

Partners system case analysis

Business



TAG Partners System, Inc.

TAG's business plan is to provide small trucking companies complete back office solutions and strategic alliances to eliminate the competitive advantage large trucking companies' benefit from. The small trucking companies will receive greater revenue per mile and have lower operational expenses through TAG's services, which are gained by leveraging a large client base, forming strategic alliances, and implementing their software. TAG's management team is offering a 20% stake in the company for \$100,000 in equity funding.

Management's perceived value based on the 20% stake for \$100,000 indicates a valuation of \$500,000 would be necessary in order for an investment to be considered. SWOT Analysis Strengths TAG will offer a complete back office solution for small trucking companies. TAG would fill a niche, as there are no companies who offer complete back office solutions for small trucking companies.

TAG offers a business model which cuts out intermediaries, and can increase margins for small trucking companies with no leverage.

Strategic alliances have been acquired in order to offer a complete end-to-end business solution. Partner companies are already established and specialize in their respective area of business. Weaknesses TAG's software has not been patented. Receiving a patent is not an easy task and leaves risk of the software infringing upon an existing patent, or someone copying the software prior to a patent being applied for. Management has no

experience successfully carrying out a business plan and does not have a detailed exit strategy.

High volumes are necessary to obtain any competitive advantage. The dramatic increase in sales in TAG's financial summary is not adequately justified. Customers could go directly to the suppliers on their own and possibly save more money. Opportunities An experienced Board of Directors could help mitigate some of the risk associated with the current management team A clear exit strategy should be defined with potential suitors in order to incentivize equity investment.

A study should be done to determine the need for such a company and if TAG's market penetration rate is reasonable. A plan to offer their own line of services, rather than partner with existing companies, would help alleviate the risk associated with their strategic alliances and the bargaining power of the suppliers.

Threats TAG's strategic alliances and reliance on other companies poses an increased risk to their complete back office solution. The small trucking industry has been declining or close to flat in recent years.

An increase in Internet based competition with the ability to offer lower prices due to little staffing and overhead would devastate TAG's business model. TAG may not be able to attract enough companies in order to achieve the competitive advantage they are offering. Trucking companies may be better off economically if they outsource their back office work to individual companies who specialize in one area. Porters 5 Forces Bargaining Power of Suppliers TAG has entered into strategic alliances with GETLOADED.

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com, Randy McNally, Transinsurers. com, and Intuit.

The terms of the alliances do not spell out the competitive advantages over trucking company's using the services individually rather than TAG's full integrated back office solution. Even if the terms of the agreement were given, TAG's business model is dependent on other firm's products. Any problems caused by a supplier would disrupt TAG's business model. Also, each individual supplier could mirror TAG's business model if it becomes lucrative.

The bargaining power of certain suppliers like Rand McNally should be fairly insignificant considering there are other alternatives for TAG to use, such as GoogleMaps and MapQuest.

But TAG may not be able to receive any bargaining power if they are at the mercy of their suppliers products when the suppliers could go directly to the customer. Bargaining Power of Customers TAG's business plan does reduce the bargaining power of customers. TAG's referral model will entice users of the software and services to be loyal and help recruit other small trucking companies. Also, the current lack of other end-to-end solutions does not give the customer bargaining power, although the customer can utilize the services provided by TAG individually by going directly to the source.

Threat of New Entrants TAG plans to implement perpetual patenting, which should help discourage direct plagiarism, but will do little to limit new entrants into the market. There are already several established competitors offering some of the services TAG wants to provide, but it wouldn't be too difficult for the established companies to imitate TAG's business model if it is

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lucrative. Threat of Substitutes Currently, trucking companies can go directly to the companies TAG has placed strategic alliances with on their own to gain the same competitive advantage without paying a monthly fee.

Also, established fuel card company Comdata and factoring provider Systrans Financial already offer national operations and have a solid customer base. DAT Services is highly recognized in the small trucking industry for load matching services. The ability for a small trucking company to go with an already established business, which may offer better prices than TAG will be detrimental to TAG's business model.

Competitive Rivalry between Existing Players Currently, TAG is the only complete end-to-end solution for small trucking companies.

Other back office trucking services could enter the market and create a rivalry. Competitors with an established client base and existing operations would be better suited to expand their operation into a software program that could integrate all of the functions TAG hopes to implement. Predatory pricing could severely hurt a new venture as the established company would have the upper hand. If TAG could truly differentiate their product from the current marketplace, then they may be able to withstand the competition.

Risks Character Risk - High Risk

TAG's business plan does not mention anything to help mitigate character risk.

The perceived embellishment of previous business experience, which is described in detail under " Management Risk", does take away from the level

of trust I have for the information provided throughout the business plan.

Management Risk - High Risk Prior Start-Up Experience Mike Goodwin

successfully built and managed The Content Management Experts, LLC.

However, after a background check, The Content Management Experts Entity is inactive and there is no history concerning the company's operations (Exhibit 2).

Industry Knowledge Timothy J. Murray has been in the transportation industry for seven years.

He served as Vice President of TransSolve, Inc. from 1998 to 2000 and grew annual revenues from 1.3 million to 9.86 million. After further research, I discovered the TransSolve Entity has been inactive since 2001 (Exhibit 1), which leads me to believe the increase in annual revenues did not result in a positive operating cash flow to sustain the business.

Technology Expertise The management team claims to have an end-to-end business solution, which integrates existing services and their own proprietary software.

The technology has undergone beta testing and is currently in use by 60

trucks. **Operations Expertise** The business plan does not detail any

operations experience other than the fact that Mike Goodwin built and

managed the now defunct The Content Management Experts, LLC. **Financial**

Expertise The business plan does not detail any financial experience other than the fact that Timothy J.

Murray was responsible for growing annual revenues at TransSolve.

Commercialization - High Risk Development - High Risk The current software program does offer an end-to-end business solution, but it does not demonstrate how the use of the TAG's service will help the trucking company's bottom line any more than the company can obtain on their own.

Customer Acceptance - High Risk Customer acceptance will be low due to the fact that initial subscribers may receive no economies of scale and there are other companies out there that have large customer bases that can already provide economies of scale.

Marketing ; Sales Risk - High Risk Establishing a customer base and being able to retain the customers seems like it could be a major problem for TAG. The monthly fee charged to use TAG's software may not be worth it to a small trucking company who can either obtain the benefits individually through the companies that TAG is partnering with or through other established competitors with strong brand recognition. Risks - Summary TAG's business plan has high character, management, and commercialization risks.

Management's prior management experience does not seem promising.

They need to focus on improving the overall vision of the business model and how they will attract customers and implement their plan. Also, they should detail how the business has been funded up until now, and what their level of commitment is to the company. In addition, they mention creating an Advisory Board, but they should be more specific in regards to potential

members and their specific backgrounds and how they will help TAG succeed.