

The Catch-22 of External Validity in the Context of Constraints to Firm Growth

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ONLINE APPENDIX

ONLINE APPENDIX TABLE 1: SUMMARY STATISTICS FROM BASELINE (N=95)

	Mean	St. Dev.	Median	Obs.
<i>Respondent characteristics</i>				
Respondent is owner (1 = yes)	0.71	0.458	1	95
Number of years as owner	9.91	7.16	8	67
Number of years as principal decision maker	5.93	6.19	4.5	28
Age of principal decision maker (years)	45.7	9.98	46	95
Gender of principal decision maker (1 = female)	0.379	0.488	0	95
Years of previous paid work experience	13.2	9.39	13	95
Days per week working for the business	5.5	0.898	5	95
Hours per day working for the business	8.53	2.64	8	95
<i>Firm characteristics</i>				
Years in operation	14.39	11.9	11	95
Business exports dummy (1 = yes)	0.149	0.358	0	94
Business advertises dummy (1 = yes)	0.611	0.49	1	95
Average number of customers per day	30.55	69.09	10	91
Number of full time employees*	11.35	9.37	8	95
Average monthly revenue in 2011, in PHP	1,670,014	3,350,992	672,500	80
Firm profits for prior month (August 2011), in PHP	351,521	1,023,724	100,000	71
Ever applied for a loan (1 = yes)	0.424	0.497	0	92

Data from baseline survey conducted in September 2011.

*Excluding owner(s)

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Name: 12228

Years in operation: 8

Number of employees: 32 (25 contractual)

Annual Revenue 2010: Refuse to answer

Sector: Services

Description of Business

This business delivers envelopes and documents to companies around Metro Manila. Clients can drop their packages at the office or messengers can fetch documents from the client and deliver them to companies or individuals. The business does not deliver parcels and boxes, only documents and closed envelopes. The company goes to businesses to offer its services and hires employees to be messengers for different companies. In addition to its courier services, the business also provides manpower services such as drivers, office clerks or cooks for some of its clients. The business's manpower operations are fairly new and the business would like to expand them. For these services, the business charges clients a 3% management fee on top of the employees' salaries. The business hires the employees and pays them every 15 days, and subsequently collects from its clients. The business has five owners, all of whom are family members. The business started in 2003 but the family purchased it in 2008. The owner's goal is just to keep the business going for the next couple of years.

Business Constraints/Problems

- **Lack of new accounts/clients** is the biggest constraint. If the business had many accounts, there would be a lot of applicants willing to work for the company, and with many applicants they can choose the best employees to deliver their services.
- **Performance of messengers.** Often messengers do not do their jobs properly and do not deliver packages on time. The owner believes this is due to factors such as education and attitudes. After the delivery deadline the messengers are supposed to report back to the business but if the messengers do not report back the business knows the items were not delivered on time. The business keeps track of the messengers' performance on a random basis. Occasionally, the business receives feedback from its clients, especially regarding rush mails.
- **Excessive competition** results in the business not having many clients.
- **Consultancy needs:** The owner would like help with human resource management, sales and marketing, and general business management.

Consultants' Analysis

The current owner of the business bought the company from a friend who was unsatisfied with the revenue. The owner inherited the company's employees and has not hired new employees since purchasing the business. The owner is involved in managing the business, supervising employees, operations, and marketing. The business delivers small parcels, mail, company-to-client gifts, and magazines. It does not deliver riskier packages which are time sensitive, perishable or contain medicines, chemicals or ATM cards, which allows it to invest less in storage and transport vehicles as well as in personnel skilled in handling sensitive packages. It currently has 15 regular clients from various industries including telecommunication companies, property developers, banks and insurance companies. Most of the company's clients are concentrated in Metro Manila. The company uses a data system to monitor the delivery of parcels which gives it a comparative advantage over other local courier companies. The company's prices depend on the volume of the parcel, delivery time and their competitors' rates.

Another service the business provides is drivers for its clients. This is a relatively new service and only one client has contracted their services for two drivers, but the consultants believe this is a good start for business diversification. The company does personal marketing and telemarketing, and most clients are found through the owner's personal contacts. Previously the business did have a marketing staff member

but he left to work for a competitor; in general there is high turnover of marketing personnel due to low incentives and multiple tasks assigned to marketing staff.

The consultants concluded that the business is in a stable stage between growth and stagnation. It has a good operational mechanism, average human resources, a reliable tracking system, a good market position, targets the right clients, has a good pricing scheme, and has an impressive management system. It is profitable but has problems with cash flow management. Payments from the driver services client are delayed by two to three months. In the meantime, the company must pay the drivers' monthly wages using revenue from the courier service. Another problem is the business does not always track operational expenses, especially couriers' expenses. The company also has challenges with regards to market growth and needs more clients in order to grow.

Consultants' Recommendations

The consultants recommended two options to improve the company's marketing and contribute to market expansion: 1) hire its own competitive marketing staff, or 2) partner with a marketing firm. If the business decides to hire its own marketing staff then it should provide reasonable incentives for employees and be clear on their terms of reference. The advantage of hiring its own staff is that the business has control over their time; the disadvantages are the business needs to pay monthly salaries, provide incentives, and pay for benefits. If the business decides to partner with a marketing firm, it should keep in mind that profit sharing should be based on actual contracted clients, be clear on the terms of reference, and not engage in web-based marketing since the business does not currently need this. Engaging with a marketing firm may incur a higher initial investment but it is easier to terminate a contract with a marketing firm, and the company can also gain from the network established by the marketing firm.

The business's cash flow problems stem from only one client that contracts its driver services. Instead of terminating these services the consultants suggested the business should convince the client to issue an advance check and/or provide a discount if the client pays early. The consultants advised the owner to consistently follow up with this client but a collection agent is not yet needed since the business is capable of collecting payments from its 15 clients. The consultants also suggested finding a new client that pays on time to offset delayed payments by the current client, although this may be difficult given the business's marketing constraints. In addition, the consultants recommended that the business establish separate accounts for its courier and manpower services. This will help the business to monitor and analyze the risk, profits and losses of each service.

Finally, the consultants recommended that the business become a subcontractor for an established courier business. Subcontracting is an ideal option for companies with limited capital. Under this arrangement, the company would provide the transportation and manpower for delivering and picking up parcels.

Feedback on Consulting Experience

The owner worked with the consultants on finance and marketing and found their recommendations very helpful. The consultants pointed out the business's cash flow and marketing situation. There are some clients who pay 120 days after receiving services instead of 30 days, causing cash flow problems. With regards to marketing, the consultants advised the owner to hire marketing personnel so that he will be relieved from that task and can focus more on operations and management of the business. The marketing employee would specifically be looking for more clients and would possibly also work on operations to check whether deliveries are being sent out and received on time.

Immediately after the consulting ended, the owner was planning to make the following changes based on the consultants' recommendations: 1) add subcontracting by partnering with larger courier companies; and 2) hire a marketing person.

Outcome of Consulting Experience, March 2012

Four months after the consulting ended, the owner thought the most important advice provided by his consultants was to hire a marketing employee. The business prefers to hire a marketing person instead of working with a marketing firm because the marketing employee would be based in the same office, facilitating communication, and he/she can work on operations in addition to marketing. However, finding a qualified marketing person is difficult because there is no specific education for the courier industry, and the business is still looking to hire someone. The consultants made an account with an outlet where the business could look for marketing personnel but the owner did not remember specifically which account. The owner agreed with the consultants that the business does not need to engage in web-based marketing because it is only a small player in this particular industry and potential new customers will only look at the bigger companies. The consultants did not give other marketing suggestions or additional advice which would help the business find and hire a marketing employee.

As a result of the consultants' advice the business put in place sub-contracting in late November 2011. The business offers its delivery services in Metro Manila to a larger courier business at a lower than usual rate. This Singapore-based company gives the business higher delivery volumes and therefore it is still beneficial even at a lower rate. The business did have a few incidents adjusting to sub-contracting, specifically with encoding and reporting to its contractor, but the business owner thinks sub-contracting will be beneficial not only for the business but also for its messengers. In December 2011 the business had a higher volume of deliveries because of sub-contracting, and the owner estimates that 30% of total current sales come from sub-contracting.

Regarding the business's cash flow problems, the owner does not think it is possible to use a collecting agent or give discounts for early payments because this is already covered in the contracts and invoices; deviating from the price would entail paper work and client approval. Instead the business decided to continuously call clients that are late with payments; this has been successful for one client who now pays a little earlier but there are still remaining problematic accounts. Even before the consultancy program the business already had two separate bank accounts for the courier and manpower services. However, the business does not actually separate the accounts and instead alternates between them depending on their balances and the clients' bank accounts. For example, by using the same bank as its client, the business avoids three days of clearing time when collecting money. Despite the consultants' recommendation, the owner prefers to continue with combined accounts, but if one side of the business grows bigger he will separate the accounts.

The owner's goal is to expand the business, have more clients, and hire more employees to place with its manpower services clients. Finding more clients is the business's biggest constraint at the moment. The owner thinks that the manpower side of the business is most promising but to expand it he needs more capital to pay employees' salaries. Right now capital is not yet a major constraint but if the business needs more capital the owner would consider borrowing money from a bank. However, the owner prefers to borrow money from friends or relatives first because it involves less paper work and lower interest rates. Employees' motivation also continues to be a problem. Employees do not take initiative and are not driven to help the business grow. The owner discussed this with the consultants and together they concluded that if his employees are bringing the business down he should let them go, and this is something he is considering now.

Name: 12757

Years in operation: 8

Number of employees: 25

Annual Revenue 2010: Refuse to answer

Sector: Wholesale

Description of Business

This business is a wholesaler of garments and textiles (rags, linens, etc.). The company does merchandising, printing, labeling, and other changes to textiles. The business sources its products from all over Metro Manila including from subcontractors and manufacturers, buys excess products from exporters, and also buys from Indian and Chinese importers. Overall the business has 20 suppliers. The company also has designers whose designs are given to manufacturers and the products then sold to big department stores. The owner visits the department stores to sell clothes. Product prices are not determined through bidding. Instead, the owner proposes her price and then bargains with her clients, who pay in terms that vary between 30 and 90 days. Damaged products are sold to clients who sell to vendors in low-end markets, including those in the provinces.

Business Constraints/Problems

- **Finance and banks** are the biggest constraint. Banks are not supportive and do not give enough incentives or reach out to small and medium enterprises. Banks also ask for a lot of requirements for loans but when they see that the business owners have bad credit history they do not attend to them anymore. The manager is looking for an organization that would give the business access to working capital, approximately 2 million PHP. Likewise, the government is not supportive and provides little or no assistance to small and medium enterprises.
- **Inability to bargain.** The business can only bargain with subcontractors about prices when they pay in cash, but since they lack cash it is difficult to bargain.
- **Quality/mentality of employees** is a minor constraint.
- **Consultancy needs:** The business would like help with sales/marketing and with accessing credit or other financial services.

Consultants' Analysis

The business's average yearly sales are approximately 90 million PHP. Maximum sales (15-18 million PHP per month) happen between September and February because of the festive season, while the slowest months are May through August (3-4 million PHP per month). The gross margin of the business increased between 2009 and 2010, while the operating margin and profit margins declined. This is attributed to increases in operating expenses such as utilities, supplies and representation. The increase in operating expenses is also reflected in declining returns on assets, equity, and invested capital from 2009-2010. The business's debt decreased from 2009 to 2010 and currently constitutes 14% of the business's total capital. This reflects its difficulty in taking out loans, especially from banks.

The business's model allows it to purchase apparel with cash whereas sales are mostly done on credit of one to two months. The main reason for this setup is the high bargaining power of customers and suppliers. The suppliers need immediate cash as they are not established in Manila and have to return to their own countries for further supplies. The average number of days the business takes to make payments to its suppliers decreased from 2009 to 2010, leading to lower liquidity.

The biggest problem faced by the business is raising capital. It is unable to receive short term loans from banks because the owner has a bad credit history due to a prior business failure. Banks are not willing to provide loans despite the business being profitable. At present, it raises capital through small loans from small time lenders based on personal relationships. These loans are used to fund particular orders and

lenders take a percentage of the profits from the order as their return for the investment. The major risks in this type of funding are:

- The loan amounts are quite small and hence the turnover achieved is low. The transaction costs involved are very high relative to the benefits of the loans.
- The company has to submit its documents to these lenders. As such, they can observe the cost structure and the entire operations of the business. The entry barriers to this industry are low, and these lenders can easily get into the industry and might even have an edge over this business because they already have capital.

The business does understand its customers' needs and supplies materials that are easily accepted by large-scale customers such as shopping malls. This competency along with good client relationships and a good reputation have allowed the company to withstand stiff competition. However, over-dependency on one client makes the business vulnerable to losing business.

Consultants' Recommendations

The business could explore government lending programs, which have easier terms than banks. One such program is the SME Unified Lending Opportunities for National Growth (SULONG) Program. The business meets the program's requirements and should avail of this opportunity to raise capital on easy terms. It can take either the short term credit line or long term permanent credit to fund its working capital (receivables and inventories) and a long term loan to fund an expansion. As much as possible, the business should avoid using its property as collateral for the loan and take advantage of the low collateral requirements under the SULONG program.

Other recommendations are to: 1) train employees to understand customer needs and to accept and reject the clothing supply; 2) standardize operating procedures; 3) train quality checkers and have them follow certain standards; 4) add customized designs to the clothes; 5) have a mini showroom in the front of the factory; 6) divide revenue share fairly among all the customers; and 7) use a risk management framework to understand present risks and corresponding mitigation strategies.

Feedback on Consulting Experience

The owner was quite busy during the consultancy so she did not have time to attend the entire program. In total she had four short meetings with her consultants. She worked with them primarily on finance but also discussed marketing and operations. Immediately after the consulting, the owner found the recommendations very helpful, especially the recommendations about financial management. Based on the consultants' advice she intended to set up the operations more efficiently and was already thinking about implementing changes, although she did not have concrete plans and thought to implement changes at the end of next year (2012). The owner did not think she received a report from the consultants outlining their advice and recommendations, nor had she seen the risk management and financial management tools they developed in Excel.

Outcome of Consulting Experience, March 2012

The consultants recommended that the business apply for a loan from a bank or financial institution, rather than a private financier. The owner agreed with their advice but banks do not grant the business any loans because of both owners' bad credit history. The owners had a different business 15 years ago that failed and because of this both the owners have a bad credit score with the credit bureau. The owners received loans from several private financiers to set up this business. They would like to transfer these loans with private financiers to a loan with a bank or other formal financial institution because the cost of private loans is too high. Two months ago the business applied for a loan with a bank but it was not approved. The business is currently applying for a loan from another bank with which it has an account. However, the owner believes that as soon as banks see the bad credit history they do not consider the business for loans anymore.

The consultants also mentioned the possibility of applying for a loan from a government-related financial institution intended to support SMEs. The owner did think this could be an effective way of raising capital which would help the business to lower its costs and be more competitive. The business would apply for a government loan but the owner does not know when they will actually do this because she does not have time and does not know where to start, which banks to go to, or the documentary requirements. The consultants mentioned the funding option but did not give the business any directions or guidance on how to apply for the loans. The consultants also advised the owners not to use the house they live in, which is also their business address, as collateral for the business loan.

The owner did discuss with the consultants the idea of opening up a mini showroom in front of the factory, but this was the owner's idea. In the current building the business does not have space for the showroom so they would have to find another place to set it up. Currently the business has no concrete plans to do this.

The owner did not work with the consultants on human resource management or training her employees and does not remember the consultants giving her any advice on expanding the customer base, marketing, standardizing operation procedures, operations in general, revenue sharing with clients, or adding customized designs. Overall, she is satisfied with her employees and considers employee quality to be only a minor constraint. The business recently began recording all expenditure details but this was the owner's own idea and not the consultants'.

Finance remains the biggest constraint for the business. The owner believes the business could price its products more competitively if it could reduce costs by transferring the loan from the private financier to a bank loan. Reducing the price of products would help increase sales and expand the business. The owner did not think that the consultants helped her much in solving her financial problems. She hoped that AIM or IPA could help by recommending the business and by ensuring there is assistance for SMEs despite past credit problems. The business's goals are to continue working with the top department stores and to increase sales by offering more high-end clothes.

Name: 13079

Years in operation: 7

Number of employees: 5

Annual Revenue 2010: Refuse to answer

Sector: Retail

Description of Business

This retail business sells water purification systems for residential and commercial use. Fifty percent of its clients are residential and the other fifty percent are commercial establishments such as restaurants. The business is a sole proprietorship with one owner. The owner's business goal is to maintain her current business and venture into a new architecture business.

Business Constraints/Problems

- **Competition** is the main constraint, as the business has a lot of competitors.
- **Employees' performance**, which the owner wants to improve because currently it is not exemplary. Most of her employees come from technical schools and are not highly educated. The business has problems with their attitudes and discipline.
- **Obtaining permits/registrations from the government.** Specifically, the respondent said that the government is really slow at processing permits. She was required by the government to hire a security guard even though the business is located in a building with its own security guard.
- **Marketing/advertising** is another constraint.
- **Consultancy needs:** The business needs help on human resource management and sales and marketing.

Consultants' Analysis

The business caters to households and commercial establishments in Metro Manila. Its primary target market is commercial establishments that assure a renewal and maintenance contract on a yearly basis. The secondary target segment is residents of high end condominiums and villages. The tertiary segment is residents of apartments and high rises. Product prices are based on cost plus a 15% margin. The business's existing human resource strategy relies on hiring low-cost and low skilled employees in order to reduce costs. This strategy has resulted in poor sales growth.

Consultants' Recommendations

Firstly, the consultants advised the business on its human resource strategy. They recommended a change from relying on low-skilled, low wage employees to hiring skilled employees who can work independently and have a good work ethic. This will result in better customer service and thereby increased sales, and will reduce supervision by the owner. To recruit competent and trustworthy sales personnel, the business should use a referral system, job portals like jobstreet.com, and newspaper advertisements. For hiring technical service employees the business should continue to rely on hiring from a local technical institute.

The business should also train its employees according to their positions. Sales personnel should be trained in modern direct selling techniques that utilize technology and advanced understanding of human behavior. Sales employees need to be trained so they can create a need for water purifiers. The administrative assistant and technical service assistant should be trained on specific competencies for their positions. From the pool of technical service assistants, one should be trained to become the trainer of technical service personnel. In addition, the business should provide feedback to its employees on a regular basis. When an employee does a good job, he/she should be complimented and recognized. If an employee has shortcomings, he/she should be informed of this in private and be guided to improve his/her performance. Finally, the business should also work on its incentive system. In addition to a fixed salary the business

should provide employees with incentives. The sales team should receive a commission based on the number of products sold. The administrative assistant should receive a bonus at the end of the year if he/she does not report late to the office. For technical service personnel the business should maintain its installation commission.

Secondly, the consultants advised on the business's marketing strategy. The business can be positioned as a high quality alternative to bottled and packaged drinking water as well as a product and service provider that assures safe drinking water at all times. The consultants recommended that the business identify the most popular products and the revenue earned by each; based on product popularity the margin charged by the business on top of cost may be revised to meet market expectations. The products are currently distributed in response to a phone inquiry. The consultants advised that the business explore the possibility of selling through retailers and maintain a service team for its retail clients. Currently, the business does not do much to promote its products but it does offer discounts to close deals. Free trials, product demonstrations, discounts, and referral rewards can be used to promote products. Although the business does not have large cash reserves it was advised to invest in print advertisements to generate awareness and complement the sales promotions.

The consultants also suggested that the sales team be assisted by a team of telemarketers. The telemarketing team would generate leads using a directory of residents and businesses in Metro Manila. Subsequently, the sales team would meet customers to close the deal and could also engage in door to door selling. The business could also distribute its products through network retailers, which would be offered a sales commission. Finally, the consultants suggested that the company explore building a website in order to sell its products online.

Feedback on Consulting Experience

The owner worked with the consultants on finance and human resource management. The most useful advice given to her was to seek potential employees through online advertisement, particularly the website jobsdb.com. Directly after the consultancy program the owner did not yet know if she would implement the suggested changes but she was planning to hire a marketing staff member using online job sites.

Four months after the end of the consultancy program, the owner was unsatisfied with the program because the students were too busy finishing their theses. Therefore, the owner felt that they were not focused on helping her. Only one of the consultants visited her approximately three times because the other consultant was having problems with his thesis. The consultants gave her a summary report of their findings but did not discuss their recommendations with her. She scanned through the report but did not read everything.

Outcome of Consulting Experience, March 2012

The consultants suggested she hire new employees using an agency, internet or the newspaper. The owner agreed with the advice because she needs a marketing agent who will help increase sales by direct marketing. However, she finds it difficult to find good employees, particularly a qualified marketing employee who can increase sales for such a specific product. In the past, she had bad experiences with her marketing agent: she hired someone with experience who did not sell anything for three months, so the business spent a lot of money on her salary and allowance without any sales in return. The owner did try using jobsdb.com, an online agency to find new employees, but this was unsuccessful. The business spent 5,000 PHP for a one month posting without being able to hire qualified employees. It is difficult to find qualified applicants for the salary the business offers. The owner also tried to find a new marketing agent herself using referrals from friends but was unsuccessful. The consultants said they would help her find good employees using an online agency but they did not fulfill their promise

The owner believes that in order to find qualified employees the business should offer a higher salary. However, because of low sales the business cannot afford to pay higher salaries. The consultants suggested

applying for a loan to be able to offer competitive salaries but the owner does not want to obtain a loan because of the high interest rates. She prefers to hire someone using the funds already available, since the first three months after hiring someone are always a gamble to find out if the employee can increase sales to cover his/her own salary.

Since the beginning of 2012, the business addressed its problem with employees' attitudes by offering a reward for being on time. Any employee who comes in late has 50 PHP deducted from his/her payroll, which is divided among the employees who come in early. This has proven to be very efficient and all employees come to work on time. This idea was suggested by the owner's husband and not by the consultants. The consultants did suggest additional training to improve employee performance, but the owner wonders who should give the training or where she can get this kind of training because she cannot provide it herself. Currently, technical staff are trained when they are hired on how to install the water purification systems and answer questions.

The business did not change its marketing strategy after the consultancy program. Its current strategy is to contact businesses through referrals, from its files or using the phone directory. Telemarketing is currently done by technical employees because they are able to explain the product and answer questions. The owner finds this quite efficient, especially for convincing existing clients that their system is due for service, but the business does not find many new clients through telemarketing. The business used to have a website to promote its products but the owner did not find this very helpful because mostly foreigners browsed the website, so she stopped using it. Therefore she did not consider the consultants' advice of using a website to sell products. In her opinion, the consultants' advice all came down to the same issue: she needs good marketing staff. The business's goal now is to find good employees who will help the owner expand and open a second branch.

Name: 13345

Years in operation: 7

Number of employees: 10

Annual Revenue 2010: 4,000,000 PHP

Sector: Wholesale

Description of Business

The business provides office supplies and equipment and computer supplies (ink, toner, ribbons, etc.) to other businesses. Most of its products come from local suppliers, though it has one international supplier for its lanyards. Most clients are commercial businesses and the company also supplies schools with lanyards. It delivers in bulk to its clients. The business has agents who look for new clients but the owner mostly does that. The owner sometimes delivers products himself as well. The business is looking for additional manpower, specifically an accountant who can keep track of finances, and the owner also wants to expand the business by serving more clients.

Business Constraints/Problems

- **Lack of employees** is the biggest constraint. Before, the owner did all the product purchasing and delivery but now the business is training employees to do such jobs so that it can meet clients' demands.
- **Providing better services** to clients, especially in terms of product delivery.
- **Finding suppliers** that can offer cheaper prices.
- **Consultancy needs:** The business would like help with improving sales, specifically marketing strategies and targeting specific clients, and improving its inventory and delivery systems.

Consultants' Analysis

The consultants conducted a strengths, weaknesses, opportunities and threats (SWOT) analysis of the business. The business's strengths are its flexible terms of delivery, fast delivery time, and the wide area being served. Weaknesses are that there is no formal customer relationship management in place, the days receivable is more than the days payable, there are no marketing materials or activities in place, and it does not offer the lowest prices in the market. The business's opportunities are that its office is near potential markets, there is a growing consumption of office supplies, and expansion of its product portfolio. Threats to the business are the significant number of competitors in the market and the entry of low cost competitors.

The consultants also conducted a financial analysis of the business using its income statement and balance sheet. Currently the business does not have a formal cash flow. Based on the analysis, the following problems were found: inconsistent names for entries in the income statement; inventory value is not reflected in the balance sheet because of inventory management problems; depreciation and interest payments were not deducted from taxable income, which could have saved a lot of money; days receivable (47 days) is greater than days payable (37 days); and the company is not leveraged—currently it has enough cash from operations to fund its activities. The inventory management problems also mean the business does not have a systematic method for ordering supplies. It orders supplies based on current actual demand, limiting its ability to track the cash flow cycle and inventory turnover.

Moreover, the business does not have a formal marketing structure in place nor marketing materials for customer acquisition. To acquire new customers the business relies on telemarketing. The three staff members who look for potential new clients are given commissions for every new client they bring in.

Consultants' Recommendations

First, the consultants advised on how to improve the business's marketing strategy. The company should start creating marketing materials that can be used for customer acquisition and advertisement. The

consultants suggested that the company make a brochure containing a list of all its products, including prices. A website would also help in acquiring new clients. The website should contain business information, products and services, and an online ordering system. An alternative to an official website is a Facebook page. The company should emphasize that it is differentiated by its delivery services.

Currently the company's product portfolio is limited to office supplies. The consultants recommended that the business expand its product portfolio to include other products, such as computer hardware accessories, janitorial supplies, cleaning supplies, and office furniture. The business's existing suppliers can deliver these items as well. Expanding the product portfolio will increase sales per customer and in turn increase the company's bargaining power with its customers.

Research and interviews conducted by the consultants found that clients prefer a face-to-face discussion with their potential suppliers. During this meeting sales people need to present the products being offered as well as official business documents which show their reliability. Therefore, the business should conduct face-to-face sales and customer acquisition. The sales staff should be knowledgeable of all the possible promotions and discounts they can give and also have copies of all documents frequently requested by clients, such as business permits and registration. Moreover, the business should establish a formal process for customer acquisition and retention. To keep current customers satisfied, the owner or head of marketing and sales should follow up with customers to check if they are satisfied. This is currently done by the sales team but having the owner or other senior staff conduct the follow-ups will ensure the management team is aware of all problems. Such close interaction will also allow the business to anticipate clients' needs and new trends.

With regards to financial advice, the consultants recommended that the business fix its cash flow, starting with a working cash flow statement. This would help determine where and how the company is spending its cash. The business should also try to extend its current credit line from its suppliers. Some competitors get a credit line of 45 days from their suppliers, and increasing this will help establish a balance between days receivable and days payable. Another way to ensure this balance is stricter collection of payments from clients. The business can also save a lot of money by deducting depreciation and interest expenses from its taxable income. It can also avail of additional funding if it wants to purchase more assets such as delivery trucks and additional inventory.

Finally, the business should keep track of inventory so that it is able to determine the amount, turnover and trends of its stock. This will help the business to make better decisions about its product portfolio and delivery schedule.

Feedback on Consulting Experience

The owner worked with the consultants on finances and operations. He found their advice very helpful. The consultants found out that on average he is paying his suppliers within 37 days, while he is receiving collectables within 47 days. The consultants also provided the business with a format to improve its cash flow. Immediately after the consultancy program, the owner planned to implement the changes suggested by the consultants and was in the process of identifying clients' concerns and problems.

Outcome of Consulting Experience, March 2012

The business made quite a few changes based on the consultants' recommendations. To achieve its goal of expansion and serving more clients, the business hired an external freelance sales agent in January 2012 as well as two new delivery staff members. Since then the number of clients has increased and the business is even facing difficulties keeping up with all its deliveries. It is now planning to hire one more sales agent and an additional accountant.

The business has also addressed the gap between accounts payable and accounts receivable. The owner now checks the financial reports monthly for deficiencies. The business implemented the spreadsheet suggested by the consultants, which helps it to easily monitor and compare cash flow across months. Using the spreadsheet also saves the company time and money. The business is now able to monitor the accounts receivables more closely and reminds clients frequently to pay on time. It has also increased the terms of payment with its current suppliers from 45 days to 60 days and found new suppliers who agreed with these terms of payment. The business's cash flow has improved a lot because of these changes.

The owner also designed a survey to get customers' feedback on lead times, delivery times and product quality in order to improve services. The business conducts around 10 phone surveys a week. Based on this feedback the business is able to educate its clients about the different products on offer. The owner also liked the consultants' recommendation to call his clients frequently to build a personal relationship, which is very appreciated by Filipinos. In addition, the owner and an IT specialist are exploring the option and content of a website. The business is planning to have its own website in the next three months. In line with the website, the owner will also create social media accounts using Twitter and Facebook to create more awareness. The owner forgot about the consultants' suggestions to make a brochure and promote products at events and thus has not done so.

The business is planning to expand its product line by adding janitorial supplies. The consultants also suggested opening a retail store to entertain walk-in clients. The owner likes this idea and is now looking for a different location closer to schools. He is planning to open the store later this year, and depending on the size of the rent he might need a loan to achieve this. Unfortunately the owner was not able to discuss obtaining a loan with the consultants during the consultancy.

The owner found the workshop about market segmentation very helpful, as he learned that he needs to look at the market, the number of companies at that said location, and transportation costs. Because of what he learned in the workshop he is thinking about ending deliveries to provincial sites outside Manila because of the high delivery costs; instead he would like those clients to pick up their orders in Manila.

Currently, delivery and inventory are the biggest constraints for the business. Because of the increased sales it is difficult to keep up with deliveries, and the new delivery staff needs to be trained in preparing the products and the delivery protocols. Inventory has not been checked since October. The business's accounting system has an inventory application but they need to double-check if it coincides with the stock. The business is now considering hiring someone to keep track of sales and inventory who will understand which fast moving items should be kept in stock. The business's goals are for its two contractual employees to become regular employees, to improve its delivery and inventory systems, and to increase sales.

Name: 15080

Years in operation: 17

Number of employees: 15

Annual Revenue 2010: Refuse to answer

Sector: Wholesale

Description of Business

The business is a family-owned holding company that owns other smaller companies. They sell a variety of different products, primarily personal care products such as hair color and facial masks. The business also distributes static medical machines and salon and facial equipment, is engaged in property

management, and has also ventured into selling bicycles wholesale. The business is also developing its own personal care products such as hair color, face masks, shampoo, conditioner, hair treatments and hair-rebonding products. They import products from China, Japan, South Korea and Singapore. The personal care products are manufactured by a sister company in China. Products such as medical equipment are sold directly to doctors and clinics. Hair dye products and bicycles are sold to other distributors. The professional personal care products are sold directly to salons, spas, and facial centers. The company also exports 5% of its products. The father of the family is the majority owner and his sons are part owners and vice presidents in the business.

Business Constraints/Problems

- **Competition** is the biggest constraint. The business has a lot of competitors, affecting the products it sells. Competition is mainly a problem for the hair care products because there are many competitors who have been in business for a long time and whose brands are well recognized. Even though the business positions its products as low-priced products, customers tend to choose the well-known brands which are more expensive. Competition is mostly a problem in Manila and not so much in the provinces.
- **Consultancy needs:** The company needs help with marketing and sales.

Consultants' Analysis

The business has introduced its own line of low cost hair care products, which are being sold at well-known stores. Sales have been high in the provinces but not in Manila. People in the province are more receptive to new brands at lower prices; because of lower purchasing power people try their new cheaper brand more easily. The business would like to increase its market share in Manila. The consultants conducted interviews with people in the target market to ask about the hair care product and found out that consumers had never heard about the product before. The problems with the business's products are that they lack brand recognition, there are not many variations in hair dye colors, and the packaging is unattractive. The business has two main competitors: one has been around for a long time and does not advertise a lot, and the other is new in the market and advertises heavily, such that people recognize the brand.

Consultants' Recommendations

The consultants focused on the packaging and branding of the business's hair care products in line with the business's restricted budget for branding. The consultants recommended that the packages should have sober colors with either a middle aged woman or just the hair shades on the front. It is important that the hair color is evident on the package. The business could also bundle the product with another small product which is appealing to that market segment, such as lipstick. Currently the product seems to target only women, so the packaging could also have images of men. Finally, the packaging should highlight the usability of the product.

The consultants also gave advice on the business's advertising strategy. Direct marketing is recommended to get an immediate reaction from potential customers, and the business should thus provide an appealing offer, for example a limited time free sample. The business should recognize the different expected consumers of each of its products (e.g. college students, middle aged women, etc.) and use different direct marketing vehicles such as text messaging and radio to approach these customers. Indirect marketing should also be used to create awareness of the brand, such as placing small strip advertisements in hair care magazines; posting fliers or posters on public transport vehicles and in malls, schools and churches; or putting up stalls in malls and outside schools and churches. Placing the product besides complementary products could also help to create more awareness. Indirect marketing will increase awareness, help customers understand the usage and safety of the products, and create brand associations with hair care and not only hair dye.

The business could also organize an event, such as a “hair care day” in a mall, to create buzz and provide demonstrations. Direct marketing and social media should be used to publicize the event and all product varieties, as well as complementary hair care products, should be available. A separate event could be organized for men. In addition, the business could create a partnership to increase credibility, such as having a specialist or TV personality endorse the product; partnering with hair salons; or providing “promo girls” in department stores or at hair salons. Social media should be used to send out promotions and hair care tips on a daily or weekly basis, and the business should also improve its Facebook page so people can provide feedback. Partnering with Groupon and other deal websites is another option to create more awareness and better understand what customers think about the product.

Finally, referrals are important for the business. Potential customers believe their peers more than an external agent. The business could use the Amway networking method for this product, where instead of paying the supermarkets a margin it is paid instead to individuals.

Feedback on Consulting Experience

The owner’s sister, who is the marketing head, worked with the consultants on marketing. She found their advice somewhat helpful, especially how to be more visible using a different marketing approach, but she felt that there was not enough time to actually work on many things with the consultants. Immediately after the consultancy ended she was planning to make a change to internet marketing, as suggested by the consultants.

Outcome of Consulting Experience, March 2012

Overall the business was satisfied with the consultants’ suggestions based on its budget limitations. The consultants worked with the marketing manager to revise the existing marketing strategy and recommend changes. In November 2011 the business introduced facial masks as a new product in its personal care line. The business mostly sells low priced products, and the marketing manager explained that if the business wants to sell products for a higher price it would have to advertise more. At this moment the business limits its advertising to less expensive methods and is not engaged in commercials or print advertisement. The marketing manager believes that the benefits of expensive TV advertising do not outweigh the costs. Based on the consultants’ advice the business updated its website and opened Facebook and Twitter accounts, since the marketing manager believes that social media is especially effective at spreading the brand’s name.

Before the consultancy program the business was planning to change its packaging. The marketing manager asked the consultants to test the packaging but did not get much feedback on this. The consultants did suggest changing the model so it is in line with the product; for example, hair dye for older women should have an older woman on the package and not a young model. Based on that advice the business decided to remove the model from all packaging. The marketing manager did not remember the consultants’ advice about complementary packaging but she does not think it is helpful advice because the business does not sell any complementary products. However, she might try this when their shampoo and conditioner products come out.

The business had joined promotional events in the past and the marketing manager discussed her previous experience with the consultants in order to improve her strategy for upcoming events. Before she offered free hair color applications with each purchase. However, as a result of the popularity of this offer they were very busy from morning to late evening and unable to accommodate all customers. Now, based on the consultants’ advice, the business offers a free facial which only takes a few minutes. Because of this free facial promotion, people who normally do not dye their hair will buy the hair dye product and eventually try it. The business tried this during an event in December 2011 and sales increased by 40%.

The business also tried partnering with a promotional website selling its bicycles. This kind of activity is mostly brand building because these websites ask for a large part of the profit aside from the discounted product price offered to customers. The business was able to sell quite a few bikes because it is a widely accepted product but the marketing manager did not know yet how much the promotion affected sales after the promotion action. However, she did not think selling through promotional websites would work well for hair dye products, since for those products the business should offer the complete treatment, for which it would need to partner with a salon. The marketing manager did not recall talking about the Amway networking method as a marketing strategy. Another marketing employee attended the workshop, which she found helpful although the ideas were in line with what they had already discussed with their own consultants.

At this moment the biggest constraint for the business is its marketing budget. One of the owners just finished his MBA and learned about how much return your marketing can give you in terms of actual sales. He is convinced that the business needs to spend more money on marketing to increase sales. Social media makes marketing a lot easier but in the end the business is competing with internationally known brands such as L'Oreal. The business is considering increasing its marketing budget so it can use traditional mass marketing methods such as TV commercials. However, the price of one TV advertisement equals what the business now spends for an entire year of marketing. As of now, the business's marketing strategy will focus on joining trade events and maybe advertisements in local newspapers. The marketing manager's main business goal is to gain at least 5% of the market share for hair care products. As of now the business has a market share of about 0.5%. The vice president added that his goal is for the personal care subsidiary to grow enough so it can spin off on its own.

Name: 15241

Years in operation: 7

Number of employees: 9

Annual Revenue 2010: Does not know

Sector: Services

Description of Business

The business is a manning agency that provides offshore crews (engineers, officers, etc.) to foreign shipping companies in the Middle East, Europe, and South East Asia. The business recruits and employs the crew members and deploys them to its clients' ships. Both the business and its clients share responsibility for the crew members' welfare: the clients pay the employees' salary but the business shoulders a part of the employees' insurance. Currently, the business serves 12 principal clients and has 142 employees on board 61 vessels. The business's goal is to acquire more clients in order to expand. It is currently improving its marketing strategy, such as updating its website and travelling to visit clients.

Business Constraints/Problems

- **Lack of capital** is a key constraint. This is partly because clients are slow with their payments or do not pay at all.
- **Legal problems.** Employees have filed legal claims against the business's clients because the clients failed to pay medical claims or labor claims in cases of accidents or mortality. Once the client fails to reimburse the employee, the business is held liable.
- **Consultancy needs:** The business needs help on strategic planning and general business management, and needs consultants' legal services.

Consultants' Analysis

The business is a small ship crew manning agency with more than 100 trained crewmen with different skills. The crewmen are recruited by shipping companies on a part time basis (6-12 months). Its clients pay the business directly per signed contracts and the crewmen are on the clients' payroll. The consultants' analysis concluded that the political environment is stable with a supporting government, and the government's attempts to reduce corruption and promote private sector investment will be good for ports and shipping. Improving foreign trade laws and trade relaxation will also help the sector. There is no disruptive technological advancement in the shipping sector but companies are increasingly using IT to improve performance.

The consultants concluded that the bargaining power of the business's clients is very high because there are few consumers and many manning agencies. The bargaining power of the business's suppliers is low because the business only needs uniforms and there are many possible suppliers. Competitive rivalry is high because there are many agencies in the field, but the threat of new entrants is low because relationships are based on trust.

The business faces financial difficulties because of regular delays in accounts receivable. This results in short term loans from banks, relatives and other sources that carry high interest rates and thus increase operational costs. The consultants' analysis exposed five issues underlying this financial problem. First, contracts exclude a payment deadline clause; contracts mention instant payment but this is generally delayed by one to three months and there are no penalty clauses for late payment nor discounts for pre-payment. Secondly, clients are genuinely cash strapped and their newest clients are the major defaulters. Third, the business has only 17 clients and there are a large number of competing manning agencies, so clients have more leverage. Fourth, late payment is a trend in this industry where other agencies allow delayed payments. Finally, the business needs a more defined vision and intermediate goals to achieve that vision.

Consultants' Recommendations

The consultants identified a set of short term measures to improve the business's current financial situation. The business needs to update its contracts with a payment deadline clause. Adding a penalty clause might cause dissatisfaction so it would be better to add a discount clause, such as giving a 2-3% discount when clients pay immediately or by a scheduled date. Even if this reduces profits it will develop a habit for the customers to pay on time. The business can give a larger discount (6-7%) in the next year if a client has paid on time for the whole year, and could also provide non-cash benefits like "priority status" for future requirements. The business can also reduce risk and operating costs by offering discounts to customers that sign longer term contracts. The business should communicate the contract changes to its clients well in advance to make sure they maintain good relationships. In addition, the business can gain leverage by expanding its client base. To achieve this, the business should recruit a dedicated business development officer/sales manager and have a transparent incentive system for referrals. Finally, the business can conduct a survey to get feedback on the incentive system.

The consultants also identified longer term measures the business should undertake. Because of the crowded market space, differentiation is needed to gain attention. The business should move from being a generalist to a specialist, focus on a few core areas, and build specialized skills in those areas. First the business needs to ensure that the new market segment is large enough, profitable, viable over the long run, and that there is potential to create a strong name for the company. For example, if manning a captain is most profitable, the company should try to become the best manning agency for captains in the next five to eight years. Positioning—whether for personnel quality, fast service, or customer friendliness—reinforces trust and is crucial for long term success. A clear market position which matches with customers' requirements will also increase the likelihood of converting a lead into an assignment. The business could also expand to the non-cargo transport/luxury ship segment. The business should look for opportunities on a much broader scale to achieve the required specialization.

The consultants also gave detailed human resource management recommendations. The business should hire full-time business development/marketing personnel to be in charge of new business development, client acquisition, managing existing client relationships, external communications, and brand management. The consultants also recommended training and skills improvement for human resource managers and senior management; incorporating a performance management system; and providing team building activities to promote teamwork. The consultants provided guidelines on how to incorporate a performance management system, including a performance evaluation template, and how to coach and evaluate performance, and also provided ideas for various team building activities.

Finally, the consultants suggested that the business invite one or two of its biggest customers to invest as minority stakeholders in the company. The benefits of this are a steady source of business, raising finance for rapid expansion, creating long term strategic relationships, better demand predictability, and better supply management. The disadvantage is that there could be a conflict of interest when serving competitors.

Feedback on Consulting Experience

The owner worked with the consultants on finance and operations and found their recommendations very helpful. The consultants improved their management skills and provided approaches for marketing the business. After the consulting program, the owner was planning to follow the consultants' recommendations to be strict in collecting payments from clients. He intended to charge a penalty if clients did not make payment deadlines and give incentives if they pay on time.

Outcome of Consulting Experience, March 2012

As suggested by the consultants, the business now gives 10% discounts on timely payments and imposes a 10% penalty on late payments. The owner thought this advice was very effective and taking these measures has significantly decreased the percentage of late payments. Most clients comply with the changed payment

regulations but 30% of clients still do not pay on time. The business introduced the penalties and incentives in December 2011 and they improved the cash flow for December 2011. However, the beginning of 2012 did not look as promising as many clients returned to the pattern of delayed payments.

The consultants also suggested an incentive system for referrals that would provide a commission or royalty fee to those who recommend the business to a potential new client, with the royalty fee depending on the size of the order. The business conducted a survey with two clients to get their feedback on the incentive system and received mixed reactions. One client welcomed the incentive idea but the other did not; they prefer to keep it the way it is now and not to refer potential new clients to the business. The owner had not made changes regarding the proposed referral incentive system but was planning to do so in the second quarter of 2012. The business also followed the consultants' recommendation to increase incentives for ex crew members and authorize them to promote the business, which has increased the number of interested clients.

The owner also thought that participating in the consultancy program improved his management skills. The mentoring visits helped him improve accounting, collection, and general management skills such as planning and communication within the business. Employees work more independently now following the set guidelines and procedures. Furthermore, the owner agreed that providing additional training and courses for fulltime staff, organizing team building activities, and hiring a fulltime business developer of marketing staff, are good ideas. However, as of March 2012 the business had not made these changes or hired additional staff. The owner was considering hiring one of his AIM consultants from India to market the business abroad or even open a foreign branch.

The owner did not agree with the consultants' recommendation to focus only on providing captains for vessels. The business specializes in providing all kind of positions for offshore vessels. The owner thought inviting some of the bigger clients to be minority stakeholders was a good idea because it would help the business financially and provide a sense of security, and he did not think it would impose difficulties with the stakeholders' competitors. The business approached some of its clients to see if they were interested in this but the clients did not want to take the risk. The business will continue to invite clients to partner with it.

The owner found the workshop to be very informative and helpful. Staff learned a lot about time management, and have become time conscious and productive conscious. The owner had seen a change in their performance, especially with regards to coming in on time, and believes they were challenged to perform well because they were given a break to attend the workshop. The owner hoped AIM would organize another workshop specifically for top management in the maritime sector so he could learn more about handling legal cases.

Financial support and cash flow are the biggest constraints for the business at this moment. Despite the incentives and penalties, clients are falling back into delayed payments. The business's goal is to have clients with good reputations that pay on time and have good work values.

Name: 15489

Years in operation: 5

Number of employees: 14

Annual Revenue 2010: 7,000,000 PHP

Sector: Services

Description of Business

The business does automotive detailing for individuals and dealers selling cars. Its main service is car detailing including wax, polish, cleaning interiors and engines, and car body detailing. The business initially provided car washing services to attract customers. The business itself has one location and at this moment provides its services through three subcontractors. These subcontractors are independent small businesses that clean and polish cars and restore car color. The business trains the subcontractors, provides them with the necessary materials, and pays for employee training. The business handles the billing after the subcontractor delivers the services: it receives the customer's payment and subsequently shares part of the profit with the subcontractor. The owner's goals are to grow the business and open more shops in this province.

Business Constraints/Problems

- **Bookkeeping** is the biggest constraint. The company's bookkeeper does not know how to manage its taxes well. Therefore, it pays a high amount for an outside bookkeeper. The business also pays high taxes and too many taxes, hindering growth.
- **Consultancy needs:** The business needs help with cash flow management, accounting and financial management, general business management, and human resource management, especially how to properly manage its subcontractors. The business is facing compliance issues with its subcontractors; it is difficult to upgrade the subcontractors, which are micro businesses, to comply with government permits and regulations.

Consultants' Analysis

In 2010 the business serviced 1,186 cars—detailing for 754 cars and tinting for 357 cars. It had revenue of approximately 3.3 million PHP (note: inconsistent information reported to us) and a gross margin of approximately 1.4 million PHP, or 42.5%. As of September 2011, the business had treated 901 cars and revenue was 2.5 million PHP with a gross margin of 0.9 million PHP (38.7%). The strengths of the business are professional services, location in Makati, and strong customer loyalty. The business's weaknesses are space limitations and low marketing efforts. Opportunities for the business are Dasmarinas Village, a high end residential village in Makati, and companies located near the vicinity of this business. Threats are that other companies offer similar services.

Consultants' Recommendations

The consultants suggested that the business focus on car washing because this is a relatively low investment. Consumers are increasingly turning to professional car washing and home car washing has declined by 2% over the last 10 years. There is a huge demand for car washing in Makati City. However, competition is intense and the market is highly fragmented. To ensure long term growth in the car washing industry, the business needs to leverage contacts with companies in the vicinity of its location and open a new location in Dasmarinas Village. The financial impact of car washing is very beneficial: according to the consultants' calculations, the business could increase revenue by approximately 1 million PHP annually. With a gross profit margin of 70%, it could increase annual profit by approximately 705,600 PHP. The required investment is approximately 700,000 PHP, including additional employees for the car wash, renovating the waiting area, purchasing an attractive sign, and developing a customer database.

Strategic objectives for the business are to propagate the message to potential customers that it is a professional in detailing, tinting and car washing services and to ensure that the brand is at the top of

customers' minds and associated with the quality of the services offered. The business should create awareness among car owners that its facility is the best. The consultants identified new targeted branding and marketing exercises. First, the business needs to advertise its services in the vicinity of the business; this can be done by distributing flyers door to door or with newspapers. The business could also send monthly letters to car owners. Secondly, it is essential that the business builds a customer database including information on customers' visits and their birthdays so it can send them a special birthday letter and introduce them to a loyalty program. The business could also send monthly letters to car owners. The business should also establish an excellent and cool waiting lounge including wireless internet connection, an attractive sign at the entrance, and a direction sign. Finally, the business should promote its services to offices close by, provide group discounts to employees of the same office, and offer a pick-up and drop-off facility.

Feedback on Consulting Experience

The owner of the business worked with the consultants on operations and human resource management. He found their advice somewhat helpful. The most useful information the consultants gave him was where to find contractual or piecemeal workers. However, right after the consultancy ended the owner was not planning to make any changes because earlier in the year he had already tried what the consultants suggested, and it did not work. The owner had worked with consultants before so he could benchmark this experience. He thought that when the consultancy happens from an educational point of view there is little motivation for the student consultants aside from the course credits. The students were busy with their theses and often only one student came to the business. The consultants thought they had found a solution to the business's problems and worked on it for about three weeks. Their solution was to increase car washes, a low margin service so the business could get higher volumes. However, the business already did this in the past and now wants high margin services instead of high volumes because of space limitations. The business reduced its space because of high rents and the income from car washing would not be sufficient to cover the high rental expenses. The owner thought the students wasted three weeks focusing on this solution which was not applicable to his problem. Moreover, the students were supposed to validate if there is enough space for the business to consider the next step regarding a new marketing plan given the space limitations, but this did not happen.

The owner also disagreed with the consultants' suggestion to attract more clients from Dasmarinas Village using car wash services. Dasmarinas Village has the highest ratio of drivers to cars owners. The owners let their drivers drive the car and take care of it. Using a carwash as promotion will attract the drivers but not the owners of the vehicles who might eventually buy other services. The owner thought the business would be better off marketing its core services directly instead of through car wash services.

Outcome of Consulting Experience, March 2012

The business recently stopped working with one of its subcontractors because of the quality of its work and its poor business management. It has already replaced this business with another subcontractor. The consultants did not really help the business solve its problems with subcontractors but just validated what the owner already knew—that it is costly for the subcontractors to run their own businesses. The business is facing difficulties with finding good subcontractors. The subcontractor is its business partner so it is hard to find a good businessperson who understands the business model and is able to manage the materials and employees. The owner does not remember any suggestions from the consultants addressing this issue. The consultants did make the business aware of a government agency that deals with micro enterprises, which could help the subcontractors. The business is now advising its subcontractors about the rules and regulations for micro enterprises.

The owner also recalled that the consultants suggested offering more affordable products and making the shop more visible to clients, but he did not remember what their specific advice was to achieve this. At this moment the business is looking for a bigger office space and planning to move offices in the next two

months. The current office space is too small and too expensive. The consultants did not give advice on how to do this but they did make the business more aware of its space limitations. The business has enough funds to finance moving the office but it does need to consider its cash flow regarding growth and selling on credit. The business needs to calculate whether it has enough funds to provide credit lines when the number of clients, and therefore the size of its operation, increases.

The owner and consultants also discussed having contractual employees instead of regular employees. At this moment regular employees provide the business's services. Having contractual employees would be more efficient because the business would only hire employees when needed, and contractual employees would be more productive because they would get paid per car. However, the owner did not remember what the consultants advised about finding contract or piecemeal workers. The owner is now considering providing incentives to motivate his current regular employees to take on more work. He is not considering increasing the number of employees because of the current space limitations.

Working with the consultants made the owner aware of the business's problems with attracting more customers. The owner enjoyed attending the workshop held at AIM because it made him more aware of new trends and business practices. Attending the workshops also helped the staff and other owners to understand each other better, since they were able to all speak the same language. The owner applied what he learned at the workshop about communication immediately but cannot give a specific example because it was too long ago.

The business's biggest constraint now is running the business itself because of all the paperwork and government regulations, which are costly and time consuming. The owner thinks the subcontractors' back-offices should be combined with the business's head office. That way he could better monitor the subcontractors' accounting and taxing. The business's goal is to expand by increasing the office space and finding the right subcontractors.

Name: 15899

Years in operation: 17

Number of employees: 50

Annual Revenue 2010: 150,000,000 PHP

Sector: Restaurant

Description of Business

The business is a quick service (fast food) restaurant usually located near cinemas. It started in one of the bigger malls in Makati City selling popcorn to moviegoers, and from there expanded by adding different products, including different popcorn flavors, chips, vegetable chips, sandwiches and burgers. The business's main product is still popcorn. Some malls do not allow the company to sell popcorn because the malls sell popcorn in their own stands. Thus if the business wants to be located in those malls it must abide by the rules and pay high and increasing rents. The business decided to still locate stands in these malls and took it as a challenge to promote its other products. Despite the popcorn restriction the business was able to increase sales in these locations. The stores where the company cannot sell popcorn are more akin to fast-food stores, with meals and especially sandwiches being popular. The business has an American appearance but the owner is Filipino. All the raw materials are locally made. The business consists of a main office, three branches owned by the enterprise and 13 franchise outlets which are not owned by the enterprise. However, the owner does hold a 50% share in each of the franchise outlets. The enterprise distributes all supplies to its branches and franchise locations. The business's revenue consists of revenue from its three branches and royalties from its franchises. The business has five owners, all family members, but only the majority owner and her sister are actively involved in daily business operations. The owner is training her son, who is not yet an owner, to eventually take over the business.

Business Constraints/Problems

- **Renting space** is the biggest constraint because the company needs to abide by rules on dimensions of the stores and rentals.
- **Excessive competition:** Main competitors are the popcorn concessionaires owned by the malls and located near the movie theater entrances. Their advantage is that these stands can provide a package together with the movie ticket.
- **Overhead costs and manpower**
- **Consultancy needs:** The business needs help with improving its organizational structure, training staff and developing its middle management.

Consultants' Analysis

The business's name is associated with movie cinemas and events, and because of this its flagship product is popcorn. The business has been a pioneer in the food-service industry in terms of setting snack-food trends, and its products are also known for great taste and quality. The business's sales are directly related to the popularity of movies being shown in the cinemas. The business also works together with a delivery outsource service to deliver its products to households in Metro Manila. The company has expanded its market through this delivery service. The malls, which own the cinemas, are now trying to push the business out by increasing rents, forcing it to move to less favorable locations or prohibiting it from selling certain items like popcorn in some branches. The challenge for the company is to find a way to continue selling popcorn in new locations or to market its brand without its flagship product.

The financial analysis of the business showed that gross margin, profit margin and operating margin all increased from 2009 to 2010. The increase in gross margin from 10.11% to 35.09% can be attributed to new stores that opened in the last two years. The profit margin increased from 7.4% to 10.4% between 2009 and 2010, showing that the company experienced decreasing operating costs as well as increasing revenue. Return on equity also increased as did return on assets, meaning the firm is able to extract higher returns

from every dollar of its assets. Because the business does not have debt it has low financial risk. Although the cash position of this business is good and it does not need to take on debt, it could use a loan for further expansion. Taking on debt would reduce the cost of capital for the firm, thereby increasing returns on an absolute basis.

The company faces a gap between the days receivable (41 days) and days payable (31 days). The business's operating cycle is 53 days. This can be reduced further by looking at the inventory management process, especially since the business sells perishable foods. The cash conversion cycle decreased from 30 to 22 days, meaning it takes 22 days to turn the firm's cash investment in inventory back into cash by selling its products. Both asset turnover and equity turnover increased from 2009 to 2010, showing the business's effectiveness. Liquidity ratios are used to determine the firm's ability to pay its short-term liabilities. The business's current ratio, cash ratio and quick ratio are above a safe limit which indicates that the business is in a good position to pay short term liabilities.

Consultants' Recommendations

The consultants suggested that the business expand its marketing strategy by adding SMS marketing. The business can use SMS messaging as part of its marketing campaign in order to solidify customer relationships. SMS marketing can be used to continuously update customers about additions and promotional schemes. The business can also make better use of social media networks which allow for the best and easiest form of interaction between customers and the company. Currently, the business's Facebook account seems to lack customer focus.

The consultants also believe the business can fill the market gap between movie viewers at home and in the cinemas. Lacking the cinema experience at home because of food concessionaires, the home segment has the option of making its own popcorn or ordering food from outside establishments not associated with movies or cinemas. The consultants suggested the business fill this market gap by providing "Home-Run Tickets." The product is essentially a coupon, in the shape of a movie ticket, entitling the bearer to a set meal targeted to the home segment. It can be redeemed by either going to one of the stores or having the product delivered. These tickets can be purchased from stores or online, allowing home users to print their own coupons and redeem them by phone.

In order to help promote other products, the company can introduce recommended food bundles at different prices. For example, Combo A is available with a 300 PHP card, Combos B and C for 500 PHP, etc. These pre-determined combos will include products the company wants to promote and allow indecisive customers to make a choice. In addition the consultants suggested a revamped packaging strategy referred to as their Championship Cup. This packaging will improve the ease and convenience of product consumption and may increase the value of the product for the customer. The package is essentially a large soda container combined with a plastic cup in the middle to hold snacks, with enough space on the side for a straw to access the drink at the bottom. The advantage of this packaging is that it can be placed in cup holders in the movie theater, making it easier for consumers to eat snacks while watching the movie.

As the business is planning to open five new franchise stores in the next year, the consultants also analyzed the expected return on investment. The franchises are independent but the business's owner holds 50% of their shares. The consultants' budgeting model explains the expected rate of return from a new store and also helps the business understand the amount of revenue expected from the stores over the coming years.

Feedback on Consulting Experience

The owner worked with the consultants on finance and marketing and found their advice somewhat helpful. The most useful lesson learned was that not having debt is not necessarily better than having debt. Shortly after the consulting, the owner said she would now consider borrowing money. Previously the business did not borrow money from the bank because it had enough funds available. The business always kept a very

tight budget because the owner believed it is better to save money and fund future expansions through revenue. The business also did not give out dividends to its owners unless it had excess funds.

After the consulting program, the owner thought she might make changes based on the consultants' recommendations but she did not know what she would change. Some senior staff members attended the workshop, which they found helpful but did not learn a lot of new information. The owner thought it would be better to not cover all topics in one day because they were all interesting topics and SMEs can improve on all areas. It would be better to have the workshop earlier, instead of close to Christmas, and held more frequently, for example every other week.

In total the owner met with the consultants four times including the first meeting at AIM and their final presentation right before the end of the course. Two weeks before submission they were supposed to present the company with a draft of their recommendations but they did not do this. The owner did think the consultants tried their best and worked hard but there was too little time and the consulting was not their priority. The owner thought the business spent more time getting the data for the consultants than the consultants spent actually working on their report, and she felt more like the consultants' professor than their client.

Outcome of Consulting Experience, March 2012

Four months after the consultancy program the owner had not considered making changes based on the consultants' recommendations. Many of the consultants' suggestions seemed rushed; they suggested a lot of different things without back-up studies. Overall, the owner was not very convinced about the consultants' marketing suggestions. The consultants were supposed to conduct a market study for the business without its flagship product, popcorn, but this question was never answered. The business did give a copy of the consultants' report to its franchise partners, since some ideas may be useful at the local marketing level even though they were not implemented by the headquarters.

One of the consultants worked with the business on finance and gave the business several Excel sheets with different measures of financial performance that the business normally did not compute. The business does not usually look at equity turnovers, profit turnovers, or current ratios because there is so much to do on a daily basis and what matters most to the owner is the cash flow and if the business is making profit. However, the format provided by the consultant will be helpful later on for the business's managers to compute the financial measures more often. The consultants noticed a gap between the accounts payable and accounts receivable but the owner did not consider this to be a problem. The consultants analyzed the financial situation without fully understanding the business. The business does not have problems collecting account receivables because its clients are franchises; if the company does not collect accounts payable it is because it does not need to. The owner did appreciate that the consultants pointed out the issue so she can keep track of this in the future.

The other consultant worked on marketing and gave some advice about packaging strategy and targeting to the home movie market. The business is already improving its online presence and updates its website on a daily basis to create more excitement for its customers. The owner liked the idea of the "championship cup", a package that would incorporate a drink as well as snacks. However, this was not a feasible suggestion because taking into account the cost of expensive packaging the product's price would no longer be competitive. The owner feels that the consultants did not consider other factors such as cost when coming up with new marketing suggestions.

The consultants also suggested working with Groupon. However, the business already tried this with a similar site and it was not appropriate for its market segment; the owner thinks these kinds of discounts work better for higher priced products. The consultants also suggested introducing "home run tickets" for food deliveries for the home theater market. However, the company already has a tie-up with an independent

company that markets and delivers selected products from its menu for a mark-up. Working with this company only adds around 1% to its sales but it does not cost the business to have products delivered and it provides advertising presence. The owner thinks the name “home run ticket” sounds nice but she does not believe it is a good idea because the clients would still need to buy the home run ticket in one of the stores, which are often located on the top floors of malls and therefore not easily accessible.

The owner did like the idea of bundling products into a family pack, and she is considering doing this in May 2012. However, the problem of the high cost of packaging remains; sometimes the box itself is more expensive than the food. Improving packaging inevitably increases prices, which reduces the business’s competitiveness. The owner also dislikes using more plastic for packaging because of environmental issues. The owner thinks that regardless of whether the materials are recyclable, packaging should be reduced, and introducing a family box would only increase the amount of garbage.

The consultants also suggested using SMS/text marketing. At the individual store level, the business already applied SMS-marketing for regular customers. On a national level the owner has not introduced this type of marketing because she finds marketing texts annoying. The consultants also conducted a survey with 100 people; the owner found the sample too small to be representative but nevertheless she liked the additional customer feedback.

The business’s biggest challenge is middle management development, business sustainability in terms of long term succession planning, and establishing the inter-organizational structure. The owner is having difficulties finding good people who can help the business grow. The current staff is not skilled enough for the higher management level and it is difficult to find skilled people, especially because the business’s culture is challenging for some new people. The owner has a very hands-on management style and likes to be on top of everything. She noticed that a lot of companies are not as meticulous with details as she is. In the past she has hired people with experience but if their previous business culture was very different they are not precise enough for the owner. The owner is also struggling with finding a good Human Resource (HR) head; last year she made three attempts at hiring an HR head but still has not succeeded in finding a good person. The business’s goal is to ensure the long term sustainability of the business and to be able to establish a good integrated management structure with the right people so the business can continue with the same values.

Name: 16555

Years in operation: 5

Number of employees: 6

Annual Revenue 2010: 8,500,000 PHP

Sector: Retail

Description of Business

The business is a corporation with five owners that imports office furniture including desk systems, chairs, and modular partitions. It sells directly to offices and residences. The business obtains office clients through bidding, which it finds out about through architects and sometimes the newspaper or internet. When a potential client has an outstanding bid, the business needs to be accredited by that company, which requires sending accreditation papers including information about the company, its suppliers, and its current projects. The business makes a quotation based on the client’s specifications, and the company with the lowest price wins the bidding. Sometimes the company receives all the information it needs from the potential client (negotiated bidding), meaning the company is already contracted by the potential client and it just has to win the bid for legal purposes, especially with government projects. In these cases, a representative of the client informs the company of the size of the other bids in exchange for a certain

percentage of the overall project cost. This way, the company knows how high their bid should be in order to win and be accredited to do the project. The company also gets clients from referrals by other clients.

The company has seven local suppliers and three foreign suppliers. Forty-five percent of its products are imported from Taiwan and China and 55% come from local manufacturers. The company pays its local suppliers upon delivery and its foreign suppliers in advance through telegraphic transfer. The business previously had three locations (Makati, Davao, Cebu) but closed down the Cebu branch because it was not profitable. The Cebu branch was only a satellite office and the business did not have the right person to do marketing and therefore did not have enough projects. The office in Makati is the most competitive. The business's goal for the next two years is to have a bigger market and increase sales in Visayas and Mindanao. To achieve this goal the business is planning to set up an office again in Cebu. Its current client from Davao also has branches in Cebu, which could be a potential new client.

Business Constraints/Problems

- **Competition** is the main constraint. There are currently 100 companies competing with the business, and as it is a small business it has had some difficulties with that. The main competitors are located in the National Capital Region. Competitors buy imported products through consignment, meaning they buy products in large amounts and sell them for a cheaper price, making it difficult for the business to compete. The business only imports what has already been ordered, and since these are smaller amounts of furniture it is more costly. Many competitors also produce their materials, which keeps their prices low.
- **Currency fluctuations** are another problem. Currently the business does not have any difficulty with regards to this since the exchange rate now favors the peso. However sometimes the business's suppliers increase their prices because of currency fluctuations and the company no longer benefits from the devaluation.
- **Consultancy needs:** The business needs help with sales and marketing.

Consultants' Analysis

In the Philippines there are approximately 15,000 small and medium enterprises involved in the furniture sector. Eighty percent of the market is export oriented. The export market entails local wood processing technology, locally sourced designs, world class craftsmanship but also fierce international competition. Most of the businesses become sub-contractors in the value chain. Within the domestic market there is high competition, as the industry is mainly in the National Capital Region and devaluation of the US dollar stiffens competition. In the furniture industry, suppliers have low bargaining power, customers have high bargaining power, and the threat of substitute products and new entrants is high. Customers require trendy furniture, customization of products and after-sale services. The awareness level of customers about domestic companies is low and customers are price sensitive.

The consultants' analysis concluded that the business's marketing activities are focused primarily on trade shows and also rely on referrals. Therefore, there is a need for a targeted marketing campaign. Secondly, only two sales people cover the entire National Capital Region; there is no formal procedure for accessing client information and scheduling meetings; their operations are driven by influencers such as architects, designers, and friends/family referrals; sales targets are stagnant; and sales incentives are not structured to the sales. The business does provide flexible design solutions. The design of furniture is performed by professional designers through CADD/CAM (a three-dimensional architectural computer program) and the designers work together with the architects to complement the interior design. Designs and products are imported from China and Taiwan with a shipping time of 20-30 days and a credit period of two weeks. Average inventory storage is one week and the business provides timely delivery. The year over year

(YoY) revenue 2010 was -14% while YoY revenue in 2011 was 24%. YoY net income in 2010 was -51% and YoY net income in 2011 was 148%.

Consultants' Recommendations

Currently, the business imports from China and Taiwan. It should diversify suppliers to enjoy higher bargaining power. The business should also revise its annual sales target at the market growth rate and put in place an effective management control system to support this strategy. For example, it should provide incentives to its sales personnel. Customer relations are important and the business should have constant communication with its customers—following up with them and engaging personally so it maintains and enhances its customer database—and should also have direct response marketing. It is also suggested that the business provide sales training in which the sales team learns different techniques to be more persuasive as well as sociable, tactful and proactive.

The business does limited advertisement and promotion. Its marketing activities can be more focused towards influencer driven and direct response strategies. Primary influencers are architects and interior designers, secondary influencers are building project managers. The business can find these influencers through engaging with the Builders Association of Philippines, Architects Association of Philippines, building project managers, construction industry vendors such as tile suppliers and paint suppliers, integrated trade shows, and exclusive networking conferences. Through participating in integrated trade shows and exclusive networking conferences it will be more visible to potential customers and able to generate a customer database. The business should also revise its advertising strategy. It should re-design its brochure, including a product catalogue, product specifications, a customer profile and customer's feedback and recommendations. In addition, the business should include quotation requests and customer testimonials on its website. The business could also increase internet marketing by including Google Ad-words which will be displayed in customer/influencer preferred websites and increase brand recognition.

Feedback on Consulting Experience

The finance and administration manager, who is also a part-owner, worked with the consultants on marketing and human resource management and found their advice very helpful. The most useful recommendations were how to improve sales, how to advertise and how to deal with employees' attitudes, especially sales people. The consultants also found out that the sales staff's commission rate was constant and recommended different ways of providing commissions and incentives and imposing penalties. Shortly after the consultancy, the finance and administration manager was planning to implement changes recommended by the consultants, starting with joining an exhibit in February 2012. She also wanted to increase her sales personnel next year.

Outcome of Consulting Experience, March 2012

The finance manager worked mostly with the consultants but her boss, the general manager, made the final decisions. Unfortunately the consultants were not able to present their recommendations to the general manager because she was out of town.

The consultants suggested getting more suppliers because now the company is concentrating on three suppliers. The challenge with changing suppliers is that the new supplier may not have the same furniture items as the current suppliers, which is a problem for the business's clients. However, the business is planning to add more suppliers. The general manager and finance manager will visit a furniture fair in China at the end of March. The general manager also attended the exhibit of the Association of Architects in Davao, where she met people involved in constructing and designing furniture. This exhibit was great exposure for the business and led to potential new projects in Davao.

The finance manager agreed with the consultants on increasing the annual sales targets. She thought this was feasible with two additional sales people in both Makati and Davao. The sales staff is responsible for finding new clients to increase sales. Part of their job is networking, attending exhibits and talking to people at construction sites. The finance manager will post the advertisement on Facebook and will search for someone through referrals from people in the same industry.

The general manager told the finance manager that the consultants' suggestions about commissions, incentives and penalties for sales people cannot be applied. Since the business already provides incentives, the consultants had suggested sending sales staff on a holiday when they reach a certain quota. However, the general manager prefers increasing the 1% sales bonus to 1.5% instead of giving a holiday, because that would be too costly. The business had not yet changed the size of the incentive because incentives were just given in the last quarter. The finance manager thought that it was a good idea to introduce a penalty; previously, a sales person was hired as a regular employee even if he did not meet the quota. Now the finance manager is suggesting to the general manager that sales staff leave the company if they do not meet their quotas. The business already provided training to sales staff upon hiring on the leads, products, how to go about selling, and the personal benefits for the sales staff. The finance manager agreed with the consultants' suggestion to provide training for existing staff on sales techniques and suggested their recommendation to the general manager.

The consultants also suggested using internet advertisements because it is accessible and cheap. For example, when opening yahoo.com an advertisement for the business would pop up. The business was not able to implement any of the marketing suggestions because there is nobody in the office capable of implementing these changes. They already inquired with their website developer to refer them to someone who can help with these changes. Approximately one year ago the business spent around 800,000 PHP changing its brand, after which it started handing out CDs to potential new clients as part of its marketing strategy. The CD contained business information similar to what is on its website. The consultants suggested changing the format and layout of the brochures in line with the new branding but the business is not planning to do this because people nowadays use the internet instead.

The finance manager attended the workshop and found it very helpful. The workshop made her a more hands-on manager. For example, when there are deliveries to clients she personally checks the order, the quantities and the specifications to make sure everything is correct. Because of this, fewer products are being returned, which has improved operations since the business spend less on gasoline and manpower.

The business's current biggest constraint is pricing. The business tends to be the most expensive dealer when it is not a negotiated bidding. This problem could be solved by finding cheaper suppliers, which is why the finance manager and general manager are going to China. The business's goal is to produce its own goods so it can reduce prices in order to increase sales and expand the business.

Name: 17622

Years in operation: 7

Number of employees: 406 (6 regular, 400 contractual)

Annual Revenue: Refuse to answer

Sector: Services

Description of Business

This family business designs and constructs buildings, bridges, and other structures for public and private organizations. The design aspect ranges from conceptualization based on the project's purpose to planning and costing. The business then constructs structures based on approved designs. It sources its materials from numerous local suppliers. It hires employees such as construction workers on a project by project basis. The goal of the business is to have its proposal to the Department of Interior and Local Government (DILG) and the National Housing Authority (NHA) approved so it can build structures for the government housing program.

Business Constraints/Problems

- **Collecting payments** from clients, especially the government. The owner attributes this to the red tape in processing and billing. The company also has problems processing its permits and dealing with corruption in the government.
- **Natural disasters.** The business's operations are also easily influenced by calamities such as storms and typhoons, which usually delay its operations. For example, the business is constructing a bridge but when there is a storm it is too dangerous to work, delaying its operations.
- **Renegotiating project costs** is an occasional problem. The company's engineers estimate costs, the business presents the costs to the client and proceeds once the client gives verbal consent. However, sometimes there are adjustments upon the client's request or a misunderstanding about the quality and quantity of the materials, in which case the company needs to renegotiate the costs. Also, costs of materials are heavily influenced by fluctuations in oil prices, which can translate to higher expenses that are sometimes not covered by clients if there is no escalation clause in the contract. Without this clause, it is hard for the company to claim extra expenses. For short or medium term private projects there is normally no escalation clause because the clients refuse it. For long term projects (more than a year) and government contracts there is always an escalation clause which covers unexpected additional costs for materials and labor.
- **Consultancy needs:** The business needs help with accounting and taxation, navigating the government, and minimizing project costs.

Consultants' Analysis

The business primarily concentrates on smaller construction projects, with the majority of projects costing 10 million PHP or less; 87% of projects cost 20 million PHP or less. However, the business has completed some projects totaling 100-200 million PHP. There is huge volatility in the sales growth, margins and Cash Conversion Cycle. While sales increased by 252% in 2008, they decreased by 30% and 33% in 2009 and 2010, respectively. Even in 2008-2009 as sales were more than doubling, the business's net income dropped by 18%. In addition, operating expenses as a percentage of sales doubled between 2008 and 2010. Direct costs have been increasing and are currently 81% of sales revenue, the highest ratio yet.

The business has zero leverage and also does not keep track of inventory. The percentage of primary contracts and sub-contracts varies significantly across years. Because the business does not have any criteria for project selection, it has experienced declining margins, untargeted growth and resource accumulation.

Consultants' Recommendations

The business should employ a focused growth strategy for sustainable and significant growth. It should target either profitable projects, regardless of their size, or choose large, scalable projects. Pursuing profitable projects means the business should only accept those projects that will meet the business's minimum acceptable returns. Focusing on scalable projects, the business should look to sub-contracting in order to build its reputation before moving into primary contracting.

Joint ventures are another option for the business. This would allow it to join hands with partners who have expertise in pre-construction activities and post-construction selling. The business is advised to form an equity partnership, with revenue sharing based on equity holdings. The advantages of joint ventures are the possibility to enter into real estate development with minimal capital; the opportunity to fully exploit the business's competitiveness in construction; the ability to bridge skills through partnerships; increased exposure; and risk sharing.

In order to improve efficiency, the business is advised to employ collection agents. This is an easy way to collect revenue without straining the business's relationships with its clients, and the cost of collection agents is less than the returns on the amounts collected. The business is also recommended to define criteria for client and project selection. This will result in improvements in the net margins and reductions in defaults and days receivable.

Feedback on Consulting Experience

The owner worked with the consultants on finance, marketing, and operations, and found their recommendations very helpful. The consultants recommended hiring a collection agent and also gave financial tips. The collection agent was recommended as the business has a big collectable but because the clients are the owner's friends he cannot force them to pay. Immediately after the consultancy ended, the owner was planning to make 80% of the consultants' suggested changes. Specifically, he intended to work on improving sales; putting in place subcontracting; using a collection agent; and selecting a more profitable project for bidding even if it is a smaller project, rather than focus on a big project that is not profitable.

Outcome of Consulting Experience, March 2012

In March 2012 the business moved its office from Makati City to Pasig City because the business was having financial problems and trying to reduce expenses. The company was a subcontractor for four different projects with one politician. In 2010 the business worked for two to three months on the four projects but as of now the company has not received any payment. The politician owes the company approximately five million pesos. Because of this the company had problems with its suppliers because it is liable for paying suppliers on time. The owner is planning to file a case against the politician but is waiting until he has sufficient funds to do so. The owner discussed this issue with the consultants and they suggested hiring a collection agent. The owner was planning to hire a collection agent in April or May 2012. He did not know yet what a collection agent would cost. The consultants also suggested reducing the number of employees as another means of easing the business's financial problems.

The national housing authority approved the company's application to construct buildings for the government housing program. This is a 500 million peso project to build housing for the poor. The owner was still waiting for enough funds to start the project because it is a turnkey project, meaning the government will only pay the company upon completion of the buildings. The owner was negotiating with an individual private funder who would decide whether or not to fund the project in May 2012. The business hoped to start the project in July or August 2012. If the financier approves the project, the company would form a joint venture based on revenue sharing, as the consultants suggested. In this arrangement the company would receive 60% of the revenue and the financier would receive 40%. In addition the company would need to hire an accountant so that all income and expenses for that specific project are recorded separately from the rest of the business's operations. If the business is able to set up a partnership with the private funder it might apply for an additional government project which involves transferring 82,000

families from the squatter settlements in one district to another area. However, this would depend on the private funds available.

The consultants also recommended that the owner screen engineers and architects when hiring. Usually the owner hires fresh graduates because he likes to teach them but the consultants advised hiring more experienced engineers. The company had not hired new employees since October 2011 but will do so when starting a new project. Based on the consultants' advice the owner will have applicants take a technical test to examine their level of knowledge. In addition, the owner was considering another of the consultants' suggestions to hire a sales agent who will look for new projects. The owner already offered incentives to part-time engineering friends if they find new projects. This approach looks promising, as they already found one new project, but the contract is not yet signed.

Based on the consultants' suggestions, the business already made a corporate plan for the entire year. Because the business just changed offices it did not make changes to its advertising. The owner is planning to advertise in the newspaper next month.

In January 2012 the business put in place subcontracting for specific jobs, as suggested by the consultants. For example, for installing water systems they subcontract a plumber. Specific skilled jobs will be subcontracted so the business can reduce its fixed manpower and therefore its costs.

Since the consultancy program, the business is looking differently at its criteria for selecting projects. The owner prefers having one big project as opposed to several small projects because each project requires the same amount of planning and management, thus more workload with multiple projects. In addition, with one project he could work from one location instead of moving around all the time. The business always calculated profitability for a project even before the consultancy program. If the project cost is less than 1 million PHP the company normally does not bid and instead waits for a bigger project. However, when a small project comes from a regular client the business does accept it because it knows it is a reliable client.

The owner and consultants also discussed business accounting and the consultants suggested that the business get a financial consultant. The owner was planning to hire an external company based in Pasig City to do the auditing and additional services such as filing paperwork for the Philippine Social Security System, the Bureau of Internal Revenue, Philhealth (Philippine National Health Insurance program) and Pag-ibig (Philippine Home Development Mutual Fund). Currently, the company bookkeeper is responsible for all these tasks but the owner prefers to hire an external firm instead of hiring an additional full time accounting and administration officer.

From what he learned during the workshop the owner improved his management process. The workshop made him realize that he made too many shortcuts when determining the pricing of projects. Sometimes he did not look at the current prices of materials when determining project costs and during the workshop he learned that project costing should be done in more detail.

The business's biggest constraint at the moment is sales; it needs to hire a sales agent to look for new projects. The business's goal is to help its workers sustain their jobs. The owner would also like to upgrade the company's license with the Philippine Contractors Accreditation Board (PCAB) from class D to class B or even class A. The company can renew and possibly upgrade its license when it employs experienced engineers with a license. PCAB evaluates the company and decides whether or not the business receives a higher rank (the highest rank possible is AAA). Having a higher rank will help the business because it will be able to get bigger projects. The business is currently working on renewing and hopefully upgrading its license.

Name: 19569

Years in operation: 4

Number of employees: 16

Annual Revenue 2010: 5,000,000 PHP

Sector: Retail and Services

Description of Business

The business is a family corporation engaged in glass, aluminum, and steel fabrication and installation. Specifically, it fabricates roll-up doors, steel windows and gates, glass and aluminum doors, awnings and frames. It has two sales offices and one fabrication warehouse. The business purchases its materials from different local suppliers, which in turn import their supplies from China. Most of its clients are individual homeowners and private contractors. The business's goal is to improve its operations and expand by increasing its manpower.

Business Constraints/Problems

- **Low financial capital** is the key constraint. The business runs short on financial capital, especially for big projects. Its clients only give 30% down payment while its suppliers demand full payment once materials are delivered.
- **Competition** is another big constraint, especially since contractors are always looking for cheaper services.
- **Consultancy needs:** The business needs help with accounting and financial management, accessing credit or other financial services, and general business management.

Consultants' Analysis

The business is interested in expanding its operations over the next few years and the consultants focused on areas that could be improved to facilitate an expansion. The company already has a strong client base that is satisfied with the business and that recommends it to other clients. The management structure is highly centralized, with two of the five owners involved in all management activities and day-to-day decision-making.

The financial statements for the business suggest it is operating at a loss but there are a number of transactions that were not recorded. The business must pay a 12% value added tax on all transactions, as well as corporate taxes. By not recording all transactions, the business avoids these taxes and maintains its competitive price advantage.

The business also has a shortage of skilled manpower. Currently there are 12 skilled, salaried workers. In cases of manpower shortages, the company uses on-call skilled manpower but in busy periods the company has difficulty finding on-call workers capable of executing the tasks.

Consultants' Recommendations

In order to expand its customer base, the company is advised to leverage its relationships with existing clients. Regular email communication with existing clients and acknowledging clients when they refer new customers to the business can increase customer loyalty. The consultants also recommended categorizing its customers as "retail" or "institutional" depending on the volume of business generated, such that the company's manager can focus on institutional customer relations while another employee is trained to cater to the retail customer market. The goal with this approach is to develop an institutional client base that provides the business with large and regular orders. More generally, a more decentralized organizational structure is recommended so that the managers can focus on institutional client management, strategic planning, and accounting, while other employees take the lead with retail client management and overseeing day-to-day activities.

To address its manpower problems, the consultants advised the company to advertise among family and friends for skilled workers. Another possibility is to hire recent engineering graduates who will be trained by the company. The company was also recommended to introduce incentives for new and existing employees that allow them to grow in their roles and in the company.

The consultants also advised the company to start recording all transactions on its financial statements and pay the corresponding corporate taxes. Better management preparing the financial statements is also needed. The consultants researched the possibility of obtaining a loan from a government bank; however, this requires proof of profitability for at least three years. While this is therefore not possible at the moment, the consultants suggested that a loan could help expand the business and make it less dependent on the managers' own funds.

The business currently has no strategic partnerships. The company can increase the number of strategic ties with engineers and delivery resources. Currently engineers refer the business to their customers and are paid a commission if the work is executed. The engineers should become the company's marketing agents. The business can also partner with truck owners for when its own delivery trucks are unavailable. This strategic partnership will provide flexibility as the organization continues to grow.

Finally, the consultants recommended that the company expand its product line with value added services by pursuing annual maintenance contracts that would include production as well as service/installation fees. Margins on service work are generally higher than those on manufacturing and such contracts would provide consistent advance payment and could extend for multiple years. Additional skilled manpower may be needed before this product line expansion occurs.

Feedback on Consulting Experience

The president of the company worked with the consultants on finance and marketing and found their recommendations very helpful. The consultants advised him to institutionalize operations so that all operations are recorded and all information is readily available, especially for Bureau of Internal Revenue requirements. Changes the business intended to make after the consultancy include recording all transactions and hiring the right personnel for each position in order to lower the turnover rate.

Outcome of Consulting Experience, March 2012

The consultants suggested addressing the competition constraint by improving the quality of the products and using more aggressive marketing strategies. Before the company delivers its products it should do a quality control check to make sure everything is correct. A more aggressive marketing strategy would be advertising on radio or television. For now, however, the business will continue to use print advertising and later on it might advertise on the radio.

The business was considering taking a loan and asked the consultants for their recommendation. The consultants inquired with private banks about requirements and suggested that the business could probably take up a loan in the second quarter to expand the business and introduce a new product. The business might apply for a loan but as of now it can still survive without one. The owner prefers operating without a loan because otherwise the company needs to pay interest, which can cause problems. The business will first explore how much internal resources it has available from the owner's private funds. Regarding finance and accounting, the consultants also suggested that the business record all transactions. The business is registered as a corporation but the owners feel as though they are running a single proprietorship, therefore they did not feel the need to keep records of everything. Now, after the consultancy program the business is institutionalizing its operations by recording all transactions, processes and operations, which will help when the business grows. In line with this they are planning to give the owners a more reasonable compensation. Before, the owners only received a small allowance because of other pressing financial matters such as rents, utilities and employees' salaries. The owners also agreed with the consultants'

suggestion to start paying taxes according to the business's income to look credible for the government. The owners find it challenging to make these adjustments but believe they will be good for the business's operations.

The owners did not agree with the suggestion to form a strategic partnership with other businesses, engineers or truck owners because they feel that it is not applicable in the Philippines to merge companies together, since all companies like to follow their own strategies. The consultants' suggestion to not have annual maintenance contracts is also not applicable to their business. The business often does maintenance for a grocery store chain but the contractor is accredited through a bidding process. Therefore, the owners do not believe the client would agree to have annual maintenance contracts. Also, maintenance needs are often urgent and on a project by project basis; the client thinks about solving a problem now and does not consider next year's situation. The owners agreed with the consultants' suggestion of having a contract with their suppliers to maintain fixed prices because now prices of materials fluctuate a lot, and they are planning to incorporate this.

Currently, the business relies heavily on three main clients. If one of these projects suddenly ended the business would have a big gap to fill. Therefore the consultants suggested expanding the customer base, which is why the business is planning to begin selling its products wholesale. For example, the business is planning to sell roll-up doors (used for security when stores are closed) to fabricators who will act as dealers. The business has designed tarpaulins which it will erect in front of its dealers' offices to advertise the roll-up doors. When the dealer receives an inquiry for the roll-up doors it will get in touch with the company, which will sell the roll-up doors to the dealer for a lower-than-normal price since the quantity of doors delivered will be higher. The dealer will be provided with one sample roll-up door but the business will deliver the products only once there is an order. The owner will try to find dealers by visiting businesses door to door and will begin at the beginning of March 2012, as soon as the strategy and price list are finalized.

The business has difficulties finding good technical staff. During the workshop, the consultants suggested working with the Technical Education and Skills Development Authority of the Philippines (TESDA) by having their graduates trained in the business as possible future employees. The owner already inquired with TESDA about their graduates and possibilities to provide on-the-job training. The business has not hired new people since October 2011 but will do so when the need arises, most likely around May 2012 when it puts the wholesale roll-up doors on the market. Since October 2011 two employees resigned. They have not been replaced but the owners filled the gap by working more hours in the business. The business already provides employees with incentives by giving bonuses to employees who perform well based on monthly evaluations. The owners decide this on a case-by-case basis and surprise the employee with the extra allowance. They believe these incentives boost employees' morale, which in turn improves their performance.

The owners do not think the business has any major constraints but sometimes there are minor operational problems. The business's goal is to own a building. The owners would like to buy land in Pasig City close to their fabrication plant and construct a building so they can separate the administration office from the production site. To make this happen the business would need to increase profits. If the business were to apply for a loan it would be used for operations and not for buying land or constructing its own building, so profits must grow before the business can achieve this goal.

Name: 20162

Years in operation: 16

Number of employees: 60

Annual Revenue (2010): 36,000,000 PHP

Sector: Services

Description of Business

The business provides automated software systems for rural and thrift banks. It also does networking, maintenance, and troubleshooting for its clients; prepares proposals; develops systems for specific client needs; and trains clients on how to use their systems. The automated system provided by the company is compliant with the policies of Bangko Sentral ng Pilipinas (BSP), anti-money laundering law (AMLA), and Philippine Deposit Insurance Corporation (PDIC). The company's market share for the industry is 65%. The business has three locations (Makati, Cebu, and Davao) and also has a virtual office in Northern Luzon. Though most of its clients come from the Philippines, the business also has clients in Guam and Micronesia. It plans to develop a new system that can be distributed online so it has more programs to offer clients.

Business Constraints/Problems

- **Not meeting target sales** is the business's biggest problem. The chief operating officer thought that the business's clients may be cutting their own costs or are already content with what they have. Clients may not want to improve because they are only required to have their banking automated, not to have the latest program for the core banking system.
- **Human resources problems.** The business also has problems with employees and ex-employees that independently perform program maintenance that should be done by the company itself. For example, if a bank needs someone to fix malfunctions in its banking system, instead of asking the company to fix it the bank asks current employees as well as ex-employees to do the services because these individuals offer lower rates for an annual maintenance fee.
- **Consultancy needs:** The business needs help with marketing, setting the direction of the company (diversification and which banks to target), and monitoring its employees and ex-employees to prevent them from getting personal transactions with the business's clients. The company also wants to protect the activation keys of its software/programs. Finally, the business needs a full-time human resources manager.

Consultants' Analysis

The business is the leading provider of core banking systems for rural banks. It is the first software institution to introduce a fully integrated core banking software technology to the rural banking and cooperative industry in the Philippines. As of August 2008, it had installed software in 230 rural banks (more than 750 offices), 137 credit cooperatives (197 offices), and nine other financial institutions. The business's goal is "to be a dominant provider of enabling solutions to micro and small-medium scale financial institutions."

The consultants conducted research on the thrift/rural bank sector in the Philippines in order to learn more about the services they offer. The consultants then compared the company's product offerings to those of their competitors. While the company offered most of the products offered by its competitors, such as WAN/LAN set-up and large scale data handling, it did not offer mobile banking products or interbank connectivity.

Consultants' Recommendations

The consultants recommended that the business differentiate its products from its competitors by offering better product features, concentrating on small thrift banks such as small private development banks and

microfinance banks, and evaluating its revenue model, in particular by focusing on service contracts rather than one-time sales.

Feedback on Consulting Experience

The chief operating officer (COO) worked with the consultants on marketing. He found the advice somewhat helpful but right after the consulting was not planning to make changes based on the consultants' recommendations. The business had already done what the consultants suggested; their recommendations were already part of the business's plans and they did not give new ideas. The consultants did validate the business's decision not to go abruptly with the thrift bank market. The business will continue to enhance its system/software so it has the same functionalities as its competitors.

Outcome of Consulting Experience, March 2012

In general the COO of the business thought the consultancy program was helpful. The consultants did not come up with any new suggestions but they did validate plans the business already had, and it was helpful for the business to know that it is moving in the right direction. The workshop was also helpful because the COO learned that other companies encounter the same problems with trustworthiness of employees or ex-employees. The COO did not work with the consultants on her problems with employees or ex-employees who provide the same services as the business. She did discuss it with the board of directors of the company and decided to take legal actions against those individuals because they signed non-disclosure documents upon beginning work for the company.

The consultants suggested that the business differentiate its products from its competitors by offering better product features to keep its clients satisfied. This was something the business was already considering, and thus the consultants confirmed the owner's thoughts. The business partnered with a sister company in Thailand so it can provide its clients with the newest banking solutions available. The new product is a centralized database system offered for bigger branch networks, whereas its existing product is a non-centralized system designed for rural banks with only eight to ten branches. The business had enough funds for introducing the new product and negotiated with its partner that it will only be billed once the contract is signed after the test phase. The business changed its brochure to include the latest product. The consultants did not advise the business on how to do this because during the consultancy program the business did not yet have the new product. In general, the business operates with the cash available as the owners are afraid of getting loans because with a loan they would need to pay interest and monitor the payments very closely so as not to have to pay a penalty.

The consultants also suggested that the business add new product features. The inter-bank connectivity was already a feature of its existing product so the consultants' suggestion was not a new idea. The consultants also suggested mobile banking but again this was not a new idea because the business was already assessing different partners to do this with; the consultants only validated that this is something the business should definitely proceed with. The business is currently in the process of launching mobile banking in partnership with Microenterprise Access to Banking Services (MABS) and myClick Technologies. With this mobile banking feature the bank can, for example, notify the client through SMS messaging that a loan is due for payment.

The business asked the consultants for their advice on whether or not to concentrate on thrift banks. Unfortunately, the consultants did not provide any statistics on this nor did they provide any recommendation on whether the company should do this. According to the COO, the consultants said they were not entertained by the person they wanted to interview and therefore were not able to do a market study on thrift banks. The consultants recommended that the business improve the product and then evaluate if it needs to go to the next level. The business itself decided to move forward into the thrift bank market because it has saturated the rural bank market. For the smaller thrift banks the business would recommend

its old product but most of the thrift banks are bigger banks for which the new centralized database system is more applicable.

The business already has service contracts with its clients which are bundled with the implementation contract. The problem is that not all clients renew the contract after a year because they do not encounter any problems with the system so they think renewal of the annual maintenance contract is unnecessary. The consultants suggested that the business could strategize with pricing and offer a lower price when renewing the annual maintenance contract. The business implemented this strategy for its newest product but the price of maintenance contracts for its old product is already very low so they cannot offer additional discounts on this. For less problematic accounts they offer a 15% discount on maintenance contracts every year.

Hiring new employees is going too slowly because the human resources department is understaffed. The COO wished they had a pool of good candidates to pull from when replacements for marketing and technical staff are needed. Therefore the business needs a fulltime HR manager to improve its hiring process and handle training and monitoring of employees. Recently, the business found out many employees are doing online gaming during office hours, and having a good HR department would help solve this kind of problem. These problems started after the consultancy program so the COO was not able to consult with the AIM students.

The business's biggest challenge is expanding its market because the rural bank market in the Philippines is saturated. The COO thinks the best focus is going global with their products and focusing on thrift banks. The business is still in need of a detailed market study containing statistics on global banking solutions for thrift banks. The business's goal is to maintain its strategic position and to remain a dominant provider of banking solutions. Currently, the business is looking into penetrating new Asia-Pacific markets such as Indonesia, Malaysia, Cambodia and Hawaii. The clients in the new markets would be similar but might have different needs. The COO is working on this with the board of directors because it requires a significant amount of money.

Name: 21364

Years in operation: 2

Number of employees: 5

Annual Revenue 2010: 4,000,000 PHP

Sector: Services

Description of Business

The business is a courier service that delivers products from its clients to retail stores. The business provides packaging and deliveries of merchandise and promotional materials such as posters, dummy phones and cabinets. The business's owner is also a part-owner of the business's biggest client, which provides professional marketing services including labor for promotional activities and the necessary promotional materials. The business is subsequently responsible for delivering the promotional materials for its client's clients. In addition to this main client, the business has a couple of smaller clients including a flower shop and a pharmaceutical company. In a lot of cases the business operates like a middle-man or broker for courier services. It outsources the actual delivery to another business except for its smaller clients/deliveries, such as for the flower shop, for which the deliveries are done by the business's motorcycle riders directly. When the business outsources the actual delivery it is still responsible for packaging of the materials. The company belongs to a corporation and has five owners. The business's goal for the next two years is to increase the number of clients.

Business Constraints/Problems

- **Competition** is the biggest constraint. Potential clients tend to choose more established companies because the business has only been in operations for two years. There are also a large number of competitors.
- **Distribution of capital**
- **Lack of marketing employees**
- **Weak advertisement**
- **Difficulties controlling expenses.**
- **Consultancy needs:** The business needs help with sales, marketing, and general business management.

Consultants' Analysis

The business is a courier and delivery service that packages and ships small- to medium-sized goods of primarily promotional materials using an international courier service. The business has seven employees: one is the accountant, four employees work in operations and two are delivery drivers. The value added by this business is the use of volumetric weight which can make packages cheaper to ship. The business partners with an international courier company but can provide cheaper prices. The benefit for the courier company is that packages are fully prepared for sending. Seventy to ninety percent of the business's clients are from a Filipino-owned international marketing corporation, and 10-20% of its clients are smaller companies such as pharmaceutical companies, a direct selling company, and a computer peripheral distributor. Supplier power in this market is high; big courier companies have strong bargaining power because of their brand equity, scale and network. Competitive rivalry is also high; there are many competitors who offer similar, undifferentiated services. The threat of new entrants is also high because of low startup costs. New business licenses are no longer available but many companies operate without one. Most firms who use delivery courier services would not have a replacement service for their goods and therefore the threat of substitutes is medium. Clients can choose from several competitors with similar, undifferentiated products, and therefore buyer power is high.

The business's strengths are its low prices, its partnership with the large courier company, its transparent process and its experience with promotion materials. Weaknesses include that the business does not have a

license for courier delivery service, its dependency on the courier company, and its dependency on its top three clients. Opportunities for this business are the delivery of small item documents because of higher margins, the setup of an in-house delivery office for processing of mail and documents, the potential to increase its price and the potential for new client opportunities. Threats to this business are increasing rates by the international courier company, a potential Bureau of Internal Revenue shutdown, and the threat of new entrants that can match the business's low cost advantage.

The consultants' financial analysis showed that the business is generating good returns, working capital has increased, and the business has high liquidity. The financial situation in September 2011 showed that both profit margin and operating margin increased from September 2010. Areas of concern are stricter terms with partners and not enough cash being used to generate sales. The days sales outstanding have decreased and therefore there is more cash on hand for re-investing in the business. The business has a good financial position and therefore easier access to debt financing, which is cheaper.

Consultants' Recommendations

The consultants gave the business marketing advice. The business's core competencies are promotional materials, fast-moving consumer goods (FMCG), and documents. The business should build upon its core competencies and fit these with existing marketing expertise. Additionally, it should leverage its existing customer expertise to target FMCGs, pharmacies and expand into banks (both small and large) to diversify its industry and services. The consultants identified four words describing the essence of the business's positioning: integrity, flexibility, value and consistency. These should be used as brand values. The consultants compared the business's prices with the competition and concluded that the business can increase its prices and still maintain its margins. It should promote value-added services without extra charges; for example, rush deliveries and fuel surcharges. Alternatively the business could maintain the same prices but charge extra for fuel surcharges and rush deliveries. In addition to this new strategy, the business should create a website with an automatic ordering service. Aside from marketing, the business should prioritize acquiring a delivery business license and impose stricter payment terms in order to have more cash on hand.

Feedback on Consulting Experience

The owner worked with the consultants on finance and marketing and found their recommendations somewhat helpful. The consultants gave him an overview of the position of the business in the market and how he could improve this. Right after the consultancy, the owner thought he might make changes based on the consultants' recommendations. For example, the consultants advised him to have a website for online presence and suggested looking for a market niche, and he will consider implementing these changes.

Outcome of Consulting Experience, March 2012

The owner thought some recommendations were valuable but has not implemented anything yet. The consultants' advice on pricing was most helpful; they suggested increasing prices because the business's prices are much lower than its competitors'. Beginning March 15, 2012, the business will increase its prices based on its supplier costs and competitors' prices. The owner did not realize before that he charged much less compared to the competition. However, the owner still wanted to be cautious and not increase prices too much since the business claims to be cheaper than its competitors. The business will seek a balance, charging a price below its competitors while increasing its profit margin. The owner preferred to increase prices rather than charging extra for value-added services because the business has been providing value-added services for free already and uses this as a marketing tool.

The owner also asked the consultants for advice on growth opportunities and its position in the market. The owner heard that businesses like his need a license from the Department of Transport and Communication (DOTC), which regulates courier delivery companies. The owner thought that if he were to approach potential multinational clients they would ask to see this license, and if the company cannot show the license

it cannot be a reliable supplier for these companies. The consultants tried to find out more about this but the owner never got a definite answer from them. However, one of the business's staff members used to work for DOTC and he confirmed that the business needs this license.

Currently the business only works with smaller businesses through referrals and one main client of which the owner is also a part-owner. Once the company receives the courier license it would like to expand and acquire more clients. The owner likes to focus on promotional materials delivery, which is their current market niche and where they have experience. The owner did not remember what the consultants advised regarding acquiring more clients and focusing on delivering promotional materials.

The owner mentioned that he has some clients that pay late but it is not necessarily a problem for the business. He knew delayed payments are costly for the business but since he is also an owner of the main client he knew the reasons for its delayed payments, and he has an interest in both companies performing well. The business tries to keep its receivables within the payment terms of 30 days for its main client. He was not planning on changing the terms because 30 days is the norm for the main client. For its smaller clients the company keeps shorter terms of payment of only 15 days.

The consultants also recommended creating a website but the owner had not decided if that would help the business significantly. He thought a website might lead to small inquiries which are time intensive for only limited profit. A website could also draw the government's attention to check the business's license. The owner preferred to be cautious. In general the business does not do much marketing and was not planning to change this in the near future, although it all depends on the business strategy and decisions about how much the business should grow.

The owner was deciding about the business's future plans, specifically whether he wanted to grow and lose the comfort of a small business or remain as it is now. The danger of continuing as is, is that 90% of sales come from one main client. If something happens to this main client's clients, the business will be heavily affected. The owner wanted to maximize current capacity because the delivery staff still has room for extra deliveries. The biggest challenge for the business is obtaining the courier license. The owner believed that having the license would open doors and he would feel more confident because his operation is abiding by the rules. The business's goal is to increase the number of clients and become less dependent on one client.

Name: 21617

Years in operation: 3

Number of employees: 19

Annual Revenue 2010: 18,000,000 PHP

Sector: Services

Description of Business

The business provides high quality advertisement printing at the cheapest price possible. Its products include small flyers, tarpaulins, T- shirts and billboards. The business sources some supplies locally but mainly from China. Some of its main clients are Bench, Jolibee and Dunkin Donuts. The business employs sales agents to get corporate accounts with its clients.

Business Constraints/Problems

- **Excessive competition** is the biggest constraint. A lot of people are starting printing businesses because it is cheap.
- **Government** is another key constraint. Regulations minimize the total number of billboards in the cities, and therefore some companies limit advertising. This directly reduces opportunities for the business. In addition, the Bureau of Customs is inconsistent in its valuations of taxes and tariffs on imported goods.
- **Lower demand.** Clients are limiting advertising because of the economic crisis.
- **Consultancy needs:** The business needs help with marketing—specifically how to encourage clients—and accounting and cash flow management.

Consultants' Analysis

The business faces difficulties due to lack of capital investment in more sophisticated machines, lack of skilled manpower, the rise of many competitive printing firms, and lack of government control. The print advertisement industry is price sensitive and companies have minimal control over prices due to high competition. The consultants' financial analysis showed that the company was profitable in the past three years but the profit margin decreased in the past year. The business has problems with cash flow management; it provides credit to its customers but they can take up to a year to pay. On the other hand the business pays its suppliers as soon as possible, resulting in a lack of cash.

The company plans to invest in new digital printing equipment that would help it to diversify into a new segment of high quality poster printing. Digital printing is more flexible and easier to use and creates value by printing customized outputs with low discard volume, shortening lead time even in mass production, and producing better quality posters. The business wants help on how to present the business to banks for acquiring a loan of US\$ 500,000 and how to market its products in this new segment.

The company operates in a very small space with approximately 22 people working in three small rooms. The employees do not take safety precautions. The company wants to move to a new office building soon but it is worried about the impact of moving on its clients.

Consultants' Recommendations

The main topics covered during the consultancy program were cash management; investing in new technology, including eligibility criteria for a loan application; and a suitable marketing strategy for the business. The following action plan is necessary for the business to enhance growth and competitiveness.

To address its cash flow problems, the consultants recommended that the business abstain from paying its suppliers immediately and wait until the last day of the credit provided by the supplier so that it can try to recoup cash from customers. This would ensure that there is enough cash available for the company to use

whenever needed. To reduce problems with the uncollectible receivables the consultants suggested: 1) fast collection of cash by sending invoices the same day as goods are shipped, specifying a penalty for late payments, and facilitating the payment process for clients; 2) deposit checks as soon as possible; 3) have a tight credit policy by checking new clients' credit histories; 4) follow up with late payers and offer discounts for uncollectible account receivables; and 5) not keeping money in the company bank account unnecessarily when funds could be used for paying off a loan or investing in the business.

The consultants also advised the business to invest in new technology; this will give the business a competitive advantage by opening doors to new markets, such as small posters and high quality banners and billboards. The consultants assisted the business with a presentation to banks for acquiring a loan which will enable it to purchase a digital printing machine. However, this investment will also increase costs for the company. The consultants also informed the business about SME Unified Lending Opportunities for National Growth (SULONG), a government initiative that provides short- and long-term access to finance for small and medium businesses through accredited banks and participating financial institutions.

The consultants also gave marketing tips. The business should offer specialized products and services which will increase efficiency in production and competitiveness. Widespread placement distribution will work best for this business. Direct marketing, social media and word of mouth are the best promotional activities.

In addition, the business should provide training for its employees to teach them to handle new equipment and improve productivity, quality, and customer service. Productivity can also be improved by standardizing work processes and product types. It is also important to work closely with customers in order to eliminate waste, increase efficient use of resources, and reduce production costs. Finally, the consultants suggested that the business participate in industry associations to expand the company's network and improve access to industry information and best practices.

Feedback on Consulting Experience, December 2011

The owner worked with the consultants on finance and marketing and found their recommendations very helpful. The most useful recommendation was on strategic planning, which made him realize the strengths, weaknesses and opportunities for the business. After the consultancy the owner was planning to make changes based on the consultants' recommendations, such as increasing the work space.

Outcome of Consulting Experience, March 2012

The owner was very satisfied with the program and hopes it continues for both the SMEs and the AIM students. Most of the consultants' advice regarded collections and how the business should negotiate with its suppliers. The consultants advised the business to provide discounts or longer payment terms for clients so they would be able to pay back the business. They also advised lengthening terms with suppliers. The business had followed most of the recommendations. It offered 10-20% discounts to customers with outstanding payments in order to recover some of the funds, and provided easy terms for other existing clients. The company also now sends out its invoices closer to delivery. Overall, the owner was satisfied with the results from these changes. Some clients did not respond to the discounts but one out of five clients did and the business was able to receive their payments. The business also negotiated with its suppliers on the terms of payment, which most of them agreed upon. All of these changes helped the business improve its cash flow, and because of that it was able to increase its supplies and production.

Also based on the consultants' suggestions, the business was looking into changing its location because it had reached capacity. The owner was planning to change the office in March or April 2012 to San Juan or Mandaluyong City.

During the consultancy program the owner was in the process of procuring a new on-demand printing device that would help him tap into a new, big market. On-demand printing is a similar business model as

Amazon's, and with this new device the company would be able to cater to mostly corporate clients and schools to print books, flyers and reports. The owner was especially satisfied with the financial analysis done by the consultants because it helped him to present his case to the bank to receive a loan. The consultants provided financial projections and also tried to review the business's costs and revenue. The consultants did the analysis on their own but the owner has a background in finance so he understood what they did. The business applied for a loan with a private bank and was negotiating with the bank. The business expected to find out by the end of March 2012 if it received the loan of US\$ 350,000. The owner did not remember discussing with the consultants the option of obtaining a government loan intended to support SMEs.

The consultants also gave the business some marketing tips on how to be more visible using the internet. The business had not made changes based on those recommendations. The business did recently open a Facebook account but it was already planning to do this. The business will make changes to its marketing strategy once it receives the loan; the owner is planning to create a website linked to on-demand printing so clients can order online.

The owner and consultants also discussed training to improve employees' skills in managing their time and work and improving teamwork. Since October 2011, the business already provided new skills improvement training for the production staff. The owner found the advice quite helpful because now the business was able to improve its performance and increase salaries accordingly, instead of hiring new employees. The owner was planning to provide more training on skills improvement in the future. Currently, the business is not a member of any business association; the consultants did not advise the owner regarding this and he was also not planning to become a member in the future.

The biggest constraint for the business is finding a new office to transfer to. Another constraint is dealing with Bureau of Internal Revenue (BIR) and taxes. According to the owner, the BIR commissioner is translating most of the laws based on her own ideas, which hurts businesses. It has also become more difficult for businesses to negotiate the amount of taxes under the table and avoid part of the taxes, meaning the business has to pay twice as much as estimated. The business's long term goal is to become one of the top ten service providers in the Philippines. Procuring the on-demand printing machine is part of the strategy to achieve this goal.

Name: 22177

Years in operation: 10

Number of employees: 10

Annual Revenue 2010: 9,000,000 PHP

Sector: Retail

Description of Business

This is a family owned enterprise that started in March 2001, became a corporation in 2009 and now has five owners. It sells computers, computer accessories, office supplies and customized products. The business also provides printing services if they involve a bulk order. Eighty percent of business revenue is generated through the sale of products and 20% from providing services. Products are obtained from distributors, manufacturers, and importers who import from Singapore, Malaysia, and the United States. Some of the stock is maintained for walk in clients but the business only buys products based on orders. The company's clients are mostly private companies and government offices. The business is the exclusive supplier for two similar businesses/dealers located in the province outside Manila; 20% of the business's total sales come from sales to these dealers and 80% from in-house sales. The business has a warehouse in Taguig, a different part of Manila. The business is accredited by a large corporation. The business's goals are to expand in terms of area, change location, and have more clients.

Business Constraints/Problems

- **Competition** is the biggest constraint. In particular, businesses in Binondo, an enclave in Manila primarily populated by ethnic Chinese, are a threat because they are bigger and can offer lower prices to clients.
- **Finding employees.** The owner finds it difficult to trust new people, as she had bad experiences with some previous employees.
- **Consultancy needs:** The business needs help with product pricing, sales/marketing, and human resource management.

Consultants' Analysis

The market is very competitive but the business enjoys a good service reputation among its clients. The financial analysis of the business showed the days of sales outstanding (217) is greater than the days of payables outstanding (207), meaning the company is using its own money to finance its credit terms with suppliers. The company's current ratio (1.378) indicates its ability to respond to short term obligations. Working capital (2,639,546 PHP) is a measure of both the company's efficiency and its short-term financial health, and indicates it can respond to its liabilities. The sales margin on office supplies is 74% and the sales margin on computer peripheries is only 4%, while the total profit margin is 20%. The financial analysis also revealed that transportation costs do not include the rent for family vehicles for company activities. Moreover, salary expenses seem to be understated, as family salaries are not recorded.

Consultants' Recommendations

The company should expand its offering of office supplies since these have the highest profit margin. Another suggestion to improve the business's finances is to offer discounts to recover accounts receivable. If the business wants to expand, it could apply for a bank loan of 1,000,000 PHP with an interest rate of 10%-35%, or for a bank loan of 5,000,000 PHP, with an interest rate of 10%-25%. Even with higher interest rates the company will still be able to pay back a loan within one year.

The company currently bids for tenders based on information from a middleman. The business should reduce its dependence on the middleman by employing its own sales force and approaching businesses itself. Most companies have a financial year from January to December so the best time to approach potential clients is between June and November, after the budget allocation and before they start searching for suppliers for the next year. When approaching new clients the business should mention its existing

clients, which will lend credibility. Another option is to focus on schools and colleges because these are long-term accounts. The business could also expand its client base by approaching expanding businesses and by asking current corporate clients to recommend it to subsidiaries.

Feedback on Consulting Experience, December 2011

The owner worked with the consultants on operations. She found the advice somewhat helpful. The most useful suggestions were on the financial aspects of the business. Right after the consultancy she did not know if she wanted to make changes but if there is a right project she will consider borrowing from a bank.

Outcome of Consulting Experience, March 2012

The consultants suggested that the business find alternative products similar to its current products which can be bought at lower cost or in bulk, so the business can reduce its prices to be more competitive. They also suggested that the business expand its product line. The owner believed that office supplies stay the same but IT products change frequently. The business did not make any changes in its offer of office supplies but since October 2011 the business did introduce new IT products.

In line with offering more IT products, the consultants recommended that the owner apply for a loan with a bank instead of looking for an investor. Having a loan would also help the owner to reduce taxes. The owner was still waiting for a new 10 million peso project to be awarded to the business, which would require a loan of 3-4 million pesos. She realized banks have a lot of requirements for loan applicants but she had completed documentation ready to show the bank. The consultants' financial analysis of the business included the data required to apply for a loan and because of this the owner felt confident that applying for a loan was not too difficult. Aside from this, the consultants did not give her advice on how to apply for a loan but told her they would support her if she decided to push through with the loan application.

As the business was having problems with customers not making payments on time, the consultants also suggested giving discounts to retrieve account receivables. The owner was not planning to implement their suggestion because giving a discount would affect the business's profit margin.

The owner agreed with the consultants that the business should employ its own sales team and become less dependent on middlemen. Profits would also increase if she did not rely on middlemen. The owner already interviewed a sales associate who seemed qualified; however, this person cannot resign from her other job yet. The owner was using referrals to look for sales people who had experience in the IT industry. The owner thought that because of time constraints the consultants did not give her advice on how to find qualified applicants. Regarding human resources management in general, the consultants also advised her to make an effort in maintaining staff. However, she did not receive inputs from the consultants on how to do this. The owner also thought the office was a problem for employees because there was only limited space, and moving to a bigger space would help retain employees because they would have a comfortable working space. The owner was planning to move the office within Makati city and open an additional one in Taguig City this year, if possible.

The owner found the strategic planning workshop useful; it helped her to conduct a SWOT analysis and define the mission and vision of the business. Currently, the business's biggest constraints are lack of capital and manpower. The business's goal is to expand the business by finding a bigger office space and provide job opportunities for those who need them. Providing the best services possible so the business is sustainable is her long term goal; eventually, she would like to transfer the business to her son and daughter.

Name: 22196

Years in operation: 2

Number of employees: 8

Annual Revenue 2010: 9,000,000 PHP

Sector: Services

Description of Business

The business is an information technology (IT) company that sells wireless equipment and wireless frequency internet connections for businesses. It also develops software for specific purposes identified by its clients, such as clog-monitoring systems and disaster management programs. Most of its clients are electricity distributors, schools, power plants and hotels. Retailers also order supplies from the business. It imports its equipment, mostly from Singapore. The business's goals are to increase sales by 300% over the next two years and to become an established distributor of IT products as well as a solution-provider for various IT applications.

Business Constraints/Problems

- **Limited capital** is the biggest constraint and makes it hard for the business to expand.
- **Delayed payments** from clients make it hard to sustain their operations.
- **Human resources.** It is also difficult to find the right technical and sales personnel. Good people are too expensive and fresh graduates take longer to train.
- **Government red tape.** There are too many requirements and the owner mentioned that often a duplication of payment is needed for certain requirements. The government also changes its rules and policies very often.
- **Consultancy needs:** The business needs help with inventory management, the accounting system, and project management, specifically on marketing its products.

Consultants' Analysis

The business designs, sells and provides installation and maintenance of IT solutions, specifically wireless internet. The key resources to provide these products and services are its engineers, sales personnel and industry contacts. A financial analysis outlined the expected costs and revenues for the coming years and showed an expected growth in net income. The consultants' analysis also revealed that 50% of current sales come from hotels, 15% from power grids, 10% from schools and 25% from other sources. The consultants looked at the growth potential of the business by focusing on the hotel sector, as 42% of hotels registered with online hotel reservation website do not have Wi-Fi, which is an opportunity for this business. The business has key partnerships with a travel booking website, wireless networks, and re-sellers.

Consultants' Recommendations

The consultants had a number of recommendations to increase sales. Marketing and relationship building can be improved by developing a database of potential customers and pitching to builders and contractors while projects are still in the construction phase. The business should also identify a new customer segment, for example serviced apartments and condominiums. It can also offer discounts for new projects with existing clients, participate in fairs and other events to increase awareness, and provide demonstrations and quotations. The business should increase its product portfolio in order to gain bargaining power with suppliers. It should also demand better terms of payment to improve its cash flow situation.

To improve the implementation of its services, the consultants advised the business to hire a project manager and create a clear delegation of work. The installation procedure should be standardized in a single document to help transfer knowledge to contractors and speed up the process. They also recommended developing a maintenance management plan and team so that the business can provide IT maintenance

contracts and handle requests after contracts expire. The maintenance services would be an alternative source of revenue and the business should determine a competitive maintenance rate.

In addition, the consultants suggested that the business increase employees' accountability. Sales personnel work in the revenue center where they are in charge of generating leads, construction space monitoring, relationship building, customer database building, and cold-calling potential customers to check for interest in products. One sales manager should work in the profit center and be responsible for taking the lead with delivery of products/services. An administrative person would be in charge of placing orders for wiring and equipment and managing accounts payable. One engineer would be responsible for design and delivery of installation procedures. The business should also develop a replacement policy for the maintenance department based on a cost-benefit analysis. The consultants designed job profiles for sales/marketing staff and engineers, outlining responsibilities and competencies required for both positions.

Feedback on Consulting Experience

The owner worked with the consultants on human resource management and growth strategy/expansion and found their advice very helpful. The most useful information provided by the consultants was the business projections for the next five years, their definition of the target market, and the tools that can be used to evaluate progress. After the consultancy, the owner was planning to make several changes based on the consultants' recommendations. First, he would set directions for the company. Secondly, the business would define its target market to achieve the projections. He would also hire the personnel needed to achieve projections.

Outcome of Consulting Experience, March 2012

The consultants mostly helped the business with marketing its Wi-Fi products. They advised the owner to outline the position of the business for the next five to ten years. The consultants also helped define the business's market segment for Wi-Fi products, such as hotels, resorts and schools, and suggested setting up a database of potential clients. The database created by the consultants mainly included information about Wi-Fi availability in hotels and resorts because of the promising prospects of tourism in the Philippines. This helped the business to focus on this particular market segment and will help the business in seeking potential clients. In line with this, the business was planning to hire two additional sales employees to cover the hotel, resort and school markets. The consultants also emphasized the importance of online presence. To attract more clients the business was planning to improve its website to include all products available. The business was also planning to organize a road show in the provinces where it would invite prospective clients to promote and explain their products. For the first event the company will invite electricity cooperatives in the provinces.

Since October 2011 the business introduced a new Wi-Fi system for industrial trade. It is the same system as before but the coverage is much better. The business also developed two new products which have not yet been introduced to the market. The first is a new software program that will forecast the kilowatt load requirements of electrical cooperatives. Electrical cooperatives that buy electricity from power plants with this software can better predict the electricity demand for the succeeding months. The business started developing this product at the beginning of 2011 and now has a prototype of the software ready for testing. The second product the business recently developed is a flood monitoring system. The system has sensors which are placed in a flood prone area. If the water increases it sends a SMS signal to the person responsible for that area, or the system can have a built-in siren. The business is planning to partner with a reseller to test the product and also contacted the national disaster coordinator office, which is very interested in the product and waiting for the business to release it. The company would sell the flood monitoring system to governments and other private institutions. The consultants did not help the business with these new products because during the consultancy program they were not ready yet.

Limited capital is a constraint for introducing the newly developed products to the market, and the consultants did not advise the business on this matter. The business's plan was to first ask friends or relatives for funds, secondly it would try banks or government agencies, especially for the flood warning system. The owner preferred borrowing money from friends or family because it is easier to talk to them. Before, the business concentrated mostly on its Wi-Fi products but now it will also need to market these new products. However, the owner thought there was less competition for the two new products compared to the Wi-Fi products.

Since October 2011 the business hired an additional administrative employee. As mentioned earlier the business was also planning to hire two more sales people. The business will try to find them through referrals from friends or alternatively through advertising in the newspaper or with technical schools. The owner liked the job profiles created by the consultants; however, because of the change in directions away from the Wi-Fi products these profiles are less applicable.

The direction of the business has changed significantly since January 2012 because one of the business owners who had all the technical knowledge decided to go back to school for an engineering degree. Therefore the owner wants to be less dependent on technical knowledge and simplify his products. It will be a great loss for the business if the technical owner leaves the business, especially for certain products that are very technical. For the other products the owner thought he had enough technical knowledge so the business will move forward introducing the new products.

The owner disagreed with the consultants' suggestion to standardize the Wi-Fi equipment installment because this is different for each business and depends on the office. On the other hand, the owner agreed with the consultants that the business should increase employees' accountability by delegating responsibilities. The business already started implementing the suggested changes by defining the roles of each employee and giving them more responsibilities. The owner found this to be one of the consultants' most useful suggestions.

The owner found the workshop very useful, especially the advice on inventory and accounting. Before the consultancy program the business only kept track of inventory in the employees' minds but now the business has a system in place and fills out forms to keep track of all items. During the workshop the owner also found out that many other SMEs deal with the same problems, such as late payments from clients. Around 20% of the business's clients make late payments and the owner felt he cannot push the clients on this because they are mostly regular clients. It was helpful to know other businesses face the same problems, but the consultants did not advise the owner on how to deal with this and no solutions came up during the workshop.

The biggest constraint for the business is marketing: how to market existing products and how to introduce the new products in the market. The business's goal is to increase sales for the upcoming year by 40% and to be able to hire a good sales person who can help achieve this goal.

Name: 22528

Years in operation: 7

Number of employees: 11

Annual Revenue 2010: Unknown

Sector: Wholesale

Description of Business

The business is an authorized distributor of energy-saving light bulbs for a European company. The business started operations in 2004 and changed management in 2008 and is currently owned by 5 stockholders. The head office and principal owner are based in Hong Kong. The Filipino owners hold 60% of the shares, the principal holds 22%, and the remaining shares are owned by the other stockholders. The

Filipino owners wanted to buy all the shares but the principal would not allow this. All stores in each country are required to follow the branding determined by the head office. Sixty percent of products are sold through wholesale and 40% through retailing. There are two branches, one in Cebu and the other in Makati City. The business's goals are to become recognized and used by every household and to increase revenue.

Business Constraints/Problems

- **Competition.** Although its products are competitive and of reliable quality, most of its competitors are better recognized and patronized by Filipino consumers. The prices of competing lighting brands are also lower.
- **Consultancy needs:** They need help with sales and marketing.

Consultants' Analysis

The company's light bulbs are of very high quality and usually cost 30% more than similar brands, and the business has had difficulty positioning itself in the market and identifying its target customers. The company's assets grew considerably over the last two years—by 63% in 2010 and by 33% in 2011. Both cash and inventory increased tremendously over the past two years and together represent 82% of total assets. The company has no long-term debt and current liabilities decreased over the past two years as the company paid off its trade payables and accrued expenses. The company will bring its negative retained earnings to a positive number in 2011. Current profit margin is around 21%, and both return on assets and return on equity decreased since 2010.

Consultants' Recommendations

The consultants provided recommendations on finance. The business is currently sitting on a large amount of cash and if it wants to grow it should reinvest the cash in the business or in financial markets. If the business considers further expansion and growth it should not be afraid to take on long term debt since it has stable cash flows. It also needs to decide what to do with the positive retained earnings. It can start paying dividends to the owners and start growing the company's equity. The business also needs to pay more attention to its Cash Conversion Cycle, which shows how many days it takes between receiving products from the production facility and receiving payments from customers. Currently, the accounts receivable take two months. The company could consider reducing the payment collection time, although this is a minor issue. Inventory has increased significantly, which is a concern for the business. It needs to understand the nature of the growing inventory levels and when such growth increases the cost of inventories.

The consultants also identified the marketing goals and outlined a new marketing strategy to help the company achieve its goal of higher revenues and return on investment. The marketing goals are to: improve awareness, utilize new methods of communication, provide innovative sales promotions and services, ensure that regional marketing efforts are on par with global standards, move from a "push" to a "pull" strategy, and be consistent in marketing. Marketing processes suggested by the consultants include: strengthening the back-end client database; evaluating existing marketing; ensuring the flow of internal marketing activities; developing a calendar with yearly activities; and staying up-to-date about market needs and competition.

In particular, the consultants recommended focusing on business-to-business marketing. Firstly, the company should attend trade shows, networking sessions and road shows to engage customers with its products and build a customer network. Secondly, the business should develop a case study about the company. Thirdly, it should send customers and likely buyers a quarterly newsletter that presents landmark projects, discusses new products and latest technologies, and highlights news about the business. The advantages of both the case study and the newsletter are that the complete process is managed internally; they can be used as public relations and sales materials; they are cost effective; and they will keep sales

staff enthusiastic. Fourthly, the business should use direct mail and direct response marketing: identify the most likely buyer (MLB), use the right tool (for example, e-mail, direct mail, telemarketing or television) based on exposure to the MLB, and devise the hook and the offer that will compel the MLB to respond. The company should also use data mining in customer relationship management and develop a customer database in order to find, attract, and win new clients; nurture and retain current clients; entice former clients; and reduce the costs of marketing and client service. The consultants also provided general advice on how to maintain good public relations and dealer relations.

Feedback on Consulting Experience

The administration and marketing manager worked with the consultants on finance and marketing. She found their advice somewhat helpful, and found the marketing most helpful. The consultants suggested making a case study of its projects and using it for clients' reference. They also suggested making a client database and sending them newsletters with updates. The manager also found the advice to have a proper inventory management system helpful. After the consultancy, the marketing manager was planning to make changes based on the consultants' recommendations. Firstly, she would implement the advertisement campaign. Secondly, she would adopt the Excel system recommended by the consultants for recording and inventory management.

Outcome of Consulting Experience, March 2012

The manager found the consultants' advice on inventory management particularly helpful. They suggested that the business use a program to keep track of inventory and organize the actual inventory by lamp category. Before the consultancy program, the business kept track of inventory on a white board. However, often there was a mismatch between the board and the actual stock. The manager also learned that it is important to organize the inventory based on the time in the shelves so that they know how long each product has been in inventory. Based on the consultants' advice the business decided to use QuickBooks as their inventory management system because the program has a special application for this. The business just started entering its stock into the database and also started organizing inventory. The manager was glad with this transition because now the inventory system is more accurate and it is much faster to keep track of things.

Regarding finances, the consultants pointed out that the business is sitting on cash which it should invest. However, this is something only the owner can decide upon and not the manager. The manager knew the owner was planning to pay dividends to the stockholders starting this year, and hoped the owner would transfer some stocks to her so she would also receive dividends. The owner was also considering hiring an international consultant as an investment for the business. In addition, the consultants pointed out that the business is unnecessarily paying its suppliers immediately. The manager delayed payments by 15 days, which improved the cash flow management in terms of accounts payable.

The manager also liked the consultants' marketing suggestions, especially their suggestion to make a case study of one of the company's projects and use this for marketing purposes. The business is currently installing the lights for a new hotel in Manila. Once it finishes this project in June 2012, the business will make a case study of this project which shows how well the business's product illuminates the space. The case study will be used when presenting the business and showcasing it at the Philippine Construction Exhibition in November 2012. Based on the consultants' suggestion, the business also constructed a client database. In the database they will monitor the phase a client is in; for example, did the business send a letter of intent to the client, are they in the negotiation phase, what has happened so far, etc. The business can also use this database for e-mailing clients, another suggestion from the consultants. The business had not yet implemented direct e-mails as part of the marketing strategy but was planning to do this in the future. The owner decided to expand the marketing efforts in June or July 2012. When the company launches new products it will use direct e-mailing to inform its current client base. The business did not follow the consultants' advice of print advertising because it has to follow the brand strategy as determined

by the head office in Hong Kong. The principal also sent a brand team to the Philippines to study the company's competitors. The manager did not remember the advice about using a calendar for marketing purposes. The consultants' advice regarding trade shows was nothing new because the business had been attending trade shows and exhibitions since 2008. During the exhibitions it shows how its lights can be used for different business purposes, for example in a coffee shop or in a supermarket.

The manager was also glad that the consultants pointed out to the owner that the manager cannot handle everything by herself. Before, the manager was responsible for everything from administration to sales to marketing. Therefore the business hired a new sales person who started in March 2012. The company recruited this sales person through a jobs website in the Philippines without the help of the consultants. The sales person will work on increasing sales for project-based corporate accounts. This will help the manager a lot by decreasing her workload. Eventually the goal is to have a head for each separate department. The manager did not remember that the consultants gave her any advice on how to train employees

The biggest constraint for the business remains competition. The Filipino market is very price sensitive and the company's product is 30-40% more expensive than competitive brands. The principals in Hong Kong decide on the price and because the product is sold internationally the price cannot be significantly different from other countries. Previously, the company launched an economy series internationally but that product line was still more expensive than competitors'. Most lamps use liquid mercury, which is a hazardous substance. This company uses solid form mercury and has therefore been accredited with a green label, but because the lamps have a green label the business cannot reduce their price. So the business's strategy is now to inform its clients using presentations on how bad chemical lamps are and why they should use its product instead. The goal for the business is to create a household brand but the manager thought this would not happen in the next two to three years. The business is trying to create a niche market for richer people because its products are too expensive to sell mainstream.

Name: 26641

Years in operation: 10

Number of employees: 3

Annual Revenue 2010: 10,000,000 PHP

Sector: Trading

Description of Business

This business distributes a unique grade of soybean cake (SBC) for animal feed, mostly for hogs and fish. The business is currently only supplying one customer. Two percent of the stockholders are Japanese and the rest are Filipino. The soya bean products are imported from Japan and the business was badly affected by the tsunami there. The owners of the supplier own the majority of shares in this business. The principal owner is not involved in the daily operations, and the acting director is the active overseer of this company. The business's goal is to increase sales, increase imports of soya bean cake, and hire additional employees.

Business Constraints/Problems

- **Competition** is the biggest constraint. Competitors use the local product 'copra' which is cheaper than soya cake.
- **Limited supplies** because of the tsunami in Japan.
- **Government requirements.** There are too many customs requirements and the company pays too many high taxes.
- **Consultancy needs:** The company needs help with sales and marketing, supply chain management, and navigating the government.

Consultants' Analysis

The consultants' industry analysis showed that products used for animal feeds include soybean meal, palm oil cake, other vegetable oil cake, fish meal, animal proteins, starch industry residues, brewing and distilling industry residues, and whey. Shortage of local protein inputs contributes to the demand for imported animal feed and inputs. The government realizes the importance of the animal feed imports and hence import duties are kept at low levels. Growth of the agriculture industry in the Philippines would boost the demand for imported animal feed ingredients and inputs.

Over a period of five years, the number of customers has fallen considerably, mainly due to a substitute product called copra, which is a byproduct of coconut. There is a large local coconut and copra market in the Philippines. To understand the attractiveness of the industry the consultants did a Porter's Five Forces analysis and concluded that the barriers to entry are low because of low required capital, low inventory and little product differentiation. The threat of substitute products is high, as copra is a more nutritious product that costs only slightly more than soybean cakes. Bargaining power of customers and suppliers is high, as is competitive rivalry. All of these factors suggest that the business needs to strategically re-position itself to sustain good margins and reduce vulnerability.

Consultants' Recommendations

The business can continue serving its customers with soya bean cake (SBC), especially since its product is a unique grade of SBC and it is the only firm supplying SBC in the market. The business should also revive its old customers to supply them with SBC during periods of reduced copra production. Secondly, the business should explore the option of liaising with local copra suppliers and using existing internal infrastructure to make copra available to its customers. It is evident that many customers have turned away from SBC to copra, which is a higher protein substitute of SBC, competitively priced, and locally available. Thus if the business wants to compete it must also offer copra. This would help sustain business operations throughout the year and also ensure that its copra customers are serviced with its unique brand of SBC when copra is not available.

Feedback on Consulting Experience

The administration manager worked with the consultants on the competition challenges facing the business and found their recommendations very helpful. The five competitive forces model helped shape strategy and helped identify the strengths and weaknesses of the company. Shortly after the consulting ended, the administration manager was planning to broaden the business's market and sell other materials based on the consultants' recommendations.

Outcome of Consulting Experience, March 2012

The manager worked with the consultants but was not able to make any changes based on their suggestions because only the owners can decide on changing the business's strategy. However, she did send the reports to the director. The manager did apply what she learned from the HR and strategy workshop at AIM; for example, how to guide employees and how to build a good relationship with staff members.

The administration manager who worked with the consultants left the business in March 2012. She decided to resign and look for another job with more benefits and better long term possibilities. The business was not doing well in her opinion because it only had one client and only received one container per month, and the income from one client did not outweigh the cost. Therefore the business could not increase her salary and there were limited growth possibilities for her. The manager mentioned she shared most of her knowledge from the consulting and workshop with the business's accountant. However, the accountant said he never worked with the consultants and that the manager did not share their advice with him or anyone else in the business. The manager sent the consultants' report to the director but since he was not very interested in the consultancy program she did not think he would use the report. In the former manager's opinion, the owners did not prioritize this business because they are busy managing other businesses. The owners were planning to close the business before but the manager did not know whether they were still planning to do so. As far as the accountant was aware, the business will continue to operate and supply its single client. The business moved locations in March 2012 and now shares offices with another company owned by the same owners, in order to minimize cost. The manager of that company is now also managing this business.

The former manager stated that the consultants advised the business on strategy and did not cover supply chain management or navigating regulatory issues with customs. Since 2010, the business has only had one client because of limited supplies from Japan. The supplier in Japan found out that it can sell the products for more profit in Japan and therefore only sends the business limited supplies, on average only one container a month. It is easier for the company's supplier to sell locally because exporting involves additional expenses such as taxes, regulations, insurance and tracking the shipping. Because of the lack of supplies the consultants advised the business to expand the product line and also offer COPRA. The owners did not change this and still focus on soybean cake. The accountant remembered that the owners discussed selling COPRA as well but they did not push forward with this because of the product's high cost. The former manager thought the owners would not consider selling COPRA because the margin is too small, as they would buy it from an external supplier and there are already a lot of COPRA suppliers in the Philippines. The business also cannot change suppliers because its supplier is a majority stockholder in the business. This might be another reason why the business is not interested in selling COPRA but instead focuses on soybean cakes. When the company's supplier is able to produce more soybean cake it might send more shipments to make sure the business in the Philippines is profitable as well. As far as the former manager was aware, the business was operating at a loss. She thought the business could sustain this for another year. The biggest constraint for the business remains limited supplies. One of the owners, who is also an owner of the supplier, requested an increase from the suppliers so the business can survive.

Name: 27069

Years in operation: 10

Number of employees: 10

Annual Revenue 2010: 2,000,000 PHP

Sector: Services/Retail

Description of Business

The business is a telecommunications company that provides channels/programs, equipment, satellite dishes, materials such as cable wires, and services (repair and installation) to cable operators, sports bars, hotels, and individual subscribers. It provides channels that people do not usually receive with cable subscriptions. Most of the channels show foreign shows, although the business can also provide local content to subscribers. It provides installation services when its clients buy equipment from the business. Most of its clients are in the Philippines but it also has clients in other Southeast Asian countries including Taiwan, Indonesia and Malaysia. The company hires employees on a project basis. The business does not have long term plans, as it operates based on the trends in the market, making it difficult to plan ahead. For instance, it is now getting a lot of requests to install sports channels because of the current craze for football in the Philippines. The company would like to establish its own building in order to reduce rental expenses.

Business Constraints/Problems

- **Competition** is the biggest constraint. People get programs from other providers abroad that are usually individuals who do not have a company to maintain and can therefore charge lower rates. The company cannot compete with these rates because it has a lot of expenses. Thus, because of competition, the business has a hard time attracting and retaining clients.
- **Changing trends.** Sales as well as the services the business provides are heavily influenced by trends in media and telecommunications, what channels people want to watch, improvements in the telecommunication industry, etc. Because of this the company does not stock supplies; it only orders equipment and materials from its suppliers based on client demand.
- **Reliability of suppliers' delivery.** The company always finds out that supplies are out of stock after paying for orders, leading to complaints from clients.
- **Consultancy needs:** The business needs help with sales/marketing, supply chain management, and finding a partner to minimize expenses (specifically, a supplier of materials and equipment).

Consultants' Analysis

Different roles in procurement can be identified. Operations constitute the main source of requests for purchased materials, and close cooperation between the operations unit and the purchasing unit is vital if quality, quantity, and delivery goals are to be met. The legal unit is responsible for contract negotiations, drawing up bid specifications for non-routine purchases, and helping interpret legislation on pricing, product liability, and contracts with suppliers. The accounting unit is responsible for handling payments to suppliers and must be notified promptly when goods are received in order to take advantage of possible discounts. The design and engineer unit usually prepares material specifications, which must be communicated to the purchasing unit. It may work closely with purchasing to determine whether changes in specifications, design or materials can reduce the cost of purchased items. The receiving department checks incoming shipments of purchased items to determine whether quality, quantity, and timing objectives have been met, and moves the goods to temporary storage. Finally, suppliers work closely with the purchasing unit to learn what materials will be purchased and what kinds of specifications will be required in terms of quality, quantity, and deliveries.

Consultants' Recommendations

The business should implement a procurement strategy to identify effective suppliers. A global sourcing strategy is a collection of choices made to better deliver the products and services required by the

organization. The consultants looked at the business's procurement processes, as described above. They provided a measurement device and strategy for identifying suppliers by looking at the value received, alignment with organizational strategy, risk management, quality of communication, and overall satisfaction. Based on this the consultants provided a summary of nine questions to ask potential suppliers: 1) What procedures does the supplier have for quality control and quality assurance? 2) Are quality problems and corrective actions documented? 3) How flexible is the supplier in handling changes in delivery schedules, quantity, and product or service changes? 4) Are prices reasonable given the entire package the supplier will provide? 5) Is the supplier willing to negotiate prices? 6) Is the supplier willing to cooperate to reduce costs? 7) What lead times can the supplier provide? 8) What procedures does the supplier have for assuring on-time deliveries? 9) What procedures does the supplier have for documenting and correcting problems? In addition, the consultants provided a checklist for evaluating the suppliers.

The consultants also provided information on contracts and bank guarantees. The business should work with the bank to implement a performance contract. The business should also develop and implement a negotiation strategy to gain desired outcomes using the negotiation tips provided. Finally, the consultants advised the company to work with SME support organizations in other countries, specifically Vietnam.

Feedback on Consulting Experience

The managing director who is also an owner of the company worked with the consultants on finance and marketing/sales, and found their recommendations somewhat helpful. Previously the company was not satisfied with its suppliers but the consultants provided a list of links and websites of other credible suppliers. The consultants also provided a list of institutions/agencies with which the business can file complaints when it has problems. After the consultancy ended the managing director was not planning on making changes, as she did not have the final authority to make changes.

Outcome of Consulting Experience, March 2012

In December 2012 one of the owners' business partners left, so since January 2012 the managing director who is also an owner makes final decisions in the business. When there are big contracts the managing director does consult the other owners as well. She also shared the consultants' analysis with the other owners but they let her make the final decision on what changes to make.

The owner thought the consultancy suggestions were helpful but she had not tried implementing them. The consultants mainly worked on the business's problems with suppliers and not so much on sales or marketing. The consultants advised the owner on how to get reliable suppliers or dealers abroad. They also referred her to some dealers and government agencies in India and Vietnam, since the consultants come from those countries. This was very helpful because there is a language barrier between India or Vietnam and the Philippines. Since October 2011 the owner decided to stop working with one supplier but did not find new suppliers yet. She was still looking for new suppliers but could not devote much time to this because she was always very busy with daily operations and accounting. The owner thought that the nine questions to identify a good supplier will be helpful but she was not able to use them yet. She also had not tried the consultants' checklist for evaluating current suppliers. The owner was still planning to make changes when she is less busy, maybe after six months.

The consultants also suggested that the business should set up a contract with its dealers so that when something happens to the unit or the subscription the dealer can be held liable. The consultants sent the owner a proposal for a contract. However, the owner did not think it was possible because getting the television programs out of their respective countries seems illegal. To receive a program you need a decoder but once the decoder leaves the country of origin the warranty is void, which is illegal. So the company has to take that risk when bringing a channel from the original country into the Philippines. Thus when something is wrong with the decoder or the subscription it is the company's loss and not the dealer's liability. The owner tried to have dealers sign a contract but they never agreed to that and said the business

should take the risk, which is a problem because the business always pays upfront and after payment receives the channel; however sometimes the dealers just take the money and never deliver the channel or stop delivering it after six months. Therefore, the business always has multiple dealers per country to fill the gap when a dealer runs away with the money. The consultants advised the business to get in touch with the governments of its dealers to find out whether dealers are registered or not and to be able to track them down. The owner did not have time yet to contact the respective governments. The owner was planning to try the consultants' suggestions and make use of their help to get in touch with reliable dealers from India and Vietnam. The consultants can act as middlemen and help her get a lower price for the unit or channel. If the business can receive the units or channels at a lower price she could use promotions to market the product; for example if you buy one unit you receive one or two month's subscription for free. At the same time the consultants' help will lend credibility because the consultants will assure that her company is reliable.

With regards to sales and marketing the owner thought the business was doing well and the consultants did not advise her on those areas. Some individual competitors that operate independently charge lower prices but the business cannot compete with them because it has fixed cost for renting office space and manpower. The business's clients are mostly corporate accounts because individuals think the company's products are too expensive. The consultants advised the business to lower their price, but the owner believes that is not possible when they want to keep earning money.

Finding reliable dealers is currently the business' biggest constraint. The owner did not have specific goals in mind yet since the business was only transferred to her in January 2012. Her short term goal was to increase profit and increase employees' salaries.

Name: 27760

Years in operation: 43

Number of employees: 37

Annual Revenue 2010: 50,000,000 PHP

Sector: Manufacturing

Description of Business

The business is a corporation that started in 1967. It manufactures custom-made partitions and other special architectural materials such as sliding doors, mobile room dividers, acoustical walls, and ceiling systems. The business has a niche market of private contractors, architects, and interior designers. Thirty percent of its materials are indigenous and 40% are imported. The business mainly imports from Great Britain, China, Taiwan and Japan. The goal of the business is to develop a specialty line of acoustical materials of world class quality and manufacture certain types of architectural materials that would complement the growth and trends in architectural design.

Business Constraints/Problems

- **Educating the market and users** about its products is the biggest constraint.
- **Government bureaucracy** is another key constraint. It is tedious to deal with the Bureau of Customs and local government units when processing requirements. For example, the company had to bring some of its products abroad for laboratory tests that would certify them as world class quality. Government agencies tend to harass businesses on the smallest things. Sometimes the law makes it even more difficult for businesses to operate. In addition, the government is not fully computerized and its computer systems often break down during heavy rain. As a result, it goes back to manual processing which slows operations down even further. The government also does not have an internal agency sharing information; that is why it is mandatory for businesses to prove everything.
- **Consultancy needs:** The business needs help with marketing and navigating the government.

Consultants' Analysis

The business is an architectural firm that manufactures furniture and architectural products for business houses and hotels. The company has premium products of highest quality and a good list of clients; these are the business's strengths which need to be leveraged. The business has sound financials that are well documented. Its organizational structure is also well documented and explained with clear roles. The materials department keeps proper records. The bidding process is competitive and winning a big project is important. Therefore a sales team manager/overseer is most needed.

Consultants' Recommendations

The consultants provided advice on human resource management and marketing. The human resource advice focused on building a sales team since the company relies heavy on the sales team for generating profit. The sales department does not have a sales manager and is coordinated by the assistant sales manager, who reports to the general manager. Hiring new sales employees has been difficult. The consultants advised on how to find skilled applicants using job websites and colleges/universities, select the right people using different selection criteria, hire new employees and define their team roles and goals, and retain employees by recognizing and rewarding them. The business must integrate all of the above into an employee lifecycle and ensure that all phases of the lifecycle are covered.

The consultants also provided marketing advice in order to achieve the business's goal of 30% growth in the next three years. First, it should make a detailed brochure including the firm's history, product descriptions, photos, technical specifications and testimonials from customers. Secondly, it needs to revamp the current website to contain the position of the company, necessary brochures, and contact information. It is important that both the brochure and website re-position the company. There are five possible

positioning strategies to choose from: product, price, ease of access, value-added service and customer experience. The business should dominate on customer experience by continuously providing service at the work site and should perform above average on product quality, in line with its reputation. For the remaining three, the business should be on par with the industry: the business's Makati office is easy to access, its prices are marketed to high-end customers, and it provides value-added services such as maintenance. This positioning statement should be used in all company communications. The business should increase brand awareness by sending the brochure to its clients, keeping the flyers at new construction sites, keeping in touch with all profitable business clients, developing a logo for the business, advertising in malls and hotels, listing itself on online furniture portals, and e-mailing brochures or information to possible customers after they visit the website.

The consultants also discussed how to segment current customers. This provided a good opportunity to analyze the business's customer base and understand where they provide more value and which clients are more profitable. Finally, the consultants provided twelve tips on how to increase the lead conversion ratio to a minimum of 50%.

Feedback on Consulting Experience

The owner worked with the consultants on marketing and human resource management. He found their advice very helpful. The consultants gave instructions and guidelines on how to position the company in the market and how to assess the company. The business should develop the marketing communication based on the positioning of the business in the market. The recommendations were in line with his own thoughts but more in-depth. On human resource management, they discussed how to develop and motivate people. Immediately after the consulting ended, the owner was planning to make some changes based on the consultants' recommendation. The consultants provided a checklist to help prioritize decisions and design a website and brochure. Secondly, the owner would work on the hiring and training processes, compensation packages, remuneration, and motivating employees.

Outcome of Consulting Experience, March 2012

During the initial interview the owner mentioned he wanted to work with the consultants on navigating the government, how to deal with regulatory bureaucracy and how to fill government incentives. The owner did not work on this with the consultants because the business was still trying to do this on its own. The business is mostly facing difficulties with importing materials and availing tax benefits. The owner felt the government agencies do not want to help and do not even try to understand the business's situation.

The consultants suggested that the business come up with a cohesive marketing brand. Before the business had many separate marketing activities without following one direction. The business was already implementing the consultants' marketing suggestions. They were changing the logo and the design and making an effort that all marketing materials including the website, brochures and business cards use the same design and tagline. The new website will be uploaded mid-March 2012. The consultants also advised the business on how to approach its target market efficiently and build customer relationships, firstly use e-mail to introduce the business and then calling to follow-up. The business's target market is architects and interior designers who decide on what partitions will be used for their projects. For example, the business will try to work with the architects or in-house engineers on a hotel currently under construction to try and convince them to use its partitions. The business receives around six phone calls daily and if they follow up with these inquiries efficiently this should result in sufficient sales. If the business were to increase its marketing effort it would be able to increase sales significantly.

In line with the new marketing strategy, the consultants also suggested that the business set up a new sales force. The business inherited the sales staff from the previous owner, but now they are changing their sales policy and four employees already resigned because they were afraid the changes would cut into their earnings. Previously the sales teams were assigned a geographical area and they would get sales if a client

from that area contacted the business, without having to put in any effort. Now the business assigns different project to different people to increase efficiency. The consultants also recommended the business on where to find new employees and provided them with a list of engineering schools and universities. In addition, they advised the business on how to get competent candidates. In the last three months the business already hired eight new employees, mainly for sales and marketing. The business's sales manager was training the sales staff because of the consultants' recommendation.

The business also changed its incentive system based on the consultants' recommendations. Previously they only provided commissions for sales people but now they are trying to spread the benefits to all employees and motivate all employees to work as a team to improve services. Sales employees still receive an additional commission for the new projects they bring in, but this is smaller than before. The owner thought that changing the incentive system and focusing more on team effort truly improved the sales team and the business's services. The owner hoped the assistant sales manager might grow into the sales manager position, since the business had not yet hired anyone to fill this position. The owner's son is currently working as marketing manager. He is now working on their new marketing plan and is responsible for keeping loyal customers satisfied by staying in touch and address any concerns they may have. The consultants also told the business what it should prioritize; the owner gave this list to his son who is now working on that. Eventually the business is also planning to hire a business representative who will do missionary sales work and visit potential clients to provide information about the business.

The owner and several staff members attended the workshop; he thought it was helpful but they did not change anything in the business afterwards. The business's biggest constraint is supply-chain management. In developed economies there are well developed supply chains, but in the Philippines the business faces difficulties with local suppliers as they are not as quality-conscious as the business. Also, sometimes suppliers are unable to provide the business with parts or materials on time. In addition, it is difficult to source some necessary parts locally. Another challenge is to develop technical know-how within the business. The business's goal is to be the best in the partition industry.

Name: 27783

Years in operation: 31

Number of employees: 4

Annual Revenue 2010: 4,000,000 PHP

Sector: Services

Description of Business

The business is an overseas placement agency. Most of its clients are architectural firms and engineering companies in the Middle East. Hence, 90% of the workers it places abroad are professionals. The business is a family corporation and the respondent is the majority owner. He owns it with his wife and brother, and they have four paid employees. The business is very selective about its clients. It does not advertise much; most clients are referred by former clients. The company is also very selective about the people it places abroad because it does not charge them a fee. It provides quality services and this is the main reason clients and professionals come to the business. The Saudi economy is still booming and therefore remains the best market for overseas placement. The business no longer expects to grow because it has been operating for a long time and because of the economic crisis. The goal of the business is to simply continue sending professionals to Saudi Arabia.

Business Constraints/Problems

- **Government** is a key constraint. Government institutions like the Philippine Overseas Employment Agency (POEA), the Department of Foreign Affairs (DFA), and other overseas offices have different policies and standards for conducting business and job placements abroad. This makes it difficult for the business to deal with them. Document processing in the government is also very slow.
- **Restrictions** by the government of Saudi Arabia, which require that a certain percentage of Saudi nationals are employed before hiring foreigners.
- **Currency Fluctuations.** The business charges its clients in US dollars. The appreciation of the peso resulted in lower exchange rates which directly affected revenue; the business lost 20% of its income due to this.
- **Finding quality employees.** There is a decline in the quality of education, training and English proficiency.
- **Consultancy needs:** The business needs help with government policies regarding overseas placement and assistance on the formulation of policies.

Consultants' Analysis

The business is a professional recruitment agency specialized in the architectural engineering market. It mostly operates in Saudi Arabia. The business has no contract with the government or other multinationals, unlike its competitors. It has a strong database and extensive industry experience. The business's current marketing strategy relies on word-of-mouth and referrals. The business's main focus is service and quality. Furthermore, it does not charge employees a placement fee. It places 7-10 employees per month and its target is 10-12 placements monthly.

Consultants' Recommendations

The consultants compared the business with its main competitors. Based on their findings they suggested a new marketing strategy. The business's vision is to become the leading and most trusted strategic partner providing the best Filipino human capital to Saudi Arabian industry. Its mission is to provide its clients with the highest quality human capital for the engineering sector in minimal time. The consultants created a new logo in line with the vision and mission, and the business should position itself in the market accordingly. The business's marketing strategy is business-to-business. The consultants suggested that it develop a company website and link with websites like Jobstreet or Linked In as well as Saudi Arabian job

recruitment websites, to reach potential clients. It could also organize recruitment events in the Philippines for prospective clients and should market its services through Saudi Arabian classified advertisements.

The penetration and retention strategy consists of three steps: 1) hire a business representative and associate with local market research firms and subcontracting agencies; 2) leverage awards and certifications received to showcase brand credibility to prospective clients; 3) exploit current clients' contacts to gain clients in a different geographical area. Finally, the consultants showed a financial analysis of the new marketing strategy, pointing out the expected gain.

Feedback on Consulting Experience

The owner worked with the consultants on marketing and he found their advice very helpful. The most useful recommendation was to market overseas and to have direct contact with clients. Right after the consultancy, the owner was planning to set up a marketing program using overseas newspapers in 2012.

Outcome of Consulting Experience, March 2012

The biggest constraint the business faced is government policies regarding overseas placement. Problems the business faces with the government include: obtaining a passport, obtaining police clearance, and a waiting time of at least three weeks before the Philippines Overseas Employment Agency processes papers. These delays cause problems for the business to deploy staff on time. The owner believed that most of the money circulating within the Philippines comes from overseas workers and he was therefore frustrated that processing of government requirements takes so long. Unfortunately, the consultants were unable to solve these problems since they had no influence with the government.

The owner thought the consultants' advice to market the business in overseas newspapers, for example in Qatar or Dubai, was really good. He had not implemented it yet but was planning to do so in the next month. Usually, when the owner travels to a different country he puts an advertisement in the newspaper for potential clients to come meet him at his hotel. This is an effective marketing strategy as many clients come visit him. The owner is confident that general advertisements in overseas newspapers will be effective since Filipinos have a good reputation and are internationally perceived to be hard working people, and the business has a credible reputation. The owner also liked the vision and mission statements the consultants created as well as the new logo, and he was planning to use those in the future for advertisements in both local and foreign newspapers. The business was also in the process of making its own website and started using Jobstreet, a job website in the Philippines, as suggested by the consultants. However, the owner was not very satisfied with Jobstreet because many applicants do not meet the necessary pre-qualifications, and therefore going through all the résumés is a waste of time. The consultants' suggestion to attend recruitment events or fairs was not applicable for this business because it only recruits highly qualified manpower which cannot be found during these events. The owner was still planning to change the marketing strategy based on the consultants' suggestions and hire more people if he has additional clients. Finding new clients all depends on the international market and the infrastructure in place. The business just received a new project from an existing client to provide manpower for building a medical city in Saudi Arabia.

The consultants also advised him to partner with an overseas counterpart. However, the business used to have offices in Saudi Arabia and Qatar but they failed because the partner did not do much and was only interested in the commission. As soon as the partner saw the business was growing he wanted to take over the overseas office completely and did not respect the business's contract. They ended their partnerships five years ago and the owner was not planning to pursue another partnership. The owner is satisfied with the size of the business and has no intentions to expand because expanding would only cause more stress.

The owner had not considered the consultants suggested 3-step penetration and retention strategy because working with, for example, a Canadian or Australian company would be very expensive and consume at least 35% of the business's overhead. As for the consultants' suggestion to use the certification to show

credibility, the owner did not think the business needed this as it already has a reputable name and is perceived as credible by its clients. The company is recommended by most of its clients and even by the Saudi Arabian embassy, so the owner is least worried about the business's credibility.

Currently, the business's biggest constraint is sourcing qualified people. The owner believed there is a shortage of professionals because of China. But the Chinese economy is shrinking so more professionals should be available and willing to work in the Middle East. For the employees it is also more beneficial to work in the Middle East because they do not need to pay taxes and living expenses are lower than in Singapore or China. The owner did not have specific goals as he was already planning to retire and shut down the business. His children cannot take over the business because they are all living and working in the United States and he did not want to sell the business either because his license is not transferrable, so he would always be held liable for anything that happened in the business even if he was no longer an owner. It is also not possible to sell the business without the license as this is illegal. The owner is proud of what he has accomplished and he does not want anything bad happening to the business if he no longer works there.

Name: 29487

Years in operation: 33

Number of employees: 8

Annual Revenue 2010: 1,500,000 PHP

Sector: Trading

Description of Business

The business is engaged in trading electronic parts such as diodes, SCR bridge rectifiers, and thyristors. These parts are used in the motors of machines such as inverters and electronic vehicles. The business gets it supplies from Germany and Thailand and sells them to food, transportation, and engineering companies. It does not stock supplies due to rapid advancements in technology. The business used to manufacture some of the products it sells but Chinese manufacturers can do it cheaper and better. The business also leases commercial and residential space in its building. The business's goals are to rent out all commercial/residential spaces and to engage in a new venture with other distributors who would give them authority to sell other products in addition to trading electronic parts.

Business Constraints/Problems

- **Lack of demand** is the biggest problem for the business. Electronic parts are no longer a necessity for companies and clients can go directly to their suppliers instead of buying parts from the business. The internet allows people to easily buy anything online. Rapid advancements in technology make electronic parts obsolete, and companies would rather buy new machines than repair old ones.
- **Profitability.** Improving the business requires a lot of money. Sometimes the business no longer profits from deals but it continues as long as it can retain clients.
- **Consultancy needs:** The company needs help with marketing and product development.

Consultants' Analysis

The consultants conducted a survey to understand the current scenario of rental businesses in Makati and applied this to formulate a new marketing strategy for the business. Most of the respondents prefer to stay in residential buildings rather than commercial buildings. Respondents also find the location of the apartment important because of security, access to public transport, and proximity to work. More than 80% of respondents considered using property dealers when searching for an apartment and more than 60% look for furnished apartments. Most respondents use the internet as the main source of information when searching for an apartment.

Consultants' Recommendations

The business should consider having a contract with property dealers wherein the lessee and lessor can equally share and give the first month's rent to a dealer who brings in the new lessee. Secondly, it should increase the size of its sign board and place it at the entrance of the building and on top of the building. Thirdly, it should consider advertising online. The business should also advertise using print media, for example distributing flyers to call center employees and people commuting to Makati. Because there is no elevator in the building people will prefer to rent on the first or second floor, therefore the business should shift its office to the top floor. It should also consider furnishing the apartments with microwaves and freezers since most respondents prefer to rent a furnished apartment. In the long run, the company should consider transferring to a residential building since most respondents prefer to live in a residential building only.

Feedback on Consulting Experience

The executive assistant worked with the consultants on marketing. She found their advice very helpful. The most useful input from the consultants was the questionnaire and survey results concerning the

marketing strategy, and the students' report included graphical presentations that made the results easier to look at. After the consultancy and based on the consultants' recommendations, the executive assistant was planning to increase the size of the sign board, advertise on the suggested websites, and relocate the office from the mezzanine to the top floor.

Outcome of Consulting Experience, March 2012

The executive assistant decided to work with the consultants on the rental of commercial space because there was too little time to analyze the trading of electronic parts side of the business as well. However she did discuss the problems relating to trading of electronic parts with the consultants because one of the consultants was an engineer. The consultants advised the executive assistant about the worldwide needs for electronics and the business's competitors and suppliers. The consultants suggested advertising products online. However, the business already tried this in the past and the electronics business is not doing well overall. The industry changes quickly and the electronic parts the business sells are only used for repairs or replacement. Sometimes it is even cheaper to replace the entire item instead of repairing it, which is why the electronics side of the business is very slow. In the middle of the consultancy program they had to decide what to focus on and the executive assistant asked the consultants for advice on how to generate income from renting commercial or residential space because that was most needed.

The business rents out space for either commercial or residential purposes. The executive assistant found the survey conducted by the consultants with students and others in the neighborhood to be very helpful. The business learned the advantages and disadvantages of its location and based on the survey results the business already moved its office from the mezzanine floor to a smaller space on the second floor so the mezzanine floor can be rented as well. Moving the office also reduced electricity expenses. Since the consultancy program ended, the business was also able to rent out the entire third floor. Now, the fourth floor and mezzanine are still vacant and the business will rent them out for either commercial or residential purposes. The difficulties with renting out these spaces are the low ceilings of the units, no parking place available, and high rental prices because of the size of the spaces. The business faces a lot of competition because of the many new buildings and apartments nearby. Although the survey suggested that people prefer to live in a residential-only building, the business is not planning to move because the owner of the business and her family live in the same building and that is the reason why the building has a mix of both residential and commercial tenants. The majority of the tenants are commercial but the business cannot ask the family of the owner to leave the building. Based on the consultants' suggestions, the business renovated the spaces and upgraded the studio rooms to be semi-furnished including air-conditioning and sofa beds. The business used the owners' savings for these renovations.

The consultants also advised the business on its marketing strategy. The business already started implementing their advice and advertised in the newspaper and on free rental websites, printed flyers and increased the size of the tarpaulin outside its building. The business was not able to create its own website yet. The executive assistant thought that their advertising strategy was working because there are a lot of inquiries about the space as well as walk-in clients; however the advertising efforts had not yet resulted in any new contracts. The business preferred to rent the residential spaces to ladies only, complicating the rental process. The consultants also advised the business to partner with property dealers but the executive assistant is a property dealer herself. Even before the consultancy program she contacted her colleague property dealers; many visited the space with their clients but without result.

The executive assistant thought all aspects of the workshop were helpful but there was no specific suggestion she implemented in the business. The business's current biggest constraint is the competition for renting out commercial space. The business's goals are to increase income and rent out all vacant commercial spaces.

Name: 31296

Years in operation: 18

Number of employees: 15

Annual Revenue 2010: Unknown

Sector: Restaurant/bar/canteen

Description of Business

The business is a family corporation that serves food and drinks, especially beer. The business started in 1993 as a small restaurant serving beer and snacks in open parking spaces/terminals to customers waiting for transportation. Most of its clients are employees who work near the restaurant and who come to hang out after work. The business is only open from 5pm until midnight. The business has four owners (only three are actively involved in business operations), though it is registered as a single proprietorship. The goal of the business is to open another branch within the Makati Area.

Business Constraints/Problems

- **Economic environment.** The business is dependent on the economic situation. If the economic situation is good the business performs well. When the economy is bad, the business has fewer sales because customers reduce spending.
- **Consultancy needs:** The business needs help with general business management.

Consultants' Analysis

The business offers beer and *pulatan* (finger food) to be enjoyed with the beer. The business's profits are shared among three owners based on the capital contribution and time devoted by each family member to managing the business. It is currently a price leader and has a good reputation. The business employs four chefs, two maintenance/cleaning staff, six waiters and waitresses, an assistant manager, and a chief accountant. Most of the employees are from the owner's province because they are easier to recruit and can be trusted. The business provides employees with housing facilities and two meals a day. In 2010 the business decided to invest in renovating and revamping the restaurant. To increase the seating area, a floor was added to the initial space. The inventory management and billing is done manually. Food purchases are made every other day from nearby markets.

The business is located in the central business district of Makati and has a fair amount of regular clients. Seventy-five percent of current customers are nearby office workers, 20% are students and 5% are neighbors. The business is famous amongst office workers due to its strategic location, and its beer promotions are among the cheapest in the area. The consultants conducted a survey among ten customers. Most of the customers are aged above 26, 90% are male and 50% are regular clients. The business scored well on customer service and has attentive employees. The quality of food was also rated good. Ambience and cleanliness received lower scores and this is an area the business can improve on.

The business expressed interest in increasing profitability and a possible business acquisition.

Consultants' Recommendations

The company should do more advertising in order to increase the number of customers and thus revenue, especially on weekdays. The business should advertise its brand name to increase awareness among people in the area. The business could implement events on weekdays and use flyers, posters and tarpaulins to let people know there will be an event. Awareness of events will spread to other consumers in the area through word of mouth. Examples of events are a seafood night, ladies' night, happy hour, and bundling products (for example, three beers, two barbeque sticks and a bowl of peanuts), which will increase the volume of products sold.

The business can also reduce its costs by using a tracking sheet to track purchases and sales. Using this tracking sheet will help predict sales for certain weeks and reduce wastage and spoilage. Using a point of sale (POS) machine will prevent the business from missing or losing inventories or incurring debt, because the POS machine monitors all orders and billings. A POS system will also handle the billing of all customers more efficiently, resulting in higher customer satisfaction. Finally, the consultants evaluated the company's brand awareness and expected brand strength in the future.

Feedback on Consulting Experience

The main owner and her brother, a part owner, worked with the consultants on finance, operations and sales. The owners found their recommendations very helpful, especially the use of a tracking chart for finger foods to monitor sales. The consultants also advised the business to conduct surveys among customers and buy Point of Sale (POS) machines to monitor sales. From the results of the survey, the business can correct mistakes or improve services, such as providing promotions and improving cleanliness and ventilation. The owner's brother was planning to make changes based on the consultants' advice. First, he would acquire a POS machine. Secondly, he would hire additional manpower to improve services; this recommendation was based on the customer survey conducted by the consultants. He also planned to provide promotions, for example ladies' night or free beer or finger food based on the amount of food purchased.

Outcome of Consulting Experience, March 2012

The business used the tracking chart to monitor sales for approximately one week and found it very helpful. They used the chart to monitor how much food comes in and how much is being sold; by using this chart the business was able to reduce spoilage significantly because they removed the slow moving products. The business stopped using the tracking chart because of a lack of employees, many of whom went back to the province. Therefore, there were not enough employees to have time to complete the tracking chart.

The consultants advised the business which POS machine they should buy, but the business was not able to buy one yet because of financial constraints. The business was still planning to buy a machine, most likely around April 2012 once it found out if it received a loan it applied for. The consultants did not assist the business with the loan application.

Since the consultancy program the business already hired new employees to clean the tables and the toilets; the owner thought that maintaining the cleanliness of the business, especially the toilets, is a plus factor for the business. The business hired additional employees around December and received a lot of compliments from its customers. The owner is not planning to hire any additional manpower in the near future.

Based on the consultants' suggestions, the business introduced mixed drinks but it had not yet followed the "ladies' night" promotion suggestion. One of the owners, the brother of the majority owner, did not feel this promotion was applicable for the business, as they cater to lower end customers instead of high end customers who visit more expensive places. The owner agreed with the consultants' suggestion to increase advertising and already added an additional tarpaulin outside the business to advertise prices. However, the business was not planning to introduce the flyers because of environmental issues. They also started a Facebook account for the business but that was the majority owner's her idea.

The majority owner of the business attended the workshop but her brother, also a part owner, did not know what she found most helpful. Currently, the business's biggest problem is the financial constraint for acquiring a new POS machine. The owner applied for a loan of 1 million PHP from a bank in January 2012 and expected to find out in March 2012 whether it was approved. The owner applied for the loan in his name and his house, worth 2.6 million PHP, would be used as collateral. However, the loan would be used for business purposes, including acquiring a POS machine, upgrading the stove and grill, and possibly repainting the outside of the business. The business's goal is to increase the number of customers.

Name: 33593

Years in operation: 30

Number of employees: 75

Annual Revenue 2010: 14,000,000 PHP

Sector: Services

Description of Business

The business is a family corporation that provides tent rental services to a wide range of clients, including individuals, government agencies, private companies, and corporations. It sells tents of up to 9x10 meters. The business also manufactures the tents it sells and rents. It imports raw materials from Chinese suppliers in the Philippines. The business has been operating for 30 years and now has satellite offices in two other provinces. It has already established strong partnerships with a lot of clients that organize and manage events.

Business Constraints/Problems

- **Business management** is the biggest problem, specifically how to integrate all the departments (sales, rentals, operations, finance, accounting, human resources, and administration). The business is still experimenting with the management style that fits best. Because it is a family corporation, it often has issues with the professionalism of family members.
- **Cash-flow management** is another major problem. Better cash flow management would help a lot with budgeting resources.
- **Threats from new entrants** in the tent rental service industry. The business now sees the need for more marketing and advertising to remain competitive.
- **Rising cost of supplies and labor.** Employee compensation is currently the biggest expense. Volatility in the prices of raw materials as well as the increasing price of gas and toll fees also affect the business, and it cannot easily change or increase the price of its services.
- **Consultancy needs:** The business needs help with cash flow management, accounting and financial management, and general business management.

Consultants' Analysis

An industry overview shows three types of events for which the business can provide tents: corporate events, wedding parties, and private parties. Market growth is high for all event types. Event management companies are gathering higher bargaining power. The business's strengths are its experience, customer understanding, and credibility. Its weaknesses are a limited product and service portfolio, lack of design diversification/customization, and the marketing and sales departments. The growing market and alliances with event management businesses, small and medium enterprises (SMEs), universities/schools, and hospitals provide opportunities for the business. Threats to the business are other tent rental businesses and event management businesses.

Marketing activities are minimal in this business and influencer driven (friends/family referrals) sales are high. The business has no formal sales channel, no formal procedure for accessing client information and scheduling meetings, and no fixed sales targets. The business needs to understand customer requirements, and there is a need for regular communication between the field and home office and for professionalism in delivery.

Consultants' Recommendations

The business should improve its products and services portfolio by including customized tent solutions and product/design diversification. For market diversification, the business should offer packages for wedding and family gatherings and provide tents for trade events, corporate events, and backyard parties. The consultants provided a few new tent designs to the business.

The consultants also recommended a specific marketing campaign. The business needs to design a brochure that is a comprehensive product catalogue including product specification, customer profiles, customer feedback, recommendations, and customer ratings. Secondly, it should add quotation requests and customer testimonials to its website. Finally, the business should expand internet marketing using Google Ad-words to be displayed on customer/influencer-preferred websites, to increase brand recognition at low cost.

In addition, the consultants recommended creating business alliances with event management companies, SMEs, and institutions. Strategic partnerships improve sales, reduce the seasonality of the business, and improve brand awareness and image, and acquisition costs are also low. It would be a mutually beneficial system because of sharing current client profiles. Event management companies include wedding planners, corporate event planners, and party planners. SME alliances should include construction industry companies that exhibit regular events, such as furniture and lighting businesses and weekend markets. The business should provide banner services and subsidies and discounts for enterprises with regular requirements. Possible alliances with institutions include universities, hospitals conducting rural and semi-urban services, and NGOs. The company can provide banner services for free for this sector, customize design aspects based on requirements, and provide flexible solutions at competitive prices.

Sales force management should concentrate on customer/strategic partner relations and ensure constant communication, follow ups, and personal engagement. The business should enhance customers' engagement by providing detailed brochures, having persuasive salesmen, and understanding customer requirements. Finally, the business should increase annual sales targets at the market growth rate. To ensure targets are reached, the sales team should generate leads, maintain and enhance the database, and execute direct response marketing and cold acquisition.

Feedback on Consulting Experience

Immediately after the consulting ended, one of the owners stated to have worked with the consultants on finance (although this was contradicted in a later interview), marketing and operations. He found their advice very helpful and thought they provided in depth results. The most useful recommendation was on market research; it is very helpful to study competitors and clients to understand what they want. The owner was planning to make changes based on the recommendations. First, he would use Google ads for marketing. Secondly, he would improve the tent designs to provide clients with other types of tents.

Outcome of Consulting Experience, March 2012

The business focused on marketing with its consultants and did not work on cash flow management, accounting or financial management. The consultants conducted market research for the business and gave insight into what kind of events customers usually need tents for and what the business's competition does differently. Competitors provide more services than the business does, for example catering, tables, chairs, curtains and even air-conditioning. The business was already thinking about providing new tents so the designs suggested by the consultants helped the business. The owner thought some designs were too big for the business but they did choose two designs which they are now manufacturing and planning to introduce in May or June of 2012. In addition they are working on the design of the inside of the tent, such as curtains and decorations. The owner also consulted a friend who is an interior designer for his advice regarding this. In line with the additional services, the consultants suggested offering packages for weddings and family gatherings; for these types of events the business should provide tables, chairs and decorations in addition to tent rental. The business was considering providing such services but it would need additional capital to do so. The business might consider taking out a loan in the future to be able to add services to its portfolio. The father of the owner who worked with the consultants is the main owner of the business and he makes final decisions about taking out loans.

Based on their market research, the consultants suggested that the business focus on disseminating information about the business. They advised on how to improve the business's website so it is easier and more accessible for the clients to contact the business. Adding a quotation form for tent rental to the website was another suggestion and the owner was planning to ask his web designer to construct this. The owner liked the consultants' suggestion to use Google ads for marketing their services, so if someone Googles 'tent', the name of the business is one of the first to come up. The business had not implemented these marketing suggestions yet but was planning to do so in the future. The owner was already working on designing a brochure, another suggestion of the consultants. Based on their market research the consultants also identified the energy industry and medical missions as potential new target markets but the owner did not know how he could reach these target markets.

The business already worked together with other companies; if they were accredited by another company to provide tents they gave credit to that firm in return for the accreditation. So the owner did not think the consultants' suggestion to partner with event management companies was a new idea.

The owner also attended the workshop held at AIM but did not find anything particularly helpful in terms of making changes to the business. Currently, capital is the biggest constraint of the business. The business used its loans to pay the employees' salaries when those payments should come from rental revenue. Problems with customers not making payments on time add to the cash flow problems. Increasing the number of clients through marketing would increase their income. The business's goals are to grow and provide more products and services to its clients.

Name: 34025

Years in operation: 18

Number of employees: 13

Annual Revenue 2010: 4,800,000 PHP

Sector: Services

Description of Business

The business evolved from providing car detailing services into a full service auto shop. The detailing service involves cleaning inside and outside of cars, polishing, and everything in the interiors. Its services now also include body paint, collision repairs, mechanical services, maintenance, and air conditioning installation. The business also prepares cars for racing and offers special services restoring old sports cars and early Porsches. This last service is very expensive and only available to selected customers. The business has two locations: one is responsible for “dirty” jobs such as body paint and collision repairs, while the other branch is responsible for the rest of the services. There are five owners, and the majority owner considers his business a hobby and that is the reason why he wants to keep the business steady.

Business Constraints/Problems

- **Access to funds** is the biggest constraint, specifically from institutions that offer low interest rates. If the business wants to expand, it needs additional funds for acquiring new equipment, infrastructure development in the shop, and revolving funds.
- **Taxes.** If the business expands, it will have problems with taxes. The bigger the business is, the more taxes the government requires.
- **Lack of talented employees.** One reason the business cannot expand is there are few talented workers available on the market. The owner is willing to train new employees but some lack attitude. It would be too costly to replace these employees with advanced tools and equipment.
- **Advertising.** The business will only advertise if it can find the good employees that it needs.
- **Consultancy needs:** The business needs help with a potential expansion and how to make it profitable.

Consultants’ Analysis

Seventy percent of total revenue is generated by restoration and 30% by servicing. The business’s strengths are that it is a member of a luxury car Club, has a good reputation, has up to date proprietary software, has expertise in restoring cars, and is affordable compared to “casa” service centers. Weaknesses are its small facility, inability to handle too many requests, manning capacity, job specialization, sustainability of skills development, and only using word of mouth advertising. Threats to the business are bigger players who may drop prices, the shortage of labor, and that proprietary controls may be placed by Porsche, BMW and other cars which would limit access to needed software. The increasing number of vintage cars, the possibility to position the business to service cars in South East Asia, the increasing number of car races, and the possibility of selling parts in addition to its current services are all opportunities for this business.

Consultants’ Recommendations

The consultants conducted a car parts feasibility study, including the sales of car parts and showing the possible new look of the business location after expansion. The consultants recommended that the business include the sale of car parts because the space for display and sales is already available and the business can source parts from the United States, requiring no change in existing procurement. The business can also avail bulk discounts and maintain margins of 35%. The target markets for the sale of car parts are luxury car owners, local vintage car restoration companies, and car racing enthusiasts. Diversifying its services will improve the cash conversion cycle on a monthly basis. The expected revenue split after including the car parts facility is 61% from restoration, 26% from services and 13% from selling car parts.

Feedback on Consulting Experience

The owner worked with the consultants on marketing, operations and growth strategy. He found their advice very helpful, especially information on business development. Shortly after the consulting he was planning to follow the students' recommendation to create new profit centers by expanding the car parts distribution through retailing of merchandise and through online marketing of products.

Outcome of Consulting Experience, March 2012

The owner of the business discussed with the consultants how to improve his marketing strategy. The consultants did not offer specific advice but they brainstormed about online presence and setting up an online gallery showing on-going projects. Currently, the business does not have a website but the owner thought that a website should be part of the strategy when he decides to expand the business.

The owner was planning to set up a bigger restoration operation in a special economic zone with modern facilities which meet global restoration standards. The owner is interested in setting up in a special economic zone since it has preferable rules and regulations for businesses. The business is looking for locations in another municipality as well where it can integrate all activities, but it will keep the Makati location as well. The owner expected to open both of the two new locations later in 2012. These new locations will be financed by the four owners' capital. According to the owner, the difficulty with opening new locations is finding skilled people willing to re-locate or work in those locations. To find new employees, the business will advertise and also rely on referrals from current employees. The owner thought it would be difficult to find skilled employees, and therefore thought employees should be supplemented with modern equipment to improve efficiency. The owner thought the consultants' idea to find employees from the Technical Education and Skills Development Authority of the Philippines (TESDA) was helpful. The owner is willing to train young employees as long as they have the right attitude, are willing to learn, are motivated to work hard and do not only think about money. The consultants did not really advise the owner regarding the new locations, focusing more on operations, improving skills and technology, and investing in better and more modern equipment. The owner was planning to invest approximately 2.5 million PHP from his personal funds into new equipment such as plasma cutters, stick welders, metal cutting equipment and forming equipment which could help the business reduce its labor time. The owner was planning to buy the new equipment when it is on sale, around September 2012.

The consultants also advised the owner on expanding the business through retailing of car parts. The owner already started exploring this option more than two years ago and believes it is a viable business possibility, as clients prefer to source all of their car needs from one business. The business imports retail parts because they are not readily available in the Philippines; therefore this is a possible niche market, as the margins are good and it complements the business's service operation. The consultants advised the owner on how to set up retail operations, such as keeping minimal inventory and ensuring fast sales. The owner did not yet add retailing to his business because he was focusing on the expansion. In two years he is planning to add retailing to the business's operations. First the owner would like to recover the investment in the additional locations and with funds generated from the business he would be able to set up the retail side of the business.

Currently, the business's biggest constraint is cost of utilities, especially electricity. The business is not out to build an empire but wants each piece it delivers to be perfect. The owner is already retired and never intended the business to grow this big. The business is his hobby but if it keeps growing at this pace it might become stressful because of the amount of work involved. The consultants pointed out to the owner that he needs to decide what direction he wants to take his business. The owner tends towards expanding the business as his children are growing older and don't want to spend much time with him anymore, but the most important thing for him is to keep his customers satisfied, as they are his friends.

Name: 35519

Years in operation: 12

Number of employees: 7

Annual Revenue 2010: 800,000 PHP

Sector: Services

Description of Business

The company provides business management consulting, specifically in accounting and bookkeeping. Ninety-five percent of its clients are Korean industries, mostly based in the special economic zone, and 5% are Filipino, Japanese, Malaysian and Chinese small and medium enterprises. The business provides basic training to its clients' staff on filing reports to be submitted to BIR (Bureau of Internal Revenue), PEZA (Philippine Economic Zone Authority) and SEC (Securities and Exchange Commission). It also trains on accounting policies and other matters related to accounting transactions. In addition to training, the business provides business registration services to register a new company in the shortest time span, renews business permits, provides services to prepare taxation reports and file them with BIR, registers clients with different agencies, performs auditing, and certifies employees for auditing. The company regularly visits and checks its clients' employees and work performance. Seventy percent of the business's income comes from the accounting services and the remaining from consultancy services. Accounting services and transactions are done in the clients' offices. The business started in 1992 as a trader of electronic parts but has focused on business consultancy since 2000. The business has five owners and seven in-house employees, of which four are family members of the owner. They hire three to four outsiders for some projects. The business's goal is to hire more people since the current trend in the business is management training and job-out transactions. The owner would also like to have a separate office because the business is currently operating out of her house.

Business Constraints/Problems

- **Changes in business policies and laws** are the biggest constraint. Frequent changes of business policies, such as holidays, taxation systems, and high cost of utilities and transportation, affect their clients, which in turn affect the business.
- **The economic and global recession** is also a problem. During recessions, companies stop training their employees.
- **Consultancy needs**: The company needs help with accounting, financial management, and human resource management.

Consultants' Analysis

The business's biggest strength is its low prices relative to competitors. Other strengths are: loyal and regular clients (mostly Korean), well known inside and outside Metro Manila, loyal staff who have been working for the business for a long time, a flat and simple organizational structure, a friendly approach to maintaining long term relationships with clients, and familiarity with processes and people at the local and national government levels. Weaknesses of the business include an unclear growth target, lack of marketing strategy, centralized decision making, no business development, no market segmentation, no value proposition, no formal procedures for pricing its services, and language barriers with Korean clients. An increasing influx of foreign companies into the Philippines, potential new clients from Korea and other countries (Japan, Malaysia, China, USA and Europe), renewal of business permits, adding taxation reporting and calculation as a service, and human resource hiring services are all opportunities for the business. Threats to the business are 30 competitors in Manila, the aggressive marketing strategy of some competitors, and the introduction of electronic registration by the government (SEC i-Register).

Consultants' Recommendations

The consultants provided recommendations on the organizational structure, marketing, possible new services, and setting up a partnership. The business has ambitions to grow but in order to do so it needs to

develop a process so that the entrepreneur's skills are replicated across the organization even when the scale of operations increases. The owner needs to delegate more tasks because she can only handle a limited number of clients. Through better training of staff the business can cater to more clients and maintain its core values.

Currently, the owner mainly uses her business card to introduce the company to people who may want to establish a business in the Philippines. The business is well known, especially among Korean businessmen, because of word of mouth. The consultants proposed that the business use business cards and brochures to market its services during business gatherings or when meeting existing clients. The brochures should contain information on all services provided. It can also distribute brochures/flyers in government offices. This is a cheap method to promote its services. Secondly, the business should approach a different target market that may want to start a business in the Philippines. The business can attract new clients by establishing a website/blog and providing detailed information so businessmen in Korea have a better idea of the registration process for setting up a business in the Philippines. Having a staff member who can speak Korean will attract more Koreans to ask questions and use the services for business registration. Thirdly, radio advertisements should be aired during busy registration periods. There are particular months where tax payers have to file their tax reports, and in this busy period many businessmen are looking for service providers who can help them.

The consultants also suggested that the business add additional services to its portfolio based on what competitors offer. Some examples of additional services are: company incorporation and registration; company registration with PEZA or the Board of Investments; product registration with the Bureau of Food and Drugs; Land Transportation Office licenses; corporate and individual tax structure and planning; accounting and payroll services; recruitment and executive search; visas and immigration services; working permits for foreign employees; employee manuals and contracts; due diligence reports and services; human resource acquisition for call centers and business process outsourcing companies; and office space services.

Finally, the owner had been thinking about establishing a partnership with a consultant that focuses on auditing. The consultants suggested pursuing the partnership because it will increase the number of clients. The auditing consultant has 200 clients and this business has about 50 clients. Expansion to another region such as Mindanao is also possible by establishing a partnership with a consultant in that region. The business can direct clients to the partner and receive a commission in return.

Feedback on Consulting Experience

The owner worked with the consultants on finance and operations. She found their advice very helpful. The consultants' insights on the marketing strategy, threats to the business, and how to grow the business were most useful. The owner was planning to make changes based on the consultants' recommendations to establish a partnership with the external auditor who is now providing the services. Secondly, she planned to move the Makati office from a home office to a work office in the same area and also open a new office in another city within Metro Manila since this is where the external auditor has his office.

Outcome of Consulting Experience, March 2012

The consultants presented their recommendations to the owner on their laptop but she was disappointed with the consultants because they never sent her the final report with their recommendations. The owner also did not agree with the consultants' advice to increase manpower because the amount of work heavily fluctuates with the tax season. The business always hires the same ten freelance, temporary workers during the tax season. However, the business will consider introducing team building activities after the current tax season, as suggested by the consultants.

The business had not established the partnership with its external auditor because of the busy tax season but intended to pursue this after June 2012. The owner already talked to the external auditor about setting up a partnership and he was interested in this opportunity as well. Establishing a partnership would help the business increase its number of clients, as it would have access to the auditor's clients. The business was still planning to change its office from a residential unit to a commercial unit in the same building in Makati once the partnership with the external auditor was established. The auditor's office in another part of Metro Manila would be the business's main office and it would also have a branch in Makati. The business was also considering a joint venture with a group of 20 accountants, which was interested in partnering with the business because its external accountant is accredited by the Security and Exchange Commission (SEC). The benefit for the business of partnering with the accountants would be access to new accounts. However, the business is very strict about its clients and only works with those who comply with government regulations, otherwise the business could lose its license. This partnership opportunity came up very recently and had not been discussed with the consultants.

The consultants advised the business to take out a loan to fund business expansion. The owner would wait to see if the partnership with the external auditor came through before considering taking out a loan for this purpose. In January 2012 the owner did apply for a loan from a bank to purchase a new computer and printer, and she will know if the loan is approved in June 2012, once she submits the latest financial statements. The consultants also advised the owner to change the format of the business's financial statements because the business could save a lot of money from tax benefits by reporting costs of services. However, the business had a lot of remaining tax credits and already paid fewer taxes because of that. The business must use the tax credits within two years, and therefore the consultants' recommendation to change the financial statement format was not applicable for their situation. The business did follow the consultants' advice to bill clients on a monthly basis instead of at the end of the year. The business changed the contracts with its clients in November 2011 and started the monthly billing in January 2012. However, some clients did not agree with the change and continued to pay yearly or quarterly.

The consultants also suggested that the business look for new clients from Japan, Malaysia and China through online advertising with government agencies. The owner liked the consultants' suggestions about online marketing, putting up a website, and advertising on the Department of Trade and Industry website. Unfortunately, however, she never received the consultants' report with detailed information and links to these government agencies' websites. The business did not change its marketing strategy and continues to rely heavily on word of mouth advertising. Sometimes the business also advertises in a school yearbook as a donation to the school. The owner was not planning to change the marketing strategy and wondered if accountants were even allowed to advertise for accounting services.

The consultants also suggested that the owner delegate more tasks, but the owner was not able to read their detailed advice on this because she did not receive their report. The business's employees each manage their own accounts, but in December 2011 the owner hired an account manager and delegated some tasks to her, such as visiting clients to check their reports. Another suggestion from the consultants was to expand the client base; the owner will focus on that as soon as the partnership with the external accountant is established. As for the consultants' advice on offering additional services such as visa and immigration processing, the business cannot offer these services because only licensed brokers or lawyers can do so.

The owner attended the workshop at AIM and learned more about how to deal with customers and how to promote her business. The business often faces communication problems with its Korean clients; hiring an employee who speaks Korean could solve this problem but the owner thought that would be too expensive and she would have to train them to be an accountant. Currently, the biggest constraint for the business is convincing its clients to follow government regulations. The business's goal is to improve its services and train its staff on new tax rules and regulations.

