

Desk Nibbles

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Executive Summary

To: Cassy and Emil, cofounders of Desk Nibbles
From: Sterling Cooper Consultants
Subject: Desk Nibbles
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Critical Assumptions

- Cassy portrays the minimal skills needed to run a business
- Cassy has been able to obtain experience and familiarity in the field of business
- Both men are young and not very financially stable
- The business will not be able to keep running if it stays unprofitable for too long
- They lack experience in the food and catering industry

Problem

- Cassy and Emil are failing to focus certain departments of their business. The brothers are inefficiently managing the financial department of their company, which is prohibiting them from being successful.

Alternatives

- Implement a concentrated growth strategy
- Promote *Desk Nibbles* by using horizontal integration
- Improving cash flow of *Desk Nibbles*

Facts Considered

1. Emil and Cassy have put an enormous amount of their own money into the business
2. Cassy has just left his current job to provide all his time into the growth of *Desk Nibbles*

Recommendation

Sterling Cooper Consultants recommend that Cassy and Emil implement a concentrated growth strategy to improve their current business. Cassy and Emil are advised to immediately provide financial investments towards the marketing, expansion, and quality improvement of the office snack packages. In the short term, prices will be adjusted and increased based on the quality of products. In addition, more companies are expected to be taking orders from *Desk Nibbles*, as well as the increase in price of orders will also result in faster cash returns on their investments into the business. Finally, in the long term an extensive evaluation of the concentration growth plan must be conducted to analyze if the new business plan implemented has, in fact, worked the way we have hoped it would.

Critical Assumptions

With regards to efficiently analyzing the case, some critical assumptions must be made about Cassy and Emil, and their company. Firstly, Cassy is a recent graduate from the University of Ottawa Telfer School of Management. Therefore, we can assume that Cassy portrays the minimal skills needed to run a business. In addition, we can assume that Cassy has been able to obtain experience and familiarity in the field of business. Secondly, we can assume both men are young and dedicated to this business, they have previously demonstrated that they are ready to do what it takes to keep *Desk Nibbles* afloat, we are assuming this continues to be the case. Thirdly, with both founders early in their careers, we can assume they are not the most financially stable business owners, and that if this business continues to be unprofitable for long enough, they will not be able to keep going, despite future plans. The final assumption we will make about *Desk Nibbles* is that none of their employees have experience in the food catering industry, this sort of experience could prove very valuable.

Problem Analysis

Primary Problem

The primary problem lies in the fact that Cassy and Emil are failing to focus on certain departments of their business. The brothers are inefficiently managing the financial department of their company, which is prohibiting them from being successful.

Satellite Problems

Many satellite problems result from the primary problem. Firstly, *Desk Nibbles* is struggling to earn a profit. For many months, the expenses of *Desk Nibbles* grew, resulting in the two co-founders having to put in their own money to keep the business alive. Furthermore, there is a dilemma of determining if *Desk Nibbles* is a sales organization, technology company or a logistics company. Cassy and Emil have hired a logistics specialist as well as a sales specialist, and have implemented new technology in the business, creating a difficulty in recognizing what type of business they are. Finally, Cassy and Emil are struggling to create good margins for their prices and revenue of the office food packages. This is a result of a lack of knowledge in the financial department of their business.

Alternative Solutions

There are various alternative solutions that Emil and Cassy can follow to strengthen their management in the financial department of their business. This could include implementing a concentrated growth strategy, promoting the business using horizontal integration, or improving the cash flow of their business.

The first alternative that Cassy and Emil could implement into their business is integrating a concentrated growth strategy. A concentrated growth strategy is when an organization concentrates on its primary line of business and increases the number of products offered or markets served in this business (Coulter, Kilfoil, Leach, Robbins, 2012, p. 388). By increasing the number of products offered, Emil and Cassy could widen the variety of snacks that *Desk Nibbles* serves to its consumers. For example, Emil and Cassy could create food packages that are strictly focused on healthy snack alternatives, or a mixture of healthy and unhealthy snacks.

In addition, the concentrated growth strategy could allow *Desk Nibbles* to penetrate the market. Market Penetration involves trying to gain additional share of a firm's existing markets using existing products (Gottschling, 2016). Since *Desk Nibbles* uses existing snack brands, they could use it as an opportunity to advertise their office food packages. By correctly advertising known snack brands that all people love, consumers would feel more comfortable purchasing the food packages because they would know what they are going to be receiving. This could allow *Desk Nibbles* to increase their profit in the financial department because they are focusing on appealing to consumers, rather than focusing on how fast they can get their company to grow.

The advantages to a concentrated growth strategy are that *Desk Nibbles* would expand their product line if they increased the number of products offered in their food packages. Also, *Desk Nibbles* would be benefiting their consumers due to the fact that the food packages are tailored to consumers wants and needs as snacks. Finally, since *Desk Nibbles* is a new company, Emil and Cassy could gain more exposure while marketing the company. Not only would they gain popularity, but Emil and Cassy could see how consumers react to their product based on their sales, and they could adjust their price margins based on consumer reactions.

On the contrary, there are disadvantages to the concentrated growth strategy. This method of growth could be costly because it would require the company to purchase more snack products to go into their food packages. Also, there is the risk that while advertising the office food packages, since *Desk Nibbles* is a specifically tailored company, they would not gain the exposure that they want. It may take time before businesses and companies begin to notice who *Desk Nibbles* are.

While reviewing the advantages and disadvantages to the concentrated growth strategy, it is evident that if it were implemented correctly, *Desk Nibbles* would gain more profit, thus being able to manage their financial department with more confidence. The only consequence is that Emil and Cassy must be willing to spend money on advertising their company. This alternative would not only solve the primary problem, but it would also solve its satellite problems without creating any new ones. *Desk Nibbles* would begin to earn more profit once consumers would

know that the product line has expanded and been marketed correctly. Furthermore, it would be clear that *Desk Nibbles* is a logistics company because all of their products are continuously being purchased and shipped to consumers. The more efficiently materials and products can be purchased, transported, and stored until used, the more profitable the business can be (Shopify, 2018). Once the concentrated growth strategy is implemented the business would become more profitable.

The second alternative that Cassy and Emil could implement into their business would be to promote the business using horizontal integration. In horizontal integration, a company grows by combining with other organizations in the same industry—that is, combining operations with competitors (Coulter, Kilfoil, Leach, Robbins, 2012, p. 388). *Desk Nibbles* could potentially combine with a leading snack industry. For example, if *Desk Nibbles* were to combine with Nestle, a well-known snack brand that can be purchased across the US and Canada, their company could grow more, allowing them to earn more profit.

The advantages to a horizontal integration create less competition for *Desk Nibbles*. If *Desk Nibbles* were to combine with a highly successful industry/company, there would be fewer companies that *Desk Nibbles* would have to compete against. This would allow *Desk Nibbles* to focus on their management in the financial department of their company, rather than worrying about how they are performing against other companies. Furthermore, combining with another industry/company would provide extra exposure and promotion for *Desk Nibbles*. The company

would be able to advertise their food packages through the other industry/company, thus allowing *Desk Nibbles* to potentially earn new customers.

Although there are advantages to a horizontal integration, there are also notable disadvantages.

Once *Desk Nibbles* combines with another industry/company there are two possibilities that *Desk Nibbles* would have to consider. Either *Desk Nibbles* would have to share a certain percentage of the companies sales profit in order to compensate for the resources that the industry/company provides, or *Desk Nibbles* would have to pay a fixed cost to the industry/company. This would result in *Desk Nibbles* losing profit, which would not accurately solve the companies primary problem. In addition, because combining with competitors might decrease the amount of competition in an industry, Competition Bureau Canada assesses the impact of proposed horizontal integration strategies and must approve such plans before they are allowed to go forward in Canada (Coulter, Kilfoil, Leach, Robbins, 2012, p. 388). There is a risk that *Desk Nibbles* would not be approved to combine with another industry/company, thus failing to promote a horizontal integration into their business.

It is clear that the disadvantages of a horizontal integration outweigh the advantages. It is more likely that *Desk Nibbles* would lose profit if they were to combine with another industry/company. However, if *Desk Nibbles* were to be approved to combine with another industry/company it could potentially solve the primary problem. It would depend on how much profit *Desk Nibbles* would have to give up in order to be combined with another industry/company. Giving up a small amount of profit would allow *Desk Nibbles* to grow,

whereas giving up a large amount of profit would cause *Desk Nibbles* to stay stagnant.

Therefore, implementing a horizontal integration is a risky alternative that would cause many consequences for *Desk Nibbles*.

The last alternative that Cassy and Emil could implement into their business would be to improve the cash flow of *Desk Nibbles*. Cash flow is the net amount of cash and cash-equivalents being transferred into and out of a business. A positive cash flow indicates that a company's liquid assets are increasing, enabling it to settle debts, reinvest in its business, pay expenses and provide a buffer against future financial challenges (Investopedia, 2018). Improving the cash flow of *Desk Nibbles* would allow the company to focus highly on their financial department because it revolves around the flow of money. In addition, if *Desk Nibbles* improved its cash flow, the company would be able to gain more profit due to the fact that the company's expenses would be dealt with more efficiently.

A notable advantage of improving the cash flow of *Desk Nibbles* is that reducing expenses and finding cheaper snack suppliers could allow the company to gain more profit in their sales. This would solve the companies dilemma in finding a good margin for the company's prices and revenue. By keeping their market prices the same and purchasing goods from cheaper snack suppliers, *Desk Nibbles* would save money that could be used as profit. The extra money could also be used to help market *Desk Nibbles*. Advertising their company will allow *Desk Nibbles* to earn exposure, as well as new customers.

On the contrary, a notable disadvantage of improving the cash flow of *Desk Nibbles* is that reducing expenses and finding cheaper snack suppliers could decrease the company's product line. *Desk Nibbles* would have fewer snacks to provide to consumers, thus resulting in less demand for the office food packages. Often times the cheapest snacks are the most unhealthy snacks, so by not providing healthy alternatives the consumer base would be smaller.

In summation, improving cash flow would not solve the primary problem of the company. It would allow Cassy and Emil to focus on the financial department of their company, but *Desk Nibbles* would ultimately lose customers if they were not providing snacks from a wide variety of brands. Customers would lose interest in their product line if the same cheap snacks were the only options in the office food packages.

Recommended Solution

The Solution that we are recommending to Cassy and Emil is the implementation of a concentrated growth strategy. A concentrated growth strategy centers on the improvement of current products and markets without changing any other factors. Implementation of this strategy would eliminate distractions and restrict the companies focus to its primary line of business, which in the case of *Desk Nibbles*, would be the delicious, nutritious, and varied array of snacks that they offer to companies. We are recommending that Emil and Cassy focus on improving their lineup of snacks by increasing the quantity and variety of snacks offered to businesses, and also by advertising the unique features of desk nibbles through a focused marketing campaign.

Currently, *Desk Nibbles* is facing quite a few problems that are inhibiting growth of the company, and Cassy and Emil are struggling to take advantage of their great business idea, and turn it into a profitable and successful venture. One of the main problems the company is facing is their lack of focus. Cassy and Emil are trying to take advantage of sales strategies to grow their business as fast as possible, when they should be concentrating their efforts on establishing a solid foundation for their company based on offering a quality product. Only after they have established a single, coherent brand image for *Desk Nibbles*, should they worry about expanding sales. By implementing a concentrated growth strategy and focused marketing campaign, *Desk Nibbles* can successfully dissolve this issue. Firstly, by expanding and improving their product line and offering more choice to companies, *Desk Nibbles* will be offering a superior product, which on its own will garner higher praise and increased enthusiasm from consumers, which will lead to increased sales. *Desk Nibbles* marketing campaign should focus on two major things the first is the brand name snacks that they use in their packages, allowing *Desk Nibbles* to penetrate the market. By advertising snacks that everyone knows and loves they will be able to reach a broader market of people who are already associated with those products. Secondly the marketing campaign will focus on the tailored snack packages that *Desk Nibbles* will offer, as well as their unique *Slack chat bot*, the original technology *Desk Nibbles* has developed that allows consumers more customization of their snack orders. This marketing campaign will clearly establish *Desk Nibbles* as a consumer focused brand that puts great effort into providing a wide array of premium products, and offering consumers a vast amount of choice in the products that they receive. By improving their product and correctly marketing their brand, *Desk Nibbles* would be narrowing the focus of their operations, which will eliminate distractions. By investing

time and money into the company's great products and unique brand that puts consumers first, they are solving the major issue the company had which was a lack of clear focus and direction.

Although the implementation of a concentrated growth strategy would be highly beneficial for *Desk Nibbles*. There are some disadvantages to this strategy. First of all, increasing the lineup of snacks offered by *Desk Nibbles* would increase the cost of purchasing food, and offering more variety and choice of snacks will be more difficult than offering a limited selection. This will lead to increased operating expenses for *Desk Nibbles*. In addition, engaging in a large scale marketing campaign would be very costly. Considering the *Desk Nibbles* is only a startup, Cassy and Emil may struggle to acquire the funds necessary to employ this intricate and expansive strategy. That being said, it is clear that the company is not achieving success in its current state and is in need of a drastic change. When a company is in this situation a great deal of sacrifice should be expected in order to achieve future success. On the other hand, the increased expenses would be very beneficial in the long run. Since *Desk Nibbles* products now cost more to produce, the price of the product can also be increased, since customers would be more inclined to pay extra for an improved product. This will help increase *Desk Nibbles* profit per unit and benefit the company in the long run. In addition, the concentrated growth strategy would establish a very solid foundation for the company that Cassy and Emil can build sales on in the future. One of the reasons for the companies previous failures was Cassy and Emil's attempts to push for increased sales without the product to back it up, this led to *Desk Nibbles* losing major customers as they were not satisfied with the product. So although it would cost the company initially, in the long

term, a strong foundation built on a good product and brand image will lead to increased sales down the line.

While there are other alternatives that *Desk Nibbles* could take, such as a horizontal integration strategy, or the improvement of cash flow in the business. These alternatives do not address the problems nearly as well as a concentrated growth strategy and therefore, would not be as beneficial to the company. If *Desk Nibbles* employed a horizontal integration strategy with a larger company such as Nestle, they might lose their independence as a company and Emil and Cassy may end up losing control over the future of the company that they started. Even though a larger company would be more financially sound, this strategy would not guarantee the success of *Desk Nibbles*. Additionally, if Emil and Cassy did remain in control of their company, they would have to pay a royalty to their parent company which would not be advantageous for two young entrepreneurs. If *Desk Nibbles* were to attempt to improve their cash flow by reducing expenses, then the quality of their snacks would suffer resulting in an inferior product. An inferior product might improve profitability in the short term but will eventually lose the company sales. It is clear that the best alternative for Cassy and Emil will be to focus their brand through a concentrated growth strategy as the other alternatives contain too many disadvantages. When implemented correctly, a concentrated growth strategy would eliminate the major problems that Emil and Cassy are facing and reorient the company towards success, allowing *Desk Nibbles* to reach its full potential in the future.

Implementation

Immediate Term 0-6 Months

- The first step to begin the implementation of the recommended solution will be to make the financial investment towards the marketing, expansion, and quality improvement of the products.
- *Desk Nibbles* must ensure that the products being introduced to the brand will be attractive to the existing customers as well as to new customers, this could be done by having surveys brought in to current businesses that are customers of *Desk Nibbles*.
- Once the new products and existing products have been decided on based on the surveys, *Desk Nibbles* must begin marketing the companies new and improved products. This can be done through social media, television, and notifying current customers of the revamped products that are being introduced.
- Marketing will also notify customers of the *Slack Chatbot* of the available customization available in every business for whichever delicious snacks they would like to have in their kitchen's. This will benefit current and future customers, showing them that *Desk Nibbles* will still have the same great customer service, but with better products and more product selection

Short Term 6-12 Months

- At this point, all new and current products have been marketed for a few months and consumers will be aware of the *Desk Nibbles* revamped product. Now products will be getting stocked into the kitchens of all current and new customers.

- Prices will be adjusted and increased based on the quality of products and because of the better variety of products that are now being offered. Based on our recommended solution, customers will be willing to pay a little more for *Desk Nibbles* services based on the revamped branding of the products.
- Through the concentration growth strategy, it is expected that Emil and Cassy will begin to slowly earn back their investments during this time, as more companies are expected to be taking orders from *Desk Nibbles*, as well as the increase in price of orders will also result in faster cash returns on their investments into the business.

Long Term 12 Months +

- An extensive evaluation of the concentration growth plan must be conducted to analyze if the new business plan implemented has, in fact, worked the way we have hoped it would. The financial state of the company is the main area that must be calculated.
- The primary focus from this evaluation will see if Emil and Cassy are starting to see a return in their investment, as previously noted they have already put an enormous amount of their own money into the business. In order for the business to go on, Emil and Cassy must start to see a return to knowing that the business can succeed and be profitable.
- Other main areas in the financial aspect of the business that must be looked at are: after the price increase for products how it impacted the number of orders and loss or gain of customers. Also, after marketing the improved brand and increasing the number of products if it resulted in an increased amount of businesses joining in as a customer for *Desk Nibbles*.

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