



Feng Chia University Outstanding Academic Paper by Students

Title: Marketing Analysis- CyberLock

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Executive Summary

Security problem has been an ongoing issue. People were tasked to find an access control solution to protect their place. They realized that they should not wait to have an incident that is going to make them feel the weight of being guilty for not having done the right thing.

Videx, an engineering and manufacturing firm over 30 years, has grown the CyberLock product line to include over 235 different lock cylinder designs and an extensive family of intelligent padlocks. This company offers a high range of services that are always attached to the technological trend.

Videx established an innovative marketing plan for year 2009, they launched the **CyberKey Blue**, a rechargeable key that uses **Bluetooth** technology. This combination provides a unique solution for every user. For example, they can use their cell phone to update their key, and check the “key-access schedule” and also download the information that they consider that is needed for the correct use of his product. Videx Inc’s target market is very wide, it can be installed in houses and big companies, now, schools and churches are using this product. For companies that have experienced access and key control problems, **CyberLock Access Control System** offers a powerful and affordable solution. On the other hand, schools now also have the opportunity to implement an affordable system that is easy to install and can solve these problems in the most effective way.

Videx introduced hundreds of different lock designs, and since that Videx has been honored with many national and international awards. Every product is an ideal choice for operators who want a small, and easy to access system, besides all these product attributes, they are known to produce environment friendly products, such as the **CyberKey Blue**, in which they use in their system a rechargeable battery, which besides saving money to the customer, avoids contaminating the planet with the regular disposable batteries.

In 2001, BBB (Better Business Bureau) determined Videx as an **Accredited Business**, this means that the Videx business has already met BBB accreditation standards, which includes the commitment to resolve, with high success the consumer complaints and any other doubt.

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Videx Inc. focus their mission in providing a high quality customer-satisfaction. It is known that they have a very successful “Risk and Problem Solution” analysis group working in their company (contribute with problem-solutions like the SWOT analysis, that analyze the strengths and weaknesses of the enterprise and the opportunities and threats of the target market. Providing this high quality product and customer satisfaction, allowed Videx Inc to internationalize their different product line and adapt to the different needs of their high-range target market, making Videx Inc a very successful and respected company.

Keywords: Marketing Analysis, CyberLock



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Situation Analysis

Company profile

Videx, in business since 1979, they start the business by creating a video card enhancement solution for Apple computers. As manufacturer of Videx Video Term and Videx Ultra Term add-on expansion card for Apple II computers. Videx increased the line of Apple and Macintosh enhancement products to include microprocessor based keyboard enhancers, advanced printer interface cards, and productivity software. Videx also produced software, including Desktop Calendar for the Apple Lisa (personal computer designed by Apple Inc).

Videx designs, manufactures, and distributes access control products worldwide from their headquarters in Corvallis, Oregon. Videx has a long history of providing outstanding customer support and building lasting quality into its products. In the spring of 2006, Videx introduced CyberLock, a product so innovative that it was immediately recognized by the security industry as an exciting break-through technology.

In the year 1985 Videx launched its next major product line, called portable data collection terminals. Housed in rugged metal cases that stand up to the rigors of harsh environments, their lasting performance and durability established new benchmarks within the data collection industry.

Videx announces CyberLock, a fast-growing family of access control products. CyberLock is an intelligent lock cylinder designed to convert existing mechanical locks into full-functioning access control systems, without hardwiring. CyberLock permits access for authorized users at specific times on pre-selected days, and provides a comprehensive audit report of all entries. One of the many features of the software is the ability to communicate to electronic keys at remote sites via cellular PDAs.

Videx knows that the ultimate success of any product is in supporting the needs of the customer. Videx customer support team is staffed with very knowledgeable hardware and software technicians that are committed to helping the customer. Videx Inc is committed to providing outstanding customer support, growing strong relationships with customers, and building lasting quality into its product.

Market Overview

The diagram shows that demand for CyberLock has risen dramatically since its introduction four years ago. Security needs increase in the post-911 world especially. The growth rate ups to 33%. As CyberLock proves itself as a good security system, customers begin to consider it more seriously for the protection of their goods. The product has reached a large circle of customers, included schools, factories, church, research facilities, airports and municipal water departments.

Demand and acceptance of CyberLock

2006	2007	2008	2009
52%	65%	74%	85%(approx)

(The research indicates that demand of CyberLock has risen continuously since its introduction in 2006.It grows up from 52% to 85%, the growth rate ups to 33%.)

In 2008, the demand of this product didn't increase too much in North America. But we analyze this and get the conclusion that the reason might be because Videx open a new target market. That is South America which had a good acceptance from the beginning in this media exactly. Under considers that South America is an indispensable market because this area exist too much delinquency. And habitants of there want to protect their property.

Demand and acceptance of CyberLock (by region and time)

	2006	2007	2008	2009
North America	47%	58%	60%	68%
Europe	3%	6%	9%	10%
Rest of World	2%	1%	5% (South America joined)	7%

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Certainly, the product has even more potential in the other export market. One concern is the ability in future years to make the access of this product more popular between the different regions and social levels that belong to their target market.



Competition

The information about the potential competitors has been created from lists that show the numerous companies that elaborate technological and high-tech products; a 95% of this competition comes from the Asian companies.

If we analyze the direct competition we can see that there is no local competition, Videx Inc. rules this market in the United States, the rest of the North American continent, Central America and South America.

There are couples of companies that build a product with similar characteristics as this one, the price is less and the distribution process could be a little bit more effective (faster) than the one coming from the United States. Even though these products are cheaper, costumers rely on the name and the quality that Videx has provided in their products.

SWOT Analysis

Videx Inc. has invested a lot of human and economical resources in their R&D programs. The majority of companies failed to react in a proper way against some specific problems that they might face, but Videx is well respected in the technological field because they know how to react against this problems.

Knowing themselves allowed them to change the majority of their Weakness and Threats into Strengths and Opportunities.

It is important to mention that Videx Inc. has the capacity that is to cover the international demanding market. However, the company has focus too much in a specific target market, which gives them fewer opportunities to expand more into new and innovative international markets.

Most of the Asian countries are considered as direct competitors because they are exporters of this kind of products and their production are on scale.

Strengths:

- High capacity to cover the international demand market.

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- Competitive costs inside the national and international (United States and other Regions) market.
- Has a good research and development group, which allows them to overcome and adapt to their customers' needs.
- Videx Inc. has a high-tech production system, which helps them to reduce the production time of each product.
- Considered as a stable and reliable company, which allows them to receive an outside investment (stable in the stock market)
- Well experienced company in the technological market (since 1979).

Weaknesses:

- Videx Inc. has shorted their international target market.
- Their internal limitations have being reduced in an important way because they considered as priority to change in the aspects that they are being defective.

Opportunities:

- People in the United States, Europe and South America have a medium - high acquisitive power, which allow them to acquire more goods and services.
- Because of the lack of security in some regions, the demand of this product has increase.
- It is a very innovative product which means that there is not a direct competition.
- There is no need to send this product through a retailer, which allows them to negotiate one to one, or maximum with he use of one agent per region, meaning that is not a complex product to be sold.

Threats:

- The most significant threat is the Chinese competition, and other Asian countries such as Hong Kong, India and Singapore.
- This product is manufactured in the United States, which manufactures strength is less than the countries mentioned above.
- This is a sensitive product, which needs a lot of precision during their elaboration process, freight, and distribution and installing.

Marketing Objectives and Goals

Product Profile

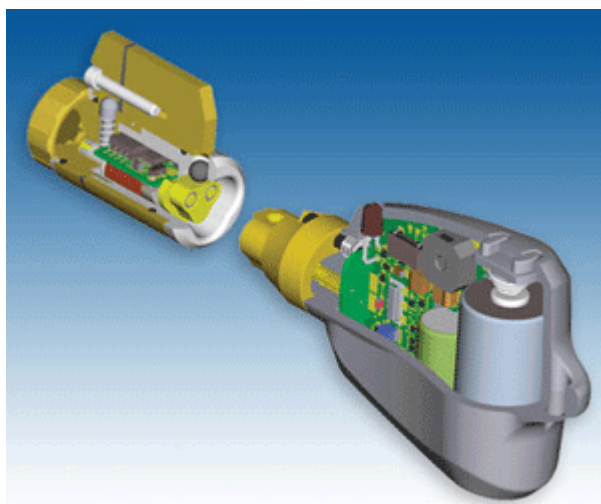
Videx company is a leading manufacturer of data collection, created several designs of portable, durable bar code and provide solutions for a variety of data application.

Cyberlock is an innovative lock system, this system make us easily to converts existing mechanical locks into an access control system. Every person can create a powerful system to control access in everywhere with electronic lock cylinders, programmable CyberKeys and CyberAudit software. Cyberlock cylinders replace standard mechanical cylinders, it is easy to remove the existing mechanical cylinder and replacing it with Cyberlock cylinder, and then install the cylinder into the lock hardware.

Cyberlock access control has several advantages:

- ✧ No wiring or battery is required at the lock.
- ✧ Locks cannot be picked or bumped open.
- ✧ cyberKeys cannot be duplicated. Every key has unique passwords in each installation, against creation of unauthorized keys. Both a key with a replaceable battery and a key with a rechargeable battery are available.
- ✧ Key expiration option for every key. It means keys can be issued before they begin working and can be set to expire at a particular time.
- ✧ Each key contains a list of locks it can open, with days and times.
- ✧ A record of all events is stored in both the locks and the keys. Each time a key is used at a lock, a record of the lock/ key ID, date, and time is stored in the key/ lock. They also record when an unauthorized person attempted to open the lock.
- ✧ Lost or stolen keys can easily be removed from the Cyberlock system.

How does it work?



When a key contacts a lock, the battery in the key energizes the circuitry in the lock. Furthermore, the lock and key exchange IDs, in this time the key will check that the lock ID is on its list of locks it may open, also checks that it is at the lock at an authorized day and time. The lock and key compare access codes to verify them. Eventually the key may gain permission to open the lock, and an “Authorized to open” event is time stamped and stored in both lock and key. Or the key may be denied permission to open the lock, and a “Denied” event is time stamped and stored in both lock and key.

Keys can communicate with the software.

The unique feature of the Cyberlock is that they are available for communication with a variety of devices. These devices are called communicators. What communicator that we want to use depends on the software management system we implement, and the requirements of our Cyberlock installation. Here are communicators that we can choose: IR Encoder, USB Station, WebStation, CyberKey Authorizer, and PDA cell phone.

CyberLock System

There are four different levels of management for your CyberLock system:

1. EntryPoint, an entry level hardware only system
2. CyberAudit-Web Lite, for small installations.
3. CyberAudit Professional, for mid-sized installations.
4. CyberAudit-Web Enterprise, feature filled software installed on an application server, offering high-end capability for the large or enterprise customer.

EntryPoint

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In this level no software is required; it provides a basic system of hardware only. Ideal for simple installations, because the lock cannot be picked or duplicated. This basic system includes standard CyberLock cylinders and CyberKeys, plus a Grand Master key. Grand Master key has a pre-programmed encrypted code that used to program locks and key. CyberKeys are given 24/7 access to the locks.

CyberAudit-Web Lite

This is a user friendly software; allows us to scheduling access and viewing an audit trail from CyberLocks and CyberKeys. In here the schedule in which we assign at the intersection of a lock and key determines how the key operates when it contacts the lock. CyberAudit-Web Lite is a PC or Mac software program, and is intended for systems of up to 50 locks and keys.

CyberAudit-Web Professional

CyberAudit Professional is a Windows program that installs on your PC for management of a CyberLock system. Ideal for small to medium sized companies. CyberAudit Professional builds on the basics of access scheduling and audit trails with a number of features such as key expirations, report generation, and email notification of events. This Professional software also provide designation of lost keys (use the lost key feature to block keys outside of our control from the locks) and a software log that view the history of changes made in the software at any time.

CyberAudit-Web Enterprise

CyberAudit-Web Enterprise is web-based software installed on an application server. A complete system requires locks, keys, the Enterprise server, and one or more communicator devices. Intended for large or geographically widespread installations.

Enterprise offers:

- ✧ Flexible access to the software, it's able to access from any computer on a local network.
- ✧ Hierarchy of administrators, each person in the management has chain control over their own people, locks and keys independently. Top administrators can view the entire system.
- ✧ Use PDA cell phones to grant emergency one time access or program and download keys.
- ✧ Enhanced management tools, examples: create groups of locks and permissions, program a key for specific user, and share locks with other users.

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Target Market

1. **traveling family** : because this product is convenient , can attract attention the traveling family.
2. **export import trading companies** : cyberlock have an exact and stabile GPS functions that can attract big a large amount of delivery companies which allows them to know where exact location and safety of their product.
3. **heavy volume companies** : cyberlock have a flexible schedule and email notification, schedule email notification , can control the other department of the companies , also can clearly know the exact people that enter and exit the company.
4. **school and cream school** : school and cream school have many student and many department so they should to discriminate which area student can enter or which area is the forbidden ground.

Geographic:

Country: whole world

urbanization level : High

Demographic:

Age: 30~50

Gender: Female or male

Income: 1 million

Education: Attended College

Psychographics:

Personality: fashion follower

Behavior

Brand loyalty: high



Marketing Plan

Product Strategy

Customers can realize products clearly on website due to its planned home page. They can get the information simply about what products they have from Videx.com. On the home page, it displays their products and attaches to the introduction, including their functions, purposes and using approaching. It not only has words explanation but has illustrations and photographs. Customers can catch on products at home instead of going out. They also can compare with different products thanks to convenience of website. No matter you are adult or child, you can operate it, because it is uncomplicated that everyone can use it.

Videx.com had set up several items to serve their customers, according to its category, including products, library, supporting, about us and contact us.

- At a side of products, Videx.com has difference from other company account of having movie concern their products; it can make their customers get more concepts.
- Mention to a side of library, there are abundant contents in it. Such as news, software manuals, technical document. Customer can download new software themselves and renew outmoded one. They can shrink many unessential problems.
- Service is the most important factor, so communication is also essential. Videx.com can follow customers' level of satisfaction, at the meanwhile, to affect sales continually.

Price Strategy

Videx need to plan some strategies to increase the quantity of customers because of the significant price of CyberLock. Everyone knows that a lower price will produce more total revenue, but most firms want to avoid pricing that turns their products into commodities at the same time. And in the case of high-tech and prestige goods, consumers think that higher prices mean more quality. Thus, Videx decides to give a price reduction to buyers who buy large volumes, such as factories and municipal water departments. The quantity discount provides an incentive to the customer to buy more from Videx.

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CyberAudit-Web Professional starter kit includes: Software, one IR Encoder communicator and one Grand Master programmer. Kit does not include CyberLocks, CyberKeys and other Communicators; these are purchased separately. Videx produces accessories that must be used along with a main product line, applying the **captive-product pricing**.

If a client is interested of buying this product, just tell the firm how many keys and locks you need and include pictures of your current locks. Following this process they will email a quote to this possible costumer. Your quote will include a link to a shopping cart filled with everything you need. All you need to do is checkout. When you receive your package, activation is as simple as plugging each key into the included USB base station and using one key to activate each lock. This allows Videx to match customer satisfaction with a solution best suited for each consumer.

Distribution Strategy

CyberLock is a high-value and low-volume product which is suitable for air transportation. Highly valuable goods will require minimum handling and maximum speed. It is also the case that certain services, for example express, can provide greater levels of security and personal care than others. Therefore, Videx cooperates with the express companies. Most of goods are carried on dedicated freight flights rather than scheduled passenger aircraft. As a result, Videx can not only ensure that the product is in good condition and sold world-wide, but reduce transportation costs. In the distribution centers, the carriage company has a remote monitoring system (controlled by a GPS system), which is used to supervise the process of product distribution from the shipping point until the destination point. The benefits of using this transportation method (air freight) are speed and security. One of the most important ideas of Videx is to produce and provide good quality products and services; therefore, they start this high quality chain distribution from the first production point until it's installed in the costumer's door.

Promotion Strategy

Advertising

1. Join technology exhibitions to explore potential business opportunities.
2. Cooperate with newspaper companies to write news about our products.
3. By supporting philanthropic institutions, VIDEX not only promotes its brand

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image, but making the brand better known at the same time.

4. Bus advertising

Strategic Alliances

- Cooperate with schools and universities:

If a company wants to build a strong base of support for their product, they must start from education; since students can accept new things easier, and are able to impact other people's minds. Plus, from a financial stand point, it is very beneficial since it decreases duty cost.

1. To make our product more well known.
2. Decrease the duty cost.

- Cooperating with Contractors:

1. Decrease advertising cost.
2. Good feedback leads to users recommending our products.
3. Good reviews from buyers will have positive impact on our image

It is beneficial to cooperate with contractors, since it increases business opportunities. In return, the more users there are, the more likely our product is recommended to one and another, which can be seen as advertisement without additional cost.

Financial Projections

**FINANCIAL PROJECTIONS
FOR CYBERLOCK**

		2006	2007	2008	2009	
TOTAL SALES OF THE TARGET MARKET		12,435,654.00	15436765	19564786	24765894	
ANNUAL INFLATION					8%	
GROWTH RATE			24.13%	26.74%	26.58%	
AVERAGE GROWTH RATE					25.82%	
ADJUSTED GRWOTH RATE					35.89%	FISH EQUA
YEAR		2010	2011	2012		
TOTAL SALES OF THE TARGET MARKET		33,653,161.94	45,729,635.63	62,139,765.00		
TARGET MARKET (%)		5%	5%	5%		
TARGET MARKET \$		1,682,658.10	2,286,481.78	3,106,988.25		
INCOME STATEMENT FORECAST						
SALES		1,682,658.10	2,286,481.78	3,106,988.25		
COST OF SALES		1,009,594.86	1,371,889.07	1,864,192.95		
GROSS INCOME		673,063.24	914,592.71	1,242,795.30		
ADMINISTRATIVE COSTS		168,265.81	228,648.18	310,698.83		
DEPRECIATION		16,826.58	22,864.82	31,069.88		
INCOME BEFORE TAXES		487,970.85	663,079.72	901,026.59		
TAXES		170,789.80	232,077.90	315,359.31		

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NET INCOME		317,181.05	431,001.82	585,667.29		
DEPRECIATION		16,826.58	22,864.82	31,069.88		
CASH FLOWS	(1,000,000.00)	334,007.63	453,866.63	616,737.17		
IRR	17.12%	Internal Return Rate				

The previous data was produced by information released by CyberLock Inc. Their financial projections are based in data taken four years before 2009 (including the year 2009) and the next three following years (2010, 2011, and 2012). In order to have the internal rate of return (IRR) we considered the following points:

- Inflation
- Total Market Sales
- Target Market
- Cost of Sales
- Gross income
- Administrative Costs
- Depreciation
- Income Before Taxes
- Taxes
- Net Income

As we can see, we have a very well detailed and complete financial analysis, considering all the points that are needed to complete the *Income Statement Forecast*, *Cash Flow* and provide enough information to complete the *CyberLock Financial Projection*. Using the Fisher Equation allowed us to get the Adjusted Growth Rate, giving us the data to obtain the Financial Projection for the following three years.

In the previous table, we can see that with the original budget of USD\$ 1,000,000, the Net Income increases in a significant way, meaning, that this is an intelligent investment, comparing the amount in year 2010 of USD\$ 334,007.63, with

the amount in the year 2012 USD\$ 616,737.17.

Contingency Plan

There is a competitive security system product from various Asia home security system manufacturers and Videx. There are strict competitions with Asia suppliers. An increased need in world market for electronic physical access control equipment was predicted strong, sustained growth for multi technology equipment. Try to search an available solution for securing their property.

With a number of competitors in their core market, Videx company attract their customer with the following points:

- ✧ Offer a good price for an innovative security solution that will cost effective and met customers' requirement in terms of measurability and auditing.
- ✧ Continue to search for new products so it can continue to offer customers the newest technology.
- ✧ Provide “online buying reservation system” on Videx.com that facilitate for customers to buy their product.
- ✧ Offer

The crime rate becomes higher in result of the declining on economic growth. When crime increases, it brings more awareness and unsafety feeling to people, they become more concerned wheter the existing security system can really protect them from danger or not. Although the security devices are everywhere, but are they really efficient enough to control the crime rate is the biggest question. Videx offers significant benefits in their security product that can use for any facilities that requiring highest levels of security, such as government facilities, bank, or school. Cyberlock and CyberKey is a good example in security technology that is offering effective protection and easier system management.

Sale market in Asia is lower than North America:

The research indicates that demand of Videx product has risen in North America but on the contrary, their market demand is not that high in Asia. This might be a result because of the less knowing Asia customer about this product. To increase the market demand, Videx can apply the following strategies:

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- ✧ Launch a technology exhibition, in which this product can be well explained and promoted to the public.
- ✧ Publish a security products magazine, or a catalog, that contain special reference publication, includes news, updates, and new features from Videx and other products from other companies.

Recent advances in security system technology have brought about many positive improvements

Technology affects security system:

In the beginning of 21st century, technological improvements in security devices are getting smaller and achieving more features. Videx, due to the advances in computer networking, provide a security system that can support more technology than previous generations. All in one on CyberLock system can reach customer satisfaction with 24 hours of protection.

Because of the growing on technology, there might be a higher chance for other companies to create security products with a similar function. This means, Videx should face a lot of competitors.

1. Videx would have to upgrade their products periodically.
2. Create partnerships with companies that provide security and environment improvement to homes and apartments (one or few people living there), in this way Videx can expand and promote their product in a successful and a high label product distribution.

Cost of raw materials goes up:

The increase of the cost materials can raise the product's price. There are couples of steps that Videx company can consider:

- ✧ Find a company to supply Videx cheaper inputs
- ✧ Look for substitution materials
- ✧ Design a newer product that uses cheaper materials, yet maintain the same quality and service.

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