

Softcat Ltd

Business



CASE ANALYSIS SOFTCAT LTD Company: Softcat Ltd. Headquarters: Thames Industrial E Fieldhouse Lane Marlow, Buckingham, SL7 1TB United Kingdom Industry: Information Technology and Service Company website: www.softcat.com . COMPANY BACKGROUND: Taken from Softcat Ltd. website, details of the company are presented. Softcat Ltd. is a privately held company founded by Peter Kelly in 1993 specializing on software licensing, hardware, security and related IT services. It also offers a wide range of services that includes advice, guidance, technical design, product sourcing, implementation, support and project management. At present, company has long time business dealings with over 1, 500 customers of different types and sizes. Company employs 500 workers Peter Kelly is the majority stockholder of the company but employees are also allowed to become shareholders and hold stock options. Softcat is one of the fastest growing resellers in the market so that its revenue in 2010 rose to above ? 200 million in 2010 (See fig. 1) SWOT ANALYSIS Strength. Softcat's strength lies in its efficient management of cost and its highly motivated employees. Soft cast has managed to increase its productivity by maintaining a well-organized cost base. It has no debts, no liquidity problem and has high levels of cash reserves. It has no credit line problems thus assuring its customers of a continuous supply. As an employer, Softcast has been judged as the new no. 1 best small firm by Sunday Times 100 wherein workplace opinion matters (Bozlas, Senay. 28 Feb. 2010) . Employees of Softcat feel they get a fair deal with the company in terms of pay and benefits. Weakness Vulnerability with supplies as it depends on partnership with their suppliers and thus subject to increase in prices. Limited accessibility; Softcat Ltd. operates in three areas only, namely, in London, Manchester and in Marlow. <https://assignbuster.com/softcat-ltd/>

(" What we do") Thus operation is limited. Opportunity Many companies now depend on IT technology development and these are areas for expansion

Threat Requirement of clients on IT depends on technology changes, Softcat should respond quickly or they will lose clients. Competition rivalry is intense in the industry. Porters Competitive Analysis Supplier Power: Softcat is a reseller and relies on its suppliers for input. Softcat has 57 suppliers that supply unique product of its own and as such has some degree of strength and control over the company. (" What we do") Softcat cannot just switch from one to another like switching from IBM to HP because of customer's needs. Supplier power is dealt with much difficulty because it is easy for suppliers to drive prices up. Bargaining power of Buyers. Buyer power is high because of the importance of each individual buyer to the business such that it is easy for them to drive prices down. Buyer can easily switch from Softcat's products and services to someone else, so they are able to dictate terms. Competitive Rivalry. The IT industry has many competitors that offer equally attractive products and services. Most likely they also get their inputs from the same suppliers of Softcat because there is no exclusive contract with suppliers. Softcat have little power in the situation because suppliers can go to other resellers if they don't get a good deal from the company. Threat of Substitution: Softcat is affected by the ability of customers to find a different way of doing things from what company offers. For example, they may use their own IT solutions and this can weaken Softcat power on the company because substitution is easy. Threat of New Entry: Softcat's power is affected by the new entrants to the market. Because of non-exclusivity of IT suppliers, and it costs little time and money to enter the market and compete, Softcat's power is low. STRATEGY USED:

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Softcat Ltd. use reselling in the course of their business. The company sells and supports software, hardware and security products which they secure from main technology vendors. They also get their products from other suppliers using their worldwide sourcing system. Softcat aims to be an extension of the IT component of its customers. Company has been successful in accessing their supplies because they have the financial resources to finance their supplies inventory. Softcat is financially strong and has no problem with suppliers. Other companies cannot just use this strategy if they are not backed up with financial capability. It takes a long standing relationship with suppliers to develop dependence. How is the strategy affected by the life cycle in the industry? Softcat manages their products through a portfolio management. Introduction is the hardest part of entry in its business because of large marketing cost of launching and promotion. At this time, profit is minimal because of costs. A product life cycle is composed of introduction, growth, maturity and decline (Tutor2u). THE ISSUES AND CHALLENGES FACING THIS COMPANY. Being a small firm becomes the competitive advantage of Softcat. It has managed to report a trend in growth in sales and profit while others in their ranks experienced the reverse. Referring to the product life cycle, the company is in its growth stage wherein company is currently getting bigger sales possibly because of better prices and service. The company has enough funds to invest in other areas where they can increase their market share and enjoy the overall growth of the market. They will be able to sustain this cycle so long as they maintain a competitive team that can provide IT solutions to clients. Challenges are fast changes in IT technology, continuous training and development of personnel since needs of their clients keep on updating. Besides, company's goal is to

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increase the market share by providing innovative and cost effective solutions couples with excellent service. As Softcat owner said, “ We are owning market share in an economy that is stagnant and declining”. (Yirell, Sara)

COURSE OF ACTION RECOMMENDED: Most likely strategies that I would recommend to Softcat are to increase its market share by targeting the public sector of UK; continuous employee education and training, and opening up of other services. A large part of government budget is spent on IT, and by becoming a partner of this sector would provide a steady growth and income to the company. This is a deviation from the private sector partners presently handled by Sofcat Ltd., and by devising innovative strategies like a long term contract with the public sector that would strengthen its position in the market. Growth should also be equaled with expertise. Continuous education and training of personnel is recommended as IT requires a great deal of research and adaptation. Softcat can design other areas of services like IT sourcing that is similar to sourcing in China and India. Other areas that can be revisited in the private sector is the optimization of use of desktops. Updating of software usage will be an added income to company since an update is needed by users who are still using old versions of Windows.

OPINION: I found this case motivating because despite being categorized as small company, Softcat was given the honor to become 1st best small company in 2010. Using a focused strategy of reselling and partnering, it was able to take advantage of the prestige of brands they have included in their portfolio. This way, Softcat has managed their cost base efficiently. However, this practice also exposes them to fluctuations of prices introduced by their own suppliers. Inevitably, they have to conform to the dictates of supplier’s prices that also affect their pricing

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and services. The lessons learned from the case study gave me an insight of how to analyze factors that affect business both internally and externally and will be a helpful guide for me in the future when I am engaged in a business of my own. References Bozlas, Senay.(28 Feb. 2010). Tough times brings out the best. The Sunday Times Retrieved 15 Sept. 2011 http://business.timesonline.co.uk/tol/business/career_and_jobs/best_100_companies/article7039475. ece “ Optimized product” (n. d.). Retrieved 15 Sept. 2011 from <http://www.linkedin.com/company/softcat-ltd/optimised-desktop-131849/product> Trendall Sam. (10 May 2011). Softcat reaches new heights in FY 20 10 Retrieved 16 Sept. 2011 from <http://www.channelweb.co.uk/crn-uk/news/2069525/softcat-reaches-heights-fy2010> Tutor2u. (n. d.) Marketing - Products life cycle. Retrieved 16 Sept. 2011 from http://tutor2u.net/business/marketing/products_lifecycle.asp “ What we do” (n. d.) Softcat.com. Retrieved 15 Sept. 2011 from <http://www.softcat.com/what-we-do/key-accreditations> “ Who we are” (n. d.) Softcat.com. Retrieved 16 Sept 2011 from <http://www.softcat.com/who-we-are/financial> Yirell, Sara (20 Aug. 2010) Softcat looks to purrfect growth. CRN. ChannelWeb. Co. UK. Retrieved 15 Sept. 2011 from <http://www.channelweb.co.uk/crn-uk/news/1877846/softcat-looks-purrrfect-growth>