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Organizational Assessment: Plush Packet Incorporated (PPI)

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Plus Packet Incorporated (PPI) is an organization based around providing educational media and entertainment for children, to families and schools. However, PPI does not strictly adhere to these two markets, and is actively seeking out new customers via retail connections and online media. Through traditional marketing chains, PPI offers DVDs, CD-ROMs, cartoon animals, plush toys, and even a television show. On top of these offerings, PPI is branching out into online gaming for older children and currently offers comic books and board games, which are not as successful as they would like. In terms of services, PPI is in the entertainment and education business, happy knowledgeable customers is what they are all about.

PPI seeks to lead the industry through cost leadership. They want to have the best products for the lowest possible cost. They have done so by creating a direct “partnership with a major reseller of toys and educational media, Educorp” (Laureate-Media, NA). This bond has allowed PPI to lower costs by ensuring availability of all products when they are required. Without this link, PPI would have to diversify their supply chain, meaning their resale costs would go up, due to scarcity of manufacturing and services.

Major threats to PPI are relegated to potential entrants and substitutes. The reason industry competitors are not a threat is that PPI maintains leadership through cost. Due to this, other industry hopefuls must use a different business model or be dragged into bankruptcy through PPI’s price competitiveness.

Potential entrants to the industry are still a threat to PPI, however. If an entrant can make a splash in the market, or gain traction through a similar model, then even with low costs, PPI may lose sales through customer bleed off. That is, customers may seek to use a different product based on product quality, niche market, or potentially even lower costs than PPI, although this would be more difficult for the entrant. To counteract this threat, PPI needs to ensure that they have a sufficiently internalized model that copying it would be cost ineffective for entrants. Additionally, they need to ensure that their products remain of sufficient quality and low costs that entrants could not overshadow them. Finally, PPI needs to ensure that the entertainment value of their services remains viable from the point of view of their customers.

The second most lethal threat to PPI’s stability is substitute products. These are products that act the same or look the same as PPI’s goods, but are in fact copy-cats or counterfeit merchandise. This could even go so far as to be pirated goods through online distribution chains for media that would normally be sold at a cost. To fight this particular mode of attack, PPI needs to patent and copyright all of their original work so that they maintain a legal hilltop from which to attack back. This also requires that they maintain a relationship with their customer base, such that, obtaining goods and/or services through these means is unthinkable. This can be done through low costs, but also through maintaining a market presence, where PPI goods are easily identifiable when compared to counterfeit goods.

PPI’s primary strategy for success is through market diversification and cost leadership. They wish to expand their services into the international community, and also reach a greater online market through gaming and an improved website. This strategy has pushed for them to upgrade their online store, upgrade their inventory management system, and develop a new customer support system. These changes will allow them to decrease costs in the long run while increasing customer service and satisfaction through faster product delivery and better customer services (In the index of this paper you can find a direct five forces model of PPI’s strategy to better help you visualize their market position).

A primary change which could be made in this strategy is in branching out internationally. The organization is still fairly small. While they can begin developing an international customer base, this would not require a local presence at the international sites until such time as the product reached a market threshold. Online services can easily act as an intermediary in terms of reaching these markets, without requiring additional staffing and supply chains in those affected nationalities. This strategy change would allow PPI to focus more on their local brand while still allowing an international audience to take part in PPI’s products.

Reference

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Figure 1. PPI Five Forces Model (Based on Porter’s Five Forces Model)

