

Internal and external analysis rosetta stone assignment

[History](#)



The company employs 1 738 employees, Of which 922 full time. The majority of their employees work as the kiosk sales employees; 894. The rest of the employees work at the core of the company, quite a substantial amount of employees work on the research and development of their product (333) and then there are the marketing and sales department (266) and general administration (190). Since they focus on efficiency they use a third party to handle their packaging and distribution. Business Model In order to analyze Rosetta Stone. E first need to define and review its business model. Who does the company serve, what does it provide, how do hey generate revenue, how are they different or what is their value proposition and how do they reach their customers. In order to do this the following model is used the Business Model Canvas by Alexander Steward. Starting on the right hand side of the canvas, Rosetta is targeting a couple of different markets which can roughly be broken down to four customer segments. They focus on individual consumers with their personal product edition.

The government agencies, armed forces (which is part of the government in most cases), and corporations are met in their needs by the enterprise edition. Whereas the Classroom edition focuses on the educational institutions. Additionally the company has a home school addition which is designed to provide parents with the tools and resources necessary to manage student progress without extensive planning or supervision. Their products have value as they claim to be the only solution for language learning that does not use the classic teaching tools, but rather focuses on a method which is also called a method of Dynamic Immersion.

The customers are reached through channels which are categorized as institutional and consumer channels. The consumer channel generates 79% of the firm's total venue. This distribution channel encompasses websites, call centers, kiosks, and selected retail resellers. Logically 21 % of revenue is thus generated by the institutional distribution channel which serves Primary and secondary schools, colleges, and universities; the U. S. Armed forces and federal government agencies; corporations; and non-profit organizations.

In order to create a better relationship with their customers the company is investing in an online peer-to-peer practice environment where anyone is able to register for free in order to enhance the whole language learning experience. Which rings us to the left side of the canvas, because how and what does the company do in order create its value position and offer it to the customer segments. One of the key activities of the company is the research and development within the company.

The Firm developed most of its own technology and protected it as well making the intellectual properties of the company together with its research and development key recourses. Moreover the high sales and marketing budget, 46% of total revenue in 2009, make that sales and marketing is one of the key activities of the company in order to create money. Most of the product and packing components are bought from third party contractors making them a key partner to the company. Additionally they have third party vendors as key partners mostly in order to support the company with its international activities.

Those activities account for 8% of the company's revenue. The revenue streams of the company come from the sale of the editions. Those editions are software packages with any additional tools that are specifically tailored to foresee the needs of each customer segment. The cost structure can logically be derived from the key activities. So here we have on one paper who it is that Rosetta Stone serves, what it provides, how it generates revenue streams, how they differentiate, and what channels it uses.

Value Discipline The Value Discipline from Tracey and Wireman states that a company can focus on three disciplines; 'Product Leadership', 'Operational Excellence' and 'Customer Intimacy'. When a company meets the average for two of these disciplines but excels in one of them, then the company can be a market leader. If there is a good focus then the whole company will reflect this discipline, and one of the disciplines will be so advanced that it makes it really hard for competition to match. For Rosetta Stone the focus as value discipline is on Product Leadership.

They have a unique product with attributes that cannot be matched by the competition. Their innovative way of teaching a language makes it easy, involving and more efficient for their consumers to learn new languages. They continuously strive to improve their product, and by using a specialized format for the way languages are taught they are able to quickly expand their portfolio of offered languages. This allows them to respond to a changing market in a fast manner. Because of the way their company is structured they have a strong control over their product.

They produce and develop the product themselves, and if they find ways of improving their product they have the capability to acquire it and add it to their product (they hired the inventor of the speech recognition software and he helped them implement his program into Rosetta Stone's product).

Rosetta Stone possesses a product that is the best in the industry, they will have to keep a sharp focus in order to maintain their position of market leader. They have to watch out for competitor movements and keep a close eye on the developments of technology and the market.

If they do this and are able to adapt to changing situation in a responsive way then they will continue to be a strong-going company, leading the market with the best product option. In Addition to the value discipline model of Treaty and Wireman for identifying the competitive strategy used by Rosetta one can take a look at Porter's generic strategies for competitive advantage. Although generic it is a good indicator for a company to understand where to focus. According to Porter there are four generic strategies.

It is debatable if this number should be different, however for the Rosetta case we decided to go for the classic four, which are; cost leadership, differentiation, cost focus, and differentiation focus. We established that Rosetta is going for product leadership by continuously try to improve their product and try to set them apart from the rest of the competition with a product that offers an alternative, better way of learning. However Rosetta doesn't focus this different product for a special segment in the market. Rather they try to cover everyone within it.

Therefore the company is pursuing A differentiation strategy. What is good is the fact that Rosetta didn't get what they call "stuck in the middle". On the other hand Rosetta Stone does create different editions for different segments. So one might argue they go for differentiation focus. Nonetheless these offerings are all built around the same unique software. Operational Strategy Marketing The marketing of Rosetta Stone is executed through a couple of different media-outlets; first of all they use television commercials in which they use celebrities to convey their messages, this generates awareness.

They also use print advertisement in big publication-media like Time or The Economist. These types of media are bought in on a basis of cost. The timeless or publication dates are bought based on discounts in order to save on costs. Secondly they use their kiosks and use them to inform people about their product and move them towards a purchase decision. There are two different type of kiosks: kiosks that are manned by employees and the automates kiosks which lets the consumer interact and try the product. The kiosks are situated in busy places such as airports and malls.

They rent the kiosk sites on a short term basis so that if there is an underperforming unit, then they can close it down. Lastly Rosetta Stone also use online media as an advertising platform. They used banners and paid search advertising to get awareness with the consumer. Online agencies were used to target and purchase this form of advertising. All in all the marketing of the company thus far has proven to be effective, during a research committed by an external company the brand was seen as

delivering a high quality product with an effective approach and a good service, by 80% of the people that were aware of the brand.

Approximately 74-79% of the U. S people had an aided brand awareness of Rosetta Stone. Human Resource Their employees are a key-asset of the company, they are the ones who create and program their product. Once they get on board they have to sign non disclosure agreements that make Rosetta Stone legally secure in the protection of their product. Rosetta Stone has a clear vision for their product and through their in house development they are able to get exactly what they want. Gastric They don't have suppliers per s since their product is a computer program that is created by their employees, so essentially the knowledge of their employees and the vision of the product is the basis of their product. Their printing of CDC, packaging and distribution is done through a partner, which does it more efficiently than if Rosetta Stone would handle it themselves. Financial analysis Profitability From the financial statements Of the last years a few things can be determined.

Whether they are able to book progression can be calculated and explained through a couple of ratios. Return on equity= Net income/Shareholders equity Return on equity (2009). $13.363/156.435 = 0,086$ Return on equity $13.892/79.071 = 0.176$ Between the year 2008 and 2009 the company shows a large decline in the turn on equity, compared to last year it has almost decreased by 50%. This can be explained by the fact that the net income of the company has been stable in the last year, there was even a small loss on income, whereas the stockholders equity has almost doubled.

This means that the equity of the company is not spending enough on growth opportunities, but more on favoring stockholders. Considering the fact that the company is still in a growing market, and with the still increasing globalization and thus hunger for more language knowledge the company should make sure to invest in the many instead of treating it as a cash cow. Solvency: Solvency is about how well the company is able to pay off their liabilities in the long term. Therefore the debt ratio on the year 2009 can check if they financed all of their assets with liabilities.

Debt Ratio = Total liabilities/Total assets Debt Ratio= 30.6% (2009) 59.

747/138.81870, 430 43.0% (2008) Compared to the year before the

company has improved a whole lot on the matter and therefore we can

conclude that company is doing well in order to stay solvent. Liquidity: For

the liquidity of the company run the liquidity ratio check in order to see how

well the company is able to pay off immediate debts in case of troubling

times. Liquidity ratio-?? Cash + accounts receivable/ current liabilities

Liquidity ratio = (95.88 + 37.400)/66.181 = 2.00 (2009) (30.626 + 26.

497)/51.762 1.0 (2008) The 2.00 shows a healthy liquid company. The ratio

may even be a little bit on the high side, it means there is a lot of unused

cash resources that can be used in order to invest in future growth especially

if you compare it to the year before, the liquidity ratio almost doubled.

Stability How well is the company able to sustain the business. How long can

they survive and go on in the long run. And all of this without having to suffer

significant losses. This is a difficult question to answer but looking back on the

other three parts of the financial analyses It is to say that the company has

its debts under control which of course is a good indicator and positive

<https://assignbuster.com/internal-and-external-analysis-rosetta-stone-assignment/>

aspect when thinking about whether the company is able to remain in business. Nonetheless the profitability of the company is doubtful for the future. The company will have to look how to grow its net income. Since 2006 the company has increased its net income only in the year 2008. Elementary turnover

When you compare the inventory levels of 2009 and 2008 you can see that they have a larger inventory corresponding to their product sales than in 2008. 3.75 versus 5.14. This is a decrease in inventory efficiency, products stay longer in their inventory before being sold. IFAST Strengths Rating Weight Weighted score Comment Dynamic learning environment 5 0, 25 1, 25 Unique product for learning a language Multilingual board 0, 35 A board that knows its own product is beneficial for the company In-house tech division 4 0, 15 Their in house tech division makes sure that their product is tightly controlled

Legal protection Licensing protects their product Weaknesses Marketing planning 2 02 They are using an inefficient way of promotion. Instead of selectively focusing on their target group they manage their marketing by focusing on low cost slots Inventory Their inventory turnover has increased when compared to last year, this is a negative trend Total 3, 35 Rosetta Stone's biggest strength is their product They have a clear vision for their product and continually improve their product. They use an approach to learning languages that is different from the traditional ways.

Their product is a computer program that used pictures, audio and simulations to pull the user into a language environment. This allows the

<https://assignbuster.com/internal-and-external-analysis-rosetta-stone-assignment/>

user to get a better connection with the language they're trying to learn. As an effect the user retains the knowledge of the language better and it feels like a more natural way of learning. Rosetta Stone's product is set-up in such a way that it can easily handle new language implications, it's very advanced and can even distinguish between dialects or teach Arabic, which uses a different type of writing and users read from right-to-left.

This makes their product adaptable to changes in customer demands, and it will help combating changes in the market. The Board of the company consists of multi-lingual people. This means that the people that control the company know what the value of their product is, since they have learned multiple languages themselves. This will help them in decision-making. Their product is completely made by their own employees. This means that there is a high level of customization possible, and the knowledge about the product stays in the company.

To help the knowledge stay in the company they get all the employees to sign NDAs. Specialized tools are used for the employees to assist them in the crafting of the product. As mentioned before there are certain models that can be re-used for different languages and this increases the efficiency of the work of the employees. Moreover because of the employee expertise they can effectively evolve the product to various needs and demands of the consumer. Besides letting all their employees sign NDAs, Rosetta Stone has a license on its product.

This means that certain techniques and approaches that they use for their product is not easily imitable by another competitor without them becoming

<https://assignbuster.com/internal-and-external-analysis-rosetta-stone-assignment/>

legally vulnerable to prosecution. To further help strengthen their Brand image they also licensed their branding tools such as logo's and packaging color-palette. The marketing planning is planned in a weak way. Even though the brand awareness is still high, and consumers perceive it as a high valued product. They would be more effective when they do research on who to target and how they wish to reach them.

Using a marketing strategy based on buying discounted slots could turn out to be an ineffective strategy, the slots are discounted for a reason. Their inventory turnover has reduced in effectiveness, meaning that their rodents are stored for a longer period of time in inventory before being sold. Having high inventories bring higher costs, which makes it an inefficient way of operating. The change in ratio is substantial and they have to closely watch the developments, otherwise they will risk spending too much money on unused inventory space and equipment. Moreover with a program like this it's unwise to have products shelved too long, they will become outdated)

External factors Environmental scan For the environmental scan we made use of Porter five forces. Which will be explained in detail here per paragraph. Threat of new entrants. The Language learning industry is a highly fragmented industry. Moreover with technology developing and getting available more and more easily for everyone, there is a considerable threat for new entrants a threat that cannot be stopped by Rosetta.

They may be one of the biggest in the market in terms of real market share they contain only a small percentage what makes that they do not have enough power to block the new entrants. What Rosetta therefore must do is

to stick with its earlier named competitive strategy and always try to find a way to set the company and its product apart from its imitators. Rivalry amongst existing firms The competition in the market is almost impossible to map. There are numerous of online services for learning a language. Some of these services are even provided for free.

Nonetheless there are a few players in the market who are the main competitors of Rosetta Stone. These competitors are mainly privately held firms and often divisions of larger corporations. The competitors mentioned in the case are Burlier International, Simon & Schuster Incur Random House Ventures LLC, Disney Publishing Worldwide, McGraw-Hill Education, and Pearson. The competition all try to be competitive mainly by differentiating their product offering on features such as; teaching methods, effectiveness, convenience, fun and likelihood of continues practice, advertising, reputation, and of course price.

The many features and many competitors indicate the high degree of rivalry amongst firm within the market Threat of substitute products and services In alignment with the threats of new entrants there is the threat for new product and seen. ' ice offerings that might out beat the offering of Rosetta Stone. As we see later with the main threats that are concerned with the many is that technology development will inevitably create substitute products and the online " services" such as Bitterest and donkey make piracy a serious danger to the company's performance.

Bargaining Power of the Buyer When we talked about the competition it is already mentioned that there are websites that offer their services for free.

<https://assignbuster.com/internal-and-external-analysis-rosetta-stone-assignment/>

One example of such a website is dolling. Com this matter along with the option to pirate content makes that buyers have quite the power to bargain on the price. Why would they pay high amounts of money while they can get a seemingly similar product for free? Here lies a real challenge for Rosetta as it is likely that the future will only create more and also better websites with free language learning services.

Nonetheless it is important for Rosetta to remember that they are not going for a cost leadership position, and although their high prices are scaring of certain customers, as long as there are people who want to pay for having the Rosetta brand they should maintain high prices. Moreover they should ensure that those people stay willing to do so. This can be done by improving their (brand) marketing. As we already pointed out in the internal analyses this is a weakness in the company, yet they achieved to create a strong brand name.