



network of international  
business schools

## **WORLDWIDE CASE COMPETITION**

### *Sample Case Analysis #2*

Qualification Round submission from the  
2017 NIBS Worldwide Case Competition, Rauma, Finland

**Case:** *Suominen Wipes the Slate Clean*

© 2017, Network of International Business Schools

*This document is provided for educational and training purposes, and is for the exclusive use of teams seeking to prepare for the NIBS Worldwide Case Competition. It may not be used or reproduced for any other purpose without the explicit consent of the Network of International Business Schools.*

# SUOMINEN WIPES THE SLATE CLEAN

*Submission prepared for the Qualifying Round of the*  
**2017 Network of International Business Schools**  
**Worldwide Case Competition**  
Satakunta University of Applied Sciences

by

XXXXXX University

(Name of Student 1)  
(Name of Student 2)  
(Name of Student 3)  
(Name of Student 4)

Word count: 1,452

## Problem Identification

---

Nina Kopola has successfully turned Suominen's previous shortcomings into profitability through initiatives that addressed costs, culture, profitability, and initial growth. Having eliminated these initial barriers for company growth, Suominen must now solidify its position and clearly define its value vis-à-vis competitors. Once this is achieved, Suominen will be able to pursue further growth.

## Analysis

---

We analyzed the company's internal operations and external environment via SWOT, PESTLED, and Porter's 5 Forces. See Exhibits 1 to 3 for an in-depth breakdown of each framework. From this analysis, the following strategic insights were identified:

*Although Suominen has a strong business model, its limited interactions with the end customer create challenges.*

With the company's improved operational efficiencies, strong reputation for reliability and quality, and global platform, Suominen is well positioned for growth. However, the company's lack of understanding of end consumers has currently prevented it from carrying forward this growth potential. While Suominen has interest in product innovation, it has struggled to recognize customer needs in advance to quickly address new trends. This presents a risk of falling behind competitors if Suominen is not able to capitalize on new trends and innovate based on the market's needs. Therefore, Suominen must leverage its strengths to explore new ways to obtain customer understanding and ensure its product is best tailored to its customers.

***Demand growth in the industry is driven by regional differences.***

Socio-cultural and demographic trends have created growth in demand for personal care products. Although demand has increased globally, the drivers of this trend differ in developed and developing nations. While growth in developed nations has been driven by the growing health care sector and aging population, demand in developing nations stems from an increased focus on personal hygiene and a rising middle class. As Suominen develops its global strategy, it needs to be aware that customer needs vary widely depending on the region. Suominen must customize its approach to satisfy the differing needs of its consumers in the changing global market.

***Low cost competitors and ease of substitution drives a need to differentiate.***

Since the market is dominated by established competitors with diversified product portfolios, corporate buyers choose between a wide range of suppliers that can satisfy their needs. Combined with low switching costs and high availability of substitutes, the industry is largely dictated by buyer preferences. To survive in this intensely competitive industry and gain market share, companies need to either create superior value relative to competition or operate under a low-cost strategy. If the company fails to implement one of these tactics, it risks losing market share to competitors.

***Suominen needs to directly understand its end-consumer to drive innovation.***

Trends such as the aging population, rising middle class, growth in the healthcare sector, and importance of hygiene will create opportunities for the nonwovens industry. To realize gains from these opportunities, Suominen must go beyond identifying the trends and fully identify how they affect business dynamics, responding accordingly with products and necessary innovation. The interconnected world has enabled

business to access substantial data regarding consumer trends, which remains untapped by several companies. If Suominen utilizes this data to gain meaningful insights into its consumers' needs, this will allow the company to innovate in crucial markets and create clear value over competitors.

## **Alternatives**

---

Based on the previous analysis, we identified three alternatives that constitute the best options to enable Suominen to continue as a leader in the nonwovens industry and differentiate itself from competitors. See Exhibit 4 for details of each potential strategy, considering their benefits and challenges.

These alternatives were subsequently assessed using the following criteria (detailed in Exhibit 5):

1. Shareholder return: to reflect the value of the growth strategy.
2. End-consumer insights: to enable product innovation.
3. Differentiation: to define value over competitors.

### ***Acquisition in Health***

This approach involves the acquisition of a North American company that operates in the growing healthcare sector. Suominen will leverage the acquired firm's knowledge and connections to increase its market share in this industry, strengthening its products to serve medical needs in developed markets.

### ***Care Emphasis***

Suominen would focus on growing its Care business area. Through partnerships with existing B2B clients, it will obtain necessary information about customers to enable future product innovation. Thus, the

company will have stronger relations with these customers and benefit from increased consumer insights, focusing on regional adaptation of its offering.

### *Cost Leadership*

Suominen would prioritize reducing its costs to target the growing middle class population in developing markets with a lower price point. Through this approach, Suominen will seek to better compete with its low-cost players, ensuring the protection of its current market share.

### **Recommendation**

---

Given the opportunity to obtain useful consumer insights, differentiate through product innovation, and protect shareholder return, it is recommended to pursue the Care Emphasis strategy. The main goal will be to create a channel that enables consistent product innovation, giving Suominen the ability to adapt to regional needs, driven by socio-cultural and demographic differences. This will be achieved through partnerships with B2B companies that buy from Suominen, using their data to fill the current gap between Suominen and the end consumer. Additionally, given the high margins and identified potential of the Care business segment, growing this area will position Suominen for continued expansion.

By receiving customer data, including demographics, preferences, expenditures, and sales transactions from its partners, Suominen will focus on utilizing these insights to best respond to market needs. The data will be analyzed by the R&D department to transform it into meaningful insights, allowing to identify gaps for new product development.

This will also bring benefits to B2B partners. As margins are higher in this area, Suominen will offer a price

reduction to its partners, encouraging them to expand their business relationship. Partners may also choose to partially pass on the cost reduction to consumers, likely increasing their sales volume. Frequent innovation from Suominen will also allow the partners to bring new products to their consumers.

## **Implementation Plan**

---

The initial implementation plan for this strategy will span two years, initiating new product developments after one year.

Within the **R&D** and **Operations** departments, key actions will include setting up a data warehouse and channels to communicate with partners, analyzing and mining data to identify market opportunities by region, carrying out product development in response to insights, and integrating new products into the distribution system.

**HR** will focus on fostering a company-wide innovation culture through employee empowerment, encouraging attendance of events related to this topic, bringing guest speakers, and tying compensation plans to product development for the R&D team. A data analytics team will also be hired, seeking employees with international experience and relevant industry background.

**Sales and Marketing** will establish partnerships with current B2B clients, highlighting mutual benefits of this new strategy and seeking long-term agreements. Social media efforts will be continued, using information to adapt the approach based on regional insights. This will help create brand awareness and improve corporate branding.

## **Financial Feasibility**

---

As shown in Exhibits 9 and 10, the major cost drivers arising from this approach include increased R&D spending and the forgone revenue from discounts given to B2B partners. Exhibits 10 and 11 outline the revenue assumptions and performed scenario analysis, where Suominen is most likely to obtain 5% of the global market share by 2020 with its Care Division. After a forecasted loss for 2017 due to the increase in R&D spending and falling gross margins, the company is expected to return to profitability the next year. Focusing on the Care division is expected to result in overall gross margins expanding by approximately 5% from its 2015 levels to 18% by 2020. A scenario analysis was built to sensitize Suominen's ability to capture global market share. Exhibit 8 highlights the expected ROI Suominen would obtain based on the assigned probabilities, where the best and worst scenarios have equal chance of occurring and the base scenario represents the most conservative, yet realistic case for Suominen to succeed.

## Risks

---

Three main risks were identified. To reduce the likelihood of a **security breach** exposing customer data, Suominen will invest in secure IT infrastructure. To mitigate the risk of **failing to secure B2B partners**, the sales force will be trained to highlight the partnership incentives. Finally, to reduce the likelihood of **shareholder skepticism** due to temporary reduction in margins, the "Product Innovation" focus will be communicated, promoting transparency and frequent reporting.

## Expected Outcomes

---

After implementing the Care Emphasis strategy, Suominen will have established three B2B partnerships within the first year, realize an average 22% ROI, and achieve a 5% increase in global market share for the Care division. Leading through product innovation, Suominen will be able to successfully differentiate from competition by effectively adapting to consumers needs and their regional differences.



## Appendices

**Exhibit 1: Internal and External Analysis (SWOT Analysis)**

	<b>Analysis</b>	<b>Strategic Implication</b>
<b>Strengths</b>	<ul style="list-style-type: none"> <li>- Focus on nonwovens allows for concentration of resources in competences and market needs.</li> <li>- Global platform allows positioning as reliable supplier and to implement regional adaptations.</li> <li>- Technological capabilities create consistency in quality and differentiation in some products.</li> <li>- Efficient operations and production; Suominen capitalizes on opportunities for cost reduction.</li> </ul>	<b>Action:</b> Strong business model is positioned for company growth.
<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>- High reliance on B2B partners, based on short-term agreements with no loyalty component.</li> <li>- Low exposure to end buyers creates barriers for product innovation and market understanding.</li> <li>- Investor skepticism over new business structuring in Care and Convenience divisions.</li> <li>- Not capitalizing on potential cost-advantages arising from production in Asia-Pacific.</li> </ul>	<b>Consider:</b> Suominen has very low control over relationship with end consumer.
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>- Ageing population driving demand growth for healthcare products in developed markets.</li> <li>- Growing middle classes with a modern, urban lifestyle and seeking convenience.</li> <li>- Increased interest in hygiene and personal care in developing countries.</li> <li>- Availability of data about consumer preferences remains untapped to drive product innovation.</li> </ul>	<b>Action:</b> Emerging opportunities in demand to be addressed through product innovation.
<b>Threats</b>	<ul style="list-style-type: none"> <li>- Competitors have lower pricing and cost structure, potentially stealing market share.</li> <li>- Ease of substitution for B2B buyers enabled by availability of nonwoven products.</li> <li>- Decrease in household sizes may reduce demand for baby products.</li> <li>- Global green trend may significantly decrease usage of disposable products.</li> </ul>	<b>Action:</b> Given low cost competitors and substitution, there is a need to differentiate.

**Exhibit 2: External Analysis (PESTLED Analysis)**

<b>Political</b>	Instability in labour markets may affect overall supply in the industry.
<b>Economic</b>	Commoditized raw materials with high reliance on oil prices. Continued low oil prices drive down industry costs.
<b>Socio-cultural</b>	Increased focus on hygiene in developing countries, particularly in Asia, increases market for personal care. Regional preferences vary regarding hygiene and personal care products.
<b>Technological</b>	Various manufacturing technologies significantly impact quality and cost of production.
<b>Legal</b>	Varying legal standards depending on regional markets for personal care products.
<b>Environmental</b>	Trend for environmentally conscious consumers may reduce demand for disposable products or affect cost structures of producers through increased taxation.
<b>Demographic</b>	Market focus on women, given role as caregiver. Changing roles in the workplace may affect this and increase involvement of men. Ageing population in developed economies increases market for corresponding health and medical needs.
<b>Key Takeaway</b>	Growing demand for personal care products driven by socio-cultural and demographic trends, yet there are regional differences in needs between developing and developed markets.

**Exhibit 3: Industry Analysis (Porter’s 5 Forces)**

Buyer power	High	Buyers are very large companies, which have significant bargaining power and impact on revenues. Low switching costs and availability of products for buyers to choose from.
Supplier power	Medium	Commoditized supplies, offered by many sellers which are not focused in this business area.
Threat of new entrant	Low	B2B market requires relationship with buyers, reliable sourcing, and technological capabilities.
Threat of substitutes	Medium	Paper and textiles as potential substitutes, but nonwovens target specific needs between these materials.
Intensity of rivalry	High	Market is dominated by established competitors with diversified product portfolios.
<b>Key Takeaway</b>		Intense competition between current players with market direction dictated by buyer preferences.

**Exhibit 4: Analysis of Alternatives**

	Acquisition in Health Industry	Care Emphasis	Cost Leadership
Strategic Fit	Acquire a company within North America, focused in serving the health and medical industry. This will focus on serving developed markets by strengthening products for the medical industry.	Grow the Care division, given its high margins and identified growth potential. Through partnerships with B2B buyers, offer a lower price in exchange for customer and purchase data to drive product innovation.	Considering the intense competition within the industry, pursue a cost leadership to sustain market share in the long-term. This will also allow to enter developing markets, given emphasis on low prices.
Positive	<ul style="list-style-type: none"> <li>- Understand healthcare trends to adapt products.</li> <li>- Capture demographic trends in developed economies.</li> <li>- Source of differentiation to tackle specific areas.</li> </ul>	<ul style="list-style-type: none"> <li>- Capitalize on high margin products with potential for growth.</li> <li>- Foster stronger relationships with B2B customers, enabling long-term leadership.</li> <li>- Capture regional insights to drive innovation through consumer exposure.</li> </ul>	<ul style="list-style-type: none"> <li>- Allows Suominen to gain market share within developing markets.</li> <li>- Protect market share within maturing competition.</li> </ul>
Negative	<ul style="list-style-type: none"> <li>- Significant investment required.</li> <li>- Integration challenges between companies.</li> <li>- Additional complexity from new product line.</li> </ul>	<ul style="list-style-type: none"> <li>- Decreased profitability for Care division.</li> <li>- Increased vulnerability through dependence on B2B partners.</li> </ul>	<ul style="list-style-type: none"> <li>- May compromise current quality offering.</li> <li>- Facing competition from current lower cost players.</li> <li>- Limited channels to generate insights.</li> </ul>

**Exhibit 5: Comparison and Ranking of Alternatives**

Criteria	Acquisition in Health (A)	Care Emphasis (B)	Cost Leadership (C)	Rationale – Alternatives ranked from 1 to 5, where 1=does not meet criteria and 5=fully meets criteria.
Shareholder return	2	4	3	<b>Need:</b> After paying initial dividends, Suominen must ensure business stability and fulfill its responsibility to shareholders. A- Significant initial capital outflow required and increased risk to shareholders. B- Growing division with high potential, but temporarily reducing margins. C- Tap into large market, but high competition and difficulty reducing costs.
End-consumer insights	3	5	2	<b>Need:</b> Enable product innovation based on consumer understanding. A- Insights focused on single product line and industry. B- Create a channel for continuous customer insights and knowledge, driving product innovation and market responsiveness. C- Knowledge of developing markets through responsiveness to lower costs.
Differentiating factor	5	4	3	<b>Need:</b> Differentiate from competitors and tackle market opportunities. A- Specific product within health industry, targeting products as necessary. B- New products will be adapted and differentiated based on insights obtained. C- Differentiating mainly through cost leadership.
<b>TOTAL</b>	<b>10</b>	<b>13</b>	<b>8</b>	<b>Recommend to implement Care Emphasis.</b>

**Exhibit 6: Implementation Timeline**

	Now	6 Months	1 Year	Long Term
Research & Development	-Set up communication channels with partnered companies to receive collected data. - Set up data warehouse.	-Receive data from partners. -Manipulate data to generate insights on consumer needs. -Identify gaps in current product offering.	-Initiate new product development based on identified gaps in market needs. - Find suppliers as the need for new products increases. -Integrate products within supply-chain distribution.	-Monitor success of new products launched. -Continue data mining and corresponding product innovation.

<b>Human Resources</b>	<ul style="list-style-type: none"> <li>-Hire employees for data analytics team and trend research with global experience and knowledge of care products.</li> <li>-Train sales team for new value-add opportunity for B2B clients.</li> <li>-Communicate “Product Innovation” as 2017-year goal.</li> </ul>	<ul style="list-style-type: none"> <li>-Continue corporate-wide innovation culture.</li> <li>-Create compensation incentive plans for R&amp;D team with focus on innovation.</li> </ul>	<ul style="list-style-type: none"> <li>-Empower employees by guest speakers and encourage attendance on conferences on innovation.</li> <li>-Ensure communication channels between R&amp;D and sales to respond to client needs.</li> </ul>	<ul style="list-style-type: none"> <li>-Continue corporate strategy of innovation.</li> <li>-Analyze additional workforce needs in response to a growth in sales.</li> </ul>
<b>Sales &amp; Marketing</b>	<ul style="list-style-type: none"> <li>-Find partners based on current relationships with an interest in care segment.</li> <li>-Set up negotiation meetings to communicate value proposition of new strategy.</li> <li>-Emphasize mutual benefits with marketing material.</li> </ul>	<ul style="list-style-type: none"> <li>-Continue existing social media efforts with end consumers.</li> <li>-Measure effectiveness of B2B marketing approach.</li> </ul>	<ul style="list-style-type: none"> <li>-Adapt social media strategy based on insights by region.</li> <li>-Assess potential to lock down B2B clients into long term contracts.</li> <li>-Carry out test market strategy per identified opportunity.</li> </ul>	<ul style="list-style-type: none"> <li>-Source additional B2B partners based on program success.</li> <li>-Continuously improve sales pitch when approaching B2B partners.</li> </ul>

#### Exhibit 7: Risks and Mitigation Plan

Risk	Likelihood	Severity	Proactive Mitigation	Reactive Mitigation
Breaches in data security impacting consumer privacy	LOW	MEDIUM	Investments in secure IT infrastructure.	Crisis management with PR campaign.
Inability to secure B2B partners	LOW	HIGH	Train sales force to market incentives to partners.	Find new B2B partners.
Shareholder skepticism due to reduced margins	MEDIUM	MEDIUM	Communicate innovation strategy.	Manage expectations through transparency and frequent reporting.

#### Exhibit 8: ROI Calculations per Scenario Likelihood

ROI Calculation	2017	2018	2019	2020	Probability
ROI - Base	-107.1%	10.9%	81.6%	85.6%	<b>50%</b>
ROI - Best	-80.8%	46.4%	155.6%	151.5%	<b>25%</b>
ROI - Worst	-117.7%	-13.0%	33.6%	37.9%	<b>25%</b>
<b>Expected ROI</b>	<b>-103.2%</b>	<b>13.8%</b>	<b>88.1%</b>	<b>90.1%</b>	
<b>Average Yearly ROI</b>	<b>22.2%</b>				

**Exhibit 9: Suominen Expected Income Statement**

Budget (in € millions)				
	2017	2018	2019	2020
Revenues	533	663	848	1034
<i>Revenue Growth</i>	<i>NM</i>	<i>24.5%</i>	<i>27.8%</i>	<i>22.0%</i>
Revenues from Care	105	210	367.5	525
Revenues from Conv.	428	453	480	509
Cost of Sales	474	580	712	848
Gross Profit	59	83	136	186
<i>Gross Margin</i>	<i>11.0%</i>	<i>12.5%</i>	<i>16.0%</i>	<i>18.0%</i>
SG&A	24	24	25	25
R&D Expenses	19	27	34	52
<i>R&amp;D as % of revs</i>	<i>3.5%</i>	<i>4.0%</i>	<i>4.0%</i>	<i>5.0%</i>
Other op. expenses	21	22	22	23
EBIT	(5)	10	55	86
<i>Operating Margin</i>	<i>-1.0%</i>	<i>1.5%</i>	<i>6.4%</i>	<i>8.4%</i>
Interest Expense	5	7	8	10
EBT	(11)	4	46	76
Tax Expense	0	1	16	27
<b>Net Income</b>	<b>(11)</b>	<b>2</b>	<b>30</b>	<b>49</b>
<i>Profit Margin</i>	<i>-2.0%</i>	<i>0.3%</i>	<i>3.5%</i>	<i>4.8%</i>

**Exhibit 10: Revenue and Cost Assumptions**

Revenue Assumptions
- \$40 Billion global market for nonwoven products
- Assume 1.1USD per EUR; total market size of €36 Billion
- 20% of market is personal hygiene (femenine products, diapers)
- 9% of market for medical uses
- Total assumed Care Product market of 29% of nonwoven or approximately €10.5 Billion
- Suominen currently has 0.5% of Care Products market share
- Convenience Division will growth at a market average of 6% year over year
Cost Assumptions
- R&D expenditure grows from 0.8% of revenues in 2015 to 5% by 2020
- All R&D spending above 1% attributed to Care Division
- Int. Expense maintained at 1% of revenues
- 35% tax rate assumed as per 2015
- Gross margins assumed to compress to 11% from 12.9% (2015), and grow to 14% by 2020 as the company's reliance on Care Division increases
- Compressed gross margins due to discount offered to B2B clients and "purchasing" of consumer data
- Other operating expenses kept at 5.5% as per historical average and grown at inflation
- SG&A kept at 4% of revs and grown at inflation

**Exhibit 11: Revenue Growth Forecast for Care Division**

Revenue Growth (In € Millions)					
	2017	2018	2019	2020	Comments
Total Revenue from Care	105	210	367.5	525	
Selected Growth Rate	1%	2%	4%	5%	
Base Case	1.0%	2.0%	3.5%	5.0%	- Attains 5% of global market share
Best Case	2.0%	4.0%	7.5%	10.0%	- Attains 10% of global market share
Worst Case	0.6%	0.8%	1.0%	1.5%	- Attains 1.5% of global market share