

Crithink Co., Ltd.

With just two months to go, Tajima, President of Crithink Co., Ltd. was making financial plans for the next fiscal year, FY2000, at the end of January 2000.

Crithink had its head office in Tokyo, and was mainly engaged in corporate training. Its main focus was on training manager-level staff to think logically. Its programs were originally designed by the US company Logithink, and its training materials and videos have been translated and rearranged for the Japanese market. Crithink had the exclusive rights to provide Logithink's programs in Japan.

The training program was based on a class of 20 participants, and was provided over three days at the standard price of 1.2 million yen. Crithink referred to this three-day unit as "one session". The unavoidable costs of one session were the cost of using the materials, the cost of printing the materials and the cost of a lecturer. Crithink did not have full-time lecturers, but utilized its network of external partners, including university professors, consultants and other professionals, to deliver the course. The cost of a lecturer for one session was 15,000 yen per participant, and the cost of using and printing the materials was 10,000 yen per participant. The policy of using external lecturers was adopted when the company was founded a year and a half ago, with the intention of minimizing risk. The company had around 15 external partners, all of whom were acquaintances of Tajima.

Crithink's marketing activities were centered on the human resources divisions of large companies and foreign-invested companies. Small and medium sized companies found the price of 1.2 million yen per session too high. Marketing activities were carried out by Tajima and two new salespersons, both of whom had been recently recruited mid-career. These three members of staff would cost the company 22 million yen in fully-fixed salary and bonuses (8 million of this was for Tajima), plus around 15% of that amount in fringe benefits during the next fiscal year.

Crithink set its sales target for repeat business during the next fiscal year at 70 sessions, or 80% of FY1999 results (88 sessions). As for new customers, the company intended to approach a total of 450 new companies, and close a deal with 10% of them, averaging 1.5 to 1.6 sessions ordered. During FY1999, approaches were made to 200 companies, of which 18% resulted in orders, averaging sales of 2.4 sessions. The sales were made, essentially, by Tajima alone during FY1999. The reason for lowering both the order ratio and the average number of sessions compared with FY1999 was that Tajima thought that it would be difficult for the new salespersons to reach the level of Tajima's last year performance immediately. The average amount of lead time between taking an order and implementing the course was around one month.

In terms of promotion, the company did not use large-scale advertising, still preferring word-of-mouth and direct mail, as well as web promotion. These costs should not require a budget of more than 15 million yen, since the customer base was fairly focused.

In terms of the basic teaching methods, the manual created by Logithink was available, but since this was written mainly for teaching American businesspeople, the content had to be rearranged for Japan. The development of teaching methods and training of external lecturers required a minimum of 10 million yen investment. If insufficient investment was made in these areas, it could lead to lower customer satisfaction.

In addition to this, the major administrative costs included personnel expenses for one temporary employee who operated the wage system and performed other paperwork. The annual cost of renting the office and leasing office equipment was 6 million yen. Further, of course, there were some small expenses for supplies, utilities and communication.

The major worry for Tajima was the fact that Logithink's major US competitor, Think and Act Inc., may be entering the Japanese market. According to one source, the company was looking at providing essentially the same curriculum as Crithink for around 1 million yen. Other rumors, however, suggested that the price would be the same as Crithink. – around 1.2 million yen. Furthermore, it was said that Think and Act was looking to adopt a policy that did not involve hiring full-time lecturers too. This might result in competition for the same external lecturer.

Exhibit

Fiscal Year 2000 Plan

(Unit: 1000 yen)

		Amount	Session Unit cost	Total <u>No. of</u> <u>sessions</u>	Average <u>No. of</u> <u>sessions</u>	No. of customers	Order ratio	No. of leads	Repeat ratio	No. of sessions Prev. year results
Sales		168,000	1,200	140						
	Repeat	84,000	1,200	70					80%	88
	New	84,000	1,200	70	1.55	45	10%	450		
Cost										
	Lecturers	42,000	300	140						
	Materials	28,000	200	140						
Gross profit		98,000	700	140						

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