

# Business strategy – osim international ltd

Business, Strategy



Lastly, in accordance to the case study analysis, a few recommendations are provided. Table of Contents Introduction Strategic management Is crucial for a company's progress. ISM Is a global brand listed in the SEEX having a wide point of sales network (ISM Intel Ltd. 2010). They have managed to sustain the competitive environment with international management, customer relations, brand name, Internal strategies and adoption to the different environments. ISM has established a niche in developing and selling healthy products. Large companies like ISM International Ltd. Also face challenges and difficulties.

This is here the company's strategic management comes into action. Furthermore, it would be interesting to see how well the company has overcome the difficulties and how well it is going to use the strategic management tools. Therefore, this has made ISM interesting for a case study analysis. Strategic Analysis External analysis General environment The economic environment of Singapore is a highly developed and a free market economy. The per capita GDP of Singapore is been higher than most of the developed countries (Find the Data, 2010). The economy depends on Imports particularly in the consumer electronics (Find the Data, 2010).

Therefore higher manufacturing costs for ISM are inevitable. In terms of the socio-cultural aspect of Singapore, ISM needs to consider the tastes, preferences and lifestyle of the people. Particularly, people's willingness to buy the technology based healthcare products in comparison with traditional Chinese medicines. But consumers have adapted to the advancement of SIMS Innovation For the technology side, ISM is constantly developing its own

technological and R capabilities in Original Design Manufacturing and Original Equipment Manufacturing.

In today's world, company needs to cope with the technological advancements like e-business, which is an integral part of any business. Moreover, ISM strives for originality of product designs and functions, while also developing hybrid products from existing offerings (ISM, 2002).

Opportunities and Threats ISM is a strong organization; it means they occupy many opportunities in the market itself. The opportunities include market expansion and targeting low-income groups. ISM would likely benefit from growing affluence and arbitration in China.

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However, ISM also has many threats. The decrease in economic growth will make power of purchase goes down. Foreign exchange risks also affect the profit of company because sales are mainly denominated in the respective local currencies in which the sales arise. Vulnerable to health epidemics and terror activities, subject to market competition and negative media publicity caused by imitators and price pressure from others competitor's products are some of the threats that ISM will face (COB, 2010).

Specific environment Their threats of new entrants are relatively low due to more barriers to entry in the healthcare industry, which include the requirement of capital investment, human resources, and most importantly technology. However, competitors like TOT, Gawak and Panasonic have seen

ISM's successful and lucrative in this market, has joined in, to become a notable player. The bargaining power of suppliers is high since ISM is strongly dependent on three suppliers who are Oriental Export & Import Co. Ltd, Ditto-Electric Machine Industry Company Ltd. ("DEEM") and Red Time Trading Ltd ("ART").

The three suppliers provide 71% (appear. ) of the materials for the equipment manufacturing. In failure to do so, the company will suffer unexpected losses and disruption (COB, 2000). There are high levels of substitutes for these products. The cost of transferring to their major health and lifestyle firm is relatively low. There are number of players in the global market which makes the substitution level high. With the notable player like TOT and Gawak, where their product's prices are much lower than ISM's products might attract the lower-income household.

The healthcare products have a continuous change and a need for adoption. The customers are aware of the ISM-like products offered by other firms. Therefore the bargaining power of customers is relatively high. This industry has a stiff and aggressive competition, as there are competitors such as TOT, Gawak and Panasonic. Average returns. In addition, ISM's turbulence model in this industry is complexity because they produce many types of products, which are launched in many markets in Asian countries. Customers are range from young working adults to elderly.

Hence the degree of interconnectedness is moderately complex environment with different culture in many countries (ISM, 2012). In summary, strengths of ISM are large network of outlets featuring diverse range of products across

different geographical markets, proven track record of established brand and strong alliances with developers (COB, 2000). In the next 3-5 years, the refit of company depends on economic conditions and changes in consumer taste. On the other hand, threats of ISM in the future could be pressure of other brands products with cheap price and strong competition.

**Internal analysis** The core competencies of ISM are continuous product innovation keeping up with the technology, more points of sale networks which deliver a different shopping experience for customers. ISM has extensive regional distribution network which more than 596 point of sales outlet in Asia, Middle East, Europe and United States. (info. Sex. Com/website. NSF/... /\$File/ism. PDF) The strategic competitive advantage is sustainable. Although there are similar products in the market, ISM constantly comes up with differentiated products which allows them have above-average returns (Refer to Appendix 2. ). ISM has a strong position in this market even though the notable competitors like Gawak and TOT have embraced Ism's specialty retail outlets (Mbabane, 2012). However, there are also many factors that could affect the profitability. The standard of living is increasing, so people demand for higher quality of products and more health conscious. Therefore, consumers are more careful in selection. In addition, change in taste also affects the number of healthcare products purchased (Refer to Appendix 2. 2) (COB, 2000). Overall, in the most 3-5 years, ISM will become more famous in Asia.

The largest opportunities of ISM in the future are building brand in a sincere effort towards value and quality in products and services, and strive to

consistently fulfill and deliver these attributes that come with company brand to their customers. Innovation ISM has also been actively beefing up its product range by renewing its product line to cater to the changing needs of consumers through improving the aesthetic eateries such as the colors, designs, finishing, functions and fabric of their products. (COB, 2010). Be to continue its innovation drive and actively maximize value from its stores and staff.

Management has embarked a pipeline of new innovative products to be launched in a bid to enhance its product offerings". In addition of that, ISM knows that phones are popular thus connect phone to massage chair to boost sales to high-incomer buyers (Chem., 2012). Strategic Directions and Strategic Objectives Ism's Vision - " To be the global leader in healthy lifestyle product" (ISM, 2012) ISM is the brand leader and preferred choice for massage chair in five countries namely, Hong Kong, Singapore, Taiwan and China (Refer to Appendix 3. 1).

However, the top most position of being the leader of lifestyle product is still open (Mbabane, 2012). ISM may already be the leader in one type of product but they still need to up their stakes in order to become the best in the area. Ism's Mission - " Bringing healthy lifestyle to you" (ISM, 2012) ISM also lives up to their mission not just by their product, but also by promoting fitness and well-being to all people. For instance, Ism's support to Standard Chartered Marathon Singapore ties the commitment of promoting and bringing healthy lifestyle to people (Singapore Sports Council, 2010).

Strategic Objectives Ism's main strategic objectives are product innovation, market expansion, profit growth and also having a good relationship with the employees (Singapore Business Review, 2012 ; Wee Du, 2012). Using stakeholder analysis to identify the strategic objectives of ISM aligns with the demands of these stakeholders; shareholders, customers and the employees. Stakeholder Analysis Both shareholders and customers have a definitive salience while employees only have a dominant salience.

The reason why employee only has dominant salience is because the demands of employees are not as urgent as those of shareholders and customers (Refer to Appendix 3. 2). The needs of shareholders that need to satisfy are profitability and business sustainability. The strategic objectives to address the shareholder are product innovation and profit growth and market expansion. Shareholder is the main and primary stakeholder because shareholder is one of the main sources of resources to the company and to be used in doing more market research (Hillman ; Kim, 2001). Customers' needs that need to satisfy are innovative and high quality product.

The (Chug, 2010). Even their newly introduced Ism's brand logo deems to be consumer- centric (Refer to Appendix 3. 3). With their new mission of "Inspiring Well-Being" inspire customers to work towards of feeling great and good looking and taking control of their own well-being (Forecasts. Com, n. D. ). Their new retail layout enables customers to try out their product improving their shopping experience. ISM also works with Interbrain to conduct study about consumers' changing needs to understand customers

and better in their specialist retail management and enhancing their products to tailor to different customer (Chug, 2010).

Employees' needs that need to satisfy are having good communication with the company, getting good incentives from the company and being recognized of their works. The strategic objective that will satisfy the employees' needs is having a good relationship with the employees (Forecasts. Com, n. D. ). ISM office building provides their employees a range of facilities (Refer to Appendix 3. 4). ISM headquarter designs to foster openness, building an environment to help employees promote their creativeness and imagination (Forecasts. Com, n. D. ).

Not only that, early this year, ISM has just incorporated a subsidiary named ISM Services Pet Ltd in Singapore mainly to provide training and development to their staffs. ISM provides training for their sales employees and customer service employees because they know that the quality of the service is as important as the quality of the products itself (Reuters, 2012 & COB, 2000). Key Broad Business-Level & International Strategies Nations product/ market business level strategies Product development ISM always come up with new products to satisfy the demands of shareholder and customers (COB, 2000).

ISM implements product development strategy by introducing new products to the same market. Innovation is one way to introduce new product, for instance, new divine App massage chair (Refer to Appendix 4. 1). They also focus on researching and upgrading of their IT infrastructure and implement it onto their products to further upgrade them (COB, 2000). This will allow



the user to have a better experience, which bodes well with the company as a market leader (Singapore Business Review, 2012).

Innovation will result in increase on Ism's market share and create confidence to shareholders and customers in ISM. Product development in ISM satisfies two of the organization's strategic objectives; product innovation and profit growth (Singapore Business Review, 2012). Market development ISM is always in the lookout for new market with high potential for its product. This By penetrate into a new market; they will be able to expand their market share to many different countries and opening more stores (Carver & Kipped, 2010). International Strategy ISM use a global strategy to expand their market.

As a leading company in healthy lifestyle product, expanding to many different countries would be essential to be known internationally and increase their market share. ISM now has many outlets in more than 222 cities but is now focusing on expanding their outlets in China. China has a very strong GAP but is not doing so well current which affects the number of outlets to be opened in the country (ISM, n. D. ). Strategic Implementation: General Perspective ISM has been playing in this market for long, knows what is needed to be done to works in this industry (Mbabane, 2012).

Product and market development has been the reason for ISM to be profitability. In this competitive and lucrative industry, Ism's well implemented strategies has enables them to remains sustainability and earning profit above-average. ISM has been tapping onto the high-income earners in this market; however ISM would start their second curve to growth

in the untapped market like the low-income household. This is a good time for ISM to start their second curve activity although their current strategies are still doing well to their business (Refer to Appendix 5. 1).

ISM could look into starting a new business catering to the lower income household with similar products but at a cheaper price. This could allow the poor to enjoy the same health benefits as the rich. This allows ISM to continue its longevity and growth. Under the BCC portfolio matrix, ISM falls under the " Stars" where there are high growth and high market share. In such a competitive and growing industry, more and more players are tapping into this market because of its lucrative (Mbabane, 2012). However, with strong competitors around, ISM is still able to be the market leader in the healthy lifestyle industry (Refer to Appendix 5. ). Key Strategic

Implementation Issues There are areas that ISM has been doing well, for instances, strong alliance tools, creativity and innovation and specialized in specialty retail stores. As ISM have been building strong relationship with the mall developers, like Capital, which allows them to receive information about new shopping mall coming up (COB Investment Research, 2010). ISM has been very creative and innovative in their products, incorporating Chinese medical massage " TU-An" into their new leg massage like euphoria (Refer to Appendix them to be the No. In the industry proven that their investment in R; D is not wasted (Koch, 2012). ISM is also the pioneer in using specialty retail stores to market their product instead of distributors. Points of sales system are the key reason for their strong brand equity (Refer to Appendix 6. 2) (ibid). Even though ISM is doing well in these areas but we have also identified the areas that hinder their strategic implementation. One of the

issues identified in ISM is poor CEO leadership. Mr. Ron Simi, the founder, CEO and major shareholder is also the brain master of ISM International Limited that makes every important decision.

However, according to Mbabane Kim Eng Research, Mr. Simi has no clear succession plan yet, believing that there is a substantial founder's risk in the stock (ibid). As a CEO and managing director, Mr. Simi should prepare and train his ideal successor early in order to prevent the business from falling due to any unforeseen circumstances. The other major strategic implementation issue that hinders ISM is inadequate finance. To finance acquisitions made, enhance corporate and working capital, and reduce existing debt, ISM raised \$120 million worth from issuing unsecured convertible bonds due in 2016 (Enriches, 2011).

ISM has also targeted to expand 50 outlets this year when they release their 1st quarter financial statement, however due to the debt turmoil in Europe and slow recovery in US, it has impacted consumer spending and demand and worsened downside risk to earnings (ibid). It has resulted in the management scaling back in the net store opening. According to Mbabane Kim Eng Research in October 2012, ISM has expanded only 4 outlets thus far. As an expanding international organization, ISM should reduce manufacturing costs and operating expenses.

ISM should also concentrate on exclusive outlets instead of diversifying their stores to every shopping mall. Further, ISM faces a strategic implementation issue of failure to protect/use IP. Intellectual property rights are a major factor for a well-known brand like ISM. ISM's products have been hit by

imitations in the market. The unsubstantial product performance and inferior quality of those products has led to negative arrest segment. This will have a severe effect on the sales and reputation of the brand. This mainly involves the Chinese made fakes in the China market (Cal, 2012).

But a large market like China cannot be avoided, therefore the option that ISM has, is to churn out the counterfeit to stay ahead of the imitators by continuous innovation and make the IP rights framework stronger. The key issues hindering Ism's strategic implementation are the poor CEO leadership and failure to protect/use IP as the former issue may affect the confidence, trust, and reliability that potential investor have on ISM and ultimately nonuser confidence dreary due to imitation products and eventually losing the market share (Cal, 2012).

Strategic Evaluation As mentioned earlier, the strategic objectives of ISM are product innovation, market expansion, profit growth and good customer and employee relationships. So far ISM has achieved some objectives successfully and some are in the process of accomplishment. The evaluation of the objectives can be done using balance scorecard approach (Refer to Appendix 7. 1). Conclusion: Current ; Future Prospects ; Recommendations In this rocky economy no matter in Singapore or China, ISM is still growing strong ND enjoying being the market leader even though with strong competitions.

Their new divine App and euphoria has escalated their profit. In addition, ISM has been focuses on improving productivity and performance and rationalizing non- performing outlets allowing them to expand their net

margin. As a leader in the well-known healthy lifestyle industry, with the innovation and ability to connect IT into their products, foreseeing that ISM will still be able to soar in the coming future. However, ISM has to narrow their target setting with the consideration of uncertainty economy due to US and Europe market.

ISM has a roof of experienced management team; however to bring ISM to a higher level, ISM should consider bringing new bloods into the management level. ISM should continue with market development by using the phase-out product in untapped market to gain profit and new product life cycle. As ISM has been targeting high-incomer therefore we would suggests ISM to tailor their products caters for the low-income household as their new target market. This would also allow the lower-class household to enjoy their products and inspire by their new mission of feeling great and looking good.

So not only the rich enjoying massage, the or can too. Appendix Background of ISM International Limited ISM International Ltd is about creating a perspective of the awareness of health. Company tries to encourage people to pay attention on their own health through daily of living by carefully designed and crafted trademark products. ISM was found in 1890 and started off as a retailer of household products. The name ISM is based on founder, chairman and chief executive Dry. Ron Ism's name. ISM has developed into a strong global brand for healthy lifestyle products from the ISM was first opened in Singapore.