

St. Xavier's XOIC Business Analysis

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Table of Contents

<i>Acknowledgements:</i>	3
<i>Introduction:</i>	3
<i>SWOT Analysis:</i>	4-7
Strengths	4
Weaknesses	5
Opportunities	6
Threats	7
<i>Recommendations:</i>	7-10
Contract	7
Recruitment	7-8
Online Presence	8-9
Pricing	8-9
Display	9-10
Leadership	10
Alumni	11
Communication	11
<i>Conclusion:</i>	12

Acknowledgements

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Introduction

Our hope is to amplify that enthusiasm with increased success in the financial future of this young company. Our presentation to you in January 2013 merely highlighted various issues we feel we can help with. After all, the goal of this report is to help XOIC continue to grow as a company by addressing these areas of concern.

This is not to say that the progress that the company has made over the last year has gone unnoticed. We want to commend the entire team for making the effort to utilize the recommendations that were given in the 2012 Applied Global Business Learning report. For instance, we were happy to notice the new implementation of safety gear in the lab. The 2012 ABGL report also suggested a safety label, which we also noticed was present this year. Your willingness to make changes with the end goal of greater success is most certainly a strength. Last year’s report urged your company to focus effort on production and brand development. They suggested selling more commercially to larger businesses. With that said, each member of our team agrees that outsourcing production was the most logical path for the company to follow, especially in response to declining membership of XOIC. It is an excellent indicator of success that the company was able to develop and adapt our advice to remedy the issue yourselves. It speaks volumes about the student’s passion toward the company.

SWOT Analysis

We have elected to conduct a *SWOT* structure. It is a method that is commonly used to analyze businesses. We will follow this analysis with recommendations that supplement the weaknesses and threats so as to possibly alleviate those issues and strengthen the company. We will also recommend possible techniques that you could use to utilize the opportunities we mention.

Strengths

Creativity/Innovation

We agree with identifying creativity as one of the strongest aspects of the company. We say this because of the new and interesting candle ideas that have been developed since last year. For example, the fruit candles were a very clever innovation. Being able to focus on your company's strengths is critical for future success. For example, the decision to focus on the selling of your product designs due to diminished production capacity, harmoniously plays to your strength while at the same time managing a weakness.

Passion

A company is only as strong as those who make it work. Your ideas and innovations to the product are key undercurrents that allow for greater success in the future. These ideas come from the drive to be successful; it is promising to see this drive in XOIC. It is important to remember that passionate ideas and personalities are contagious.

Rotating Workforce

The company has recently changed to primarily outsource production. Thus new ideas need to constantly be at the ready as to satisfy the production clientele. The strength is found with the introduction of new members in the company with every passing year. New members represent a constant source of new innovative ideas. This welcomes the opportunity for the older students to pass on new knowledge and techniques to the younger students who are eager to learn and participate in the effort.

Flexibility/Adaptability

Any company needs to be able to handle the changing environment in which their business functions. You have shown that ability by outsourcing. Decision making like this allows the company to adapt to changing markets and thus maximize potential success. Executive decision making such as this is an important developmental process that can be taught from experience or from upper classmen to the successors of the company.

Weaknesses

Contract

It is a very good idea to have a contract when conducting business with another firm. The current model has worked in the past but leaves out some necessary details, including details that could rid XOIC, and hence St. Xavier's College of liability in the case of an accident.

Branding

Branding is a critical part of any business that wishes to continue to grow and prosper. A business can be booming at one point, however without a constant stream of branding the status of the business can quickly falter. Even if XOIC is at a point where you feel it has as much clientele that your production can manage, it is still the case that you need to develop and enhance your branding. Branding maintains and builds your presence in the marketplace, helping bring in new clientele when it is available. Happy customers and clients coincide with establishing credibility. This is a bigger challenge than previous years due to your current outsourcing approach but it is a challenge that must be overcome.

There is little to no web presence for XOIC and in this day and age, a web presence is a necessary part of branding. People want instant information on a company with which they are doing business and the internet is the place to start.

Display

The display for the products at the XOIC lab needs improvement. The products presented are currently on metal racks on top of old newspaper, which is an inadequate display. In the back room, where products that only XOIC students get to see, this is fine but in the display room everything should be pristine.

Inadequate use of Principal and Alumni Network

Even though the Alumni are sometimes involved in the business they are not being fully utilized. The Alumni population is a very powerful and useful tool that has yet to be fully explored by XOIC. In addition, along with the Alumni, the Principal of St. Xavier's is not being used as a potential tool in the branding process. A man with substantial power and networking resources like the Principal of a college needs to be involved in the product.

Pricing

To make optimal profit it is important to have an optimal price. There was some mention that XOIC has more than enough customers and there is always a flow of new business, sometimes even too much. If

there is a shortage in a market for your product, an easy solution is to increase the price of the product. An optimal or equilibrium price will make it so that you exact as many customers as you can handle and that you are making the most possible profit.

Having a lot of customers is a good problem to have. The weakness we found in XOIC was the fact that you reduced your search for more customers, rather than fully understanding the potential for the product.

Structure and Lack of Leadership

It is difficult to simulate a real work experience in a student run company. Although XOIC has made some progress in this area, more work needs to be done. An issue arises when discussing the structure and its lack of parallels to a real world business. The system currently relies too heavily on feedback from your faculty advisors and XOIC alumni. XOIC needs stronger internal leadership and it needs a structure that simulates the departments of a modern company. Although it may seem that having XOIC members rotate positions within the company periodically is a good idea, it is not realistic to an actual company. A company needs to have leaders responsible for making major decisions and also they need to take responsibility for downfalls.

Unrealistic Expectations

It is important to understand the purpose and limitations of XOIC. As a student run company, it is an unrealistic expectation that XOIC can do everything that a non-educationally driven business can do. There is a limit to how much XOIC can grow and how well it can contend in the market. This does not mean that XOIC cannot be a great company and a great learning experience, however its inherent limitations need to be recognized.

Opportunities

Research and Development

XOIC has bright and enthusiastic members who have developed numerous innovative products. Your switch to business model that favors research and development instead of production should help you build upon this strength. The opportunity rises in the fact that the products and ideas that you are creating are ones that other people want to buy. Customers look forward to whatever the next unique product that is forthcoming from XOIC. By maintaining the flow of innovative new ideas, you have honed in on your strength. This will have a place in the market if you continue this trend.

New Students

Although there were very few incoming students that joined XOIC this past school year there is an opportunity to change that in the future if need be. Every mind can come up with new ideas for a product or a solution to a problem, thus, potentially; the more students involved the better. New students will want to get involved with XOIC if they know more about the program and all that it entails: the time, the work, the products, and the success. Although you have been making your lower employee numbers work this

year, the future of the company lies with the new students. Being able to have enough students to efficiently function is a necessity to continue but also an opportunity to flourish.

Threats

Student Workforce

The biggest threat was also mentioned as an opportunity; however, the potential threat is the lack of students involved in the program. If the number of students that entered XOIC this year remains the same, future XOIC students will have a hard time operating. There needs to be a steady, and ideally consistent, stream of new students entering to continue to have a strong student run company.

Ideology

One of your weaknesses is also a big threat. The ideology of the company seems to have shifted in the minds of many of XOIC's members. The main thing to remember is that XOIC is a student run company that is designed to give chemistry students a sample of what the business world is like. It is unrealistic to compare yourself to a real world business in the sense of overall growth because XOIC will always be a part of St. Xavier's. It is good to have high expectations for your program, but it is important to not lose focus of XOIC's purpose. By knowing the boundaries of the business/program, you can keep XOIC running smooth and its students happy.

Recommendations

Contract for Outsourcing

The idea of outsourcing production was a rational response to declining membership. The issue of concern is the content of the contract you sign with your customers. The current status of the contract is more akin to a sales agreement (in other words a receipt) than a contract.

What you should incorporate is an additional passage called a "Hold Harmless" clause that protects XOIC and the University in the case of a malfunctioning product.

What you could do is also develop more information to be put on the contract in effect making it more detailed and professional. By this we mean that you could incorporate a detailed description of the good or idea so that the buyer knows what they are buying. Second, make them aware of their rights and obligations to the product. For example, you could stipulate that XOIC be identified as the source of the

product design when your customer sell the product. This also includes that you tell them your obligations as a seller. As of now, the buyers are held to little obligation from XOIC.

Recruitment

Your team mentioned that you are allowed 30 students from each of the three levels of education. This means that your membership can be maximized at 90 students, which was once a realized workforce for the company. That level of participation is highly beneficial for your success. The recent membership levels were at about half of the maximum count. This indicates that not only did XOIC recruit fewer incoming students, but it also lost current participants.

The issue can potentially be fixed in two ways. First, you must look at your current students and understand why they are leaving and consequently alleviate that deterrent to the best of your ability. If people are unhappy or have little motivation to create a good product, the productivity of your workforce may decline. While the loss of unmotivated workers is not necessarily a bad thing, you need to understand if there are changes that can be identified that would prevent turnover and still enhance productivity.

Next, we realize only 12 new industrial chemistry students came to the school last year which provides you with minimal growth opportunities. The suggestion in this case is that it would be beneficial not only to XOIC, but also to St. Xavier's as a whole to have more students come to the university. By this we suggest that XOIC executives (students) help spread the message of the company to the high school level as to motivate potential students of industrial chemistry to come to the school and participate in the program. Show samples and pictures of your products to spark interest in XOIC. Do not overlook the beneficial social aspect of the program. In addition to recruiting talented student, is also a good opportunity to have fun and to make friends.

Online Presence

Facebook Page

The Facebook page is important for the company to have and it is promising to see that you have already implemented an outline. However, upon review, it is clear that your current Facebook page has been neglected. The page does not explain that you are student-run company. It also does not explain your products nor does it leave proper contact information. The last person to have said or done anything on the page did so over two years ago. You need to dedicate at least one person to take plenty of pictures of new product designs so that people can see them. These pictures should include thorough explanations and descriptions of the products. As of now, the page has only four pictures of standard candles. Updating the pictures would be of minimal effort and should be undertaken. Finally, XOIC should provide the potential customer with a proper way to contact the company other than through Facebook.

This is an issue because as of now from the perspective of a possible buyer, when we conduct an internet search on XOIC, the search first takes us to Marquette's own study of the company, and then to the

currently neglected Facebook page. The last thing that you want to do is to disappoint a potential client.

Online Sales

If the Facebook page is not to be kept current, detailed, or properly maintained, it would be best to simply not have one. This does not mean you do not need an online presence. It is simply more advantageous to have one strong website than two weak ones. However, if possible it would be most beneficial to have two websites if they both are indeed properly maintained. Thus our recommendation is to register the domain name, “XOIC.com” as it is currently available. There is a trivial fee that will coincide with having a running website but if run properly, profits should grow nonetheless thereby making the fee of minimal concern.

It is at XOIC.com that you can supplement your Facebook page and this is also the place where you can boost your sales and awareness. This is done by providing a means to order the product online. We understand that you are hindered by production from the outsourcing client. Since you are outsourcing, it is critical for the customer to have contact information. The aim here is to connect your site, and your product name to the customer. They are not seeing a XOIC product when they see your outsourcer’s products. This issue can be resolved in numerous ways.

For example, you accept, produce, and ship customized orders from the customer on the website. If overwhelmed, pricing the product becomes of utmost importance as you can reduce orders with higher prices. Making visitors to XOIC.com aware that you are a student run company is important because visitors may be more likely to pay higher prices to support your endeavors. It is here shipping and packaging costs can also be explained concerning policies and expenses.

Pricing

This recommendation is meant not only to supplement the online prices, but meant to inspire XOIC to understand the financials of the company as a whole. There are numerous variables that should be accounted for when deciding the price of the product. For example, you need to understand the costs of materials, production, and the time it takes you to actually make the product. Perhaps the most important thing to comprehend is that beyond those costs, there is a demand for your product which also should help determine the price that maximizes profitability. XOIC executives mentioned that you have halted certain aspects of marketing as you have already recognized enough demand. There is no such thing as enough demand. Here we are highlighting that your prices should reflect the levels of demand for each individual product.

Numbers can display excellent information about your product. There is a step by step process that can help you understand which products are in highest demand, and thereby most profitable. First, measure the total cost that goes into producing the product. As mentioned, you need to measure things like time, materials, and lab costs to derive this total cost. From there, mark up the price according to a known percentage of this total cost. Depending on the demand for the product, this percentage markup could be higher or lower. For example, if one candle is strongly preferred over another, the preferred candle

should be marked up more over the cost than the less preferred candle. This could lead to a markup of say 50% over cost for the more desirable candle, and only 25% over cost for the less desirable candle. Determining the most profitable price is actually a trial and error process, but the concept of higher markups for goods in strong demand is a well established principle in economics. By conducting this exercise, you can also determine whether the current prices you are charging for your products are adequate to cover your costs. Unprofitable products can be made profitable by either raising prices or cutting production costs, or they may need to be eliminated.

Display

If a potential client is coming to XOIC for a tour, or to check out products, your inventory should be presented in the most appealing way possible. As of now, many of the products are presented in the display room on a metal shelf on top of newspaper. Although the quality of the products will not change regardless of where they are, it is best to have a proper presentation of the products. With some extra XOIC funds a new display case with glass and lights could be a solid investment. If there is a little extra money in the budget, for a relatively low price, a display case can be purchased and it will make a world of difference for protecting display products from dust and it would be a step in the right direction toward properly showing XOIC in its full light. Finally, perhaps the university may be able to prominently display your products in a location near the main office.

Leadership

There is a theory called “group think” in which there is a group of people that has no single leader who has the responsibility to make decisions. If the group is arguing about an issue and there is not a leader to have a final say, then debate might not end and no decision will be made, hence nothing will get done. Even if everyone agrees on most things within XOIC, a leader must be established. A leader, like a CEO, can guide a company in the right direction as long as it is a leader that has the best ideals of the company in mind.

By adding a CEO to XOIC, increased responsibility is added to one student. However, that responsibility is on a student and not your professors. Professors should be utilized only as advisors and used sparingly. Since XOIC is a student run company, the students should be the ones running the company.

We envision that each CEO would serve for two semesters in that capacity; the second semester of his/her junior year, and the first semester of the senior year. Recruitment of a new CEO would begin at the beginning of the second year. Current seniors would identify a suitable candidate. This candidate should be the student who best displays qualities that follow the ideology of XOIC. Then this second year student will spend extensive time with the seniors learning all that is XOIC, encompassing all that someone would need to know in order to properly operate the company. The mentoring process would continue during the fall semester of that candidate’s second year. The new CEO would then take over the operation of the company during the spring semester of the second year and complete his/her term in the fall semester of the senior year. The process would then be repeated. We believe that this represents an efficient way to develop leadership within XOIC.

Alumni

The alumni of XOIC are a valuable resource that can contribute to the future of the company. Alumni should be used as a guide because they have had their experience in running XOIC and thus, they can offer advice. Alumni can also aid in the networking of XOIC and help establish credibility outside of St. Xavier's. However, there should be a limit to how the alumni are utilized. If the alumni are making decisions within the company then the current students are not doing their jobs. Remember that XOIC is a student run company not a company that relies on direction from past students. By using alumni as guides and networking tools, not leaders, XOIC will ease their efforts when getting through problems that might arise and they will also grow their clientele.

Principal of St. Xavier's

The Principal of St. Xavier's College is fairly new to the college but he is also a great resource to utilize. The principal has significant authority and therefore it would be advantageous to have a strong relationship with him. If anything beyond XOIC's control should need to be handled, he could be used as an important asset. Although Fr. Arockiaswamy is a busy man, it is also important to establish a good relationship with the president so that he can speak highly of XOIC to any of the numerous people he meets with on a day to day basis. By doing this, he helps establish credibility which is critical for branding. The principal should always have a XOIC candle on his desk to demonstrate the hard work that his students are putting into the company, along with an understanding of what XOIC is. The relationship with the principal of the university is one that if properly cultivated will generate positive benefits to XOIC.

Communication

Communication is a necessity for a smoothly operating business. A strong leader will be an important part of the efficiency of communication but everyone must be involved. An easy way to improve communication is by setting up regimented times and ways in which communication can take place. A weekly email to the CEO from the department heads is a good starting point toward efficient communication. In this weekly email, each department would report how things are currently operating and here they would exemplify any problems that may or may not be arising. Even if the department heads see each other all of the time, it is beneficial to have updates written down (via the email) so that they can be referred to at a later date. In addition, it could be helpful to have a monthly meeting between the department heads. Person to person communication could help alleviate problems that cannot be resolved in the emails. Here you could also discuss the development of new ideas that could improve the company. Just by implementing a few new streams for communication, XOIC can run much smoother.

Conclusions

Proposed Process for Responding to Recommendations

The AGBL team is committed to providing you with the best advice possible. We understand that we may sometimes recommend something that the leadership of XOIC feels should not be implemented. This is your prerogative as XOIC leaders. However, it is important that your responses to the recommendations from the previous year's AGBL team be adequately documented and provided to the new incoming AGBL team. They can then assess the current state of XOIC in light of the recommendations that you elected to institute as well as those that you chose to ignore. It is through this continual feedback process that XOIC will grow.

In Summation

The hope is that you continue to have students in the company that are as passionate as those we have observed in the past three years, which leads to the issue your company is facing. Deteriorating numbers in the XOIC program are what initially led to the outsourcing idea which is a logical step. Whereas outsourcing was necessary for production, it can create other issues. For example, it does nothing for your brand as a company as the contract that they are under does not require them to have any affiliation with XOIC or the university.

Again, you are introduced to lower participation levels in the program as a problem thus reducing that in-house production capacity. Awareness of the program can remedy the issue. Informing local schools and students of the programs they can participate in should they go to St. Xavier's may allow for increased numbers in the program.

The next step is developing these in-house labels and then marketing them. As previously explained, the websites need to be maintained. A strong contract and an online presence makes you more appealing to potential customers (either individual or commercial customers)

Also, we want to reiterate that this is a student run company and is not to be run by the advisors, so proper leadership from the students is important. Improved leadership will also boost communication that is apparently lacking in the company. Also, do not forget to reach out to the alumni who are eager to give advice. Luckily, you have very enthusiastic alumni; remember they are assets to be used for your advantage.

And finally, as Marquette University students and staff involved with the Applied Global Business Learning program we would like to thank you for giving us the opportunity to do what we can to help XOIC. Looking at past reports and information from the professors it is impressive how much XOIC has grown and what it is able to do today. Our critiques and recommendations of the past have been carefully considered and acted upon by XOIC. This shows how well XOIC can adapt when it sees room for improvement. There is always room for a company to grow and with this growth comes a certain level of insight that can only be achieved by working through problems and figuring them out on your own. With the suggestions that we have made, problems should become easier to deal with in the future. We enjoyed the time we spent with XOIC and hope to continue our relationship in the upcoming years as XOIC continues to flourish.