

Local IT company facing the challenge to develop on medium-term

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Abstract: *This article intends to outline the challenges faced by a local IT company in his battle to stay on the market on medium-term. There will be revealed the challenges the company is facing and also the ways to adapt to the changing world of the internet sells and e-commerce. There will be presented a short history of the founding and the evolution of the company on the local IT market in Covasna county pointing out the relevant events which have marked the life of the company during the years. There will be presented a short review of the competition on the market and the marketing strategy and policies which the company is using to be able to face the new challenges.*

Key words: *IT, service, challenge, internet, competition, selling*

1. Introduction

1.1. About the company

The subject of our study is a local IT company called SENSO Ltd, acting in the field of IT services and computer hardware and accessories selling. This is a family owned company founded in 2001 by the actual owner Mr. Attila Gyenge. He has started with 2 employees all family members. Nowadays the company has 6 employees and this year the company is celebrating 15 years of existence on the IT market of Covasna County.

1.2. About the company activity

The company has 4 categories of activities:

- a.) IT services
- b.) Repair services
- c.) Selling of computer hardware and accessories

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d.) Training services

The base activities of the company are the IT and repair services. Later the owner has developed also the activity of selling of computer hardware and accessories. The newest activities of the company are connected with the training services in the field of computers and software. The dividing of the work between the 6 employees is made so that 1 employee sells the computer hardware and accessories; 1 employee organises the training sessions and the other 4 employees are performing the IT and repair services. The main goal of the owner is to have all the employees working in the most efficient way, avoiding time loss because of performing not necessary works and without delaying or forgetting tasks. From this point of view, the owner wants to know about all the repair, sells and training activities made by the employees. All the daily work is mentioned in a centralized work report database where the owner can see online all the activities performed by all employees in each moment of the workday. The main challenge from this point of view is to find the most convenient procedure to be followed by the employees to process in a correct and efficient way all incoming service and training demands.

2. Objectives

2.1. Actual situation-Competition

In the actual market situation the company is facing an accentuated competition especially in selling computer hardware and accessories. The competitors are both small local companies and also national sized big companies. The local small companies have normally the same competitive advantages like the company part of our research but the real threat, as discussed with the owner, comes from the national sized big companies like e-Mag, PC-Shop, PC-Fun or Intend-Computers. All these big online shops have the advantage of cost efficiency so the company can hardly compete in prices with them. These big national companies are making more and more pressure on the market by offering all computer hardware and accessories at a low price compared with the prices of the company. The second challenge has been found in the medium-term life of the company, and the idea is that the company has to find a correct and suitable strategy to overcome this problem.

2.2. Market

From the beginning of its existence the company has been present on the local IT market of Covasna County. The companies target market is the town of Tg.Secuiesc and the nearby area in a radius of 30 km. This means a target population of ruff 45.000-50.000 people. The company has actually 3 categories of clients, represented by companies, public institutions and natural persons. The ratio between the existing

clients is 75% natural persons 20% companies and 5 % public institutions. At the beginning, in the early 2001's, the company has started with repairing computer hardware. Later the owner had the idea to combine this activity with selling of the computer hardware and accessories. Nearly at the same time the company has developed the IT services represented by installing antivirus software, installing the basic operation systems on the purchased computers by the customers, data savings and data organization on the computers.

Lately the owner has discovered a strong demand for training the employees of the client companies in different software like Microsoft Word or Excel or Power Point.

All these activities have consolidated the position of the company on the market. As Mr.Gyenge, the owner explains: "All my important clients I won based on personal, face to face connection, the clients have always appreciated the quality of my work. I have also got a lot of new clients based on the recommendation of the existing ones."

3. Methods

3.1. Market analysis

The very first idea was to get accurate image about the market and to adapt the sell and marketing policies accordingly. After several discussions with the owner, the following idea has been identified that the most important customers for the company are the public institutions and the companies. It was established that there is a need to get more customers from these two categories. The main idea is that a company or a public institution is always purchasing more hardware and accessories then a natural person. Accordingly they are using also more IT and repair services than the natural persons. It has been identified also the fact that the newest activity of the company the training of the employees of the client companies can also be developed by getting new clients in these two categories. Considering the above mentioned it has been concluded that all short and middle term marketing actions should target these two categories of customers.

3.2. Costs analysis

Concerning the costs it has been discovered that the main costs for the company are the wages of the employees and the costs related to the purchased hardware equipment and accessories supporting the sells activities of the company. The main challenges here are to find an equitable and effort based waging system for the employees and to purchase always equipment and accessories which are not staying for a long time on the shelves of the company.

3.3. Sells

Together with the cost and market analysis a sells analysis has been made in order to identify all the clients of the company and to see all details connected to the selling activities. A very important threat has been marked to the selling activity of the company. And this threat is coming from the big national sized online selling companies. They are making a huge pressure on the selling of the company.

In this case the following question has to be answered: how will a potential customer be convinced to buy from the company and not from the internet shops?

4. Results and discussions

4.1. Results

Based on the discussions with the owner and on the analyses made upon the number and structure of the company's clients it was determined that the middle-term objective of the company is to gain more customers from the B2B category. It has been noticed a preference for the category of clients represented by public institutions. Strictly connected with this aspect a growing demand has been identified from the B2B customers for the training and learning services in the field of dedicated software like Microsoft Word Excel and Power Point. It has also been noticed the owner intention to establish a more efficient waging system for the employees and a better communication method between the employees. It has been discussed in detail the threat represented by the online shops and also about a new category of consumers represented by teenagers between 12 and 18 mostly interested in games and apps connected with games. After finding all these results there was a meeting organised with the owner and it has been discussed how the company should react to all these facts.

4.2. Discussions

During the discussions it has been fixed that the owner wants to increase the number of B2B customers and especially those from the public sector. So the first question which has to be answered is how can the number of B2B clients be increased?

Concerning the training services being a new activity of the company, a question arouse that has to be answered: how will the company be able to handle this demand on mid-term?

Connected with the internal activities of the company two questions have to be answered: which waging system should the owner use to motivate the employees? And how could a more efficient communication between the employees be realised?

Connected to the selling activity the following questions have to be answered:

-How can the company react on mid-term to the growing power of the big national sized online shops? And how should the company react to the growing demand of games and gamer pc's especially from the teenager customers' category?

Another very important issue for the company is the value of the stock on the shelves. So the question that has to be answered is: how can the costs be optimized in this case?

5. Conclusions

5.1. To do list

After naming the issues as presented in chapter 4 possible solutions to the presented topics should be elaborated.

5.1.1. The importance of B2B clients and how to increase this category of customers

After studying the cost efficiency of the different categories of customers it has been discovered that the most cost efficient customers are the B2B type customers, represented especially by local companies and local public institutions like major offices, schools, hospitals, police stations. It has been identified a ruff of 500 private companies and a ruff of 30 public institutions as clients. The owner has expressed his personal opinion that he prefers bigger customers because they buy much more than the natural person customers and they are also more intensive using the IT and repair services. It has been recommended that based on the good personal relations the owner should attract new B2B clients using the network of personal recommendations of the existing clients. It has been recommended the use of newsletters concerning the products and services offered by the company and also the possibility of visiting personally the local public institutions and private company managers in order to get a direct contact with them and to answer all possible questions regarding the offer of the company.

5.1.2. Training and learning services which are more and more demanded

This demand is coming from the B2B clients and it has been recommended that this should be satisfied by the company even if for the moment there is only one person able to perform this task. It has been suggested the use of outside specialists to overcome this problem in a way that this activity can be partly outsourced by the company until they will be able to perform this tasks by themselves. The training activity is considered to be a future developing possibility for the company.

5.1.3. Internal issues to solve

It has been fixed about these aspects that the base of a good and correct communication between the employees is a so called Internal Procedure Book (IPB). This will describe in detail all the steps an employee has to follow in executing a certain task. This will lead to avoid the unpleasant situations of forgetting a task which has to be repaired and will also lead to prevent from not predicting the suitable time for the repairing. This will be connected with a reporting database where all employees are writing down their day by day activities divided per hours, so the owner can follow up how much a certain task was performed by a certain employee. This database will be used also for training the new employees in a very efficient way, because a potential new employee will be able to find out information about a certain customer or a certain issue very quick, without asking a lot of questions from the other employees. In this way it will be saved a lot of precious time and that time will be used for work. Based on the mentioned database and the IPB the owner will get a better understanding about how much a certain employee is working with a certain task and he can establish a priority ranking of the tasks. The question connected to a new, more efficient waging system has been answered which can be performed based on the importance of the performed tasks and the hours spent for the tasks.

5.1.4. Selling tasks to solve

There were long discussions about how can the increasing pressure made by the big national sized online shops be overcome. The fact is that the computer hardware and accessories sells of the company are heavily influenced by this effect. And this effect is influencing all categories of clients from B2B to B2C. It was agreed on the fact that the company can't compete with the online shops only in prices because the online shops due to their market position will always have the advantage of a lower price for the same product. It came up with the idea to bind the selling of the hardware with hardware connected services and to create an advantage to the customer in this way. The owner was suggested to sell to the customer a package of advantages near the product itself. In this way it was intended to develop a medium-long term collaboration with the customers and in the same time we try to tie them to the company by offering this services. It was suggested the introduction of a half year service period, so after half year the customer can bring back the purchased computer and the company will clean it and optimize it for him for free. It was suggested also the possibility of offering the data security and data saving service. According to this the company will develop for the customer data saving and data security possibilities. Of course for the customers with new purchased computers and hardware the first half year will be for free. In this way the company can

increase also the selling of the accessories to the computer hardware for example they could sell more outside memory drives for security savings.

Regarding the value of the stocked hardware on the shelves of the company it was recommended a careful and precise evaluation of the sold items in the last two years and the optimizing of the ordered hardware according to the sells statistics. It has been recommended also the use of detailed product brochures where the customers can have a good look on the product they want to purchase. In this way the potential customer can get a technical support service which is not available in the case of online shopping. Regarding the new interest of the teenagers for games and gaming PC's the owner has strongly been recommended to invest time and money in this kind of products because this segment of market is growing very fast and will be an important part of the IT business on mid and long term.

5.2. Final conclusions

Summarizing all the facts presented above the following conclusions have been stated:

- The company will act in order to gain new B2B customers using the personal connections of the owner and the recommendations of existing customers.
- The company will outsource for the moment part of the provided training services until it will develop own capabilities for this task.
- The owner will introduce an IPB (Internal Procedure Book) and will perform a priority ranking of the tasks helping this way the introduction of a new, more efficient waging system for the employees.
- The company will combine the selling of computer hardware with complementary services and will attract this way the customers to buy from the company and not online.
- The company will order computer hardware for the own shop based on the selling statistics of the last two years and will use more advertising material in selling combined with a professional technical support.
- The owner will take special care about the new trend of games and gamer PC's, so he will invest time and money in developing the selling of this kind of products.

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7. References

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