Nakamura lacquer Company

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Situation Analysis

- After 11 years that Young Mr. Nakamura had taken over the reigns of the Nakamura Lacquer Company, the company has conquered the domestic market.
- The strategy change with effective mechanization of the trade of producing lacquer wares ,named the "Chrysanthemum” brand at large volumes and effective prices bore fruit.

- With growth in the domestic sector attaining levels of saturation, “globalization” was what other companies were offering to Nakamura Lacquer Company.

- With the brand spreading, American companies started showing interest in starting ventures in this domain. Two first rate companies, National China Company and Semmelback and Whittacher lined up immediately, offering Mr Nakamura, substantial growth, valid prices, increasing brand domain and new investment opportunities.

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The strategic process will be as follows:

1) Frame a choice:

- To opt for National China Company for partnership in its globalization strategy.
- To opt for Semmelback and Whittacher for partnership in its globalization strategy.

2) Generate Possibilties: The other inclusive possibilities are

- To maintain a status quo, i.e. to remain focused in the domestic sector.
- To opt for a Company for partnership in its globalization strategy after surveying the market scenario itself.

Specify Conditions:

- Brand value
- Initial investment in deal/cost
- Time duration of the contract
- Order quantity
- Risk associated with deal
- Profit from the deal

EVALUATION OF OPTIONS:

If he make a deal with company A

- There is no global representation of his brand.
- He has to supply with Rose and Crown trademark and he can’t sell with his own brand Chrysanthemum. So after the end of 3 year Mr. Nakamura's company might have to restart all business again.
- Time duration of contract is 3 years
- The order quantity of order is annually 400,000 sets of lacquer dinnerware.
- The cost has to be endured by Mr. Nakamura himself.
- The profit margin will increase by 5%.

Why not to make a deal with co. A

- Have to sacrifice the brand.
- Company cannot sell its merchandise to anyone else.
- If the company enters US market directly after the lock period there is no security in demand.
- Govt policies hinder investing abroad.
- In order to produce double the number of dinnerware man power and machinery has to be increased which increases the operation costs.

If he makes a deal with company B:

- There is a global promotion and representation of his brand “Chrysanthemum” in U.S. market.
- There is no risk.
- Time duration of contract is 5 years, which is a long term investment for Nakamura Lacquer Company.
- The order quantity is at least 600,000 sets per year and expected to increase couple of million in next 5 years.
- The company is willing to pay the full cost of introduction for the next two years for introduction and promotion with budget $ 1,500,000.
- The profit margin will be more

Maintaining Status Quo:

The present demand of 500,000/year will be maintained with only marginal increase in subsequent years as the domestic market seems to have attained saturation levels .The profit would largely remain the same, as increase of price is not feasible with other competitors prevailing. Further reduction in costs is an option, but further investments would be required in more efficient mechanization .Brand Presence will remain confined to the domestic market. Competition in the domestic market is bound to increase in subsequent years, maintaining dominance as well as profit margin would be a tough task.

Conduct the Test

- Production capabilities and resources, for example new technology, skilled manpower, need to be assessed and brought into action to deliver the products at the scheduled time.
- Logistics, regarding transportation, inventory management must be worked out, for the most optimal cost.
- For efficient marketing of the new product, marketing strategy inputs, which have been successful in the domestic market, must also be shared with the partnering company.

If you were in the position of Mr.Nakamura what would you do.

I would opt for Semmelback and Whittacher for partnership in its globalization strategy. The reasons for my decision are based on certain criteria’s:

1. Brand value: There is a global promotion and representation of his brand “Chrysanthemum” in U.S. market, which will enhance the market of Chrysanthemum.
2. Risk associated with deal:There is no risk and no conflict with government policies.

3. Time duration of the contract:Time duration of contract is 5 years, which is a long term investment for Nakamura Lacquer Company.
4. Order quantity:The order quantity is at least 600,000 sets per year and expected to increase couple of million in next 5 years.
5. Initial investment in deal/cost:The company is willing to pay the full cost of introduction for the next two years for introduction and promotion with budget $ 1,500,000.
6. Profit from the deal: The profit margin will be more .