

### **The Embosser Case –By Jonathan Calof**

Sophia Johnson, the international marketing manager for SalesSmarts (a Canadian stationary company) was reviewing her options regarding selling their new innovative “Legal Signature embosser” (LSE) in the United Kingdom. Sophia had to make her recommendations at tomorrow’s international marketing committee meeting. In addition to the U.K., market inquiries were coming from around dealers around the world. Sophia had received enquiries from firms in Australia, Japan, Sweden, Italy, France, Barbados, Spain and Indonesia.

In just two years, the Canadian company’s product had already captured 60% of the Canadian embosser market. Within Canada, five firms produced most embosser bodies but it appeared that they were prepared to let SalesSmarts take the market. With very limited competitor response, it was conceivable that the product would have 90% market share within the next few years.

#### **SalesSmarts changes the industry**

Throughout the world, the legal seal industry had remained stagnant. While the number of models had grown, there had been very little innovation for 50 years. Three factors had contributed to this: the legal profession had accepted the problems associated with the seal; most of the die manufacturers were small, without funds for product development; and, for the larger firms, embosser sales were typically not the dominant product. Thus, there was little incentive to undertake embosser research and development. The combination of these factors resulted in a deterioration in the function of embossers so that it ceased to be an image product. The once proud seal became a commodity, purchased on the basis of price alone.

SalesSmarts wanted to make an innovative and prestigious embosser. Interviews were conducted with lawyer’s in which they were asked what they would like in a seal. From these discussions, as well as through extensive analysis of other problems which had been identified with seals as well as extensive engineering testing SalesSmarts identified features for an innovative seal that would appeal to lawyers. After five years, an investment of close to half a million dollars, and

extensive research, including identification of innovative materials, and much testing SalesSmarts had the design for the new embosser.

SalesSmarts was proud of the LSE (Exhibit 1). It weighed less than one pound and, was trim. The weight and durability came from using DuPont "Delrin" acetal resin and glass reinforced "Zytel" nylon resin. It had a collapsible nylon handle which could lie flat at the push of a button, making the unit 13.5 centimeters long, seven centimeters high and 5.4 centimeters wide (small enough to fit into a briefcase). Its impression quality was tested to 25,000 embossing operations, and with the handle serving as a lever, the manual force needed to exert on the die and achieve a clear impression was reduced.

Another part of the SalesSmarts embosser innovation program lay in their development of an industry first online customer embosser ordering system. The online order would then be fed directly into the manufacturing process including typesetting. Not only would this new, innovative process increase the efficiency of stamp making activities, by enabling the client to input their design and text directly it virtually assured error-free final text and design. In the past, some errors had occurred as a result of operators entering the client's text incorrectly from manual orders. In the past customer's would manually fill in embosser order forms complete with the text and graphic requirements. The on-line text outputting processes would result in improved quality and lowered production costs.

The innovation in both product design and ordering resulting in lighter weight, more reliable, sleek design, more accurate and easier to use was a hit with the customers. SalesSmarts had changed the competitive dynamics of the Canadian embosser industry. Smaller, regional die manufacturing firms were being pushed out of the business; the product was losing its commodity like status and the larger metal sub-assembly manufacturing (which was dominated by American firms) was dying out. The only competitive reaction was one of SalesSmarts's rivals in Quebec. This firm lowered their price on their old medal seal. However, this company was now placing orders with SalesSmarts as it appeared that their largest customer had requested the LSE,

## **Exhibit 1**

### **The LSE Embosser**



### **Example of traditional Embosser and seal seal**



### **Traditional embosser and seal**



The innovativeness of the LSE was widely recognized. For example it received a design engineering achievement award and the federal government's award for excellence in industrial design. Despite all this success management decided that they would continually innovate the LSE's product and service design to discourage competitors and continue to satisfy customers. Product and process innovation was viewed as the principle driver for SalesSmarts as they sought massive growth.

## **EMBOSSERS AND THE EMBOSSER MARKET**

Used to imprint seals on corporate, legal and certain government documents; embossers had been around for hundreds of years. Since that time, the only significant innovations were the developments of a pocket seal and the Mark Maker. In fact, while the number of models had grown, there had been very little innovation for 50 years. Three factors had contributed to this: the legal profession had accepted the problems associated with the seal; most of the die manufacturers were small, without funds for product development; and, for the larger firms, embosser sales were typically not the dominant product, thus there was little incentive for them to undertake embosser research and development. The combination of these factors resulted in a deterioration in the function of embossers such that it ceased to be an image product. The once proud seal became a commodity purchased on the basis of price alone.

In many cases, medium and large manufacturers in the embosser industry also produced rubber stamp products. The rubber stamp industry had higher margins and was more competitive than was the embosser industry. Much innovative product and process R&D had occurred for rubber stamps. While rubber stamps and embossers were both used for marking purposes, until recently, the products were complements and not competitors. However, in some countries where corporations did not require an embossing seal, firms were starting to purchase rubber stamps, to stamp their corporate seal on documents, rather than the harder-to-use embosser.

In terms of embosser sales, lawyers, corporations, and consumers had purchased seals for either legal requirements or personal reasons such as embossing their name on books and documents to show ownership or make them look more official.. Within Canada, the Canadian legal embosser market was estimated to be \$1.5 million per year and while an embosser was not a legal requirement for companies, almost all the 70,000 incorporations and 20,000 corporate name changes per year resulted in embosser sales. The remaining sales were accounted for by those new lawyers who decided to become Notary Publics. The sale of a complete embosser (sub-assembly and die), occurred through either product suppliers or service suppliers. Product suppliers (e.g. legal stationers) stocked products such as incorporation kits, and other supplies required by lawyers. Service firms, such as name search houses, were usually employed by lawyers to assist in the incorporation process. Typically, these firms, as part of their service, provided an embosser.

Throughout most of the world, the process of producing and selling embossers was similar. The embosser was composed of two parts: a sub-assembly which was the actual body, and a die which contained the text and graphic to be imprinted on documents. The die was then placed in the sub-assembly. Sub-assemblies were typically manufactured by national firms with metal working expertise. Within Canada, five firms

produced most embosser bodies. Embosser die production was more diffused with a proliferation of small, regional dies manufacturers.

## **EMBOSSERS IN THE UNITED KINGDOM**

The United Kingdom was the only European country where seals were a legal requirement for corporations. Thus, all of the 100,000 — 120,000 annual new incorporations, 50,000 corporate name changes per year and 12,000 new lawyers per year required embossers. This provided a fertile ground for embosser sales. The U.K. Government had recently indicated that an embossed seal might not be legally required in the future. Similar to Canada, sales were dominated by the traditional desk seal (approximately 50% of all sales). The major buyers of seals were lawyers and accountants who purchased some 70% of all seals, primarily for their incorporation clients. Unlike Canada, the major embosser manufacturers were fully integrated. The largest manufacturers of both dies and embosser sub-assemblies were Jordan and Bolson. Much of Jordan's sales were to their own name search houses. In recent years, some of these were expressing displeasure at this arrangement as they wanted the flexibility to select embossers. The largest market share of the seal production market were held by Bolson's (50%) and Jordan and Sons (28%).

85% of legal seals were handled through company formation agents. Similar to the service firms in Canada, formation agents were hired by lawyers to assist in incorporations. These agents also provided an embosser as part of their service, thus, if any company was to seriously compete in the U.K. market they would have to either usurp Jordans production, or supply Bolson's customers. This being said, foreign products were currently being exported to the U.K. albeit in small numbers.

The major agents were Jordan and Sons (26% share of seal sales), Stanley Davis (13%), and London Law (10%). The relationships between the seal producers and formation agents was one of great loyalty. Jordan and Sons, purchased their seals from Jordan's, while Stanley Davis purchased from Bolson's.

Pocket seals were priced at 5.50 and desk seals at 7.50 (prices in Pounds Sterling - 1 pound sterling = \$1.61 Canadian). Similar to Canada, the quality of the seals was poor but profitability was estimated to be high with most firms enjoying margins on embossers of around 30-50%.

In terms of modes of foreign entry, no legislation prevents any foreign firm from opening up an embosser firm in the United Kingdom. Costs of such an operation for a 60,000 embosser per year plant: requires two employees and \$50,000 Canadian in equipment. This included the on-line ordering and production systems, and the software. Administrative support, rent and the employee salaries were estimated at \$5,000 per month.