For Office Use: Grade	

Written Analysis and Communication

Individual Assignment No. 01

Case Analysis Report on

“<u>Structure of a Business Decision</u>”

Submitted by:-

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Date of Submission: 23/07/2014

Executive Summary

Nakamura Lacquer Company, Kyoto (Japan) has explored all the possibilities in the lacquer ware market within Japan and owns the best known and selling brand. Now Mr. Nakamura, owner of the company is thinking of expanding his business. Due to Government regulations, he cannot invest outside the country. Then two U.S. based companies approach Mr. Nakamura with business proposals through which he can expand his business outside Japan. So now Mr. Nakamura is in a dilemma whether to tie up with these companies or not. And if not, then how to expand his business.

Situation Analysis

Mr. Nakamura, owner of Nakamura Lacquer Company (NLC) took his family business from a small handicraft shop to Japan's one of the best lacquer ware mass producer. He is a visionary who saw a big potential handicraft market. He introduced machinery in the process, getting rid of old & slow expensive methods to meet the rising demand. NLC constantly grew under Nakamura's efficient management with workforce of thousands and production of 500,000 sets per year. Known for good quality, moderately price and toughness, Nakamura's "Chrysanthemum" brand became Japan's best-selling brand.

Japanese government has strictly barred investment outside the country. As a result, NLC's business is confined to Japan only with some American tourists. American Companies, aware of possibilities & NLC's incapability are trying to exploit this opportunity.

National China Company (NCC) - largest dinner ware manufacturer with their "Rose and Crown" brand and Semmelback, Semmelbach and Whittacker (SSW), Chicago – largest supplier of hotel & restaurant supplies, immediately lined up with their respective proposals. Mr. Phil Rose, V.P. marketing of NCC came up with a deal for 3 years in which they will buy 400,000 sets of dinner ware annually at extra 5% of selling price in Japan. Provided product will carry trade mark of "Rose & Crown" and they won't sell to anyone else in U.S. with any other or their brand during that period.

Next was Mr. Walter Semmelbach of SSW, offered him a 5 year deal in which for first 2 years they will sponsor $1500000 for introduction & promotion of the product. In return they want exclusive representation for "Chrysanthemum" brand for the 5 years at standard commission rates. Plus 20% of all sales during the period which will be used to pay off the sponsorship. SSW presumed that there is a market for at least 600,000 dinner ware sets each year.

Both of the above proposals seem to be profitable but they have some hidden disadvantages. In first one there will be dilution of brand “Chrysanthemum” with “Rose and Crown”. Moreover NLC won’t be able to create its own identity in west. On the other hand latter proposal involves high risk as no specific sales figure can be assumed. Payment of commission along with sharing the profit is also a concern.

Problem Statement

Deciding whether to expand the business globally or searching for other ways of expansion within Japan.

Objectives

- Increase sales and eventually revenue
- Maintain brand identity
- Maintain brand value
- Retaining present customers

Options

- Accept offer made by NCC
- Accept offer made by SSW
- Segment and Target new market

- Introduce new range of products

Evaluation of Options

1. **<u>Accept offer made by NCC:</u>** Mr. Rose's proposal looks promising in the context of sales and profit but it will affect domestic market supply. Moreover company will develop no identity in the western market.

2. **<u>Accept offer made by SSW:</u>** Mr. Semmelbach's proposal seems as if they are assisting by sponsoring for introduction and promotion cost. But the terms and conditions diminish the benefit. Also the sales and profit are not confirmed.

3. **<u>Segment and target new market:</u>** Focusing on a new market will require producing new products under the existing brand's popularity. This can generate huge profits and increase hold over Japanese market. But if the products fail, then company will not be able to come out of the losses as it will have huge investment in terms of machine inventory etc.

4. **<u>Introduce new range of products:</u>** Coming up with new range of products like smaller sets of lacquer wares will enable even poor people to buy the lacquer wares. Also it will gain popularity among tourists as they are easy to carry. But this may not increase sales to much.

Recommended Decision

After analyzing and evaluating all the above options and keeping importance of each objective in consideration, option 3 i.e. segmenting & targeting new market seems to be the best feasible option available. It will help to conquer new market widening the services provided by the company. In this brand popularity will help which will eventually get more strengthen as new customers will know the brand.

Action Plan

Mr. Nakamura should identify the potential untapped market where they can spread their wings. Doing a complete research to know the needs and wants of the new market, options already available to customers at present (i.e. future competitors), coming up with better product than the available ones. Follow the values for which you are known and trying to use that popularity to gain attention of the new potential customers. Marketing it properly and living up to the customers' expectations in terms quality, price and dependency.

Contingency Plan

Mr. Nakamura should be cautious about their old customers also. Don't get focused too much on coming up with new products and knowing the likes and dislikes of new customers that the older loyal ones start feeling ignored and then move towards rival companies.

Exhibits

Exhibit 1: Deal offerings by two U.S. Companies

National China Company (NCC)	Semmelback, Semmelbach and Whittacker (SSW), Chicago
• Period: 3 years • Annual purchase of 400000 sets of Lacquer ware • Paying 5% more than local earning • Delivery in Japan • No trade with other U.S. companies	• Period: 5 years • Annual purchase of 600000 (exected) sets of Lacquer ware • Sponsorship of $1500000 for introduction and promotions for 2 years • Delivery in U.S. • Charging Commission rate • 20% sales charged as pay-off.

Exhibit 2: Objectives Options Evaluation Matrix

Options → Objectives ↓ (Decreasing inportance)	Accept offer made by NCC	Accept offer made by SSW	Segment and target new market	Introduce new range of products
Increase sales and eventually revenue	√	√	√	
Maintain brand identity		√	√	√
Maintain brand value	√		√	√

Retaining present customers				√

UNDERTAKING

To Whom It May Concern:

I, Jayant Kushwaha hereby declare that this assignment my original work and is not copied from anyone/anywhere. If found similar with sources, I shall take complete responsibility of action taken thereof by, WAC Team.

Signature

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