

Jindi enterprises essay



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Question

1

Although the nature of the product is the same, i. e. heat exchange units, doing business in low-end residential, high-end residential, and industrial markets all require different sets of sales processes and skills. Thus, we are faced with pros and cons related to each situation. The low-end market is characterized by small-scale residential and commercial buildings, financed by relatively small investors. The sale of HVAC products is usually made by direct contact between the supplier and the contractor; often, the time of the sale occurs at the same time as the construction. The contractor's main criteria for a decision are price and delivery time. Geographic proximity is an important factor as well since contractors tend to buy heat exchangers from within the region (provinces within the proximity). There are about 3 state-owned enterprises and 17 private firms in this particular market. The high-end market consists of residential and commercial building complexes developed by large developers and investors. Due to the size of investment and strict procedures regarding contractors and suppliers selection, the responsibility of choosing the HVAC products' supplier is passed on to the architectural design firm.

Therefore, the main elements to make a sale in this market are connections and credibility. The competitors in this market consist mainly of 6 of the 20 firms that operate on the low-end market as well as national players, which have a larger market share. Both use standardized products which make production simpler and easier for supply chain and working capital management. Having said this, the low-end market is where Jindi has the best results- it accounts for 80% of their total sales. Their management

practices are more effective here mainly because the sales process, walk-ins, is easily done by any sales engineer and the prices of Ma's exchange units are comparable to the competitors'. In the high-end market, Jindi uses Ma's connections as leverage. In the long run, the efficiency quality will help Jindi gain credibility which will in turn help them gain strategic advantages. But the owner's connections are not enough for this market- 20% of sales, and the efficiency and quality of their products is being wasted in these markets since this type of customers do not pay attention to these qualities most of the time. Contrarily to the residential/commercial market, industrial applications are more diversified as the heat exchanger units are only a small part of the production structure.

This is translated in a need for customized products and the firm (architectural or engineering) responsible for the construction of the production system will make their orders with considerable advance and prefer to acquire the products from firms with whom they have previously worked or to firms that present significant advantages either with connections, references, quality, customized designing and manufacturing, pricing or customer support. The industrial market poses higher barriers to entry than the residential/commercial market since it is based on more sophisticated and customized engineering and manufacturing processes. This leads to the fact that it is a much less competitive market, mainly dominated by national SOEs and joint ventures. Since there are fewer players whom act as a sort of " monopoly", the margins for the vendors are roughly twice the ones obtained, for the same output, in the residential/commercial market. If we look at Ma's strong technical and

engineering background and to the fact that 70% of his sales engineers are also university graduates with the same background it is not difficult to understand what would be their positive point in this market. Jindi's very efficient products, small and easy to install, hand in hand with this exceptionally technical sale team, sets them apart from the rest of the competitors. To enter in the industrial market this Chinese enterprise would have to continue to invest in a very educated team and to leave the standardized model of production.

Question 2

Jindi presented a sales force retention of 100%.

There are two parts of the issue when analyzing Jindi's sales force retention: Ma is excellent at retaining and rewarding highly productive employees, since before Zhou Xun left Jindi had a 100% retention ratio. Nevertheless, it is stated in the case-study that low performers are kept even when they should actually be let go. A fully trained, engaged and productive salesperson is a huge asset to any company. In our opinion, it's important to retain salespeople who can create a value-added relationship with customers. Ma did a great job training his sales force and creating a workenvironment that none of his employees wanted to leave behind. Ma also provided a good set of incentives: end of the year bonuses based on personal sales and salary increases dependent upon inflation and company performance. It's stated that Jindi's employees salaries grow at an average of 12% a year (a great rate). We also consider a great incentive: 10% of Jindi's equity belonged to employees. The only employee that left Jindi Enterprises was in fact Zhou Xun, which we assume it happened due to external factors.

Ma couldn't provide more incentives to Zhou Xun, besides the one we already gave: the bonuses, the autonomy of being the other only person in the company that could close deals except Ma and the salary which was double than that of the other employees. Zhou left because of his own aspirations, nothing Ma could control. So in the end we conclude that Jindi has no retention problems, the only negative detail is that Ma is also retaining the low performing workers. In order to identify the low-performers that Jindi already has, and to subsequently correct this particular problem, we propose that Ma should set up a productivity evaluation method based on sales per person relative to the total amount of the company

Question 3

Since its inception in 1997, Jindi Enterprises operates mainly in the low-end residential/commercial market. Nonetheless, it provides heat exchanger units to the high-end residential/commercial market as well, this market representing 20 per cent of the company's sales. Due to the fact that competition has intensified over the years, Ma Rui, managing director of Jindi, has been seriously considering a shift in the target market towards the industrial market, which he estimates to be more profitable. In order to give an answer regarding whether Jindi should change its strategic choices, that is, move from the residential/commercial market to the industrial market, we have to analyze the characteristics of each market. We then have to identify which market offers better conditions specifically for Jindi, taking into account its current situation. We have already exposed in the first question the characteristics of each market but let us review the most relevant

elements as well as some additional data that may influence Jindi's optimal choice. Low-end market:

The contractor's main criteria for a decision are price and delivery time. Geographic proximity appears as an important factor as well since contractors tend to buy heat exchangers from within the region (provinces in the proximity). The competitors in this market are about 3 state-owned enterprises and 17 private firms. High-end market:

The main elements to make a sale in this market are connections and credibility. The competitors in this market consist mainly of 6 of the 20 firms that operate on the low-end market as well as national players, which have a larger market share. With a 20 per cent increase per annum in investment in residential and commercial construction, Xi'an appears as a very attractive geographic area for this business and it appears so even more when we realize that the province to which it is the capital, Shaanxi, is a gateway to four other northwest provinces. This increase is divided unequally between the two markets: the low-end market represents 30% of this growth whereas the high-end market accounts for 70%. It is also important to refer that Jindi currently is not a well-known vendor in the high-end market and therefore is in disadvantage comparing with around 20 national HVAC products providers, which have already a relationship with the designing firms.

Industrial market:

The ingredients to succeed are connections, references, quality, customized designing and manufacturing, pricing or customer support. The industrial market poses higher barriers to entry than the residential/commercial market since it is based in more sophisticated and customized engineering

and manufacturing. This leads to the fact that it is a much less competitive market, mainly dominated by national SOEs and joint ventures. Since there are fewer players whom act as a sort of “ monopoly”, the margins for the vendors are roughly twice the ones obtained, for the same output, in the residential/commercial market. Jindi’s manager director estimates that, in order to enter the industrial market, the costs for raw materials and re-engineering of the production process was, at most, 20 per cent more than the costs in the residential/commercial market. These cost increases would be compensated by a 20 to 30 per cent premium regarding the residential units. Another positive aspect is that the industrial market’s payment cycle time is on average 30 days shorter.

Let us now see what are the pros and cons of making the move to the industrial market:

Why Jindi should change to the industrial market:

- Competition is getting more aggressive and numerous in the residential/ market
- In the high end market, Jindi is not considered a well-known vendor
- Perfect moment to change since Ma has to hire a new sales manager which can have a beneficial background/connections to enter the new market
- Competition in the industrial market is much less competitive -70 per cent of the sales engineers at Jindi are university graduates with engineering background which is an advantage if we take into account the technical know-how required in the industrial market
- Regarding the sales process, Jindi’s sales force is more comfortable with targeted promotion even though it is less experienced than in the direct walk-in. Targeted promotion is how sales are done in the industrial market.
- Jindi is based in efficiency,

connections and delivery time which are the main assets to seal a deal in the industrial market -Yongda has entered the market

-Higher margins (20 to 30 per cent)

-Lower payment cycle time (30 days less)

Why Jindi shouldn't change:

-The current production process is standardized whereas it would have to be adapted and the heat exchangers customized for industrial applications - Costs of converting production plus the new equipment

-Jindi doesn't own any production facilities

-XPVF will get a loan but, if they aren't able to get it, Jindi will have to either exit the residential/commercial market or get a loan themselves Observing the different markets and Jindi's characteristics, it is quite clear that a move towards the industrial market would fit well Jindi's ambitions and policy since the pillars of the company represent important assets in the industrial market. Indeed, having a highly educated sales team and treasuring efficiency, connections and delivery time combined with the characteristics of the industrial market such as higher margins and lower payment cycle time, allows Jindi to enter this market with several useful competencies and advantages. This allied with the loss of attractiveness in the residential/commercial market due to increased competition and Jindi's lack of importance in the high-end residential/commercial market (which is the one with highest growth) supports that Jindi should make a move. Nonetheless, Jindi faces some challenges as well, especially regarding the production process: it would have to customize its production, and therefore support the associated costs, and, more importantly, it has no production

facilities and is dependent on third parties in order to be able to produce. As XPVF states, it would be a safer move to remain in the residential/commercial market and enter the industrial market as well but they depend on bank loans to do so and, unless XPVF is able to obtain the bank loan that will make it possible for Jindi to use a second workshop, Ma doesn't seem very willing to obtain the bank loan by himself. In conclusion, Jindi should change its strategic choices and enter the industrial market but, if able to do so, it should remain in the residential/commercial market as well since, even though the competition is tightening up, the company sales have been growing in this market: Jindi has had a 621% increase in sales between 1997 and 2001.

Question 4

When assessing the criteria for choosing a candidate, it is important to first take into account the current situation, which entails Ma's next strategic move for the company. Given the entry into the industrial market, a candidate with some sort of technical expertise or knowledge would be critical since this would be a key factor in a successful strategic move. In addition, Ma seems to have always hired personal connections before anyone. The candidates are personally closer to him which ends up making it harder to let them go. Maybe an additional criteria would be to choose an external candidate given the current circumstance of too much trust with certain employees when it is not fully earned.

Hu Bin (Internal Candidate)

Pros: Hu is definitely very knowledgeable about the heat exchange industry since he was the first sales engineer at Jindi. His technical background in

Engineering would be a huge plus if Jindi were to indeed move into the industrial market. In addition, he has a very stable lifestyle and commitment to Jindi, which would provide stability for the company down the road. Cons: Hu isn't a good salesman based on his poor track record. He is not a convincing salesman, and perhaps might do the exact opposite when trying to persuade potential buyers.

Bai Dong (Internal Candidate)

Pros: Being the first sales engineer in the Lanzhou office, he would be a great replacement since he knows the region quite well along with the current team. He has a great sales style and performance record to prove it. He also has a drive for technology-related problems. His previous attempt at running an enterprise (although a failed attempt) demonstrates that he has a managerial mindset. Cons: His young age presents many cons: he would leave the company, thus potentially leaving soon thereafter because of his personal ambitions; also, some of the older salespersons that have been around for longer might perceive his rapid rise in ranking as an insult or discourage the rest of the employees that are trying to professionally grow as well. Qian Cheng (External Candidate)

Pros: Qian has a higher degree (Masters) in Engineering and has already held the position as senior engineer in his previous company. In addition to being very technically oriented, he also has an entrepreneurial mindset, having obtained an executive MBA and successfully helping to turn around a state-owned business to maximize performance. Strong ties to Lanzhou (he has settled with his wife there). Cons: He might leave the company too soon

because the job may be too basic for his competencies. Liu Xiaogang (External Candidate)

Pros: His demeanor is a perfect fit for a successful salesman that can communicate with a person from any background i. e. exceptional people skills. His father is an indispensable asset for the company because of his connections in this sector (given that he does indeed decide to lend a hand as a consultant). Cons: He lacks sales experience and technical expertise.

Given the growing competition that Jindi is facing and its entry into the industrial market, where engineering knowledge is indispensable, it seems that Qian Cheng would be the best candidate considering his master. Besides that, he is an outsider with extensive management and technical experience which would definitely provide a fresh perspective and insight for the company. His maturity and current family ties to Lanzhou would make him a stable employee. Overall, the pros outweigh the cons in comparison to the other three candidates.