Recondo, Paulino III D. May 10, 2016

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**Case Study for Chapter 5-1**

**Royal Printing and Packaging Company**

**Case Background:**

In May, 1989, a 68-year-old man named Ricardo Baltazar, entrusted the future management of Royal Printing and Packaging Company to his own son, Jose. Jose graduated from a business school in Metro Manila last month. Sr. Baltazar started the company on 1962 by initially investing P2000.

In the beginning, the company used to accept all kinds of printing jobs, composed mostly of small job orders. Later, Mr. Baltazar established mutual relationships with a few multinational drug companies and a large commercial bank. Because of this, the small job orders were dropped. Worse, it lost its connection with its client bank because the company was fully dependent on drug companies.

Mr. Baltazar confidently told his son all about the past journeys of his company and its resources. He told his son that the company has no substantial liabilities. All the imported printing machineries were bought brand new and are still in good running condition.

Jose began to evaluate the reports made by his father. He read the company financial statements and found out that the company sales was not even P1 after being in the business for more than 25 years. He was disappointed because the net margin was estimated to be 10% compared to the interest rate of 16% if he sold the assets and invested in treasury bills. He told his father that on that Heidelberg machine alone, they should have made an income of P192,000. His father told him that selling these assets is not an option. Jose went back to work to plan for the current year. He pulled out a Printing Association Industry study for his reference.

**External Enviroment (Opportunity and Threat)**

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| **External Environment** | **Opportunity** | **Threat** |
| **Economic** | - The manufacturing sector would have an increase in the economical value of production which contributes a huge percentage in the market.  -Local jobs and commercial printers would project a 7% increase in the manufacturing sector. 3% discounts in cash will be given to suppliers when payments are done within 7 days, moreover, the total production cost would consist of 70% in paper.  There would be uptrends in the value of production in the manufacturing sector which represents a huge percentage in of the market. The projected uptrends in the manufacturing sector representing 7% of the marking being served by the local job and commercial printers. Paper settles 70% of the total production cost and supplier grant 3% cash.  - Removal of price controls of basic prime commodities and dismantling the monopolies. | No possible threats |
| **Socio-Cultural** | - A change in the government would increase cultural and economic oppurtunities.  - Purchasing department from the buyers will be able to decide depending on the printer's: quality of work & ability to meet deadlines.  -There is an estimate of 2.7% expansion to the demand of the basic school textbooks.  Since the purchasing department decided on the printer’s service according to the quality and if it meets the expectations and meets the quoted price.  - There’s an expansion to the demand of the basic school textbooks which estimated at 2.7% | No possible threats |
| **Rivalry of Competitor** | No possible opportunities | - There are already a lot of existing printing and publishing establishments not only in Metro Manila but in the country. These can be a hindrance in the growth and success of the business especially if these companies can give off great discounts and offers.  There are over 3,700 printing and publishing establishments that exist in the country, having 2,700 of them located in Metro Manila. These means there are lot of competitors who can also give what the company offers or can give more. |

**Internal Environment (Functional Units)**

**Administration**

The company was not able to plan wisely. Rather than expanding their field, they were fully dependent on the drug companies which had led them to lose their other clients. The administration should've thought of long term strategies to fully expand their company, not solely depending on the drug companies. In addition to this, machines that are not of use should have been sold to be able to buy new ones.

The administration might have been careless on the factors that are affecting the company. It’s clear that there are no means of knowing the possible threats and no means on focusing the weakness of the company. They should’ve focus more on the future endeavors of the company not only in the strengths and what can the company service their clients. There should start planning long term to know how the company can withstand over the years.

**Marketing**

In order to gain more clients, the company should advertise their service and products that are both beneficial to the partners. The company should ensure the clients that they are competent and effective in distributing their products. Advertisements such as flyers, tarpaulins, etc. should include the information of the quality of service the company offers. Key to successful marketing is to think of promotional tactics that could attract other clients. Also, monitoring and evaluation of such should always be considered.

There should be proper and effective advertisements, so that the clients/society knows how competent the company is. Having advertisements can give them information of the quality of service the company offers. The company should know how to persuade their clients in giving the best they can at the best quality and price.

**Sales**

The growth and succes of the company is based on the income of the business. It demonstrates the efficacy of the company's services.

Growth of the company is affected by the sales which lies the income of the business. It reflects how effective the services of company are.

**Statement of the Problem**

The net income of the company is too small considering that it has been in the business for years. The margin was estimated to be 10% compared to the interest rate of 16% if the company sold the assets and inveted in treasury bills.

The net income of the company is too small and may not be enough. The net margin was estimated to be 10% compared to the 16% interest rate, resulting to the company’s income not being enough.

**Alternative Courses of Action**

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| --- | --- | --- |
| Plan A | Plan B | Plan C |
| The company must learn how to prioritize customers whether or not it is a multinational company or a local business. They must be fair and equal in treating clients in able for them not to lose clients but to gain more. | In order to attain all demands, the company must allot enough money in purchasing more equipments and machines. They could sell the obsolete products and buy new ones that can be of use. | The company must be fully aware of risks and threats as early as possible to have back-up plans to avoid losing income if proper action won't be taken place. |

**Value (Soft or Hard)**

The company must prioritize their clients giving them the required benefits that they should gain. Clients are one of the factors of running a business. They create business transactions and are held accountable for the company’s success. As discussed earlier, the company must give advantageous benefits to its clients giving them great quality of services. A win-win situation must be greatly implemented knowing that there some clients take advantage of a certain company.

**Cost**

Businesses are costly. It requires a large amount of money to start one. Money is very much significant in business. The company needs to have proper equipment that is willing to give high quality services to its clients with the proper cost of what it can assure and offer its clients. Quality comes with quantity, therefore, the company must support and provide output that will not be wasted. In other words, costing must be implemented. The company must know the amount of output it can produce in a day and the amount of work loads a client is expecting. There must not have exorbitance in the produced output.

**Risk**

The company must have known the possible threats as early as possible to create solutions and avoid such instances of losing income that might lead to the company’s loss if proper action has not taken place. All factors must be considered when running a business. Plans and strategies should be implemented to avoid the threats of the business. Having enough researches and information about the company’s strengths and weaknesses will give a better and much easier way on how to handle the business. A certain company must consider its competitors, and treat other businesses as its rivalry. With this, business transactions inside and outside the company would be very much secured from the endeavours around it. Security and protection matters in all business transactions to retain its clients and to gain more advantageous acts that will greatly affect the company.