

Consulting Consortium

International Business Students Global

University of New Mexico



2017 Curriculum



Confidential

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Acknowledgments

This Case Book is a manifestation of the commitment and dedication of several individuals at the University of New Mexico, including students, faculty, and community members. To begin, we would like to express our sincerest gratitude to Dr. Manuel Montoya of the Anderson School of Management for his continued guidance and mentorship, and the International Business Students Global for providing UNM students with the opportunity to further develop their skills by being involved in experiences outside the conventional classroom.

We would also like to thank Tori Pryor and Andrew Torres, both former Consulting Consortium Program Managers who were integral in shaping the Consulting Consortium experience for us as new students. Furthermore, we would also like to thank Atuoma Ezech for assisting us in editing this document.

Additionally, an acknowledgement to the following Albuquerque firms who have so graciously allowed us to use their client sessions as educational material:

All Bismuth, LLC (Albuquerque, NM).

NMCAN (Albuquerque, NM).

Lastly, an acknowledgement to the published works that were critical in compiling the educational material used in this book:

Case in Point by Marc P. Consentino.

Global by Mike W. Peng.

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Dear IBSG – Consulting Consortium Member,

Welcome to your first step in learning the Consulting Consortium method of micro-consulting.

The purpose of this Curriculum is to provide you with the background knowledge you need to consider an international career in management consulting. This curriculum will provide you with different frameworks that serve as a tool for a consultant regardless of their field of practice or level of experience. Even if you decide not to pursue a career in consulting, the skills and knowledge you will acquire through the course of this curriculum will prove useful in any career or job. Ultimately, learning how to ask the right questions, creatively assessing the effectiveness of a component, and deliver succinct, meaningful recommendations are critical to your success.

We hope that your time with Consulting Consortium is as fruitful as it was for us. In time, all we ask is that you continue the legacy of IBSG and CC by passing on the skills, resources, and experiences to other students.

Yours in service,

Anand K. Macherla, UNM '18
Co-Program Manager

Victor A. Chávez F., Fulbright Scholar
Co-Program Manager

Basics

First, a great consultant must be knowledgeable about the following basic concepts and their applications:

Benchmarking - Examining whether a firm has resources and capabilities to perform a particular activity in a manner superior to competitors.

Captive sourcing - Setting up subsidiaries abroad so that the work done is in-house but the location is foreign. Also known as foreign direct investment (FDI).

Dumping - Exporting products at prices that are below what it costs to manufacture them, with the intent to raise prices after eliminating local rivals.

Foreign Direct Investment (FDI) - Investment in, controlling, and managing value-added activities in other countries.

Green-field operations - Building factories and offices from scratch. Today, this would refer to a project where a company builds the entirety of its operations in a foreign market from scratch.

Gross domestic Product (GDP) - The sum of value added by resident firms, households, and governments operating in an economy.

Institution-based view - A leading perspective in global business that suggests that firm performance is, at least in part, determined by the institutional frameworks governing firm behavior around the world.

Formal institutions - Institutions such as laws, regulations, and rules.

Informal institutions - Institutions such as norms, cultures, and ethics.

Joint Venture - A new corporate entity jointly created and owned by two or more parent companies.

Licensing - Buying and selling technology and intellectual property rights.

Microfinance - Lending small sums (\$50 - \$300) used to start small businesses with the intention of ultimately lifting the entrepreneurs out of poverty.

Multinational enterprise (MNE) - A firm that engages in foreign direct investment and operates in multiple countries.

OLI advantages - The advantages of ownership (O), location (L), and internalization (I) that come from engaging in FDI

Ownership - Possessing and leveraging of certain valuable, rare, and organizationally embedded (VRIO) assets overseas in the context of FDI.

Location - Advantages enjoyed by a firm that derive from the places in which it operates.

Internalization - The replacement of cross-border markets (such as exporting and importing) with one firm (the MNE) located in two or more countries.

Opportunity cost - The cost of pursuing one activity at the expense of another activity.

Outsourcing - Turning over an organizational activity to an outside supplier that will perform it on behalf of the local firm.

Offshoring - Outsourcing to an international or foreign firm.

Onshoring (Inshoring) - Outsourcing to a domestic firm.

Purchasing Power Parity (PPP) - A conversion that determines the equivalent amount of goods and services different currencies can purchase. This conversion is usually used to capture the differences in cost of living in different countries.

Resource-based view - A leading perspective in global business that suggests that a firm's performance is, at least in part, determined by its internal resources and capabilities.

Stakeholder - Any group or individual who can affect or is affected by a firm's action.

Primary stakeholder groups - Constituents on which the firm relies for its continuous survival and prosperity.

Secondary stakeholder groups - Groups or individuals who can indirectly affect or are indirectly affected by a firm's actions.

Small and medium-sized enterprises (SMEs) - Firms with fewer than 500 employees in the United States and with fewer than 250 employees in the European Union.

Trade deficit - An economic condition in which a nation imports more than it exports.

Trade surplus - An economic condition in which a nation exports more than it imports.

Turnkey project - A project in which clients pay contractors to design and construct new facilities and train personnel and turn the project over to the purchaser when it is ready.

Wholly owned subsidiary (WOS) - A subsidiary located in a foreign country that is entirely owned by the parent multinational.

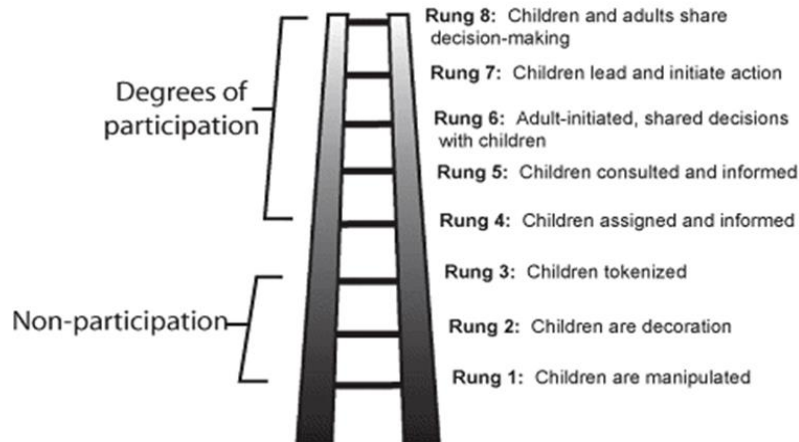
Social Impact Metrics.

While giving clear recommendations and constructing a plan of action is important, establishing clear goals that can be measured is equally important. To be an effective consultant, one must be proficient in establishing a creative approach to measure the impact of an individual, firm, or initiative on the environment or their stakeholders. Unlike financial metrics, social impact metrics are not cut and dry or easily reported. Inherently, they are difficult to define and quantify. However, social impact metrics are arguably the most important; without them one cannot be sure that a firm is making a difference.

Models for Measurements:

A. Ladder of Participation/Engagement.

One model is the engagement ladder. In this model, the degrees of participation are measured in the parent-child dynamic. As children mature, their role as decision makers increases and parents ultimately share decision-making with the child.



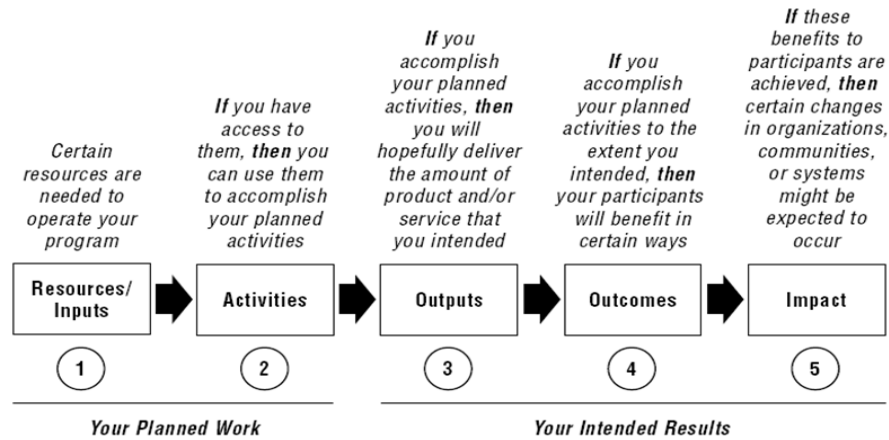
B. Kirkpatrick Model.

The Kirkpatrick model seeks to measure the effectiveness of training. The model is applied before, during, and after training to accurately demonstrate a training's value to the organization.



C. Logic Model - Backwards Designing for Impact.

In this model, designers are encouraged to think of all the requirements necessary to ensure a successful outcome. This way, designers are able to craft their metrics appropriately, to ensure impact.



Understanding the bigger picture

To begin the consulting process, it is imperative for the student to first understand the environment and the circumstances under which a specific firm or organization operates. Understanding the bigger picture will prove useful in recognizing the underlying systemic structures that may (unintentionally) contribute to the firm's operations or outcomes. Culture, demographics, resources, and the institution are just some of the aspects one should consider when exploring the bigger picture.

Culture

Every firm and organization have a different way of thinking, behaving, or working, depending on where their operations take place. These cultural differences can be generated at various levels, such as regional, national, local, and even individual. The first step in understanding the background of a firm or organization is analyzing the culture that is influencing it at the bigger scale. One can use different approaches to conduct a cultural analysis.

Context Approach

The Context Approach focuses on the underlying conditions or assumptions that participants must know to effectively communicate. In low-context cultures, communication is usually taken at face value without much reliance on unspoken conditions or assumptions. In high-context cultures, communication relies heavily on unspoken conditions or assumptions, which are as important as the words used.

Higher-context cultures:

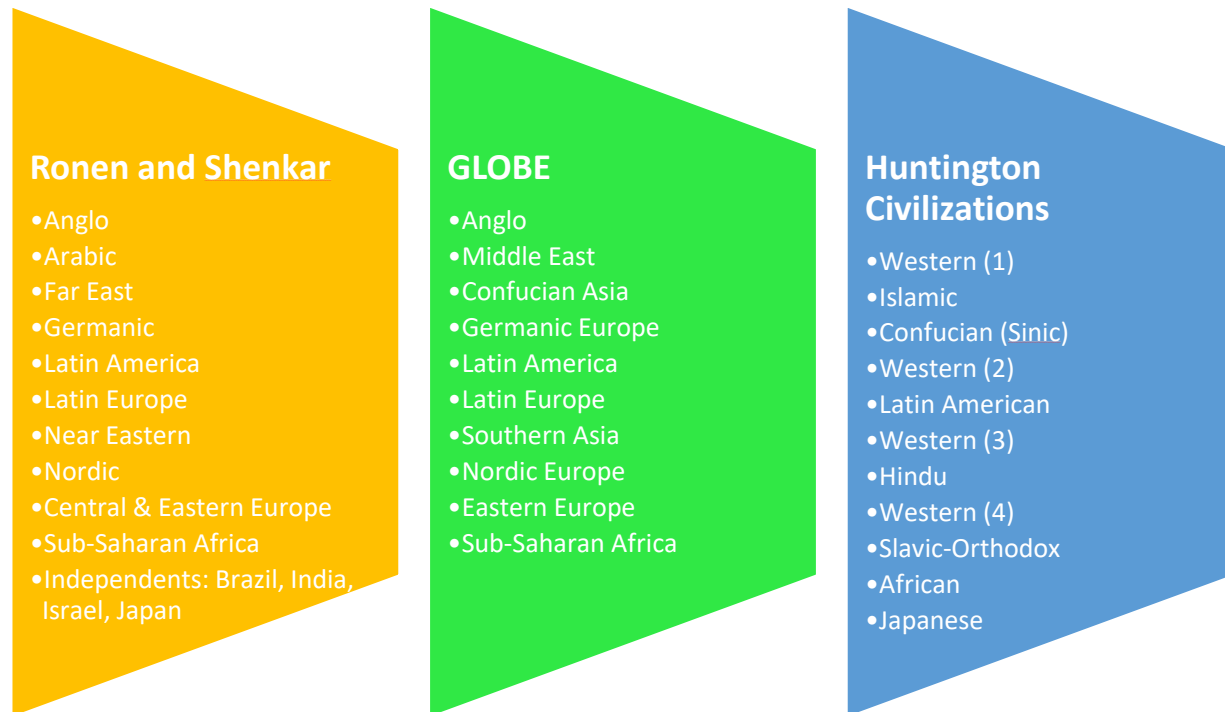
African	Chinese	Japanese
Arabic	French	Korean
Brazilian	Greek	Latin Americans

Lower-context cultures:

English	Scandinavia
Finnish	Switzerland
German	United States

Cluster Approach

The Cluster Approach groups countries that share similar cultures into one cluster. It is useful when considering intercultural and intra-cultural exchanges.



Sources: R. House, P. Hanges, M. Javidan, P. Dorfman, and V. Gupta, eds., *Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies* (Thousand Oaks, CA: Sage, 2004); S. Huntington, *The Clash of Civilizations and the Remaking of World Order* (New York: Simon & Schuster, 1996); M. W. Peng, C. Hill, and D. Wang, "Schumpeterian dynamics versus Williamsonian considerations", *Journal of Management Studies* 37 (2000): 167 – 184; S. Ronen and O. Shenkar, "Clustering countries on attitudinal dimension", *Academy of Management Review* 10 (1985): 435 – 454.

Dimension Approach

The dimension analysis aims to overcome the limitation of previous approaches (such as the cultural approach or the context approach) by analyzing different characteristics by country or firm in question. Developed by Geert Hofstede, the cultural dimensions theory seeks to assist decision makers in cross-cultural communication, describes the values of its members as a function of the effects of a society's culture, and how these values relate to the behavior of local governments, firms, and individuals.

Power distance - The extent to which less powerful members within a country expect and accept that power is distributed unequally.

Individualism / Collectivism - Collectivism. Individualism refers to the idea that an individual's identity is fundamentally his or her own. Collectivism refers to the idea that an individual's identity is fundamentally tied to the identity of his or her collective group, be it a family, village, or company.

Masculinity / Femininity - Refers to the sex role differentiation. High-masculinity societies continue to maintain a sharp role differentiation along gender lines. In low-masculinity societies women are increasingly likely to become politicians, scientists, and soldiers, and men frequently assume the role of nurses, teachers, and househusbands.

Uncertainty avoidance - Refers to the extent to which members in a culture accept or avoid ambiguous situations and uncertainty. Members of high uncertainty avoidance cultures place a premium on job security and retirement benefits. They also tend to resist change, which often creates uncertainty. Low uncertainty avoidance cultures are characterized by greater willingness to take risks and less resistance to change.

Long-term orientation - Emphasizes perseverance and savings for future betterment.

Demographics

One tool for identifying differences between countries is the CAGE Distance Framework.

CAGE Distance Framework.

The CAGE Distance Framework identifies Cultural, Administrative, Geographic and Economic differences or distances between countries that companies should address when crafting international strategies.

Cultural Distance.

- Difference in languages?
- Difference in ethnicities present?
- Difference in religion (and, subsequently, values, morals, views, etc)?
- View of “outsiders” (between locals and with “foreigners”)?
- Different values, norms, and dispositions?
- Differences in movements of populations?

Administrative Distance.

- Colonial influences?
- Shared regional trading block?
- Common currency?
- State of local politics?
- Political structure?
- Views as international ally?
- Governmental capabilities?
- Ease of Doing Business Index rating?

Geographical Distance.

- Physical distance.
- Land border?
- Differences in time zones?
- Differences in climates.
- Ports (and port capabilities).
- Transportation hubs.

Economic Distance.

- Mature/Emerging economies.
- Other differences in cost or quality of natural resources, financial resources, human resources, infrastructure, information or knowledge.
- Currency exchange rate.
- Discretionary income differences.
- Poverty rates?
- Unemployment rates?
- Amount of annual imports/exports?
- Top imports/exports?
- Lucrative trading partners?
- Prominent economic industries?

Understanding the company

There are many methods one can use to best understand a company. However, to get as thorough of a view as possible, it is recommended that consultants utilize several tools, as appropriate.

SWOT

The SWOT analysis is a tool for determining a firm's strengths (S), weaknesses (W), opportunities (O), and threats (T).

Strengths - Internal factor (factors that are within the company's control). Characteristics of the business or project that give it an advantage over others. Ex: ability to produce at economies of scale.

Weaknesses - Internal factor. Characteristics of the business that place the business or project at a disadvantage relative to others. Ex: ineffective decision making.

Opportunities - External factors (factors that are NOT controllable by the company). Elements in the environment that the business or project could exploit to its advantage. Ex: potential for a new Free Trade Agreement.

Threats - External factor. Elements in the environment that could cause trouble for the business or project. Ex: new regulation limiting the industry or the political instability of other countries.

Porter's Diamond

Another useful tool for understanding an organization is Porter's Diamond, the theory of national competitive advantage of industries. This theory suggests that the competitive advantage of certain industries in different nations depends on four aspects: country factor endowments; domestic demand; firm strategy, structure, and rivalry; and supportive industries. The dynamic interaction of these four aspects highlights the comparative advantage possessed by a particular company or nation within an industry.

Country Factor Endowments - The presence or absence of natural and human resources influence the capacity of a company. Country factor endowments includes things like skilled labor, education, capital, climate, and infrastructure.

Domestic Demand - Demand conditions in the domestic market provide the primary driver of growth, innovation and quality improvement. The premise is that a strong domestic market stimulates the firm from being a startup to a slightly expanded and bigger organization.

Firm Strategy, Structure & Rivalry - National performance in particular sectors is inevitably related to the strategies and the structure of the firms in that sector. Competition plays a big role in driving innovation and the subsequent upgradation of competitive advantage. Since domestic competition is more direct and impacts earlier than steps taken by foreign competitors, the stimulus provided by them is higher in terms of innovation and efficiency. When there's lots of competition and lots of rivalry, this keeps companies on their toes, and so they try to out-compete each other by continually developing more innovative and quality products and or services.

Supportive industries - For many firms, the presence of related and supporting industries is of critical importance to the growth of that particular industry. For example, Silicon Valley is successful, in part, due to the presence of high quality universities, venture capital firms, and entrepreneurs that support each other in start-up culture.

Value Chain

Another tool that can be used to understand an organization is the value chain analysis. It is a series of activities used in the production of goods and services that make a product or service more valuable. The stages of the chain involve both primary activities (such as assembling a product) and supporting activities (such as creating an infrastructure to distribute it). Examples of value added include:

Primary activities.

Inbound Logistics - Receiving, storing, materials handling, warehousing, inventory control, vehicle scheduling and returns to suppliers.

Operations - Transforming inputs to final product form (machining, packaging, assembly equipment, testing, printing, and facility operations).

Outbound Logistics - Distributing the finished product (finished goods warehousing, material handling, delivery operation, order processing and scheduling).

Marketing and Sales - Induce and facilitate buyer to purchase the product (advertising, sales, quoting, channel, channel relations and pricing).

Service - Maintain and enhance value of product after sale (installation, repair, training, parts supply, and product adjustment).

Support activities.

Procurement - Purchasing raw materials, supplies, and other consumable items as well as assets.

Technology Development - Understand the changing technology landscape and incorporate new technology as needed to add to the value chain.

Human Resources Management - Selection, promotion, placement, appraisal, rewards, management development and labor/employee relations.

Firm Infrastructure - General management, planning, finance, accounting, legal, government affairs, and quality management.

VRIO

Another framework that can be used to assess the company is the VRIO analysis, a resource-based framework that focuses on the value (V), rarity (R), imitability (I), and organizational (O) aspects of resources and capabilities.

Value - Do the firm's resources and/or capabilities add value? The value aspect of the VRIO suggests that this is the most fundamental question to ask. Only value-adding resources can lead to a competitive advantage under this analytical framework, whereas non-value-adding capabilities may lead to competitive disadvantages.

Rarity - How rare are the resources and/or capabilities being offered? Resources and capabilities must be valuable and rare to provide temporary competitive advantage. Valuable but common resources and capabilities will lead to competitive parity but no advantage.

Imitability - Valuable and rare resources and capabilities can be a source of competitive advantage only if they are also difficult to imitate by competitors, leading to sustained competitive advantage.

Organization - How should a firm be organized to develop and leverage the full potential of its resources and capabilities? Does the firm have the organizational capacity to exploit the valuable resource/capability that is being offered? To have a persistently competitive advantage, it is not only important to have a resource/capability that is valuable, rare, and inimitable, but the company should also have the organizational capacity to ensure a dominant position in the market.

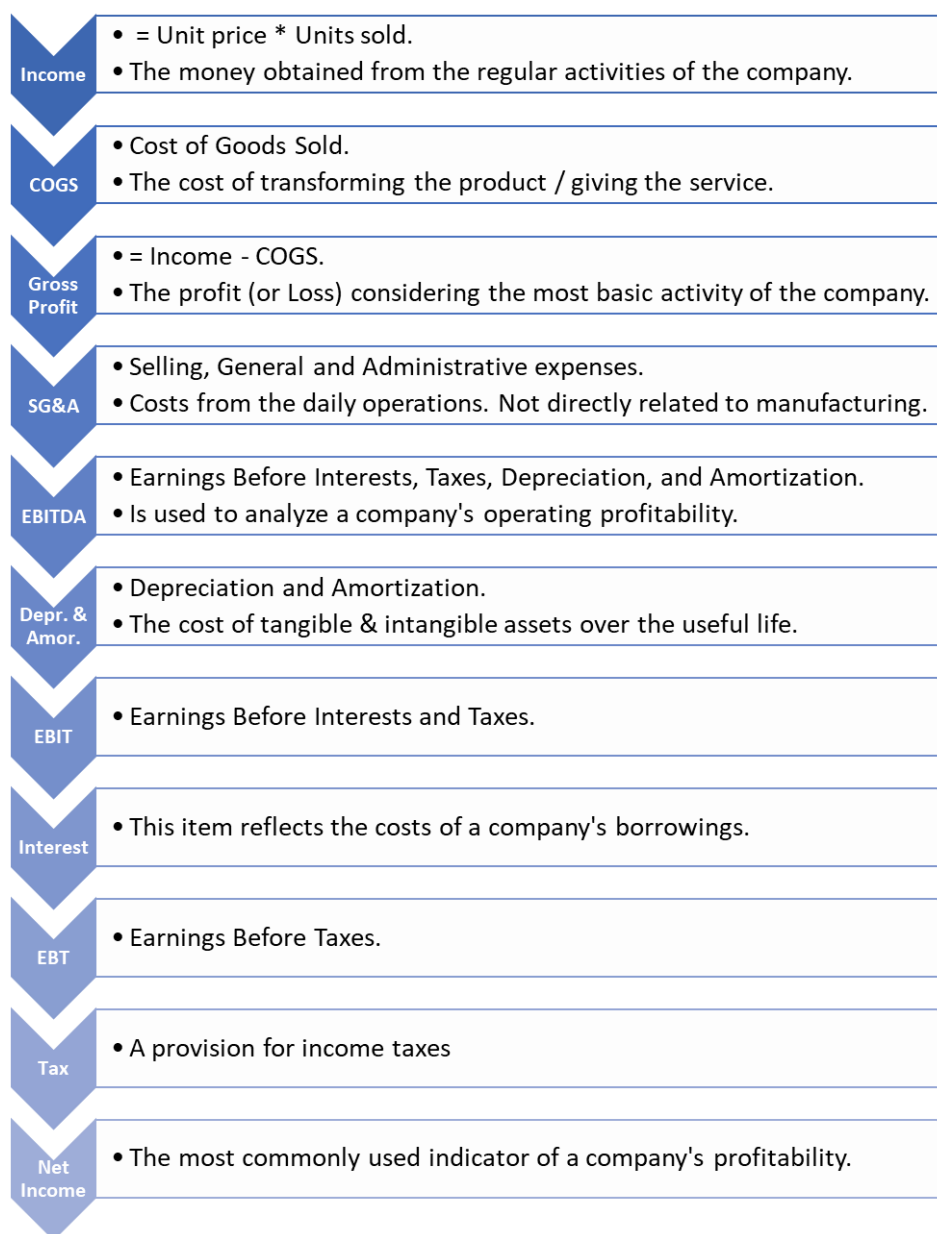
Resource / Capability	Valuable	Rare	Inimitable	Organization	Analysis
A					Competitive Disadvantage
B	✓				Competitive Parity
C	✓	✓			Temporary Competitive Advantage
D	✓	✓	✓		Sustained Competitive Advantage
E	✓	✓	✓	✓	Persistently Competitive Advantage

Financials

Another important aspect of a company is their financial positioning. Documents that can provide insight to a company's finances include the income statement and the balance sheet.

Income Statement

An income statement reports a company's financial performance over a specific accounting period. Financial performance is assessed by giving a summary of how the business incurs its revenues and expenses through both operating and non-operating activities. It also shows the net profit or loss incurred over a specific accounting period.

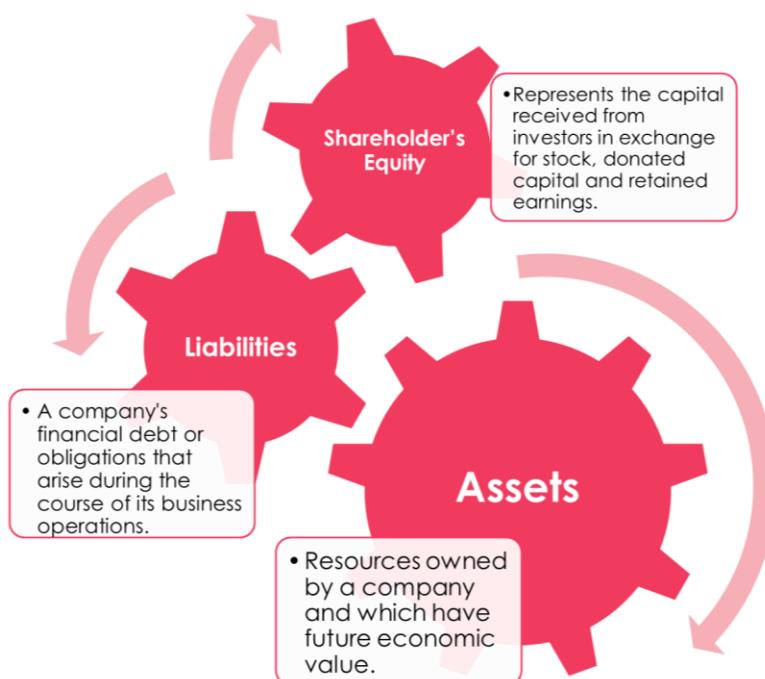


Balance Sheet

A balance sheet summarizes a company's assets, liabilities, and shareholders' equity at a specific point in time. These three balance sheet segments give stakeholders an idea as to what the company owns and owes, as well as the amount invested by shareholders.

The balance sheet adheres to the following formula:

$$\text{Assets} = \text{Liabilities} + \text{Shareholder's Equity}$$



3C's model

The 3C's model was developed by Japanese business strategist Kenichi Ohmae. It is composed by the analysis of the Company, Customers, and Competitors; the factors for success.

Company - One must know the basic aspects of the company, such as the mission, vision, location, organization, culture, core product, and value chain to develop a strategy that manifests those aspects into something tangible. All strategies of a company must be aligned to its short-term and long-term objectives to create a sustainable competitive advantage.

Customer - Define the target audience of the company. Create a consumer profile by deeply researching the type of customer, their demographics, their spending power, their habits, and their needs. A common mistake that companies make is to treat the shareholders as their customers. Instead, the main focus should be on the customers as it is the customer who should most heavily influence the performance of the organization and can cause the success or failure of the organization. You should be able to answer the questions Who? What do they do? How the person consumes?

Competitors - A successful company must know their market and competitors. It is important to learn about their distinguishing factors; how they operate, their marketing tactics, their partners, the financial position they have, their employees and their customers. You can learn from your competitors' mistakes, model what works for them, and discover new market opportunities from them.

Case-Studies

All Bismuth, LLC.

Session

Problem: Low sales.

Student: Where do your sales come from?

Interviewer: Online mostly; particularly out of the country. Mainly Germany and Sweden.

S: Did you target those markets?

I: No, it just happened that it is from where we got the online sales.

S: What is your market strategy?

I: Right now, we are focusing primarily in online; meaning Facebook, and our ETSY website. But we want to have more traffic in our own website. Also, we get the word out for promotional social media. We reach out to other artists and partner with them promoting their work.

S: Do you have ads in social media?

I: We have done a couple, but we didn't find them particularly helpful.

S: Are the ads giving you geographic information?

I: The ads have been placed for the Albuquerque/New Mexico market.

S: What is the most common demographic information of your customers?

I: Depends on the product. Bulkier models are bought by older women. While rings are bought by 30 to 40-year-old men. Professional pieces are acquired by local firms.

S: What represents most of your inventory?

I: Jewelry: rings, bracelets earrings, necklaces.

S: Do you have art pieces as well?

I: Yes, but they don't represent a big deal of our inventories.

S: In Europe, what are they buying?

I: Mainly jewelry, they have also bought a couple of professional pieces.

S: I noticed that you had a booth at SOMOS ABQ. How was that?

I: Can you be more specific?

S: How were the sales during that event?

I: We did well, it was our first public showcase. We had a lot of issues for not knowing the market.

S: Would you do it again?

I: Yes.

S: Is the market in Europe the same as the US? 30 to 40-year-old men?

I: Older people.

S: How do you know their age?

I: We look them up in social media. Or by getting in contact with them.

S: If sales are low, is it because of volume or profit?

I: Volume.

S: Why did you decide to use ETSY?

I: It was used before we were a properly established company. It offers legitimate backing. A lot of people were visiting our website, but not many people were purchasing there. Our goal is to shift away from ETSY, and sale everything through our online store.

S: Do you pay commission?

I: Yes, we pay per sale on Etsy.

S: Did you look for any other platform?

I: We did, but right now we don't need those platforms. Etsy is working good for us, for now.

S: Why did you decide not to use other platforms?

I: We did well in Etsy. Our move is to go to our own website.

S: How did you try to traffic people to your page?

I: By changing the links in social media and web searchers and direct them to ours.

S: How was it?

I: We had far fewer sales. But it could have been because of the season. It was not during holiday season, which is the busiest season of all. Also, we have seen a correlation between our sales and AC/DC concerts.

S: With that knowledge of seasonal changes, why have you decided to go by ETSY?

I: We don't want to miss out the seasonal boom. It can provide capital to run our business during 2018.

S: Do you have competition?

I: Not in Albuquerque, and not in New Mexico. There is one in Kentucky with an established consumer base.

S: What differentiates your product?

I: Color and quality. Vibrancy of color is higher than other producers, and that we are marketing as a New Mexico thing.

S: So, there's little competition. Which platform represents your stronger selling point?

I: Online market has been a steady stream of sales. Shows represent an immediate access to cash, and it's easier, because the consumer can see the article right before the purchase.

S: Can you tell me about your selling numbers during shows?

I: Depends on the show and the energy level of the sales person. Approximately, we can do one sale every 10 people that visit the booth. Most our prices are from \$40 to \$1,000.

S: If there is a strong market in Europe. Have you try reaching that market?

I: No, because we don't know to what that market will respond the best. We want to have a more strategic approach.

S: Can you tell me more about your sales in Europe?

I: It's just random people.

S: If your market is older people, why are you so sure that going online is the right way to go?

I: You have an interesting point. Online sales and older generation seems like they don't go together. But still, Older people like larger pieces.

S: Let's go back to SOMOS, what type of customers were there?

I: 30 to 40-year-old people; also a few college students. But because of that type of events, most people don't want to carry jewelry all day long for a concert.

S: Have you tried any other markets?

I: We have tried two gun shows. We have found that they have been profitable. Most of the people go with large amounts of cash. Most of our clients were men buying little stuff to their wives.

S: What is the comparison in sales between SOMOS and gun shows?

I: Gun shows were far more profitable. For concerts, people don't buy heavy pieces, because they don't want to carry them around.

S: Have you tried to reach out to local jewelers?

I: We are present in two boutiques: One in Oldtown, and another one in Nobhill. None in Santa Fe.

Group session

Student: You should offer a rewards program to increase purchase.

S: Why do you have some extensive inventory?

I: A lot of them is based on request. We make more product to compensate for that. Taste varies greatly. Based on what the interest is.

S: Time life of your jewelry?

I: The pieces can last for years.

S: What is the origin of the idea?

I: It was a rouge project from one of our friends. She made her birthday gift, and everyone liked it.

S: What is your Profit?

I: Depends on pieces. The Jewelry pieces cost around \$15 to make and the price is \$40. We could be able to drop the cost if we can get it to be mass produced.

S: When did you noticed that the sales were going down?

I: The sales are not going down, they are just not growing. We want to go online all the way.

S: What is your marketing strategy? What differentiates you from your competition?

I: People get drawn by the colors. The product speaks by itself.

S: What is your target market?

I: 25-35-year-old men and women. Also from the range of 30 to 40 years old. And we are marketing as something from the southwest of the US.

S: Why the southwest?

I: We market it as a southwest/new Mexican thing.

S: Have you considered expanding your market to other places?

I: We don't know if our current marketing will be effective.

S: What is your capital? Can you have access to more?

I: Right now, around \$2K, that we have for raw material. We want to buy a laser cutter, eventually, to create larger and more complex pieces. Also, we want to invest in other locations (expanding our manufacturing facilities). We use the capital to register for more shows, pay for fees, and travel expenses.

S: Are you interested in fine art market? Specifically, Boutique shops.

I: We are currently working on it.

S: have you thought in expanding to resorts?

I: No, and that is a good idea.

Brief

All Bismuth, LLC

After the client session, it is important that Consulting Consortium conducts a "debrief" session among themselves. Then, be sure to craft a brief so that the client can have a deliverable that they may refer back to when they choose to act on the recommendations.

The following brief entails potential recommendations to All Bismuth, LLC based on the dialogue during the client session. Cases often have multiple solutions. Keep in mind that this is only one.

The purpose of this brief is to provide the framework to address stagnating sales of All Bismuth, LLC, a local jewelry maker in the Albuquerque metropolitan area. There are three sections of this framework:

1. Summary
2. Report of Problem
3. Recommendation

Summary

All Bismuth is a jewelry company who specializes in bismuth products. All Bismuth primarily sells on the online retailer Etsy but hosts an independent website through which a portion of sales are made. The company is currently operated by three individuals, one artist and two business coordinators.

Currently, All Bismuth is experiencing stagnating sales. In order to increase revenues, All Bismuth needs to invest in its branding and narrative and penetrate further into its operating markets.

Report of Problem

All Bismuth is currently selling through the online novelty retail website Etsy. Though the bismuth jewelry market is relatively noncompetitive, there are competitors crowding the Etsy market. This, combined with a lacking online presence, is suppressing sales. All Bismuth has relatively few overall sales (185) on Etsy but has an extensive product line (121). Selling on Etsy diminishes All Bismuth's brand and narrative by lowered its unique, New Mexico centered message.

Recommendation

Because All Bismuth lacks the organizational capacity to directly compete in the jewelry market, the brand and narrative of its creation, production and organization needs to be emphasized. It's primary competitive advantages are:

1. **Perceived exotic, southwestern jewelry.**
2. **Albuquerque noncompetitive market vulnerable to direct selling.**

With those competitive advantages in mind, it is recommended that All Bismuth follows the following expansion track:

1. Revisit its mission and values and communicate those clearly on all of its public sites.
2. Downsize and build-out its inventory of select, high-profit products that sell well during the holiday season.
3. Invest profits into building marketing/growth assets including;
 - a. Professional website design and maintenance.
 - b. Professional logo and advertising materials.
 - c. More diverse photography assets.
4. Begin releasing new item lines to draw back in old costumers.
 - a. Leverage social media and run campaigns to grow engagements.
5. Leverage assets to launch SEO and marketing strategy to access local, wealthy markets in Albuquerque and Santa Fe.
6. Invest profits into production expansion including.
 - a. Production site.
 - b. Technology to scale production.
 - c. Full-time workers.