**ENHANCING BE’s RETURN ON CAPITAL EMPLOYED THROUGH PRODUCT PORTFOLIO ANALYSIS AND EFFECTIVE PRODUCT PROMOTION**

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1. **Introduction**

Financial growth is an overarching goal for most businesses. To achieve this goal, a business’s management focuses on designing, developing and selling competitive products and services that generate adequate revenue to cover costs, generate profits, and facilitate consistent growth in market share (Ferreras-Mendez et al., 2021, p.1). Over the past two decades, Brimore Engineering (BE) has been operating in the English car industry, producing and selling auto parts such as catalytic converters, brake drums, and drive shafts. Recently, component XT345, one of the company’s most profitable products, has experienced a fall in sales prompting the management to review BE’s product mix and work towards a new marketing strategy for increased sales and profits. Boston Consulting Group (BCG) Matrix, advertising, and direct promotion can help BE readjust its product portfolio and maximise its returns.

1. **Importance of Financial Data to BE’s Directors**

Diverse financial data highlight diverse aspects of a business. Capital employed, revenue, gross profit, and profit for a year depict an enterprise's profitability and, therefore, useful for evaluating a business’ performance (Hasanaj and Kuqi 2019, p.18). Typically, capital employed depicts a company's total amount of capital for profit generation. In 2021, BE invested 25%[(2.0-1.6)/1.6] more capital than in 2020. Das (2017, p. 848) notes that the more capital employed, the more profitable a business should be. On the contrary, BE’s revenue, gross profit, and profit for the year between 2020 and 2021 declined by 5.7% [(1.66-1.76)/1.76], 7.9% [(1.28-1.39)/1.28], and 17.7% [0.51-0.62)/0.51] respectively. Therefore, a review of BE’s product mix and the development of a new marketing strategy for increased sales and profits are necessary.

1. **Product Portfolio Analysis**

BE’s portfolio comprises diverse parts used in the auto industry. Park et al. (2019, p.37) argue that firms often maximise returns on capital invested by gaining a reputation for developing and exploring their core competencies in producing certain products. For instance, Ford has a positive reputation, significant market share, and growing returns for its cars and not any other unrelated products (Sanandres n.d). Nevertheless, a firm can be competent in designing, developing, and selling a wide range of related or unrelated products and services. For instance, Unilever has established a global brand by selling food products, condiments, well-being vitamins, cleaning agents, beauty products, pet food, personal care products, and others (Unilever n.d). Strategic product portfolio management enables businesses to maximize their product portfolios' value by incorporating portfolio management principles into the development process of products (Doorasamy 2015, p.29). Boston Consulting Group (BCG) Matrix can help BE’s senior management analyse their product portfolio. BCG matrix tool classifies an enterprise’s products and services into a 2×2 matrix (Corporate Finance Institute n.d). The Matrix's horizontal axis represents the market share and its strength in the specific market (Lumen n.d). Conversely, the Matrix's vertical axis covers a product’s growth rate and growth prospect in a distinct market (Lumen n.d). BCG Matrix also has four quadrants, including question marks, stars, dogs, and cash cows (Corporate Finance Institute n.d). Products with a high market growth rate but a low market share are represented in the question marks quadrant (Lumen n.d). This may include products that have consistently increased sales, but these sales represent a small percentage of the total sales within their respective industries.

A firm may have products with a high market growth rate and a high market share. For instance, BE’s component XT345 may have for the past two years recorded high consistent growth in sales and these sales represent a significant proportion of all sales made in the UK's car industry. These products are poised to bring a strong return on the capital invested (Corporate Finance Institute n.d). Such products should be classified in the star quadrant of a BCG matrix.

Some of a company’s prdoucts may have low sales and an insignificant influence on the sales generated in their respective industry. Such products are grouped into the dogs' quadrant (Lumen n.d). For instance, BE’s brake drums may have contributed to less than 10% of the company’s total sales and were among the worst-performing compared to sales made by competing firms’ brake drums. This indicates that the product does not have growth potential, and the company should therefore stop investing in it.

Other products offered by a firm may have a high market share but are constrained by the slow growth of an industry. Therefore, although the product’s return on capital is high, the potential for growth in the future is minimal. Such products are classified in the dog quadrant (Lumen n.d). Considering their low growth potential, products classified under the cash cow quadrant should receive minimal investments (Corporate Finance Institute n.d). Their returns should be used to fund high-growth investments. Product portfolio analysis is vital for selecting the most appropriate product promotion strategy.

1. **Product Promotion Strategies**

Product promotion is an effective strategy to boost sales, revenue, profits, and the market share of the product and its producers. Product promotion strategies that could be effective in BE include advertising and direct marketing.

**4.1 Advertising**

In the traditional and contemporary world, advertising is a common product promotion strategy incorporated by companies in diverse industries. Frolova (2014, p.2) defines advertising as a form of marketing communication that includes a blatantly sponsored impartial message to market or sell a product. This message is shared through diverse mass media, including traditional and digital media platforms such as radio, television, newspapers, magazines, direct mail, text messages, websites, blogs, social media, or search results. Advertisements usually seek to increase product sales through branding (Frolova 2014, p.2). Branding links a product name or image with distinct attributes in the minds of the consumers (Khan et al. 2012, p.114). BE should therefore centre its adverts on the quality and a value for money aspects of its products. Customers are more likely to purchase high-quality products that serve them for long. Advertising has a high potential reach. Therefore, strategic advertising may help BE successfully introduce a new product in the market, expand its market, increase sales, and counter competition.

**4.2 Direct marketing**

BE may also incorporate direct marketing. Direct marketing is typically a form of communicating an offer targeting a preselected individual or company to raise the profile of a product or a company or make a sale (Karaxha et al. 2016, p.49). Incorporating this strategy will require BE to use diverse communication channels. Common communication channels for direct marketing include emails, social media sites, display ads, search, mobile applications, flyers, catalogs, phone calls, and telemarketing (Chand n.d). BE can incorporate this strategy by, for instance, approaching auto repair companies and sharing with them information on the auto parts they offer, what makes their products unique, and the benefits the companies may accrue from buying these products. Discounted prices, value for money, and fast and efficient delivery are benefits BE may include in its direct marketing message. Besides increasing sales, direct marketing can help BE build business-customer relationships, assess the appeal of its products, and determine which marketing approaches reach its target market (Ukaj 2016, p.240). This will enable the adoption of more effective marketing approaches in the future.

1. **Conclusion**

Capital employed, revenue, gross profit, and profit for the year depict an enterprise's profitability. This financial data guides the senior management and directors in the evaluation of a business’ growth and its return on capital invested. To better understand a firm's performance and warrant growth in the future, the senior management should review the company’s product mix and develop a new marketing strategy for increased sales and profits. BCG matrix is a tool used to assess the strategic position of a firm's product portfolio. It classifies the products and services based on their current market growth share and strength in the specific market. Products with a high market share and a significant contribution to the sales generated in their respective industry should be prioritized. Product promotion strategies such as advertising and direct marketing can effectively boost BE’s products sales, market share, profitability, and returns on capital invested by directors. Companies should settle for a product promotion strategy that matches the uniqueness of a product, its target market, and business goals.

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