has a bad credit image in the company, not that they cannot pay their creditors but because there are less investor which in the worst case may lead to bankruptcy. In this sense, debt/equity ratio is inversely proportional to the stability of the organization. LMC has high debt/equity ratio which is a weakness of the company.

## Financial Leverage Ratio

$$\frac{\textit{average total asset}}{\textit{average total equity}}$$

Financial Leverage Ratio shows the relation of the financing of asset to its investor. If the organization has high financial leverage ratio of 2, then the organization's asset is financed mostly by its investors rather than creditors. LMC has a high financial leverage ratio meaning that its average total assets are funded by the investments of the investors rather than from the debts to the creditors.

## Debt/Capital Ratio

$$\frac{\textit{total liabilities}}{\textit{total liabilities} + \textit{total equity}}$$

Debt-to-Capital Ratio shows how much of the capital is from the creditors and how much of it is from the investors. It can also be used to measure how much of the capital, when liquid, can be paid to the creditors. The implication of high or low debt/capital ratio may differ to different industries. Investinganswers.com elaborated that having high debt/capital ratio usually happens in high-capital industries because they have to purchase more capitals like equipment and plants compared to low-capital that is expected to have low debt/equity ratio. LMC has a reasonable debt/capital ratio since more than half of its capital is financed by the investors.



ACTIVITY RATIO				
	2012	2013	2014	2015
Inventory Turnover	2.474	2.930	2.180	2.054
Days Of Inventory	147.773	124.573	167.431	178.049
Total Asset Turnover	0.476	0.527	0.455	0.495
Cash Turnover Ratio	8.092	7.458	7.352	9.212

Table 4.2.4

Activity Ratio shows how well the asset, liabilities and capital of an organization is generated into sales or revenue. Asset, liabilities and capital/equity are all found in the balance sheet of the financial statement of a company. Positive activity ratio measurements radiate a good management of the company.

Inventory Turnover

$$\frac{\text{cost of sales}}{\text{inventory}}$$

Inventory turnover shows how much of the inventory of the company is sold. A low turnover indicates that there are too many inventories in the warehouse unsold and could tell a bad inventory management while a high turnover shows that inventories are managed well and enough amounts are being bought by the customer but too much turnover may also show that the company is running out of inventory stock and may result to out-of-stock of product. Different approach of inventory turnover varies to different companies (those using LIFO or FIFO) or even different industries (those with low-margin or high-margin). LMC has a high inventory turnover, this is only normal since manufacturing companies with narrow margin tend to increase their turnover to compensate their high cost of goods sold. Economies of scale is an explanation to better understand the impact of turnovers to low-margin companies and high-margin companies.

Days of Inventory

$$\frac{365 \text{ days}}{\text{inventory turnover}}$$

Days of Inventory ratio tells us how efficient is the management of selling their inventories. It shows how quick the company sells its inventory. A good record of days of inventory ratio reveals that the company is efficient in inventory management specifically, how quick their inventory is sold and replenished. LMC has an average of 150 days of inventory for the years 2012-2015. They have slow inventory turnover that carries cost for every day that passes because of the warehousing facility, the maintenance of the products, and the security of the quality of the products all carry costs. However, once 150 days passed their inventory turnover rate is high as shown in the inventory turnover ratio.

Total Asset Turnover

$$\frac{\text{sales}}{\text{total asset}}$$

Total Asset Turnover is how much sales we are getting from our entire asset, short-term and long-term. A good asset management will reflect a good total asset turnover and through that we will know if the utilization of all our assets is being maximized. Based on the table, Liwayway Marketing Corp. has a consistent ratio from years 2012-2015 with a little rise during 2013. LMC could have a better management of their entire asset since it shows that their total asset turnover barely reaches 50% or half of their assets only contribute to generate sales.

Cash Turnover Ratio

$$\frac{\text{sales}}{\text{cash \& cash equivalents}}$$

Cash turnover ratio shows how much of the cash the company uses generates sales. This only means that the higher the ratio, the more efficient the company is in spending its cash. LMC cash turnover ratio shows an excellent cash management for the table demonstrates that for every cash they spend, it returns at least 7 times to the company's sales.

### 5. Strengths and Weaknesses/Competitive Advantage with bases

Strengths	Weaknesses
Cash Turnover (Financial Ratios)	Debt/Equity Ratio (Financial Ratios)
Product Variation (R&D Value Chain)	Profitability Ratio (Financial Ratios)
Brand Image (Sales And Marketing)	Narrow Target Audience (Value Chain)
Price (Sales And Marketing)	Unequal Distribution (Value Chain)
Numerous and Long-term Supplier (Value Chain)	Large Gap of Market Share from the Market Leader (Euromonitor)

Table 5.1

Strengths	Description
Cash Turnover	From the financial ratios under activity ratio, cash turnover turns out to be in good management because their cash generates sales many times. In the computation of cash turnover, LMC’s cash and cash equivalents returns sales 9 times at most during fiscal year 2015.
Product Variation	As explained in the value chain under R&D and showed also in the company overview, LMC has a wide variety of product line which is a strength because the customer can pick and choose almost whatever type of snack and beverage they are craving for. Also this can be a distinctive competence because not all his competitors can offer these large and wide variations of product.
Brand Image	LMC has been in the industry for 60 years, through time they have been offering the Filipino kids different kinds of food and beverage options. Even in their pioneer years, they are distributing quality starch and coffee using advertisements in the radio and magazine. Now, they have many types of traditional and non-traditional promotions. Famous celebrities that are influential to

	kids and young adults are endorsing their products to keep their brand image going in through time.
Price	Comparing with their competitors' price range, LMC has no doubt more affordable prices for the Filipino mass. From 4 pesos up to 70 pesos depending on the size. It is one of their strength especially when the Filipinos are budget conscious.
Numerous and Long-term Suppliers	LMC has numerous suppliers from all over the world because they have different offerings that need different ingredients. Having suppliers from different parts of the world is strength because it will be a hard thing to be copied by the competitors. While building a good and long-term relationship with them produces better and faster supplies.
Weaknesses	
Debt/Equity Ratio	Debt/Equity ratio is a weakness of LMC because it shows that they are relying more on the debt from the creditors rather than relying on the investment of their investors. It shows that they have almost 3:1 ratio of debt to equity. This is risky because it has a bad image in the eyes of investors and they might be hesitant to invest more on them.
Profitability Ratio	The profitability ratio of LMC is a little bit below the average. The operating margin of LMC is at 3-5% while the average operating margin ratio for the industry is at 8%. While for Net Profit Margin the average is at 4% and LMC has 2-3% only <sup>19</sup>
Narrow Target Audience	The usual buyers of Oishi are kids up to young adults. Their offerings are savory snack and sweet beverages. Adults do not usually buy most of their product except for Smart C and coffee where it can be bought by any age. Having narrow target audience restricts the company to get a larger market share.

<sup>19</sup> [http://csimarket.com/Industry/industry\\_Profitability\\_Ratios.php?ind=103](http://csimarket.com/Industry/industry_Profitability_Ratios.php?ind=103)

<p>Unequal Distribution</p>	<p>Having so many product offerings, needs equal distribution in order to have equal attention to the customer therefore, having the equal opportunity for the products to be bought. However, for LMC, they don't have equal distribution of their products. Some of their products are available only in some large major retailers, while others are accessible almost anywhere.</p>
<p>Large Gap of Market Share from the Market Leader</p>	<p>Garnering a large Market Share is the most important function and purpose of marketing and this is a weakness of Liwayway because, based on the report of Euromonitor, as of 2016, Liwayway Marketing Corporation has a market share of 1.5 while among its competitors, Universal Robina Corp. has a market share of 8.3. This is an indication of the aggressiveness and competitiveness of LMC in the industry compared to its competitors.</p>

Table 5.2

### 6. Internal Factors Evaluation Matrix

Key Internal Factors	Rate	Weight	Rating Score
<b>Strengths</b>			
Cash Turnover	.11	3	.33
Product Variation	.05	4	.20
Brand Image	.17	4	.68
Price	.15	4	.60
Numerous and Long-term Suppliers	.14	3	.42
<b>Weaknesses</b>			
Debt/Equity Ratio	.09	1	.10
Profitability Ratio	.11	1	.12
Narrow Target Audience	.08	2	.18
Unequal Distribution	.06	2	.14
Large Gap of Market Share from Market Leader	.04	2	.08
<b>Total</b>	<b>1.00</b>		<b>2.85</b>

Table 6.1

**VII.SWOT/TOWS Matrix**

<p style="text-align: center;"><b>INTERNAL</b></p> <p style="text-align: center;"><b>EXTERNAL</b></p>	<p style="text-align: center;"><b>STRENGTHS</b></p> <ol style="list-style-type: none"> <li>1. Cash Turnover</li> <li>2. Wide Product Variation</li> <li>3. Stable Brand Image</li> <li>4. Competitive Price</li> <li>5. Numerous and Long-term Relationship with Supplier</li> </ol>	<p style="text-align: center;"><b>WEAKNESSES</b></p> <ol style="list-style-type: none"> <li>1. Debt/Equity Ratio</li> <li>2. Low Profitability Ratio</li> <li>3. Narrow Target Audience</li> <li>4. Unequal Distribution</li> <li>5. Large Gap of Market Share from the Market Leader</li> </ol>
<p style="text-align: center;"><b>OPPORTUNITIES</b></p> <ol style="list-style-type: none"> <li>1. Philippines Continues to Benefit from Low Commodity Prices</li> <li>2. Low Inflation Rate</li> <li>3. Increase in Impulse and Indulgence Products</li> <li>4. Demand for Premium Quality Baby Food</li> <li>5. Increase Usage in Social Media</li> <li>6. Emergence of m-commerce</li> <li>7. Increase in Household Size</li> <li>8. Expansion of Middle-Class and Tweenagers</li> </ol>	<p style="text-align: center;"><b>Strategy No.1 <u>Market Development</u></b></p> <p style="text-align: center;"><b>No. 2 <u>Market Penetration</u></b></p> <p style="text-align: center;"><b>No.3 <u>Forward Vertical Integration</u></b></p> <p style="text-align: center;"><b>No.4 <u>Related Diversification</u></b></p>	<p style="text-align: center;"><b>Strategy No.1. <u>Market Development</u></b></p> <p style="text-align: center;"><b>No. 2 <u>Market Penetration</u></b></p> <p style="text-align: center;"><b>No. 3 <u>Forward Vertical Integration</u></b></p> <p style="text-align: center;"><b>No. 4 <u>Related Diversification</u></b></p>
<p style="text-align: center;"><b>THREATS</b></p> <ol style="list-style-type: none"> <li>1. DepEd Regulation of Junk Food</li> <li>2. Tax on Sweetened Drinks</li> <li>3. Increase of Foreign Direct Investment</li> <li>4. Milk Processing Facility</li> <li>5. Government Regulation on the Use of Food Additives</li> </ol>	<p style="text-align: center;"><b>Strategy No. 1 <u>Product Development</u></b></p> <p style="text-align: center;"><b>No. 2 <u>Market Development</u></b></p> <p style="text-align: center;"><b>No. 3 <u>Market Penetration</u></b></p> <p style="text-align: center;"><b>No. 4 <u>Backward Vertical Integration</u></b></p> <p style="text-align: center;"><b>No. 5 <u>Related Diversification</u></b></p>	<p style="text-align: center;"><b>Strategy No. 1 <u>Product Development</u></b></p> <p style="text-align: center;"><b>No. 2 <u>Market Development</u></b></p> <p style="text-align: center;"><b>No. 3 <u>Market Penetration</u></b></p> <p style="text-align: center;"><b>No. 4 <u>Backward Vertical Integration</u></b></p> <p style="text-align: center;"><b>No. 5 <u>Related Diversification</u></b></p> <p style="text-align: center;"><b>No. 6 <u>Retrenchment</u></b></p>

Table 7.1

## Strengths-Opportunities

### 1. Market Development

- a. Advertise products that are target for every member of the household
- b. Advertise brand as a brand perfect for family bonding.

### 2. Market Penetration

- a. Invest on assets that give you low cost so you can adjust price but not margin
- b. Advertise more the lower priced products
- c. Produce more existing products to create economies of scale
- d. Invest cash in creating shelf space in check-out counters
- e. Put products in check-out counters
- f. Place low priced products in check-out counters
- g. Allocate budget in Social Media Ads
- h. Advertise low-priced products in social media
- i. lessen cost and adjust price when in m-commerce
- k. Invest cash to produce products of large size packages and volume
- l. Create bundling for large family size and to create discounts

### 3. Forward Vertical Integration

- a. Invest cash to make m-commerce possible
- b. Make all products available to be purchased online
- c. Advertise that Oishi is now available in their mobile phones

### 4. Related Diversification

- a. Launch and advertise new impulse and indulgence product line.



## **Weaknesses-Opportunities**

### **1. Market Development**

- a. Offer products to different target audiences
- b. Appeal to other age group in social media
- c. Produce larger volumes of products to satisfy larger family members
- d. Produce larger amount and volume of the most profitable products to gain market share

### **2. Market Penetration**

- a. Produce lower priced product to penetrate larger target audience
- b. Distribute intensively products that are low-priced
- c. Advertise low-priced products to gain market share
- d. High profitable products should be advertised to generate sale
- e. Utilize the social media so customer will know where the products are available

### **3. Forward Vertical Integration**

- a. Lessen cost by putting products available online
- b. Utilize m-commerce to cover larger market

### **4. Related Diversification**

- a. Invest sweets and novelty food to increase investors of LMC
- b. Produce indulgence products to satisfy the need of consumers due to trend

## **Strengths-Threats**

### **1. Product Development**

- a. Launch products that limit or do not use food additives
- b. Cut cost by not using food additives

### **2. Market Development**

- a. Advertise health benefits of other existing products

### **3. Market Penetration**

- a. Lower the price of healthy food and increase those of “junk food”
- b. Manufacture less of sweetened drinks and more of the other option
- c. Advertise sweetened drinks positively
- d. Bundle sweet drinks with other low-priced products to compensate for the tax increase
- e. Advertise wide product variation to intimidate foreign investors
- f. Advertise other non-milk products to generate more sales
- g. Advertise low-price to entice customers to purchase Oishi rather than foreign competitors

### **4. Backward Vertical Integration**

- a. Invest in building LMC's own milk processing facility

### **5. Related Diversification**

- a. Invest cash in healthier processing of snack food
- b. Create product with healthier benefits

## **Weaknesses-Threats**

### **1. Product Development**

- a. Launch milk products that are applicable to other age groups
- b. Lessen cost by not using additives at all and increase margin
- c. Use healthier substitute of food additives that is beneficial to teenagers

### **2. Market Development**

- a. Invest more in non-junk food products

### **3. Market Penetration**

- a. Distribute healthy beverage intensively
- b. Promote local products to foreign investors to convince them to invest in LMC instead

- c. Advertise aggressively to existing target audience the local products to prevent them from switching to foreign competitors
- d. create a presentation to foreign competitors to just invest to LMC rather than creating own business in the Philippines
- e. Distribute Oaties intensively and its variants
- f. Intensively distribute healthy products

#### **4. Forward Vertical Integration**

- a. Distribute healthy products independently

#### **5. Related Diversification**

- a. Launch healthier products more appropriate for other age group
- c. Invest in unsweetened drinks or non-sugar based drinks
- d. Innovate and launch products with completely no food additives

#### **6. Retrenchment**

- a. Lessen overall cost by phasing out sweetened drinks

## VIII. Strategic Plan

### 1. Vision and Mission

#### Vision

Liwayway believes they can achieve their vision in becoming the leading food company in the market by following ideals:

5. Provide our consumers with the widest range of quality food products at best value;
6. Live by and uphold the creed of business integrity in all our dealings;
7. Develop and nurture long-term relationships with our suppliers, distributors, and consumers; and
8. Maintain an excellent work force by being involved in the development of our employees' skills, knowledge, and attitude.

#### Mission

Aside from their ideals, they also believe in being a Good Chef. A Good Chef has the following principles:

- Clean equipment and good personal hygiene
- Choice ingredients and appealing presentation
- Precise and standardized process for consistent quality
- Efficient and not wasteful
- Cleanliness and safety in the kitchen<sup>20</sup>

### 2. Objectives: Strategic and Financial

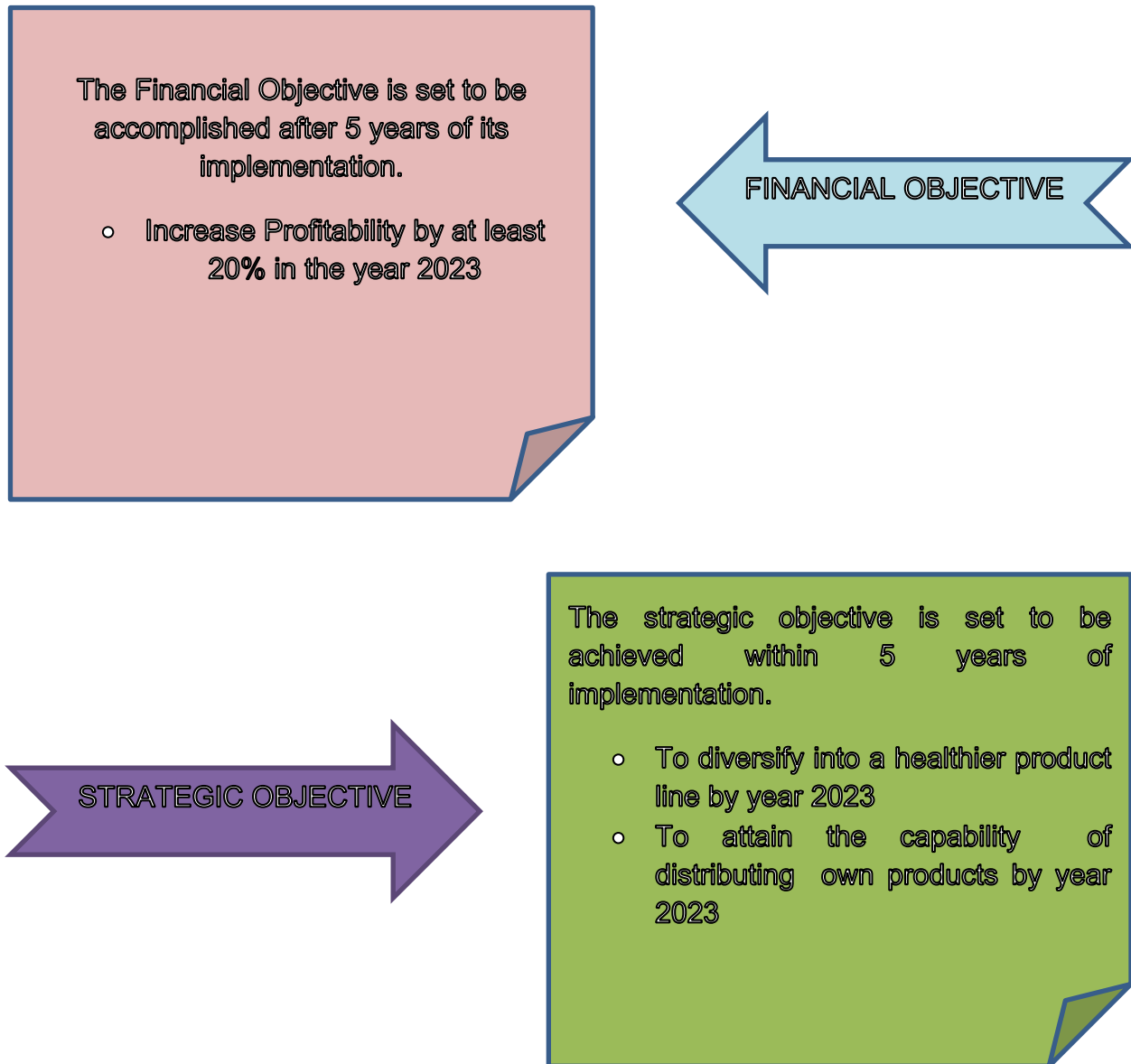
#### Present Strategic and Financial Objectives

Aside from the information gathered through observation explained in this paper, the specificity of Liwayway Marketing Corporation's strategic and financial objectives are kept confidential within the corporation forbidding outsiders to get any information regarding the issue.

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<sup>20</sup> <http://oishi.com.ph/about/our-principles/>

### 3. Proposed Strategic and Financial Objectives



The strategic objective mentioned above is expected to be fully operational after five (5) years of implementation.

Since the key external factors suggest changes in the lifestyle of the Filipinos leaning in more on healthy food and drinks and the continuous regulation of the government in the harmful food additives, it is undoubted that diversifying into another product line is suitable to these changes that can help Liwayway Marketing Corporation achieve its vision.

Also, one of the weaknesses of LMC is its unequal distribution plus the opportunities leads to many methods and ways to distribute product like m-commerce. With these opportunities to transform their weakness into strength it is suggested that they distribute their own products into different channels more intensively than their current distribution network.

#### **4. Evaluation of Present Corporate Strategies Including CSR**

The present corporate strategy of Liwayway Marketing Corporation is assessed using the dimension used in the strategic map.

##### **Product Quality/Price**

The product quality/price of Liwayway Marketing Corp is in the mid lower part of the map compared to its competitors. Oishi, their brand, is known as a mass product that everyone can afford.

##### **Is The Present Strategy Any Good?**

Based on the Internal Factor Evaluation, one of Liwayway Marketing Corporation's strength is its price. This means that their strength is a good fit to their current pricing strategy. This can also be a competitive advantage for them since the leading in the market has a relatively higher price than the rest of the competitors. LMC can use their pricing strength as leverage amongst their competitors. However evidently in the report of Euromonitor, this strategy is not enough because their market share is low compared to their competitors.

##### **Product Line Breadth**

Wide product variation is one of Liwayway Marketing Corp's strengths. Although focusing on snack food, they have a wide variety of product offerings. At any time of the day, LMC has a perfect product for its target audience. LMC has beverages of any form and kind like powdered juice, RTD chocolate milk, RTD juice drink, powdered coffee, and RTD tea. LMC also has enormous snack offerings from savoury snack, biscuits, cereals, sweet snacks, seafood snack, potato snack, and corn snacks.

##### **Is The Present Strategy Any Good?**

This dimension is relevant because one of strengths of LMC is their wide product variation. It is, therefore, a good fit because they were able to strategize their strength accordingly. However, it is not so much of a competitive advantage since differentiation among competitors in terms of product offerings is not high. Most competitors now have a counterpart product offering against Oishi's.

### **Geographical Coverage**

The geographical coverage of Liwayway Marketing Corporation is regional. LMC has factories in nearby Asian countries like Vietnam, China and India. Aside from these countries, they are also distributing their products in Myanmar, Thailand, Indonesia, and Cambodia.

#### **Is The Present Strategy Any Good?**

This strategy is not a good fit because it is not relevant with their strength. It is also not a competitive advantage because their competitors are also regional, even international which makes them a little behind even in the market share performance.

### **Distribution Network**

Distribution of Liwayway is not that intensive. It is just in between of few and many which make it one of its weaknesses. LMC's products are not all intensively distributed. Most of its products are available in largest supermarkets nationwide. However, other products are hard to find in small retailers like gas stations, mom's and pop's, drugstores and convenience stores.

#### **Is The Present Strategy Any Good?**

This present strategy is not good at all. For one, their distribution is one of their weaknesses that they need improvement and it is not a competitive advantage because their competitor's distribution of product is more intense than theirs.

### **Differentiation**

The differentiation dimension was not used because the participants in the industry do not have much differentiation with each other. Some industry participants may have a little differentiation with their competitors but for the category where Liwayway Marketing Corporation is under, there is not so much differentiation amongst competitors that's why this strategic dimension was not utilized.

#### **Is The Present Strategy Any Good?**

This is not relevant as explained above because it does not fit any of LMC's strengths and it is also not a competitive advantage because all competitors have low differentiation with each other.

### **Degree of Vertical Integration**

The degree of vertical integration was not used in the strategic map because information about the suppliers of the competitors is not disclosed to outsiders.

Gathering of information from credible and valid sources of secondary data were not accomplished due to prevention of false information and accuracy of report.

### **CSR**

Since Liwayway Marketing Corporation's target audience are mainly kids, they also wanted to return the loyalty and patronage of their target audience to them through their corporate social responsibility. LMC has partnered with Adarna Publishing in creating an educational financial book for the kids. This book teaches the kids the importance and value of saving up money through the story of the ant. LMC also has other educational books that can help the children learn more gain more knowledge in other field like history, sports, art and culture, etc.

Aside from educational, fun and engaging book created by LMC that received many awards, they also have livelihood program for the people in Baseco slum area. The people from Baseco compound are taught and encouraged how to weave bag by using plastic shreds, materials and recyclables. It is called Habi Bags. It is not only bags but as well as accessories are made by the people to give them a source of additional income and to improve their self-worth.

### **Is The Present Strategy Any Good?**

Their strategy of having corporate social responsibility is relevant because one of their strengths is their brand image. LMC's brand Oishi is known to be a young people's favourite snack food. With their CSR also centered to kids, it is a relevant strategy. However, CSR cannot be a competitive advantage because it's a simple tribute to the community and every corporation or business can and should do it.

## **5. Proposed Corporate Strategy**

### **DIMENSIONS:**

#### **Product Quality/Price**

The proposed strategies are relevant and good for fit based on the external factor evaluation matrix (EFE). However, proposed strategies must be added to the present according to the seen opportunities and threats indicated in the EFE matrix. Equipped with strategies will make it their competitive advantage and may lead to a better market performance.

#### **Product Line Breadth**

In product line breadth dimension, the proposed strategies are a good fit because one of the opportunities expected in the industry is the changes in consumer lifestyle,



globalization and threat from competitors. This can create competitive advantage for LMC in the future and may lead to better market performance.

### **Geographical Coverage**

Due to globalization, proposed strategies in geographic coverage are suggested in order to satisfy and support the incoming opportunities and threats. It can create competitive advantage for the firm because not all companies are ready and prepared for globalization. Also LMC has a good stand because their strength is their brand image and their cash turnover. With the proper management and utilization of the two, they can maximize the strategy's potential leading to a better market performance.

### **Distribution Network**

The present strategy of LMC in their distribution network should be changed. Technological innovations are emerging and they should utilize its power to their own advantage. Since their weakness is their distribution network, the proposed strategies are relevant and are highly suggested to be implemented and in turn may lead to success in market performance.

### **Differentiation**

Since differentiation was not used in the strategic map because all of the participants do not have much difference, LMC can use the proposed strategies to improve this aspect and can, therefore, be their competitive advantage against their competitors and may be the key to improving their market performance.

### **Degree of Vertical Integration**

LMC's degree of vertical integration is not relevant because information was not disclosed. However, due to the external factor evaluation, strategies are formulated to be prepared and be ready with the opportunities and threats predicted. With these strategies proposed, vertical integration in LMC can be improved and can be a competitive advantage for the company which may lead to better performance in the market.

## **TYPES/ACTIVITIES:**

### **1. Market Penetration**

Market Penetration is used as a strategy because LMC has a weak competitive position because it is not one of their strengths due to having large gap in the market share from the market leader.

#### **1.a Operations**

- Produce more existing products to create economies of scale(S,O)
- Invest cash to produce products of large size packages and volume(S,O)
- Produce lower priced product to penetrate larger target audience(W,O)
- Manufacture less of sweetened drinks and more of the other option(S,T)

#### 1.b. Distribution

- Invest cash in creating shelf space in check-out counters(S,O)
- Put products in check-out counters(S,O)
- Place low priced products in check-out counters(S,O)
- Distribute intensively products that are low-priced(W,O)
- Distribute healthy beverage intensively(W,T)
- Distribute Oaties intensively and its variants(W,T)
- Intensively distribute healthy products(W,T)

#### 1.c. Marketing/Sales

- Invest on assets that give you low cost so you can adjust price but not margin(S,O)
- Advertise more the lower priced products(S,O)
- Allocate budget in Social Media Ads(S,O)
- Advertise low-priced products in social media(S,O)
- Create bundling for large family size and to create discounts(S,O)
- Advertise low-priced products to gain market share(W,O)
- d. High profitable products should be advertised to generate sale(W,O)
- e. Utilize the social media so customer will know where the products are available(W,O)
- Lower the price of healthy food and increase those of “junk food”(S,T)
- Advertise sweetened drinks positively(S,T)
- Bundle sweet drinks with other low-priced products to compensate for the tax increase(S,T)
- Advertise wide product variation to intimidate foreign investors(S,T)
- Advertise other non-milk products to generate more sales(S,T)
- Advertise low-price to entice customers to purchase Oishi rather than foreign competitors(S,T)

## 2. Market Development

Market Development is a proposed strategy because, based on Grand Strategy Matrix, LMC has a rapid growth but weak in competition position based on its market share. The strategy done through these activities are focuses on producing the same product but catering it to different market. Since narrow target market is one of the weaknesses of LMC, this strategy will help turn it into a strength.

### 2.a Operations

- Produce larger volumes of products to satisfy larger family members(W,O)
- Invest more in non-junk food products(W,T)

#### 2.b. Marketing/Sales

- Advertise products that are target for every member of the household(S,O)
- Advertise brand as a brand perfect for family bonding.(S,O)
- Offer products to different target audiences(W,O)
- Appeal to other age group in social media(W,O)
- Advertise health benefits of other existing productS(S,T)

### 3. Product Development

Product development is a strategy you use if you want to target different product but same market. In here, LMC has a weak competition position and using product development will help the firm in attaining a good market performance and its financial and strategic objective. The activities are usually affected by the threat of government regulations on harmful food and food chemicals.

#### 3.a. Supply Chain

- Cut cost by not using food additives(S,T)
- Lessen cost by not using additives at all and increase margin(W,T)
- Use healthier substitute of food additives that is beneficial to teenagers(W,T)

#### 3.b. Marketing/Sales

- Launch products that limit or do not us food additives(S,T)
- Launch milk products that are applicable to other age groups(W,T)

### 4. Vertical Integration

Vertical integration can either be forward or backward. For forward, it is used when the company will distribute their own products. For backward integration, the firm will supply its own. This strategy is used when the market's growth is fast but has weak competitive position. The activities under this type mostly answer the opportunity of m-commerce. Since, distribution is one of the weaknesses of LMC; they can utilize the emergence of m-commerce to their advantage through the activities mentioned in this strategy.

#### 4.a. Distribution

- Invest cash to make m-commerce possible(S,O)
- Make all products available to be purchased online(S,O)
- Lessen cost by putting products available online(W,O)
- Utilize m-commerce to cover larger market(W,O)
- Distribute healthy products independently(W,T)

#### 4.b. Marketing/Sales

- c. Advertise that Oishi is now available in their mobile phones(S,O)
- 4.c. General Administration
- Invest in building LMC's own milk processing facility(S,T)

## 5. Diversification

Diversification can either be into related industry or unrelated industry. This is used when the market's growth is slow and has weak competitive position. Activities mentioned in this type answers to the opportunity of changing consumer lifestyle. Based on the EFE and macro-environmental analysis, there is a changing lifestyle amongst consumer. Many are demanding for a healthier food products. With this type of strategy, LMC will be prepared and ready to satisfy the demand in the changing of consumer lifestyle.

### 5.a Operations

- Invest sweets and novelty food to increase investors of LMC(W,O)
- Produce indulgence products to satisfy the need of consumers due to trend(W,O)
- Invest cash in healthier processing of snack food(S,T)
- Create product with healthier benefits(S,T)
- Invest in unsweetened drinks or non-sugar based drinks(W,T)

### 5.b. Marketing/Sales

- Launch and advertise new impulse and indulgence product line(S,O)
- Innovate and launch products with completely no food additives(W,T)
- Launch healthier products more appropriate for other age group(W,T)

## 6. Retrenchment

Retrenchment is the decreasing of production. You do this strategy whenever you have slow market growth and have weak competitive position. Though LMC is known for being a snack food with a derogatory term of "junk food" and beverages, consumer might need more time to get used to it if LMC will use this strategy. Since phasing out of sweetened drinks is not that easy. However, the changes in consumer lifestyle and with the government regulation of unhealthy food and drinks, this strategy might actually work.

### 6.a Operations

- Lessen overall cost by phasing out sweetened drinks(W,T)

**IX. Quantitative Strategic Planning Matrix (QSPM)**

Key External Factor	Weight	Rating	Weighted Score	S1:PRODUCT DEVELOPMENT		S2:MARKET DEVELOPMENT		S3:MARKET PENETRATION		S4:VERTICAL INTEGRATION		S5:Diversification		S6:RETRENC HMENT	
				AS	TAS	AS	TAS	AS	TAS	AS	TAS	AS	TAS		
<b>Opportunities</b>															
1.Consumer Lifestyle	0.16	4	0.64	3	0.48	3	0.48	2	0.32	2	0.32	4	0.64	3	0.48
2.Technological Innovations	0.11	3	0.33	1	0.11	1	0.11	1	0.11	3	0.33	2	0.22	2	0.22
3.Globalization	0.15	3	0.45	2	0.3	2	0.3	1	0.15	2	0.3	3	0.45	1	0.15
4.Increase Population	0.1	2	0.2	1	0.1	2	0.2	3	0.3	1	0.1	1	0.1	1	0.1
<b>Threats</b>															
1.Government Laws	0.14	2	0.28	4	0.56	3	0.42	2	0.28	1	0.14	3	0.42	3	0.42
2.Tax	0.1	2	0.2	3	0.3	3	0.3	2	0.2	1	0.1	2	0.2	2	0.2
3.Competitors	0.16	3	0.48	3	0.48	2	0.32	1	0.16	2	0.32	2	0.32	1	0.16
4.Inflation	0.08	2	0.16	1	0.08	1	0.08	1	0.08	1	0.08	1	0.08	1	0.08
<b>Total</b>	<b>1</b>		<b>2.74</b>												
<b>Key Internal Factors</b>	<b>Weight</b>	<b>Rate</b>	<b>Rating Score</b>												
<b>Strengths</b>															
Cash Turnover	0.11	3	0.33	1	0.11	1	0.11	1	0.11	1	0.11	2	0.22	1	0.11
Product Variation	0.05	4	0.2	3	0.15	2	0.1	2	0.1	1	0.05	3	0.15	2	0.1

Table 9.1

Brand Image	0.17	4	0.68	1	0.17	1	0.17	2	0.34	1	0.17	2	0.34	1	0.17
Price	0.15	4	0.6	1	0.15	1	0.15	3	0.45	3	0.45	1	0.15	1	0.15
Numerous and Long-term Suppliers	0.14	3	0.42	2	0.28	2	0.28	2	0.28	2	0.28	2	0.28	1	0.14
<b>Weaknesses</b>															
Debt/Equity Ratio	0.09	1	0.1	1	0.09	1	0.09	1	0.09	1	0.09	1	0.09	1	0.09
Profitability Ratio	0.11	1	0.12	3	0.33	3	0.33	2	0.22	2	0.22	2	0.22	2	0.22
Narrow Target Audience	0.08	2	0.18	2	0.16	4	0.32	2	0.16	2	0.16	4	0.32	2	0.16
Unequal Distribution	0.06	2	0.14	1	0.06	1	0.06	1	0.06	4	0.24	1	0.06	1	0.06
Large Gap of Market Share from Market Leader	0.04	2	0.08	3	0.12	3	0.12	3	0.12	3	0.12	3	0.12	2	0.08
<b>Total</b>	<b>1</b>		<b>2.85</b>		<b>4.03</b>		<b>3.94</b>		<b>3.53</b>		<b>3.58</b>		<b>4.38</b>		<b>3.09</b>

The results of the Quantitative Strategic Planning Matrix showed that the most attractive of all the strategy proposed is the diversification of the industry. Diversification is when a company ventures out to other type of related industry or completely unrelated type of industry. Although all other strategies are also suggested, priority of implementation should be to diversify into related industry. The proposed strategic and financial objective set for Liwayway Marketing Corporation is hoped to be accomplished after the expected year.

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