



UNIVERSITY OF MANAGEMENT
AND ECONOMICS



NAVIGATOR
Consulting Group



Transfer of experiential and innovative teaching methods for business education

Leonardo da Vinci Project

Transfer of Innovation

2010-1-PL1-LEO05-11462

inLand

Case study

Jakub Jasiczak

Jacek Jankiewicz

Lech Wojciechowski

Poznań University of Economics



Lifelong
Learning
Programme

The project has been funded with support from the European Commission under the Lifelong Learning Programme. This publication reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

© Jakub Jasiczak, Jacek Jankiewicz, Lech Wojciechowski

No part of this publication may be copied, stored, transmitted, reproduced or distributed in any form or medium whatsoever without the permission of the copyright owner.

Introduction

This case study describes a business venture founded by a student and deals with issues relating to its development and optimisation. The nature of the business and the problems discussed make it easy for students to identify with the company and help in developing the soft managerial skills which are indispensable for young entrepreneurs.

The case study consists of five parts, corresponding to five consecutive stages in the development of the company. Each stage is followed by a set of questions relating to an evaluation of the company's situation so far and the possible future actions that ought to be taken. At the same time, each part shows how the entrepreneur deals with specific challenges. Such a structure means it is possible to use the case study in the course of several class sessions.

Target group: M.A. programme and post-graduate students

Intended for subjects: strategic marketing, managerial economics, sales management.

Part 1: The end of an era

Bartek Liszkowski was sitting in his armchair and thinking about the future of his company. It seemed uncertain in view of the big changes taking place in the market. The IT company which he had set up when he was a student at Poznań Polytechnic dealt with implementing enterprise management systems. An offer of cooperation made by Xerox in 2000, as a result of a recommendation from a then current customer, was a great opportunity for the dynamic development of his small business. That was when the company changed its name to X-Partner and became an accredited distributor of digital photocopying equipment produced by Xerox. In 2006, however, problems began to appear.

Between the years 2000 and 2005 X-Partner operated within the closed distribution model adopted by the American corporation, in which the equipment was sold by a small group of accredited partners. This made it possible to generate high profit margins and avoid conflicts in the distribution channel. But as the market changed, so did the model. The appearance of new smaller printing devices resulted in a more open distribution system. Therefore, the number of outlets which sold Xerox products increased, which intensified internal competition and consequently led to a considerable decline in profit margins from an initial 55% to significantly less than 20%.

“Increasing competition, declining profit margins, dependence on one partner”, Bartek was racking his brains. “It is time to...”.

Questions for Part 1:

1. How would you evaluate the business strategy adopted by the company in 2000?
2. What actions should Bartek take to deal with the changing situation?

Part 2: Looking for development opportunities.

“Increasing competition, declining profit margins, dependence on one partner”, Bartek was racking his brains. “It is time to diversify”.

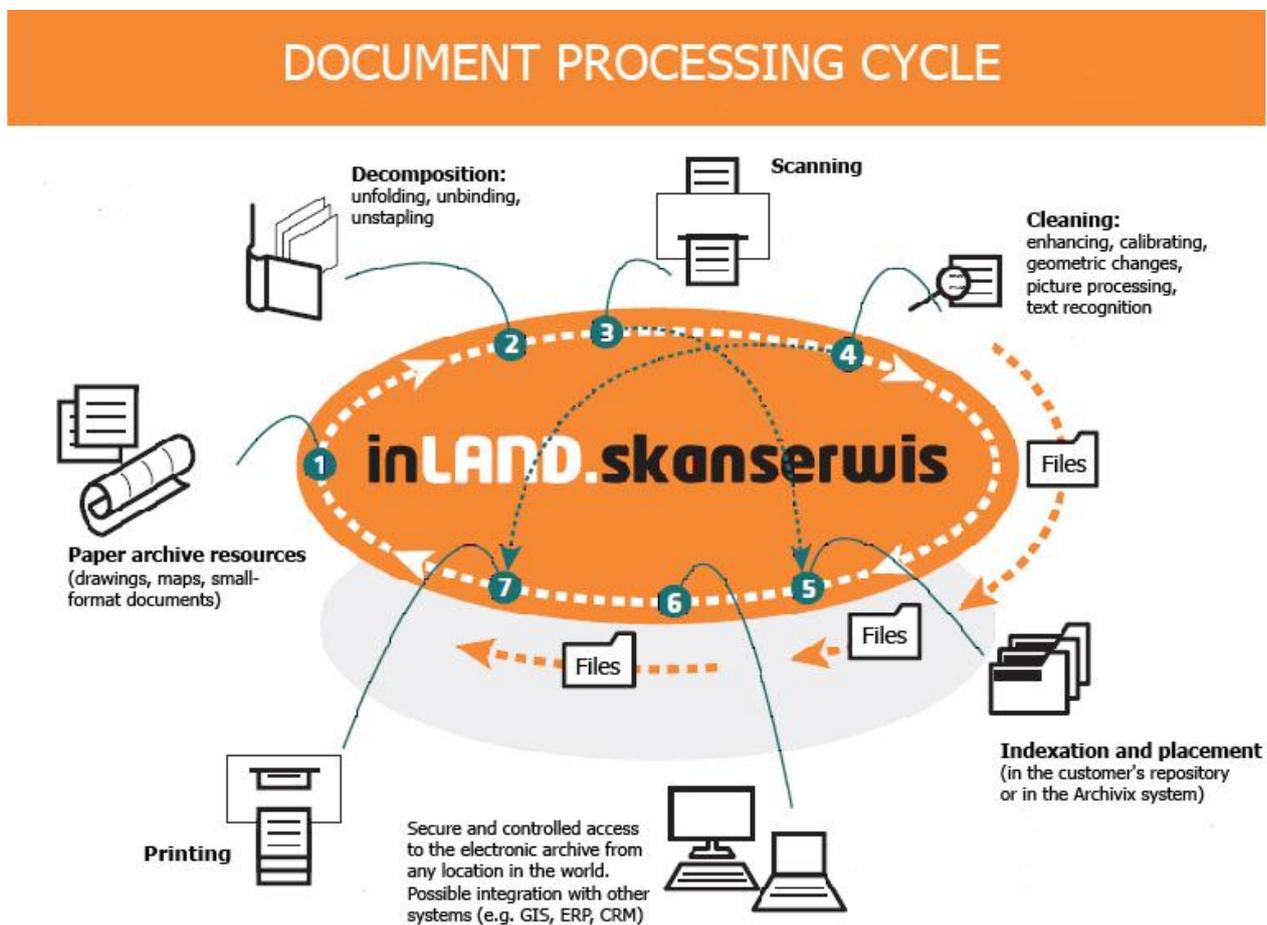
The most logical direction in the search for new opportunities for his company seemed to be to address the needs of his current customers. Bartek decided that the most important thing was to evaluate the business processes and to look for niches which could be filled by new products. The company had been selling printing machines, which by their very nature were connected with printed documents. From his many conversations with customers he knew that they often had problems with the effective circulation of documents within their organisation. This is how an idea originated for creating a system of digital document circulation and archiving. The plan was to use the machines which the company sold to create digital records of documents, and then to optimise company-wide circulation through the use of bespoke software. In the new market situation the comprehensive implementation of such a system in companies was to become the principal product of Bartek's company. From 2007 the company began building its image on the basis of the products it had created and developed. The previous name, X-Partner, was changed to inLAND.

Questions for Part 2:

1. How would you investigate and assess the possibilities for diversification?
2. How would you evaluate the chances of success with the new service and the prospects for its development?

Part 3: The problem of company effectiveness

In 2007 inLAND started to offer a new product - a system of digital document archiving and circulation. The essence of the system is changing the format of documents from paper to digital by scanning them with, among others, Xerox machines. Having been scanned in, a document is then described by a range of features which make it possible to later retrieve and use it. A document processed in this way is then stored in an electronic repository. The core of the system is an electronic archive which can be searched on multiple levels. Around this core additional modules are then added which make it possible to meet the individual needs and expectations of each customer.



In the period 2007-2008, which was the initial development cycle for the new service, the offer was directed towards customers who the company had previously supplied with printing systems. Thanks to such a system of digital document management they could expand their

use of existing solutions. Good insight into the needs of this group of customers ensured a high sales effectiveness.

Once the demand among current customers had been satisfied, the company had to start looking for new clients. A new sales model specified a concentration on companies from the Wielkopolska region which employed over 100 people. The sales representatives contacted prospective clients by arranging personal meetings. Although they conducted numerous business meetings, the effectiveness of this sales method turned out to be considerably lower than during the initial period of selling the new product. Another problem was the lengthy sales cycle for the solutions offered. Despite time-consuming business meetings, few contacts ended in sales. The operating costs were rising and there was also the problem of sales profitability. Not all the contracts which were signed were guaranteed to generate an appropriate level of profit. The chairman realised that an attempt to reach all their prospective customers was doomed to failure.

Questions for Part 3:

1. What are the strengths of the new product and what benefits can it provide for end users?
2. What contributed to the low sales rate success for the product and how can this situation be improved?

Part 4: Optimising business operations

In view of the rising costs of reaching customers and the low profitability of sales, Bartek decided to change the distribution strategy. In his opinion the only way to improve the situation would be to concentrate on selected segments of the market. This would help to effectively solve the problems which are largely similar for niche companies.

His choice was land-surveying. In their everyday business the company encountered a substantial interest in the services they offered from municipal offices which were in charge of map archives. In order to assess the potential of this target group the company commissioned a specialised company to do a CATI survey. The survey results confirmed the considerable attractiveness of this segment and led to the preparation of an action plan for the sales representatives. The company also identified another potentially attractive niche – the infrastructure sector – so the efforts of the sales representatives will also extend to this segment in the coming years.

Questions for Part 4:

1. What advantages can you see for concentrating on a niche market?
2. How would you look for niche markets and assess their attractiveness?

Part 5: Optimistic future outlook

The decisions taken over previous years turned out to be profitable. In 2010 the company's turnover amounted to 6mln zlotys, and profit reached a height of 100,000 zlotys. It had also won contracts for a total value of several million zlotys, and the portfolio of their on-going sales processes looked very promising. This was accompanied by a substantial increase in the number of employees - from three people in the first year of the company's existence to 65 in 2011 (including 25 on permanent contracts).

The market success of document archiving services also brought about a change in the company's approach to selling photocopying equipment. A new service was introduced: selling print-outs. According to this new concept, traditional equipment sales were to be gradually replaced by maintaining a stock of their own machines on the clients' premises and charging the clients for print-outs. Such a solution offers numerous advantages, both for the seller and for the buyers.

Questions for Part 5:

1. Indicate the advantages and disadvantages connected with the new approach to selling photocopying equipment.
2. How can the company develop both its market and its portfolio of services?