

Malincho – college essay



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1. Overall Assessment

Kalin Pentchev created an increasingly growing business out of confidence, determination and sheer luck. Building a company from scratch is complex and certainly takes some of these qualities to persevere, but must also take planning, analysis and strategy. While Kalin displayed confidence, which Professor Sarathy explained contributes to a company's success, it was gained from his own determination not to fail, rather than from having an understanding of international marketing. Instead of using well-mapped out plans and strategy to guide his company, Kalin created a reactive business with decision-making occurring as issues and dilemmas arose.

Unfortunately, as a result, he made several mistakes common to new exporters - failure to develop an international business plan prior to export; insufficient care in selecting distributors and partners; chasing orders instead of selective and orderly international marketing; and assuming that successful home market product and marketing techniques would work anywhere - which ultimately played a role in causing many of the issues he faced.

Failure to Develop an International Business Plan A formalized plan in business, whether export, marketing or a standard business plan, summarizes what the manager has learned about the market place and how the company plans to reach its specific goals. Although Kalin researched information on the Bulgarian population in the U. S., he failed to gain his true potential by having a plan in place. For example, if he had analyzed all

possible markets, he may have discovered a large and available market segment, like the ethnic communities, sooner.

Furthermore, if he had not reached a sense of urgency and become desperate to sell his product, he may have missed that market altogether. Additionally, without a plan in place, he overlooked the competition, potential “ what if” scenarios and marketing opportunities. Such analysis would have identified the online opportunities available and, as a result, he could have developed a website from inception, advertised it in his brochure, and lined up pre-sale orders even before the first container arrived.

Finally, a plan would have helped break down every business operation, identifying the needed resources and their associated costs, estimating how long each activity might take and who should be responsible for them (i. e. girlfriend, friend(s), himself, etc.). Through this process, he would have recognized the immediate need for a van and possibly selected it over the Maxima, saving himself a significant amount of money. Similarly, walking through each operation would have outlined the shipping and packaging processes and he could have discovered sooner than fall 2002 the importance of developing partnerships with key individuals in order to save on costs.

Insufficient Care in Selecting Distributors and Partners When Kalin began his company he did not have any business let alone import/export experience. While it is possible to build a successful business without prior experience, having the right partner(s) in place to assist not only financially, but to provide knowledge and guidance could have been an invaluable asset and

helped him develop more efficient strategies. People provide a set of skills, experience and wisdom, and although he initially tried to form a partnership with his schoolmate's father, when that proved unsuccessful he moved on alone instead of trying to find a replacement. In addition, selecting the right distributors is an essential component to business success.

As recommended by the Basic Guide to Exporting, a U. S. firm should investigate potential representatives or distributors carefully before entering into an agreement, including, but not limited to, finding background information and trade and bank references. Unfortunately, Kalin failed to investigate his distributor and received poor service and damaged products, losing five percent of the shipment. If Kalin conducted a thorough investigation and even shopped around for competitor distributors, he could have possibly received a better price and quality service, avoiding the time and money he spent fixing the damaged products. Chasing Orders Kalin developed a reactive business that responded to situations as they occurred.

His strategies were the result of things gone wrong. As an example, he had to change his lower-price selling strategy after a distributor warned him of the consequences and struggled to even maintain an effective pricing strategy because his focus was on selling the product as quickly as possible. Instead of developing relationships and taking care of the customers, like the Lebanese storekeeper, he provided to some poor service and coincidentally treated them similarly to the way his distributor treated him with little contact and no follow up. "Desperate and determined" and rather than taking a step-back to prepare a solid selling strategy, he looked for customers in yet another market, the larger-volume cheese buyers.

Assumed Successful Home Market Products and Techniques Worked

Anywhere In addition, Kalin also built a business of faith assuming that cultural values and business practices that previously worked in his home country would be transferable to a U. S.-based company. For example, Kalin suggested that all customers believed non-payment to a vendor was offensive and feared reprisal from a fictional, more powerful business man.

Although it is important to understand the cultural values of the customers to better meet their needs, it should be used as a guide and not a say-all for everyone. While he was fortunate that only two customers had not yet paid their bills, it only takes one offender to have detrimental effects on a company. In addition, he also placed a lot of faith in the Russian landlord. Although a certain amount of trust must be placed on distributors, partners and contacts, without the proper investigation or insurances in place, Kalin could have found himself in an unfortunate situation.

2. Risks Facing Malincho

Unfortunately, the risks Kalin took and the mistakes he made could have adverse effects on not only the growth of the company, but its longevity and staying power. First, Kalin ran the risk of growing his business too quickly with the processes currently in place and the overly-ambitious expansion ideas on the table. Because the business was too small to support another employee, Kalin could over-extend himself, accepting too many orders and, in turn, affecting the quality of services and products. Unfortunately, his overall focus was on the company's bottom line and his own vengeful success, rather than on the customer. He made it easy for competitors with

more structure and a greater competitive advantage to step in and take away much of his business.

Next, in addition to too much growth, Kalin faced the reality that his business might fail as a result of financial difficulties. While some companies use debt as a part of their overall finance strategy, using it to leverage the return on their equity, increased risk from more debt per equity could lead to poor results because the cost of servicing the debt could grow beyond the ability to pay. Furthermore, loss of income due to poor service, small margins and poor management would only increase that debt. Kalin was fortunate on several occasions and surprisingly had several things work in his favor, but eventually the continued mistakes could cause a downward spiral and, ultimately, end his business.

3. Doing Things Differently

Kalin was on the right track with a business concept that brought quality cheese to the Bulgarian community. He successfully found a niche market that had size, profit and growth potential through specialized products and services. Unfortunately though, the steps and strategies that followed hindered the possible success of the company. An export entrepreneur, like Kalin, hoping to achieve high performance and greater results should follow a strategic business plan and model similar to that shown in Exhibit I. Following the vision and concept creation, Kalin should have conducted a thorough market analysis, which evaluates the target markets and helps identify the company's capabilities and constraints.

With this analysis, Kalin could have then examined his exporting potential by reviewing the unique or important features of the product. “ If those features are hard to duplicate, then it is likely the product will be successful as a unique product may have little competition and demand for it [even beyond the Bulgarian communities as demonstrated by other ethnic group sales] might be quite high.” Once the potential was established, Kalin should have prepared a well-organized export plan, formulating his company’s objectives and idealizing effective strategies. A plan includes specific goals, sets forth time schedules for implementation and marks milestones so that the degree of success can be measured and used to motivate staff (as he acquired them).

With these steps effectively completed, he could have then developed a marketing plan, determined distribution methods, established contacts and partners (e. g. investors, distributors, customs broker, etc.), and obtained the proper licenses based on international regulations. Additionally, now with everything in place and a solid foundation established, he would have been prepared for a pre-launch, testing the operational procedures in place and evaluating the success of all contributing businesses.

If he found any issues, he could have reevaluated the previous steps. However, if the evaluation came back positive, he would have been ready for launch. If Kalin had followed these steps, he would have ensured that all details were examined, including identifying the target markets, customizing the products to meet their needs and strategizing the most effective implementation and execution methods. Furthermore, he would have

identified the “ what if” scenarios and created back-up plans, helping to eliminate and/or quickly overcome any challenges.

4. Recommendations

Kalin built a business that had incredible potential. With sales averaging \$16,000 per month and filling more than 100 orders per week, he created a company that could grow beyond his initial expectations. Unfortunately, Kalin’s bottom-line focus, naivety and self-promotion could lead to the company’s demise. In order for Kalin to achieve greater results, he should first reevaluate his priorities and determine what is in the best interest of the company, developing a vision and well thought-out plan with clear objectives and milestones. While every entrepreneur strives for success, a customer-focused business has an ability to understand and meet the needs of the customer, develop products and services that satisfy them and build a competitive advantage.

Next, Kalin should work on organizing his finances. Filing the tax returns so in three years he can properly obtain a business loan for debt consolidation is certainly a step in the right direction. Then, Kalin should focus on perfecting the business at hand as it will be the stepping stone for any future growth or success. In order to tackle such a feat, he should analyze his current operational procedures. Instead of spending money on growth he is not quite ready for, he should invest in innovative technology that will make his procedures more efficient, saving him valuable time and, in the end, money.

Efficiency requires keeping costs low and eliminating wasteful spending (like on damaged products and gas) through an emphasis on tight cost control, organized operations, low overhead and leveraging the benefits of a well managed supply chain. With lower costs and a more efficient system, Kalin could then spend more energy on building customer and partner/distributor relationships. Once he has a business that runs smoothly and effectively, and has control over his finances, he could then pursue growth opportunities, which should follow similar business processes and steps as previously described to ensure success.