

PromenAid Handrail: Managing Growth

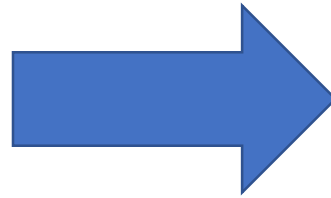
PUTRA BUSINESS SCHOOL (PBS)
MALAYSIA

BACKGROUND

- PromenAid Handrail – Established in 2009 by David Reich
- Sale durable and easy to install modular handrails
- Focuses on Residential use
- Wants to grow shift to commercial targets to be more lucrative

KEY POINTS

- Stimulating Demand
- Differentiation Offerings
- Channels of Distribution
- Production decisions

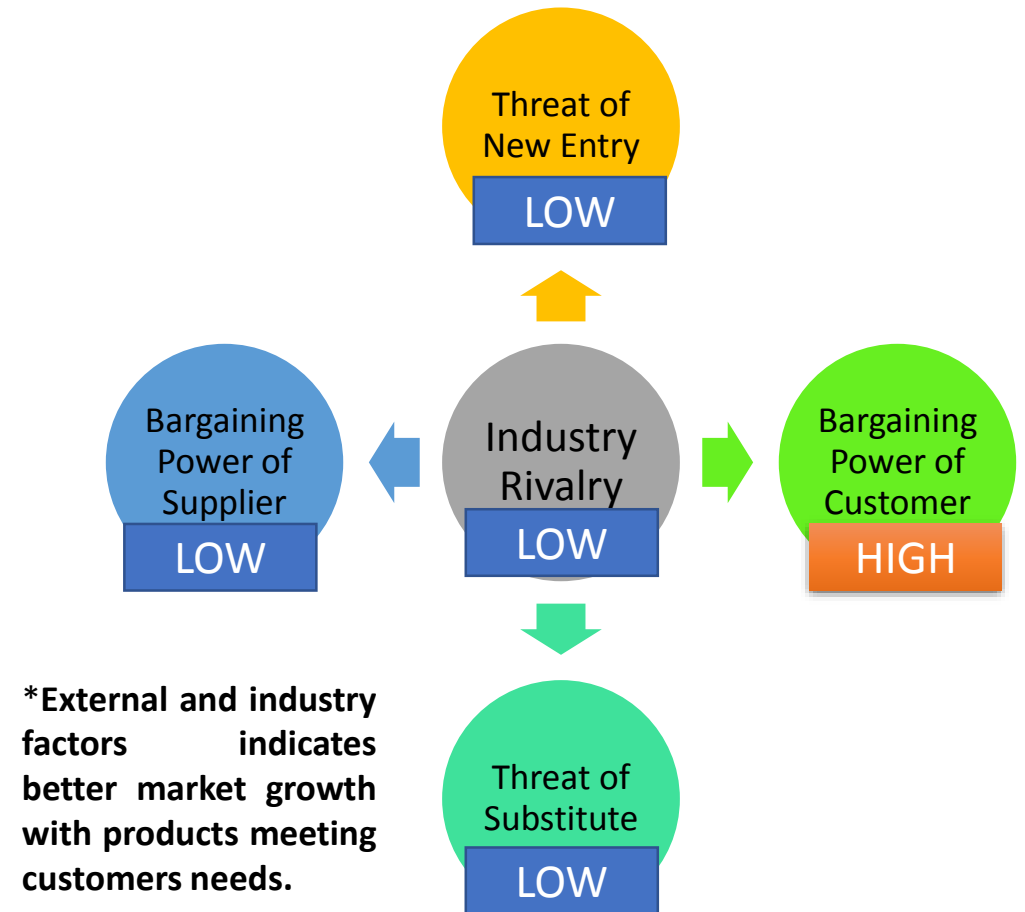
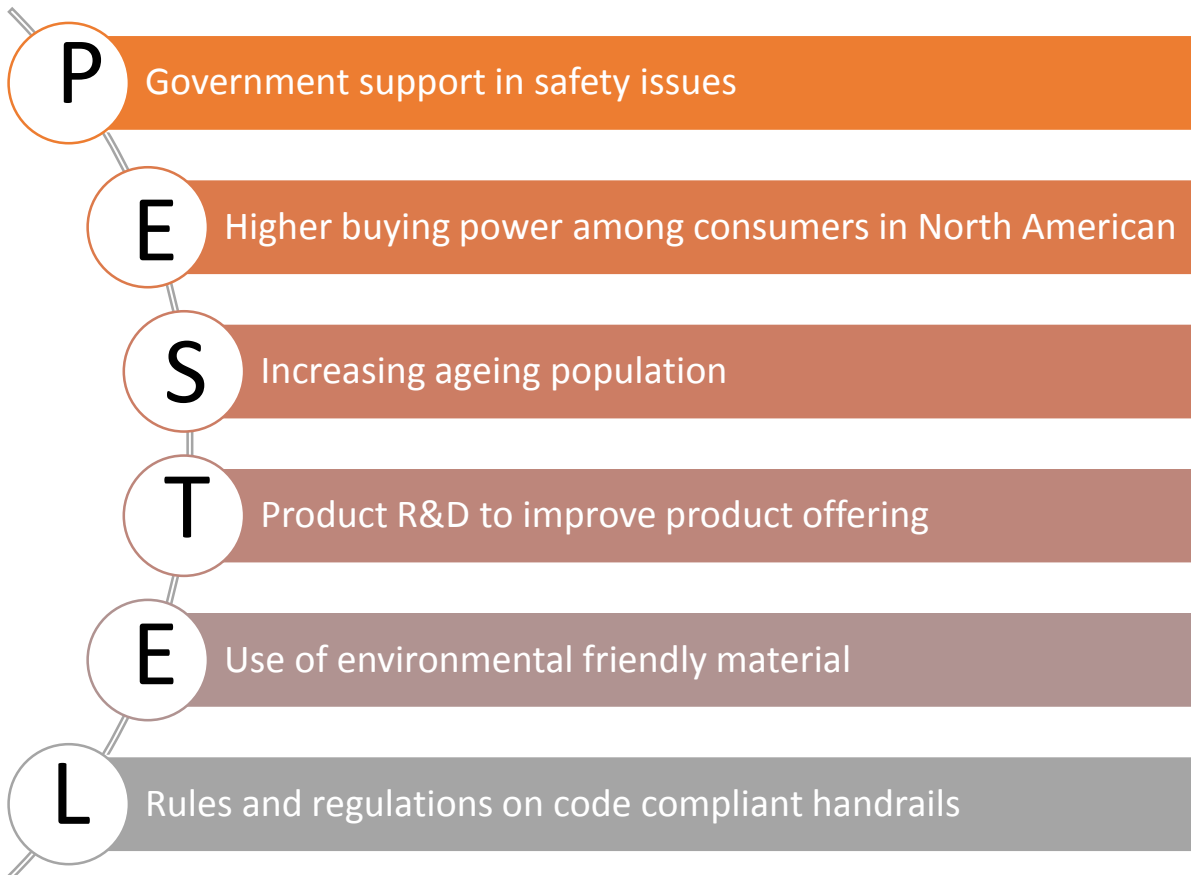


GOAL

Achieving of \$15.7m
by 2020

**40%
growth
annually**

ANALYSIS



ANALYSIS

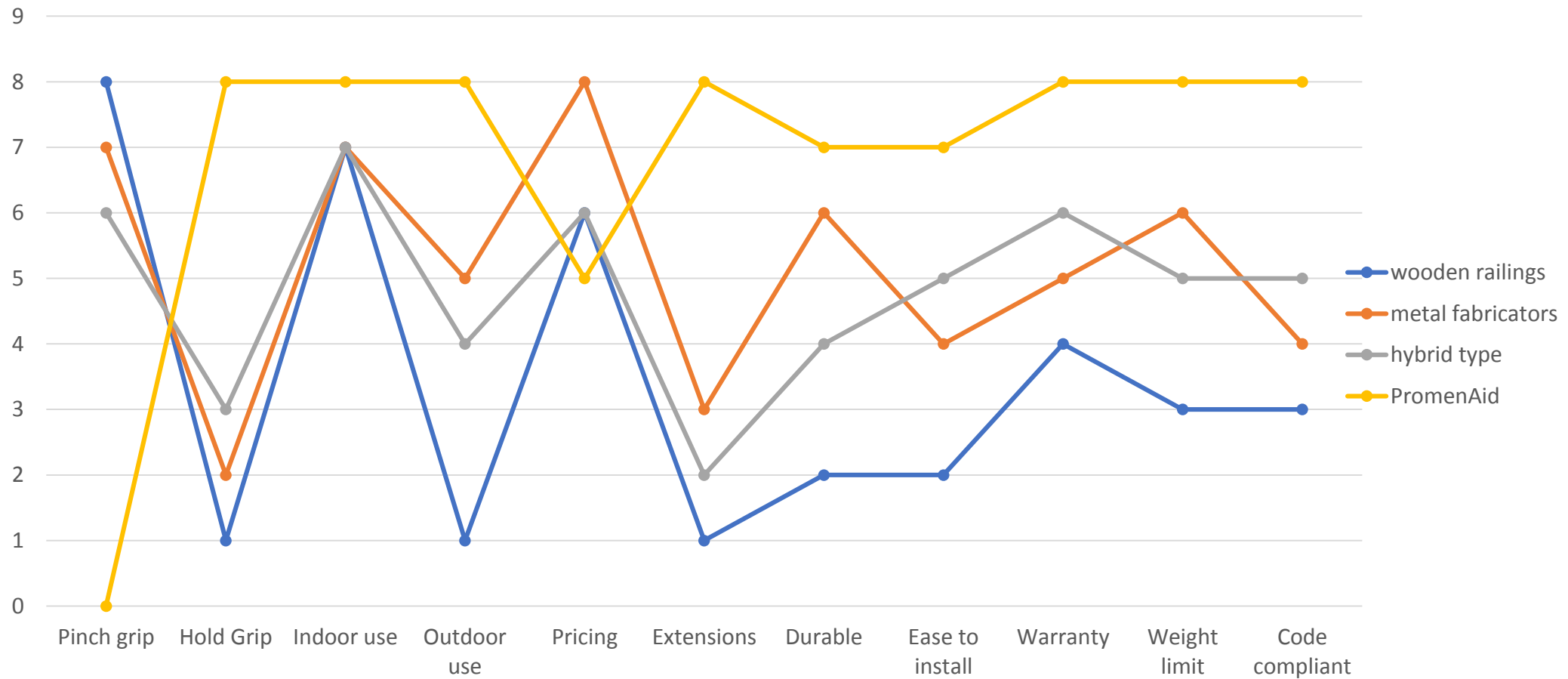
<p style="text-align: center;"><u>STRENGTHS</u></p> <ul style="list-style-type: none">i) Power grip (stronger hold)ii) Durableiii) Easy to installiv) Modular handrail (interchangeable)v) Indoor and outdoorvi) 5years warranty	<p style="text-align: center;"><u>WEAKNESSES</u></p> <ul style="list-style-type: none">i) Lack of product awareness among consumersii) Compared to inferior productsiii) Pricing on more higher side
<p style="text-align: center;"><u>OPPORTUNITIES</u></p> <ul style="list-style-type: none">i) Growing ageing populationii) Product R&D to meet other categories of immobilityiii) Customers looking for price for value products	<p style="text-align: center;"><u>THREATS</u></p> <ul style="list-style-type: none">i) Similar products offering in the marketii) Stigma of people using handrailsiii) Lack of policy to meet the safety regulations in public places and private homes

INTERNAL

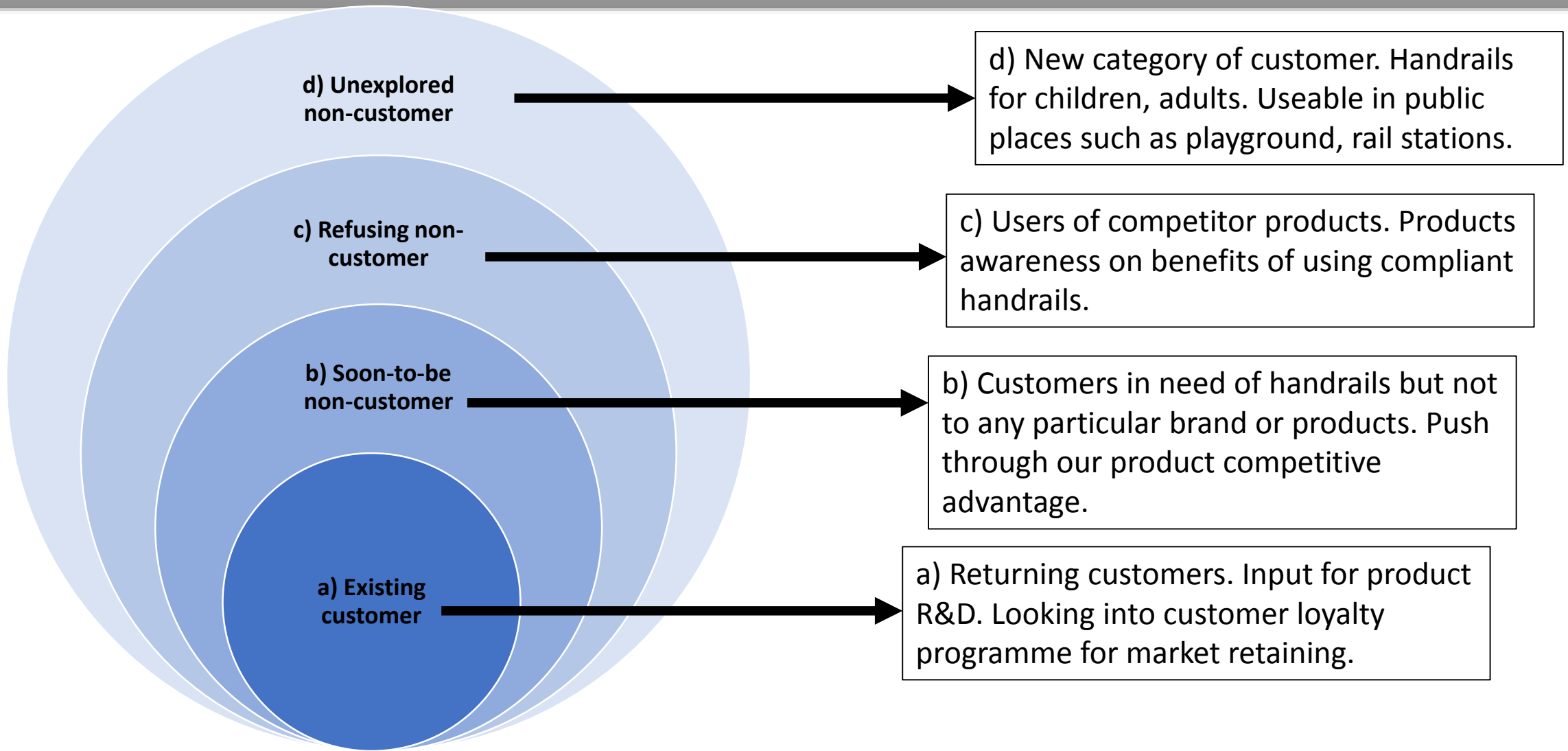
EXTERNAL

ANALYSIS

Strategy Canvas : PromenAid against competitors



ANALYSIS



ALTERNATIVE 1

1. Expansion on Current Target Market

- Families taking care of their old folks
- Medical Insurance
- Occupational Therapist
- Hospitals
- Old Folks home

Pros	Cons
<ul style="list-style-type: none">• Bigger market Penetration	<ul style="list-style-type: none">• High Competition
<ul style="list-style-type: none">• Easy to Implement (Competitive Advantage)	<ul style="list-style-type: none">• The Market is still small

ALTERNATIVE 2

2. Expansion on other Market Segment

- Residential
- Commercial

Persuade the Government to enforce on Non-Code Compliance Manufacturers

Pros	Cons
<ul style="list-style-type: none">• Economic of Scales	<ul style="list-style-type: none">• Lack of Marketing Focus
<ul style="list-style-type: none">• Higher Market Growth	<ul style="list-style-type: none">• Higher Resources Needed
<ul style="list-style-type: none">• People will buy in bulk	

ALTERNATIVE 3

3. Blue Ocean Approach - New Market Creation and Position

- Company should not focus on health industry only. It should cover all group of people who can benefit from the product

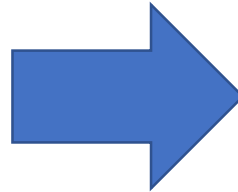
Pros	Cons
<ul style="list-style-type: none">• Economic of Scales	<ul style="list-style-type: none">• Higher Resources Needed
<ul style="list-style-type: none">• Faster Market Growth	
<ul style="list-style-type: none">• Sustainable Business Model	

IMPLEMENTATION

(SHORT TERM)

Facebook Ads

- Ads focuses on Aesthetic, quality and safety
- Leverage on Analytics to target
 - Small contractors
 - Handymen
 - Family with small kids/ Special needs
- Duration 2 months (Immediate)
- Cost: \$20,000



Mitigation

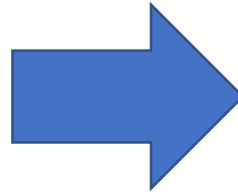
- Other social media such as YouTube, Instagram and Pinterest
- Widen scopes of target group

IMPLEMENTATION

(SHORT TERM)

Engage Contractors

- To demonstrate product quality and to give discount
- Means:
 - Roadshows/ Appointments
 - Join Exhibition in Canada and US
- Duration 24 months (Immediate)
- Cost: \$50,000



Mitigation

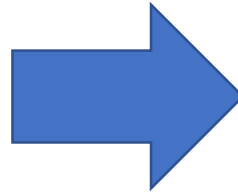
- Leverage on personal ties with contractors
- Lobby project owners

IMPLEMENTATION

(SHORT TERM)

Home Hardware

- As a channel to buy product
- Store accessibility
- Provides training to consumers
- Commission at 30%
- Duration 24 months (Immediate)
- Cost: \$50,000



Mitigation

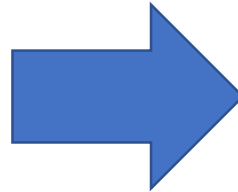
- Provide training to sales associates
- Control price
- Discount for bulk sales

IMPLEMENTATION

(SHORT TERM)

Agent/ Business Partners

- Provide service of installing
- Appoint small contractors as sells representative
- Profit sharing
- Use Craigslist/ Angieslist
- Duration 24 months (Immediate)
- Cost: \$50,000



Mitigation

- Give better commission
- Agents buy product at a discount

IMPLEMENTATION

(LONG TERM)

- Offshore outsourcing
 - Move production to China
 - Leverage on cheap labor, transportation cost
 - Good trading relationship with China (Canada 2nd largest trading partner)
 - One belt, One road
- Expand to BRICS countries
- Aging Countries

IMPLEMENTATION (TIME LINE)

Activity	Jan - Mar	Apr – Jun	Jul – Sept	Oct - Dec
Facebook Ads <ul style="list-style-type: none"> - Identify target and strategy - Develop advertisement - Place Advertisements 				
Engage Contractors <ul style="list-style-type: none"> - Identify contractors - Prepare sales content - Begin engagement 				
Home Hardware <ul style="list-style-type: none"> - Engage Home hardware representative - Detail contract - Place product 				
Agent/ Business Partners <ul style="list-style-type: none"> - Detail out strategy - Advertise opportunity - Train agents - Roll out plan 				

FINANCIAL ANALYSIS AND IMPLICATIONS

- Goal of achieving 40% CAGR towards \$15.7mn in revenue which is highly possible with our recommendations
- Fixed Costs are relatively low at \$50k, which can still increase to \$200k by 2020 when hiring sales managers for contractors, hardware stores, and even insurance agents or companies
- Change of product positioning includes advertisements over internet and social media
- Gross margin is relatively big at 60%-70% because of low costs through less variety of styles and streamlining of manufacturing
- Gross margin projected to increase with growth in economies of scale
- Cashflow solution –increasing credit terms from supplier (subcontractors) from 30 days to 60 days by offering higher margins to supplier
- New product wood veneer as a 3rd style besides classical and modern increases costs of production

NON-FINANCIAL IMPLICATIONS

- Ability to appeal to all walks of life through aesthetics and emotional utility
- Becoming the first in contractors' and dealers' thought
- Creating business partners, empowering people, focusing on humanness through emphasizing on safety for everyone
- Fulfilment of social responsibilities by preventing deaths and injuries, which are priceless social contributions

FINANCING

- Series A financing - \$1.5 million to \$2 million
- Offering redeemable convertible preference shares of 15-20% of equity to be sold by Geller and Warshaw
- Percentage of return offerings at 8% annual returns, which is still within budget of income to support the hypergrowth of revenue
- Alternatively, crowdsourcing through Kickstarter to reach a wider audience of potential buyers by offering products as `rewards` of crowdsourcing
- Exploration of equity crowdsourcing is also viable

CONCLUSION

- Will achieve sales of \$15.7m by 2020
- Market leader in handrail products
- PromenAid will become a global player by 2025

THANK YOU