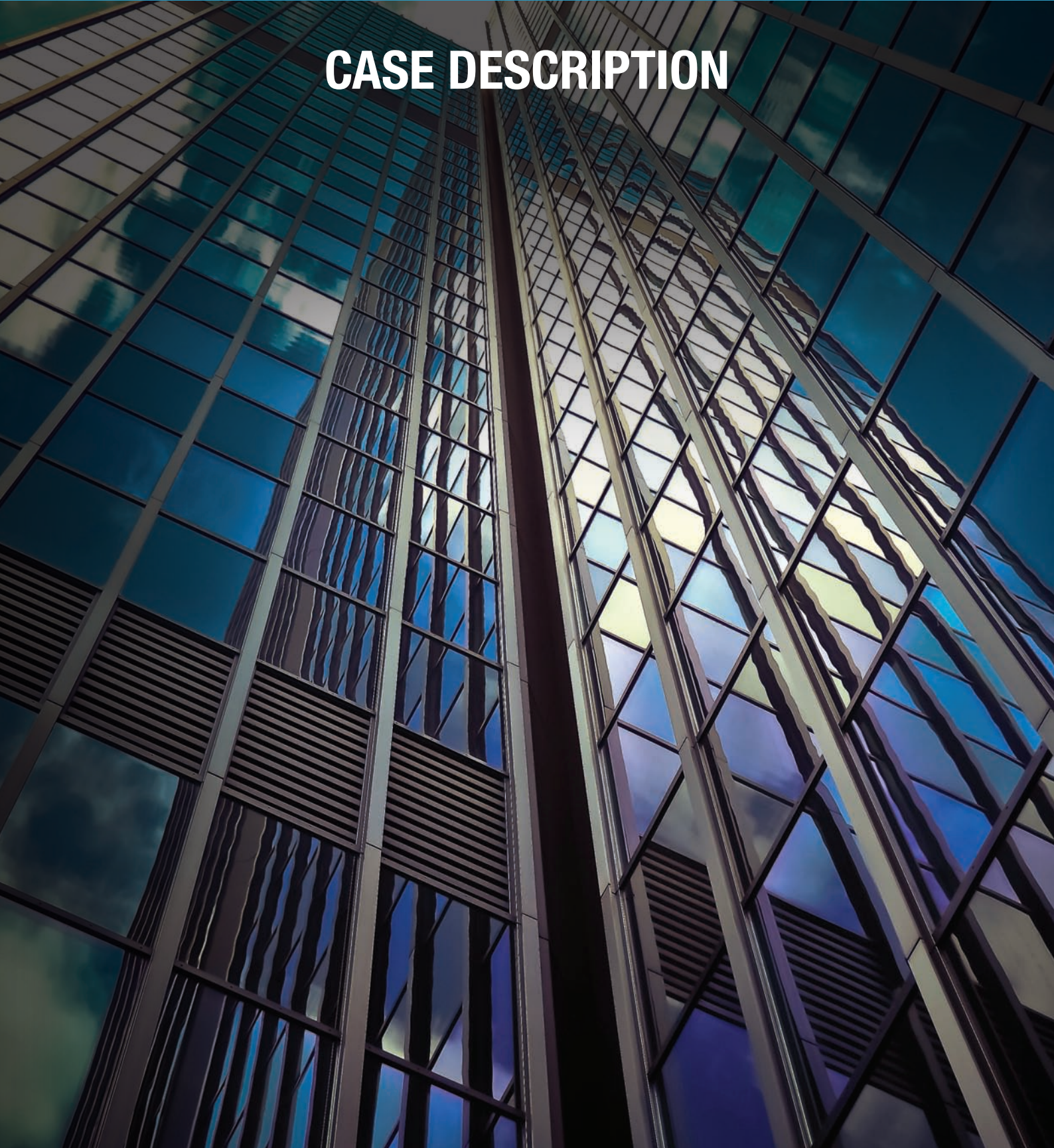




cesim  
**ELITE**

## CASE DESCRIPTION





# Beicco Ltd.

## CASE COMPANY DESCRIPTION

### COMPANY HISTORY

In 1965 Mr. Jalomir Paanadorf, originally of Finnish descent, founded Beicco, a construction materials company just outside Bangkok, Thailand. He had been working in various steel companies in Europe and discovered a customer need that the large steel companies were unable to match: diagonal ties for sandwich wall elements. He was drawn to Thailand mainly because of favourable climate but also because he found the people to be hardworking and loyal.

The company soon started to manufacture various connections products for the Thai precast industry, including numerous reinforcement details and fastening plates.

Jalomir was a customer oriented, opportunistic salesman who was eager to grow his company. His slogan “production can never be the bottleneck” was forcing the organization to reshape itself in line with large orders received from the Thai construction industry.

From the very beginning the company also aimed to develop its own set of unique products, thus not only to manufacture products to the industry standards. An example of this would be the column connections products started in the 1980s.

In 1989 the company developed an innovative beam product, the Omegabeam. The start of this composite beam business turned the company from selling smaller components into offering frame solutions to its construction company’s customer segment.

While enlarging its business activities, Beicco established a sales office in Indonesia.

The company’s current CEO Tobias Paanadorf, the son of Jalomir, wants to ensure that the company is more profitable in the future. He was named CEO a few years ago and is delegating the responsibility of the composite beams business in Thailand and Indonesia to you. Connections may also come under your responsibility but not initially. The CEO expects quick results from the new management.



## FINANCIAL POSITION OF THE COMPANY

During recent years Beicco has been financially performing only at an average level, although the company has grown a great deal. In other words, improving profitability is the top priority for the new management team.

## THE MARKET

Market analysts forecast tougher competition as more and more Asian companies have reached consistent product quality and have started to expand their focus to the international markets. Small companies may merge combining to form stronger and more competitive companies.

Beicco is not considering mergers or acquisitions. The company has a strong position in a few niche areas in connections and composite beams where it is one of the leading manufacturers. The markets that have been assigned to your team have good potential.

In the domestic Thai market the construction market is again growing slowly. Furthermore, Beicco's situation in the Thai market is so strong that it has difficulty increasing market share. Beicco's current share of the market is, however, under attack and needs to be defended.

Customers in Thailand rely on Beicco's strong research and development (R&D). An image stressing strength in R&D is critical in the home market but has the potential to be successful abroad as well.

Price elasticities of demand vary from market to market. In Thailand there has been clear evidence about the presence of particularly price sensitive customers amongst Beicco's target segments. The management must find out how price affects demand in Indonesia.



## MARKETING TO DESIGNERS

Beicco is using two types of promotions: general marketing and designer promotions.

General marketing is targeted to construction companies and pre-casters, and includes activities such as trade exhibitions, website marketing, and advertisements.

Designer promotions means activities aimed towards structural designers. Sales work with structural designers has turned out to be a critical element in the demand for connections and composite beams. The right amount of this work has a strong correlation with the success of the company. Technical support is directed to this segment and gives them incentives to favour Beicco's products over the competitors'. Beicco is also offering a free-of-charge software package called "Beicco Designer®" to help the structural designers in their work.

It is expected that the company can increase the number of design companies using Beicco's composite beams with strong designer promotions.

The combined efforts of the industry regarding general marketing and designer promotions contribute to an increased total market size in both the composite beam and connections market.

The composite beam market size is affected by the average price in the market, however the connections market size is less influenced by the average price in the market.

## PRODUCTS

The composite beam market first emerged in the 1990s, although beams have existed in some form for a long time. Composite beams enable slim floor solutions and the requirement is dependent on projects.

In the scientific community there are also many who are concerned about Beicco's structural and fire calculations and thus there can be technical obstacles even on a project basis. The composite beam market is, however, growing and it remains to be seen how fast this development continues. A challenge to the company is to be able to maintain consistent quality and make sure that the customers get what they expect.

The future of the market is also heavily dependent on what research findings turn up and how fast individual construction companies will start to use them. The demand is thus difficult to forecast.

The demand for connections is expected to grow somewhat steadily. The markets for connections are relatively easy to predict and are not expected to cause problems for the management team, in case those are included in your responsibilities.





## PRODUCTION

Beicco's manufacturing facilities are located in Thailand. There is no production in Indonesia and products are exported to the country from Thailand. The company follows strict quality standards in its production.

There is still a great deal of development involved in manufacturing connections and learning effects are to be expected. Consequently, decreasing production costs are expected in the future. Forecasting the development of raw material (steel) prices is more complicated.

The production of composite beams is already very efficient, and costs are expected to develop steadily.



## UNITS OF DECISION MAKING

Sales and production figures are reported in thousands of units. All prices are for one unit. Selling prices are denominated in USD. The company can invest in composite beam capacity in 1000 unit capacity steps and in connections capacity in 10 000 unit capacity steps.