



## Internationalization of a limited market product

2009-04-24

### Introduction

Blam Industries had developed a singular accessory to facilitate accessibility to garments hanging in a closet thanks to a simple rotating elongated rod they called ProArm. The product was particularly suited for elder people and those with reduced mobility.

The research and development was entirely done by Blam Industries's technical department and reached all round high quality level.

The marketing plan was also successful. With a market share close to 60% in the Spanish market, almost every important prospect had become already a client.

Blam Industries manufactured other products as well but it faced a heavy competition from large foreign and domestic producers. The domestic market for the ProArm device was limited though and there were no chance to grow significantly.

The company was thinking to diversify its production into new product lines under only one restriction: All new products should be directed to existing customers and would create synergies with each other.

At the same time, Blam Industries was aware that ProArm's supply chain could be improved by vertical integration. Some suppliers of raw materials and parts were not meeting the required quality and service level and sales were being done through distributors who did not care much about a low rotation product.

Too many issues to address. Blam Industries found themselves under high pressure to make up its mind and find out the most effective path.

### Company background

The first thing to do was to learn and understand the reality of the company. The results Bridgedworld found were;

- The company is an SME with 140 workers and sales revenue of 10 million euros a year.
- It is a long tradition family owned company where the owners were in charge at the management level.
- The position in the market had been achieved after years of steady efforts, careful management and reinvesting profits.
- An Ebidta of 15% was over average industry.
- ProArm was sold as a complement to closets and it was distributed through third parties.
- ProArm customer were basically Spanish closet manufacturers except for a few sales abroad through agents.



Since distributor did not push the product, the company spent time and money keeping a close relationship with the customers. They knew the importance of maintaining a direct contact not only to promote their product but to design new versions anticipating future needs.

The cost of these actions was remarkable due to the high dispersion of and low sales per customer ratio but Blam Industries gave a lot of value to this information.

Mass marketing was out of the question due to low turn out.

## **Plan of Action**

Bridgedworld made an international research to find out to which strategic group belonged this product.

Apparently, the market was highly fragmented. Most of the companies being under a generalist profile and outsourcing the production.

A number of interviews shown ProArm as an interesting product with clear advantages in quality and functionality when compared with competitors.

Many of these competitors were medium to big size companies with a broad range of product lines, most of them serving the same type if customers. They were not giving any special attention to ProArm's substitutes.

After a deep analysis, Bridgedworld's proposals were as follows:

A) Define our market: We need to understand our market and answer what we want to be and how we can match both. It is most important to work in an attractive sector in terms of profitability. For a SME this is mandatory as we have to focus a good percentage of our efforts in the short and medium term. Using Porter's Five Forces framework and a matrix analysis tool help find the right position by determining the industry structure, the competitive intensity and attractiveness.

B) Supply Chain Management: A careful study of all activities along the supply chain, from the raw materials to the final consumer, provide hints on the activities that offer substantial profit potential. Sometimes we add value and others capture it.

C) Vision and Values: Family owned companies frequently fail in transmitting what they want to achieve and engage their people toward a common goal. We need to align ambition across the organization. Full commitment by the whole organization is the source of one of the most sustainable competitive advantages.

D) Define the company's Mission: What do we do and why. It is important to be aware of our strengths and build upon them.

## **Strategy**

One defined these concepts, the recommended strategy was summarized in the following terms:



1. Blam Industries excels in what it does and keeps an acceptable ROI. Diversifying and increasing the product range will put its leadership at risk and seriously compromise the continuity of the company. The company should focus on its niche market.

2. The supply chain shows critical links that may have an impact on service, supplies with attractive profits and sources for improvement.

The advise is to invest and take over these processes.

3. The customer base should be expanded in order to reduce risk and create economies of scale. The analytical accounting shows there is great elasticity of cost related to sales volume.

The advise is to launch an internationalization process.

## **Internationalization Plan**

As a result of the before mentioned proposals and due to the lack of international experienced of Blam's executives, an Internationalization Plan was implemented with the following phases:

- Select one target market and start actions to introduce the company by Bridgedworld Interim Managers (BWIM).
- Launch a coaching program by BWIM to train Blam's executives so they can take over the duties derived from the international operation.
- As this process was carried out, a new competency was developed. Blam was no longer just the ProArm's manufacturer, it was an expert on internationalizing closet devices.
- One of the contents in the plan described the promotional mix to be used to get visibility of the product. It was noticed that there were a window opportunity to sell ProArm to the final consumer through large home improvement chains.
- It was also identified a few large domestic customers in the process of going international as well. A strategic alliance with these companies provided a great opportunity and competitive advantage.
- The increased sales volume brought by the new market, produced sizeable economies of scale and thus larger gross profits to help defend Blam in front of competitor retaliation.
- Once Blam considered its introduction done, a new process was initiated this time by Blam executives. Bridgedworld remained as an advisor during the process.

Note: The name of this company and product have been altered on purpose to preserve the company's identity

**Ignacio Prieto**

[ignacio.prieto@bwconsultores.com](mailto:ignacio.prieto@bwconsultores.com)