How Can a Small Software Business Survive Multiple Attacks: A Case Study

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Abstract. This case concerns a small company in an industry that is rapidly growing. Students should be able to identify a number of areas where the company can grow and expand to meet changing business needs. The case is geared towards college juniors or seniors and can be taught in a one to two hour class. Although the case takes place in Korea, the basic concepts and problems presented in the case are applicable to many areas of business and to many countries.

Keywords: English education, entrepreneurship, Korean businesses

CASE SYNOPSIS:

It was 2010 and Michelle Rice, an American living in Seoul, South Korea, had a dilemma. She had started her English-language business a few years ago and met with some success based on her brand-name background and degrees in both educational technology and business. Her company, Bridge the Gap, developed and sold English-language e-learning modules to medium sized businesses that did business overseas. Her clients all had a distinct need for the service but lacked both the time to go to traditional language academies (“hagwon”) and the money for individual tutoring. Moreover, Bridge the Gap’s e-learning modules are all customized for the clients, using the client’s industry terminology and lingo. Michelle’s e-learning modules, with their interactive features and instant feedback, were a hit among her small client base.

Bridge the Gap had hit a plateau in sales, though. Her initial business had been
won via word-of-mouth and had focused on industries that she and her staff were familiar with. She lacked a strong salesperson to make bigger sales, and her young age (32) and gender precluded her from getting meetings with high-level male HR executives at larger companies like Samsung. Her competition already had an advantage in the fact that they were large established companies with proven track records. She needed to figure out a way to hire an inexpensive salesperson or she would have to go without a paycheck for at least a year in order to continue to pay her staff and get large clients at the same time.

In addition to the salesperson problem, the teaching field was becoming increasingly crowded as more and more native-English speakers were moving to Korea to escape bad economic conditions at home. Most of these foreigners were looking for English teaching jobs and, despite their clear lack of teaching credentials, were getting work. This flood of ill-equipped teachers was both reducing the overall quality of English language education in Korea and putting downward pressure on prices. Although all three of Bridge the Gap’s consultants had advanced degrees in education or educational technology, Michelle feared that Koreans might care more about the differences in price rather than the differences in quality. She was also concerned that the downward pressure on prices might force her to pay less, something she was loath to do given the high quality and expertise of her small staff.

To add to her worries, Michelle was facing stiff competition from companies in India and the Philippines where the very low cost of labor and native English language skills made it possible for her competitors to produce e-learning modules at a lower cost than Bridge the Gap. Although the quality of their instructional design was abysmal and used more everyday English rather than specialized English, most Korean companies were more concerned with how the final product looked - if there was a lot of animation and Flash, for example - than with whether or not the product was pedagogically sound. There was, however, some bias towards American English that mitigated the impact of Indian and Filipino competition.
All of these issues weighed on Michelle’s mind as she began to prepare her business plan for 2011.

DISCUSSION QUESTIONS:

1. What cultural issues is Bridge the Gap facing and how could Michelle address those issues? If those - or similar - issues exist in your country, how would you handle them?
2. Do you believe Michelle would be making a wise decision to try to get sales at large companies like Samsung? Why or why not?
3. What are some possible marketing strategies for Bridge the Gap at its current size? What are the positives and negatives of each strategy? Which do you recommend for Bridge the Gap?
4. How can Michelle address the issue of cheaper competition from outside of Korea?

INSTRUCTOR NOTES:

1. What cultural issues is Bridge the Gap facing and how could Michelle address those issues? If those - or similar - issues exist in your country, how would you handle them?
   • For the first part of this question, students may identify
     • Michelle’s age and gender as problems that have resulted in sales stagnation. She would need to hire an older, experienced Korean male to get her foot in the door with larger companies.
     • Koreans are more interested in price than quality (although this isn’t necessarily a cultural issue). Michelle would have to address this by developing a very strong value proposition.
   • Michelle had an advantage in being an American
   • For the second part of this question, students may have an idealistic
viewpoint of their own culture. It’s important that they understand the reality of their given situation without becoming discouraged. The instructor can also use this time to engage students in a constructive discussion about how to change existing workplace issues.

2. Do you believe Michelle would be making a wise decision to try to get sales at large companies like Samsung? Why or why not?
   - Students could take one of two sides on this, both of which have merit:
     - Yes, that would be a wise decision. Michelle could try to get into large companies quickly. As alluded to in the case this would require a very high-level older Korean male to make the sales since a younger woman faced too many issues. The salesman would naturally be very expensive and Michelle would have to forgo her paycheck for a year. Depending on her personal cash flow situation, that may not be the best idea. If the salesperson were successful, though, the payout would be immediate. Hiring a high-level salesperson would be a risky proposition but may work out quite well.
     - No, that would not be a wise decision. Michelle’s second option is to build gradually by getting into medium sized companies first, then hiring a more high-level (and, therefore, expensive) salesman to help her get into larger, “name brand” companies. Although she would initially miss the cache of larger clients, she could hire a less expensive, lower-level salesman to get medium-sized clients. This may help her build her business and her credibility while at the same time not denting her wallet too much.

3. What are some possible marketing strategies for Bridge the Gap at its current size? What are the positives and negatives of each strategy? Which do you recommend for Bridge the Gap?
   - Students could come up with a number of marketing strategies for Bridge the
Gap:

- Focus on SMEs only to gain traction and build to a critical mass before moving onto larger companies that require significantly more staff to service. One benefit of this strategy is that the salesperson initially hired would not need to be a very senior level person and would, therefore, be cheaper than the salesperson needed to gain access to large companies. A downside of this strategy is that the company may end being “stuck” servicing smaller companies while its competitors gain footholds with larger companies.

- Focus on certain industries rather than size of company. This would enable Bridge the Gap to build a following in particular industries and gain more business by marketing itself as a specialist. It would also allow the company access to both large and small companies. However, it would require a level of expertise that Bridge the Gap may not currently have. Language used by ship builders, for example, differs significantly from that used by doctors. Bridge the Gap would have to scale up quickly to service those industries.

- Focus on large companies in a variety of industries to become the number one player in the market. This would require Bridge the Gap to massively expand fairly early on in the company’s life but may preclude other companies from gaining easy access to the market.

- Students may come up with other strategies as well.

4. How can Michelle address the issue of cheaper competition from outside of Korea?

- Students could come up with several answers.

- Bridge the Gap should not try to compete on price. Its products are customized by using the client’s own industry terminology and lingo and, therefore, should be more expensive than out-of-the-box e-learning modules produced by other companies. Bridge the Gap can focus on
that as a key point of differentiation. In addition, customers are currently willing to pay a premium for products using American English; Bridge the Gap should take advantage of that.

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Privacy Statement: This case was written based on extensive interviews with the owner of Bridge the Gap and executives from other major English companies here including YBM and Carrot English. Company and owner’s names have been changed based on owner’s request for privacy.

Reference


