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inLand

Teaching notes

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Part I:

1. How would you evaluate the business strategy adopted by the company in 2000?

When evaluating the actions undertaken by the company at that time, two essential issues have to be considered: the opportunities relating to cooperating with a single major partner as well as the risks involved in such cooperation. It is also worth considering how any potential risks could have been minimised at the contract-signing stage.

As regards the **opportunities**, cooperation with Xerox gave the company access to a fast-developing market on which there was very little internal competition. At the same time the company gained access to modern technologies both in respect of the product on offer and in respect of the business model and know-how. In addition, being a representative of a well-known global brand makes it considerably easier to sell products (product recognition, trust) and enables the company to enjoy higher profit margins.

Being linked with a single and considerably larger partner, however, is also connected with certain **risks**, which are principally connected with the disparity in the partner's bargaining powers. In this situation the company became completely dependent on the conditions of cooperation imposed by Xerox. Consequently, the company's scope for decision-making was severely limited. This kind of dependence also carries the risk of a sudden decline in the position of the smaller partner if the dominant company experiences any problems. The greatest risk is uncertainty about the future. Xerox could terminate the cooperation at any moment, even for reasons unconnected with the company.

Despite its significantly weaker bargaining position, the company could have attempted to **secure** its interests better when signing the agreement. The negotiations could have included such issues as being granted exclusive sales rights in a given area of the country, being able to offer complementary products, selling the products of rival companies, retaining a degree of freedom in managing the company, or specifying the conditions and procedures for the termination of the agreement by Xerox.

2. What actions should Bartek take to deal with the changing situation?

In trying to come up with solutions to any problems which may arise, two scenarios need to be taken into account: remaining in the current market and trying to increase profitability, or going beyond the current business model and expanding company activities.

If one decides to **remain** in the current market, multi-directional actions can be undertaken which may improve the situation:

- Expanding the sales channel through increasing the number of sales representatives;
- Increasing the financial outlays on promotion (advertising, fairs, PR);
- Negotiating larger volume and value discounts with Xerox in order to be able to offer price discounts to customers;
- Concentrating on a selected segment of the market and trying to become the market leader;
- Consolidating the sector (joining forces with other distributors of photocopying equipment in order to increase bargaining power);
- Renegotiating the contract with Xerox so as to be able to sell a wider range of its products or the products of rival companies;
- Entering the consumer market, such as online trading or a network of branded outlets.

If one decides to **change** the current business model and profile of activity, then the following should be considered:

- Vertical diversification, through developing after-sales services and services connected with utilising old photocopying equipment;
- Horizontal diversification, through expanding the range of products by introducing related products such as photocopying paper, ink cartridges or photocopying services;
- Parallel diversification, understood as seeking new areas of business activity which are not directly related to the photocopying market.

When considering each of the above possibilities one must bear in mind that each of these scenarios carries the risk of failure. Also, each of them requires, to a greater or lesser extent, extra expenditure. The final decision, therefore, must be preceded by a scenario analysis which will make it possible to obtain a relatively precise prediction of the future situation as well as the amount of financial outlay necessary.

Part II:

1. How would you investigate and assess the possibilities for diversification?

When deciding to diversify his company's activities, Bartek had to answer one fundamental question: Do I stay in the current market or, in view of its decreasing profitability, do I look for opportunities in other areas?

In order to give a considered answer to such questions, a business ought to begin by **identifying** its available resources (human, financial, technical) and abilities (knowledge, relationships). In this context the company must determine its core competences, major strengths and sources of competitive advantage. The strategy adopted ought to make optimum use of the company's resources and abilities.

As regards his company, Bartek decided to remain in the current market and use the competences he had (by concentrating on a selected segment). His search for development possibilities was based on identifying the needs of his current **customers**. Their needs and his knowledge of the market were likely to be the inspiration behind the company's activities.

The range of possible actions in such a situation is quite broad, which should make it possible to make a reliable assessment of each option. For example, it could be a good idea to analyse the activities of direct **competitors** as a number of other market participants may have found themselves in a similar situation. Perhaps it might be prudent to imitate the actions of one of them.

An analysis of the actions of direct competitors and of the needs of current clients is a relatively quick and inexpensive action. When looking for new market opportunities it is also a good idea to analyse market **trends** through participating in trade fairs, reading trade journals, as well as analysing the product range of companies which operate in more developed markets.

In assessing the company's development prospects it is crucial to conduct an in-depth analysis of the macro- and micro-environment. The PEST method is extremely useful for an analysis of the more distant environment. The correct identification and description of any tendencies discernible in the environment makes it possible to identify any opportunities for company development as well as the risks that may have to be faced. When analysing the immediate environment, the Porter model is useful. An analysis of the intensity of competition within a sector as well as the threat of the appearance of alternatives, conducted

on the basis of this model, makes it possible to identify those sectors with the best development prospects.

The decision to enter a particular market sector ought to be preceded by an analysis of the market's capacity and receptiveness. The basic determinants that have to be taken into account when doing this are the needs and the financial resources of prospective purchasers, and the prices. Once identified, the needs are the potential demand, which, when accompanied by appropriate financial resources, becomes real demand. The volume of effective demand can be determined through correlating real demand with the prices of products or services.

2. How would you evaluate the chances of success with the new service and the prospects for its development?

Before a new product is introduced onto the market the chances of its success must be evaluated. How should this evaluation be done in relation to Bartek's idea? The new service was to optimise the circulation of documents through the use of bespoke software and the machines which the company sold. Therefore, there seem to be at least three main courses of action.

First of all one ought to look at the market for such services, or similar. Many solutions have come to Poland from abroad, which is why it could be a good idea to divide the search and analysis process into two parts: the home market and the foreign market.

When looking at the situation in the Polish market it is important to evaluate the quantity and quality of the available products, as well as their scope. It is also a good idea to check the intensity of the existing competition and the market share of the individual players. This last element will help to determine the degree of market concentration and subsequently the existence of any barriers to entering the market with the new service. At this stage in the analysis trade publications are one of the possible sources of information.

Development prospects can also be evaluated through analysing the trends which have occurred in the process of providing similar services abroad. Relevant information can be found in foreign trade journals and on the Internet. Additionally, it may be useful to examine developments in the western market quantitatively – on the basis of statistical data that can be obtained from institutions and organisations which collect and publicise information in a quantitative form.

The second course of action ought to be interviews with current **clients** regarding their level of interest in the new service. Having a database of companies with known needs and preferences as regards documentation management increases the chances of successful market entry with the new service and is a starting point for further expansion. Cooperating with partners with whom a good working relationship has already been established makes it possible to gain experience in implementing the new service with a higher level of mutual trust than would be the case when cooperating with new clients.

Thirdly, assessing the development prospects and the chances of success requires conducting an analysis with regard to the company's **resources**. The elements which ought to be considered include the competences and skills of employees, the level of knowledge within a company, the know-how, and the financial situation.

Part III:

1. What are the strengths of the new product and what benefits can it provide for end users?

A digital system of document archiving and circulation **enables** quick and easy access to information, efficient document circulation and better internal communication. For a company this **means** considerable time savings, greater employee efficiency, a reduction in the document storage area as well as a lowering of the costs of printing. All this is particularly important for companies which generate a large volume of documentation and those which have numerous offices or branches.

One of the strengths of the product offered by inLAND is the possibility of **adapting** the functionality of the system to the individual needs of the customers. As the company has full copyright of the product, it can introduce special solutions designed to address customer's specific needs. Thus, each implementation can be different, and the clients receive the exact functions that they need at any particular time, which can later be expanded. Another important feature of the service is its **comprehensiveness**, the customers receive both the equipment and the software from one supplier, which facilitates integration and accelerates the process of system implementation.

2. What contributed to the low sales rate success for the product and how can this situation be improved?

At first Bartek attributed the low sales rate success to an insufficient **number of sales meetings**. Therefore, he specified a minimum number of meetings that the salespeople had to hold. However, this did not have the desired result. Even though there were more meetings, they did not result in the signing of profitable contracts and did not increase the company's revenue.

The reasons for this low success rate were rather different and were connected with an incorrectly defined **target group**. The company had decided to target firms from the Wielkopolska region which had over 100 employees. The size of a company, however, does not necessarily mean that it has problems with document management. Many companies either did not have or did not notice such problems, and only a few appreciated the benefits of

implementing the solutions inLAND offered. Additionally, the group was very diverse in respect of the sectors they represented. More often than not, the salespeople had to 'get the feel' for the specific sector and its needs; they could not offer ready-made solutions or examples of how the system had been implemented in other company's operating in this sector. A lack of previous business contacts also meant that the level of trust was not very high. And on top of that, many employees of the potential clients were worried that the implementation of the system would mean either extra duties or job losses.

In order to **optimise sales** it is necessary to reduce the cost of acquiring clients and to maximise the effectiveness of the sales representatives' work. The most essential issue ought to be specifying the target group. The company should operate in a clearly defined niche market and it should be aware of the specific problems relating to this segment of the market so as to be able to offer products adjusted to the customers' needs. Another important element in making the work of sales representatives easier is building product and brand awareness, primarily through showing specific examples of how the system functions and what benefits it can provide for the client. Finally, it would be helpful to offer pilot implementations of the system in a given company, for example in one branch or department.

Part IV:

1. What advantages can you see of concentrating on a niche market?

Cooperation with companies which share certain common characteristics makes it possible to concentrate on their needs, and also to understand those needs better. In such a situation inLAND has a better chance of preparing optimum solutions tailored to its clients. Additionally, operating in a niche market where the potential customers have similar needs can significantly reduce the costs of supplying appropriate solutions because once a product has been prepared it is likely to be suitable for more than one customer, requiring in each case only minor alterations. Concentration on a niche market also makes it easier to constantly monitor and analyse any changes that occur in the market, which allows the company to instantly adjust the products it offers.

It is also worth noting that by using such a strategy inLAND can increase the likelihood of its sales activities being **effective**. When a company has considerable knowledge of a market and of the solutions which utilise this knowledge, as well as a history of cooperation with companies from a particular sector, it can much more quickly achieve the status of being well-known, competent and reputable. This also makes it easier for sales representatives to use appropriate argumentation in subsequent trade discussions, and for the company to focus on such methods of promoting its products that will be the most effective for a given market.

2. How would you look for niche markets and assess their attractiveness?

When looking for niche markets it is necessary to qualitatively and quantitatively describe the pool of customers (size, capacity, receptiveness) and organise their segmentation according to their requirements and expectations. A key element is the **knowledge** of who the potential customers are, how they make their purchases, what usage value they expect, how much they are willing to pay for usability, and what the best ways of communicating with them are. It is also important to know how many other suppliers there are in a given market and how intense price and non-price competition is.

In the case of inLAND the fundamental questions are the following: from which sector would companies be interested in implementing a system of digital document archiving and circulation; and would providing such a service for them be profitable? One possible way of

trying to find an answer to this question would be through employing the expert method, the starting point of which is looking for sectors in which the management of paper documentation is a significant problem. Another quick way could be analysing current clients in respect of the sectors they represent. Looking for niche markets could also involve analysing the products and business activities of competitors, particularly in more developed markets. It is from these markets that most reports discussing the trends and profitability of the digital document management market come. One can also determine the potential profitability of operating in home market segments through individual contacts with companies, as well as during trade fairs or through analysing companies' general financial condition. Other factors which ought to be examined is the saturation of the market in respect of the services offered within a particular sector, the complexity of the processes involved in entering a given market, as well as if there are any existing entry barriers (including legal or administrative barriers).

Part V:

1. Indicate the advantages and disadvantages connected with the new approach to selling photocopying equipment.

When considering the introduction of a new service, a company must conduct a cost-benefit analysis in relation to such a decision. The greatest value added aspect of the product offered by inLAND is the lowering of printing costs by relieving the client company of the costs of purchasing and servicing printing equipment. On the other hand, it is the prospective supplier that has to make a substantial initial outlay to purchase the requisite number of machines. This may require resorting to various forms of external funding, which may significantly affect the profitability of the undertaking. Another issue is the scale of the prospective clients' operations at which it should be possible to generate a profit from selling print-outs. In the respect of such a service, the companies targeted must only be those which make a substantial use of printing machines. Here again, there may be problems with reaching prospective customers and with the effectiveness of sales pitches.

It is also worth noting the **complementarity** of the solutions offered by inLAND. Both the printing services as well as the implementation of a digital system for document archiving and circulation can lead to expanding cooperation. Signing a contract to maintain a pool of their own copying machines in their customers' premises requires frequent contacts with the client, which creates an opportunity to better explore their needs and expectations. This in turn makes it easier to offer their own solutions connected with such a digital system of document management. On the other hand, if contacts with a client begin with fulfilling a contract to design and implement such a system, the company can also offer to supply its own copying machines. The benefit for the buyer is that they have to deal with only one company, both in matters relating to the system and to the machines. The whole responsibility for the correct functioning of each particular element is borne by one supplier.

2. How can the company develop both its market and its portfolio of services?

A number of possibilities can be indicated as regards inLAND developing its market and services:

- Opening new branches outside Poznań in order to reach customers in other areas of Poland;
- Introducing the current product to countries where the market in digital document management is not yet well developed;
- Offering potential clients the possibility of them both obtaining EU funding for the design and implementation of the system in a company or office;
- Obtaining certificates and licences which would allow the company to cooperate with government and local government offices as well as the courts;
- Designing future systems which would use an electronic signature in order to completely eliminate the use of paper in a company;
- Introducing new services which could expand the scope of cooperation, such as maintaining a server room or servicing photocopying equipment.