

# Colorscope inc essay



**ASSIGN  
BUSTER**

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## Background Case

The main line from the colorscopeinc background are the corporate was found in march 1976, the first target customers is local customers (small agencies), and after that colorscope growth significantly that thing can be proved in 1988 sales colorscope over than USD 5 Milion and they served Big Customer, since growth they invest capital expenditure in order to improve services. In 1990 when the overall technology growth rapidly and there are more competitor than before, this situation make the condition under pressure, the first impact from this condition is price war, so the market pressure forced him to reduce his own price.

After all finally in 1994 , colorscope loss signifant& long term client ( where the client omset is 80 % of his business). If colorscope want to survive in this business they must reevaluate the industry from the operation to his pricing policy.

## Direct Competitor

- 1. Larger, more technically savvy printing companies with professional salespeople pushing bundled pricing, integrating pre-press services with printing in a single package, such as R. R. Donnelley & Sons Co. and Quad Graphics.
- 2. Companies that competed in several different submarkets beyond catalogs, e. g. nsert, comic syndications, and coupons, such as American Color and Wace/Techtron.

- 3. Standalone firms that competed with loose affiliations to other printers or advertising agencies, or that literally set up shop next door to their largest accounts to fend off potential competitors.

### **The Future Strategy**

- 1. Capitalized its biggest assets, its employees who were all well trained and worked effectively as a team to meet deadlines.
- 2. Increase marketing effort to drum up new business pre-press for catalogs in the fall season before holiday shopping started, for short term strategy.
- 3. Revenue per page was unlikely to improve due to competitive pressures. Cost containment and improving operational efficiency were, therefore, critical, particularly in reducing the amount of rework.
- 4. Another area for improvement was product pricing. At present Colorscope Inc. quoted more or less the same per page price for different customers, plus additional charges for special effects.

### **Questions**

1. How could Colorscope improve its operation?

2. How could it change its pricing strategy?

3. What accounting and control should this company install?

1. Colorscope's strategy to improve its operation are: If we talk about performance it's correlated with revenue, marketing area is lead by Mrs. Agatha Cha and Mr. Joe Cha. Since Mr. Joe will move to Shanghai to pursue a career in consulting, Company have to prepare new personnel to replace Mr. Joe's position. Highly recommended the new marketing personnel have good

skill and knowledge in technology , so when colorscope want to get more revenue they must have marketing campaign to get big fish.

\* They must changed the based printing method from conventional to modern based which is more efisien and effective. It can be looked in the picture Beside leadtime changing from conventional based to be computer based can reduce cost

\* According to organizational structure

\* Cost competitive pressure can be reduced by shrank the hours spent on rework. Colorscope was spent hours for rework which means it has impact to quality control wages cost (\$ 11, 000, June 1996) that caused the increase on product cost. Reworks are divided into rework initiated by customer due to change in specification and rework caused by error in-house. This kind of rework caused by error in house should be avoided, the original defects were introduced in the scanning stage of the operation.

However, when a job is rescanned, assembly, output, and quality control all have to be redone. Colorscope can gain additional revenue by leased the 6, 500 sq. ft. idle floor space.

2. Colorscope Pricing strategy If we talk about pricing strategy we must analyze about cost of production / cost per unit from the product, now price per page from colorscope around \$ 600, The result from the price analysis is colorscope sales price is below from cost per unit it cause there are inefficiency from cost of rent , there are idle room ( about \$ 13, 000) and it's affected total cost about \$ 24 per pages

So the conclusion about pricing strategy :

- \* Coloscope must increase their sales prices over than cost per unit ( sales price > Total Cost)
- \* Coloscope must make a policy about their rent. They must rent smaller office then rent expense will be reduced and effective.
- \* Considering the size of the operations and cost of rework, it needed to control costs while maintaining quality and to manage customer profitability
- \* Coloscope initiated quality improvement techniques, an incremental change to limit error . accounting and control should this company install
- \* Employees considered as important assets that will keep the business running well.

Nevertheless, from the description of workflow organization at Coloscope we find that workflow and production procedures were standardized but not documented. Coloscope relied instead on the institutional knowledge of its employees and frequent supervision by Andy Cha to maintain and improve operational efficiency.

It is important for Coloscope to create and documented its standard operating procedures, in order to anticipate increase in work hours that may be caused by new employee hired. In other side it can reduce work hours spent for coaching and supervising new employee.

- \* In practically colorscope can adopt activity based costing, in this method fully related with control system, because with this method they can now

where is unefficient activity and used to measure customer profitability, beside that colorscope must revised or make new their SOP ( ideal Condition).