

## **Business Management Higher Level Internal Assessment**

**RESEARCH QUESTION:** Should Zero Labs diversify their product portfolio to increase their potential market share in California?

Session: May 2017

Word Count: 1978

**RESEARCH QUESTION:** Should Zero Labs diversify their product portfolio to increase their potential market share in California?

### **Rationale:**

Zero labs, a tech company based out of San Francisco in the United States is hoping to release a product that analyses sound and vocal files in an attempt to discern people's emotions, intentions, etc. They are attempting to diversify their product applications in an attempt to target a broader market and have an increased market share. To do this, they must also increase brand awareness.

### **Methodology**

1. I shall be mainly using primary research during my analysis of the company due to the lack of second hand research readily available, other than that which is conducted by the firm.

### **Primary Research**

1. I shall conduct interviews with CFO and CTO of the company
  - a. Information about direction of company from the Company Authorities
2. I shall also conduct interviews with employees of the firm

### **Secondary Research:**

1. Marketing planning Research conducted by the firm.

### **Individuals to Approach**

1. CTO - Rajesh Pradhan
2. CFO - Amit Pradhan
3. Employees of company

### **Methods of Data Collection**

1. Surveys, Questionnaires
2. Interviews with company employees and employers

### **Tools Used**

1. SWOT Analysis:

It is used in order to judge Zero Labs' position in the market in regards to its competition and see its potential.

2. Ansoff Matrix:

Ansoff Matrix will be used to analyse the market and see if Zero Labs' chosen plan of action is correct or not.

3. BCG Matrix:

BCG Matrix will be used to analyse Zero Labs' position in the market and the state of the market.

### **Anticipated Difficulties**

1. As this is a pre-release product, not all information about the product can be covered.

2. Employees may not be completely honest about their satisfaction with the current amount of work.

### **Solutions**

1. Information will be cross referenced with that of the firm to avoid any discrepancies.
2. Information will be taken from multiple employees to obtain a comprehensive sample set.

### **Action Plan (Sequence of events)**

<b>Date</b>	<b>Activity</b>
Orientation on BM IA	xx/04/2016
Firm Selection	25/08/2016
Finalization of IA topic	06/09/2016
Initial IA Proposal Submission	07/09/2016
Final IA Proposal Submission	15/10/2016
Conduction of interviews with Company authorities	04/11/2016
Conduction of interviews with Company Employees	05/11/2016
Analysis of findings and research	20/11/2016
Submission of 1500 word draft	06/12/2016
Submission of 2000 word draft	08/12/2016

## Gantt Chart

<b>April 2016</b>	<b>-</b>	<b>August 2016</b>	<b>September 2016</b>	<b>October 2016</b>	<b>November 2016</b>	<b>December 2016</b>
Orientation on BM IA						
		Firm Selection				
			Finalization of IA topic			
			Initial IA Proposal Submission			
			Final IA Proposal Submission			
					Conduction of interviews with Company authorities	
					Analysis of findings and research	

						Submission of 1500 word draft
						Submission of 2000 word draft

Zero labs

To Whom so ever it may concern

This is to certify that [REDACTED] of the [REDACTED] has completed his Business Management IA at the Higher Level, for the May 2017 session on our firm, Zero Labs.

For Zero Labs Inc.



Rajesh Pradhan

CTO

Date : 05 April 2017



## **Executive Summary**

The Introduction introduces the company and its goals and ambitions, along with the product, the reasons behind the steps they have taken and what influenced and shape it.

The information gathered from the CFO of the company makes up for a major part of the primary research and data obtained for this analysis.

The product portfolio and their marketing plan is analysed with tools such as SWOT, Ansoff Matrix and BCG Matrix. These tools help to analyse the market and the product with the context of Zero.AI and help us to provide a recommendation to Zero Labs.

Through the analysis we reach the conclusion and the recommendation, where we recommend that they should focus on inter business relationships, focus on hiring more skilled staff, develop their unique selling point and focus on the basic features of Zero.AI before heading towards product diversification.

(Word Count 142)

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## **Introduction**

Zero Labs was started 7 years ago, with the aim of creating the interface of the future.

This idea was a result of the founders' experiences of working in the field of tech support, and was founded on the base concept that "The best inputs, regardless of the tools provided, come through natural language and discussion", thus the company was founded on the basis of taking human conversation, analysing every single bit of it, and discerning 100% of the information that could be taken from it. The 7 years of the company's existence were spent in developing the technology, in the scope of the staff's capabilities, the available technology, and the state of the market.

By observing the increasing popularity and stimulus provided to the Artificial Intelligence market, Zero Labs is considering expanding their product portfolio and expanding their company by hiring more staff in order to outpace their competition. From this problem we can identify the research question: "Should Zero Labs diversify their product portfolio to increase their potential market share in California?"

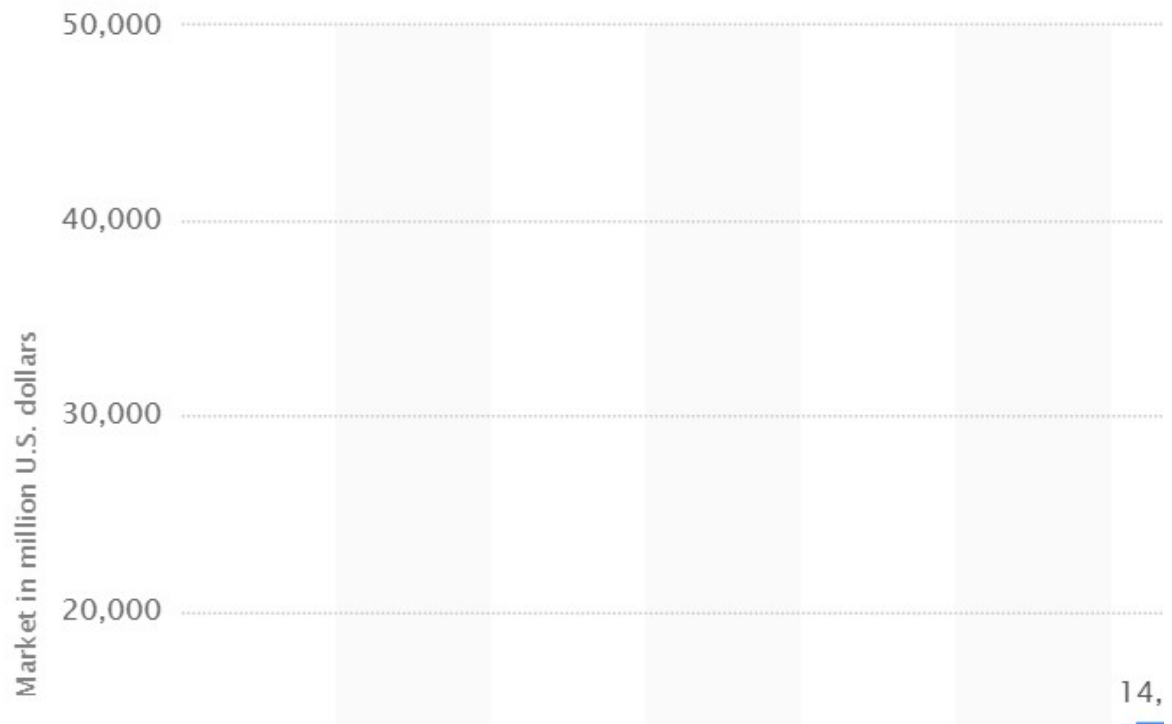
## **Product - Zero.AI**

The idea for the primary product of Zero Labs, Zero.AI came about from the idea that the best interface is none at all. It hopes to be a software that learns and adapts and remembers, with the ability to do things without any effort on the user's part and minimal interaction from the user's side. The product was initially meant for desktop, but has since been diversified to mobile devices as well.

## **Methodology**

I shall be mainly using primary research during my analysis of the company due to the lack of second hand research readily available, other than that which is conducted by the firm.

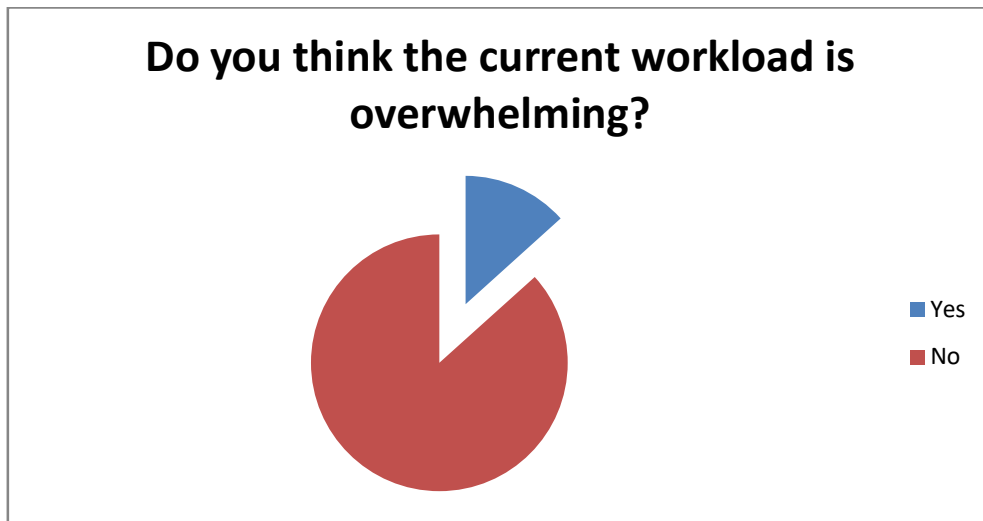
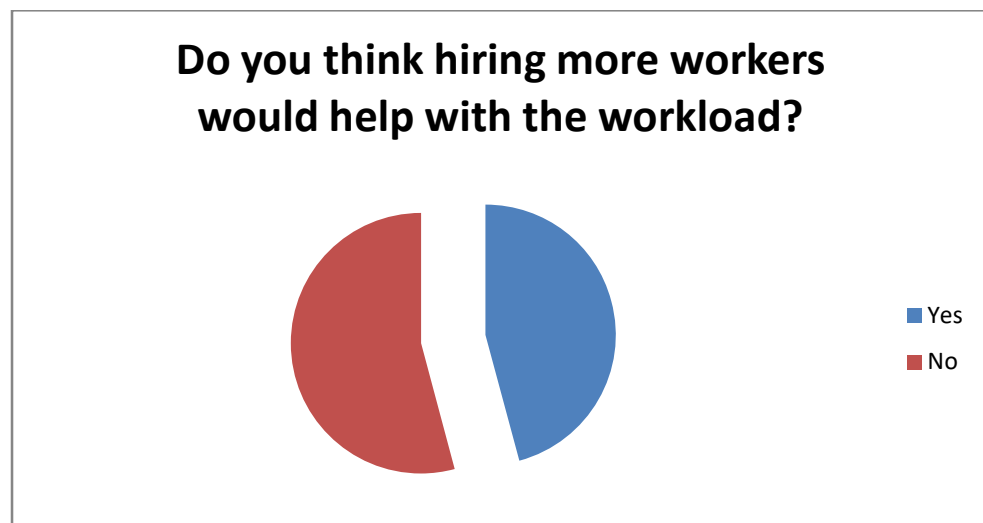
<b>Anticipated Difficulties</b>	<b>Solutions</b>
As this is a pre-release product, not all information about the product can be covered	Information will be cross referenced with that of the firm to avoid any discrepancies
Employees may not be completely honest about their satisfaction with the current amount of work	Information will be taken from multiple employees to obtain a comprehensive sample set

**Findings:**

*Image 1: Projected Revenues in the Artificial Intelligence market from 2016-2025<sup>1</sup>*

We can infer that Artificial Intelligence is an extremely fast growing and popular market currently, with many competitors within the market.

<sup>1</sup> "Global AI Market Size 2016-2025 | Statistic." *Statista*, [www.statista.com/statistics/607716/worldwide-artificial-intelligence-market-revenues/](http://www.statista.com/statistics/607716/worldwide-artificial-intelligence-market-revenues/). Accessed 11 Mar. 2017.

**Answers to the Questionnaire:***Graph 1**Graph 2*

From the responses we can see that the current workload is manageable by the current size of the staff. However, if Zero Labs was to increase its product portfolio, the need for workers would increase as well. Additionally almost half of the employees believe that hiring more workers would help the company

## **Analysis**

### **SWOT Analysis:**

<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities</b>	<b>Threats</b>
- Location: Beneficial because location near Silicon Valley provides good opportunities to develop partnerships. - Zero AI functions locally and doesn't need cloud access.	- Disagreements between the Business side and the Technology side on sticking with their strengths versus exploring new possibly untapped avenues.	- Major competition in field of AI lies in the Personal Assistant field, performing a different function to Zero AI, which would be integrated into partner products.	- Competition in Automotive and Internet of Things industries is comprehensively established.

The location of the company provides ample opportunities to build relationships with potential OEM partners which will be needed at launch. Also Zero AI functions locally on the devices and does not require internet connections to perform its functions.

Currently there is some amount of disagreement between the business and the technical components of the company whether to explore new ventures or to focus on their current project only.

## BCG Matrix

		<u>Market Share</u>	
		High	Low
<u>Market Growth</u>	High	Stars	Question Marks
	Low	Cash Cows	Dogs

Zero Labs itself falls under the 'Question Marks' category as they have not been tested within the market, but as seen in the findings, Artificial Intelligence is a rapidly growing market. Their success is uncertain at this point.

Zero Labs has a planned Roadmap to start with five initial partners spread across the three potential markets in need of AI. These potential markets are those which the firm believes will not only provide them with the necessary exposure but to also build brand awareness, those being consumer electronics, particularly those working on the Internet of Things concept, Gaming, and the Automotive companies. Within the Internet of Things market, Zero AI would function as the AI integrated into the control hub. In this market, Zero Labs offers very few features over its competitors and would need to either add additional functionality, or diversify and provide more applications of their AI product. However the Gaming Industry would let Zero Labs gain a lot of exposure, as the market has recently grown astronomically in popularity, with the release of Virtual Reality and the rise in popularity of E-Sports. Next within the Automotive industry, Zero Labs again faces a lot of competition from existing giants such as Google. Much like the



Internet of Things, Zero Labs would need to provide a Unique Selling Point in order to be able to compete at the same level. Zero Labs hopes to partner with 1-2 firms of each market and attempt to prove the market. Provided the test period goes well, these testers would sign long term licensing agreements with Zero Labs, ensuring future sales. The model is a Business to Business model, as Zero Labs does not sell directly to the consumer, rather, Zero.AI would be bundled with the products and devices sold by the OEMS that Zero Labs would partner with.

Thus the consumers are not the ones who download or purchase Zero.AI directly and Zero Labs intends to function on a licensee relationship with all of their OEM partners. Thus rather than actually selling the product by themselves, it's about building the right connections and relationships.

## **Staff**

Being based in San Francisco, Zero Labs has access to a pipeline of students well versed in the technicalities of AI. Their office in Pune (India) focuses more on the backend workload. However, with a business that is yet to establish itself within its own market, offices on opposite ends of the world pose potential communication problems. As such, Zero Labs is looking into moving its backend work back to the United States, which could mean laying off the employee's in its Indian Branch.

Zero Labs, being a relatively small firm in comparison to its competition, has a smaller task force working on its products. However, because of the intricacies and technical knowledge that goes into AI development, rather than the need for more staff, there is a

need for better staff. The problem is not a quantitative barrier rather than a technical barrier. It is not so linear that having more staff would solve it, and in order to actually get the product into the market faster, Zero Labs would need staff that is better trained and highly skilled.

However, that being said, Zero Labs is also pursuing research in different fields, and while there is definitely a need for the staff to be more skilled rather than just more manpower, their limited staff restricts their ability to pursue these aforementioned research ventures. Eventually a decision will have to be made whether to hire more staff in order to pursue these ventures, or to focus solely on their Zero.AI product.

### **Unique Selling Point**

Rather than being a simple voice assistant, Zero Labs is focused on making Zero.AI the artificial interface of the future. The Voice Assistants of competing companies intend to perform a plethora of functions, regardless of whether they perform them perfectly or not.

Zero Labs attempts to separate their product from these competitors by creating a software that any partner company can utilize, by simply linking it with their own product/device, and giving it certain parameters for the user to interact with their products, while using Zero.AI as the bridge that links them.

Zero.AI does not attempt to do everything that the assistants do, but rather it attempts to do what is within the parameters of the product that Zero.AI is paired with, and do it better than any other competitor can. It is able to function offline, unlike Vocal Assistants, providing it with 24/7 functionality. Thus it attempts to be the bridge between

the user and the product, but it can only do what it has the permission and the parameters to do.

## **Marketing**

Due to Zero Labs facing fierce competition in the Automotive and Internet of Things industries, creating brand awareness is quite important. However the traditional methods of marketing the product to the intended final consumers are unnecessary and wasteful. Having spoken to the business executives, they intend to have two phases in their marketing:

### ***Phase 1:***

The firm will follow a focused approach at launch, spending time on maintaining good relationships with the launch partners and the OEM partners. At the point that Zero.AI starts rolling out, strong relationships are necessary. Providing assurances that a steady flow of updates to the AI will be released is important to ensure a healthy working relationship.

During this period, Zero Labs would look towards hiring the right people in order to build new relationships.

### ***Phase 2 :***

Viral marketing strategies are not effective in the case of Zero Labs because they are a licensee product and the intended consumers do not directly purchase the product.

Growing the Business To Business channel teams, along with slowly growing the market and audience that needs the product is the roadmap Zero Labs hopes to follow.

However while the Business to Business channel will be the only means of distribution and thus conventional marketing is to an extent unnecessary, creating brand awareness in the form of appearances at development conferences and conventions is an important way of making their presence known and attracting potential partners.

### Product Diversification - Ansoff Matrix

		<u>Products</u>	
		Existing	New
<u>Markets</u>	Existing	Market Penetration	Product Development
	New	Market Development	Diversification

Since Zero.AI is a new product targeted at a market that is relatively new and undefined, the marketing strategy that they would theoretically follow would be one of diversification, however that strategy might not necessarily be the correct one for them to follow. Since Diversification is the riskiest of growth options, it would be quite risky to diversify at launch without having tested the product with a slow and layered approach.

Zero Labs situation is unique, in that it hopes to enter a market that has not completely defined itself. Due to this, it would not be the wisest move to diversify, but to rather grow with the market and diversify if and when the need for it arises, while allowing the market to define itself.

Until such a time that they can definitively show that they have established a significant presence within the market, it would not make sense for them to expand their product portfolio, unless it is a very obvious diversification such as providing an update to the services and functionality of Zero.AI. They would need to have sufficient profits, along with evidence that their product indeed does work as advertised, along with the fact that after they have established themselves within the market, they would need to provide proof that there indeed is a need for their product in the market.

## **Conclusion**

According to the research and analysis done in this project, Zero Labs would need staff that is better trained and highly skilled. However, that being said, Zero Labs is also pursuing research in different fields, and while there is definitely a need for the staff to be more skilled rather than just more manpower, their limited staff restricts their ability to pursue these aforementioned research ventures. Eventually a decision will have to be made whether to hire more staff in order to pursue these ventures, or to put them on hold in order to focus on their Zero.AI product.

Zero Labs should focus on their primary goal, that is making their interactions with devices and products as Human as possible and until they dominate this niche, there is no sense in expanding into newer markets or in expanding their product portfolio.

## **Recommendations**

This research project has investigated Zero Labs' product portfolio and its potential for success in its target markets.

- This project has concluded that as opposed to Viral Marketing techniques, due to the unique nature of their business model, client relationships are where their marketing efforts should be focused.
- While they currently require more training rather than additional manpower, they will need to hire more staff in order to pursue additional ventures, or give up on them entirely.
- The external threats from more established competitors could potentially restrict their growth, and thus it is imperative that they work on their unique selling point, that being their ability to work offline and provide any function within its parameters, and ensnare as many business partners as early as possible to gain a foothold in the market.
- Additionally it has also shown that product diversification at this point in time or at the moment of launch would be unnecessary and they should instead concentrate on developing their Unique Selling Point within their target markets, while establishing themselves as a prominent player within those markets.

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## **Appendices**

### **Interview Conducted with CFO:**

1. In what region do you see your biggest potential market?

*"We do see the product as targeting certain industries, but globally of course, starting with introducing our project in California. We believe we target 3 specific industries, mainly because where those industries are at in their life cycles.*

*Consumer electronics such as the Internet of Things, connected cars or automotives, and the third being app developers, more specifically in the gaming industry."*

2. Could you give an overview of the founding of Zero Labs and the timeline you have followed since then?

*"Our current portfolio is just Zero AI, and was founded on the basis of creating the interface of the future. This idea was a result of our experiences of working with professionals of tech companies, and was founded on the base concept that a zero filtration interface is the best one for the exchange of ideas, and an artificial intelligence that can understand human speech in its entirety would be a groundbreaking development."*

*"We have been in development phase since our foundation since our founding 7 years ago, when the company began, mobile devices were not as powerful or popular and we were developing the product for the desktop, but with the massive shift to mobile devices, changes to the initial business model had to be made and the company had to diversify into the mobile segment."*



3. Are you looking to improve the utility of your product, diversify its uses at the time and/or diversify your product portfolio itself?

*"Our main diversification focus is on diversifying the number of devices our product will work on. This will take a lot of work and it might not be entirely possible for us to support each and every device at launch without a considerable amount of work from our staff. However we don't think this might be a good idea until we establish ourselves, but if it is a feasible task, we might consider undertaking it"*

4. Do you have a projected number of sales at launch or an estimated product life cycle in mind?

*"Well an exact number of projected sales is hard to give at this point, but at launch, we shall roll out our product with around 5 partners, around 1 or 2 partners in each of the fields I mentioned beforehand. Since ours is a B to B model, so unlike our competitors, it's not just something our end consumers download. So our focus is on creating and building relationships with the OEMs and over the 3 years, create an established company in this industry with, I expect, a million dollar valuation."*

5. Do you believe that hiring additional staff will be beneficial to the functioning of the company in the long run?

*"Well we have considered this, and I think hiring more staff is essential to get more work done, but due to the heavy research and developmental need for our company, I'd say there's a need for more knowledgeable and better staff. One's who won't need much on the job training and will get work done more efficiently."*

*We don't really face barriers in terms of staff numbers but in technical know-how. It's not as linear as just having more staff might fix our problems"*

6. What methods will you be implementing to improve awareness of your product?

*"We have to have different marketing models as our position in the market changes of course, but for us, rather than the conventional methods of marketing, we need to focus on building relationships with the OEMs, as our success depends on getting our product out to as many OEMs as we can. At launch we would spend time on relationships with the 5-6 prototype partners we hope to launch with. These relationships are ones we work hard on so that at the time of launch they're strong. But we can't afford to spend time on every relationship, so at this point, intersecting with your question earlier, we look into hiring the right people, ones who can help us with contacts and relations with OEMs. What separates us from most AI products out there is that we simply can't rely on viral marketing or the novelty/gimmick of our product. It's an incremental marketing process that we follow."*

7. Are there any competitors to your product? If yes, what distinguishes your product from theirs?

*"So our competitors are in a sense just digital assistants that will perform small tasks in their limited capacity. Products that try to do small tasks in a generalized aspect of day to day life. ZERO AI differs from these as our OEM partners, can simply take our product, work with us to develop specific functions in the context of their product, and seamlessly integrate with it to perform powerful tasks and give you a level of control that our competitors simply can't, as their AIs don't link*

*to any other products in a controlling manner. Our product will not do everything, but what is within its parameters, it will perform flawlessly."*

## Questionnaire

1. Do you think hiring more workers would help with the workload?
2. Do you think the current workload is overwhelming?

## Glossary<sup>2</sup>

- Ansoff Matrix: An analytical tool that helps companies choose and devise various products and market growth strategies.
- BCG Matrix: A marketing planning tool that helps managers to plan for a balanced product portfolio.
- Market: A place or process whereby customers and suppliers trade.
- Marketing Plan: The process of devising marketing objectives and strategies to achieve those goals.
- SWOT Analysis: A decision making tool which can be used to assess the current and future situation of a product, business, etc.

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1. <sup>2</sup> Hoang, Paul. *Business Management* . Third ed., Victoria, Australia, IBID Press, 2015.