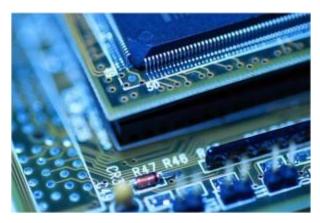




## **Case Study: Bluesin Technology**

Abstract: Janet Simpson gazed at the stacks of paper on her desk. It was a little overwhelming to imagine that as the new Vice President of Strategy for the Bluesin Technology Company she was expected to recommend a growth strategy at the next Board of Directors meeting. After all, she had only been on the job for two months. Reflecting on the harried set of meetings, reports and discussions from the last eight weeks, Janet realized that the job was bigger than she



thought. Nevertheless, she was determined to analyze the data, formulate a strategy and get the Board's agreement. She decided to use Tim Sanders, a competitive intelligence consultant, to help her.

Bluesin Technology had been around for fifteen years. It started in custom manufacturing for circuit boards. Large OEMs in the Telecom industry recognized Bluesin's value and funneled significant contracts their way. Revenue growth over the last ten years had averaged 15% per year. Two years ago, however, revenues began to plateau as new competitors emerged and the design dynamics of the industry changed. The new competitors emphasized equivalent quality at significantly lower costs than Bluesin. Meanwhile, the large OEMs began a shift to outsource design activities to lower their own R&D costs.

Bluesin attempted to react. It moved some manufacturing to Mexico and started a new design center to create the kinds of systems that OEMs now expected. Neither of these actions reversed the slide in revenue growth. In fact, management had begun to second-guess how Bluesin had reacted.

Maybe the right approach, some argued, was to refocus on higher margin products and abandon the segments that were under pressure from the new competitors. Others maintained that Bluesin should fight the competitors for every bit of business at existing competitors. The third predominant group said that moving to an entirely new business model was the best course of





action. Janet's analysis and recommendation were intended to indicate decisively the best direction.

The debates had raged within the company for a year before Janet was hired.

Her professional pedigree was around finding opportunities for multiple high technology businesses whose growth had stalled. Indeed, when approached by Bluesin's CEO, the challenge of reigniting Bluesin's growth had proved irresistible. She took the challenge but now, in the middle of making sense of the strategic picture, she was not sure about success. There was much to untangle, interpret and communicate about the competitive environment. As if that was not enough, the Board members were old-timers at Bluesin that Janet barely knew. Would they be open to doing something different?

Early on, Janet decided to engage with Tim Sanders, a competitive intelligence consultant that she had worked with before. Tim owned and operated a consulting firm focused on the high technology world and was well known in competitive intelligence circles. His expertise was mapping industry trends, sorting out relationships and performing analyses. He was sitting with Janet and looking at the same mound of papers that summarized all that they knew about the situation.

"Tim, let's go back over the key points again, okay?" Janet continued, "Our market share at existing customers has dropped by five percent in each of the last two years. Coupled with the lower margins, the reason for the revenue plateau is easy to see." Tim nodded his agreement.

"Alright, tell me what your competitive information search has turned up," Janet said.

Tim looked at his notes. "For a start, let's drill down a little into the 4 product lines of Bluesin." Tim showed a graph overlaying market share, revenues and margins for the last five years. "You can see the decline in each product line that has accelerated in the last two years. Note the margin pressures that began three years ago in the two largest segments. This coincides with the emergence of Glowster Manufacturing, Heaven Mint and Juwong. Although these companies





have served their local markets for ten years, only recently have they met the quality standards demanded by your customers. The pattern is for them to get a small contract with a large OEM that then turns into a series of products. There is a significant shift underway from Bluesin to this class of manufacturer."

"Yes, they have a pronounced cost advantage versus our structure," admitted Janet. "Still, they do not have the same customer relationships or support capabilities that we do."

"That's right, but your OEMs seem to be asking for different things. Furthermore, Bluesin's new product introductions have slowed," Tim noted.

"Our R&D department says that adopting the new technologies and starting the design center is the reason for that," Janet replied. "The R&D VP says that the kinks are worked out now and the pace of introductions will improve over the next 18 months. My concern is that we might not be building the right products."

"Right. Historically, your large, existing customers drove Bluesin product designs. That made perfect sense when their collective market shares were stable or growing. However, there seems to be a shift underway to new Telecom OEMs. How has Bluesin been adapting?" asked Tim.

"There's the rub. Our Marketing team does not agree with your conclusion. They think that what you call a "shift" is minor and temporary. My predecessor could not convince them otherwise. By the way, that is why he left," Janet said.

"How much does your company know about the competitive environment?" Tim asked.

Janet laughed. "Well, it depends on who you ask. Marketing believes that they have a good understanding and strategy. R&D believes that the key issue is creating new products in our existing product lines. Sales want more flexibility in margins so that they can compete better at our current accounts. And, my CEO boss just wants a believable growth strategy."





Tim said, "Your summary of their thoughts did not mention much about the competitive environment. How do they value competitive intelligence? Does good competitive intelligence factor into their decision-making?"

Janet went on, "Tim, it is important to tell you that there are really two kinds of problems at Bluesin. The first problem is about choosing the right strategy. That is hard enough without the second problem of explaining and defending that choice. My peers are not eager to change our business model or to react precipitously. Frankly, the Board is also wary of change. I need to be able to present a clear and convincing picture of the competitive environment to support my recommended strategy. It does not help that I am the new person at Bluesin."

"This does sound like a daunting assignment," Tim acknowledged. "Let me propose a two step approach."

"I'm listening," Janet said as she waited for Tim to continue.

"Given what you have told me about the company and the people involved, it sounds like we need to create a baseline picture of the competitive environment. There seems to be some disagreement and some ignorance about what Bluesin is facing. Do you agree?" Tim asked.

"Yes, I do. Every working discussion that I have had since I started usually degenerates into alternative views of the competitive threats. So, you are saying that this is needed before advocating a strategy. Makes sense to me," said Janet.

"Step one is creating that baseline picture. Step two will deal with the strategic implications for that picture," summarized Tim.

"Great. I like your suggestion but I do not have a lot of time. What is the minimum that we need to do for creating an effective competitive baseline? As I am sure you know, Tim, pretty slides are not enough. We will also have to align the organization or this will be wasted effort. What do you suggest?"





Tim took a deep breath. These assignments were fun but he never got all the information that he needed at the beginning. Janet's success might well depend on his ability to find the right information, complete the correct analyses and, most importantly, help the organization reach a consensus about the competitive environment. Only then would Janet have a solid foundation for a strategic recommendation.

## What should he suggest?

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