MetaSpace Designs LLC (MetaSpace): How Can a Lapel-ephant Stay Relevant?

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Trace started his small business by selling graphic t-shirts at music concerts. After familiarizing himself with the jam band market and learning that selling lapel pins was more profitable than selling t-shirts, Trace created MetaSpace Designs. MetaSpace Designs moved to not only vend lapel pins to individual consumers, but also stepped into business-to-business sales in order to buoy its position. High quality products and services yielded ever-increasing profits in all MetaSpace's served markets. However, various obstacles brought Trace to rethink his competitive strategy and to adapt his small company to survive in this dynamic environment.

METASPACE DESIGNS

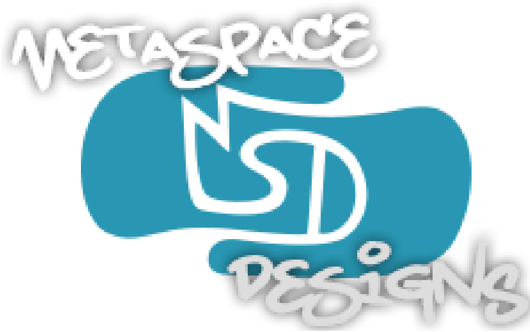
> The wheel is turning, and you can't slow down,
> You can't let go, and you can't hold on,
> You can't go back, and you can't stand still,
> If the thunder don't get you then the lightning will.
> ("The Wheel" by *Grateful Dead*).

Edgar Reddick, affectionately known to his friends as "Trace" and to his customers "Meta," pondered these words wafting across the breeze from a boom box in the tent next to him. He had been in Denver for four days selling his merchandise an artistic assortment of band inspired lapel pins at a Sound Tribe Sector 9 (STS9) show during its New Year's Eve run. In fact, from a quick perusal of his books, his sales were moving briskly and provided some confidence that this small venture could turn into something more. What originally started as a way to subsidize seeing concerts and do a bit of traveling had grown into a legitimate enterprise – filing taxes, organizing supply chains that included international partners, and developing a coherent marketing effort (see Figure1).

Over the past few years, MetaSpace had experienced tremendous growth. The question persisted: in which direction should the company turn next. In virtually every market there were a growing number of serious sellers and kids running around peddling merchandise. Trace looked around and saw the number of vendors that were plying wares much like his own had grown exponentially. “Only a few years ago there used to be me and just a few others,” he thought. “Now, it seems everyone is selling a similar product.”

Trace had ample experience in the concert vendor business – both as an up-and-comer and, more recently, as a situated wholesaler. But it had been a long and winding road that got him to the point where he no longer had to comb the crowd at concerts to find buyers. Despite his products being considered a fixture in a number of musical venues, the sheer number of people selling similar goods had multiplied to an unwieldy extent as of late. “How is MetaSpace going to continue to make money when the market seems to be getting so saturated?” Trace continued to muse. He knew he could not “stand still” for long.

FIGURE 1
METASPACE DESIGNS’ LOGO

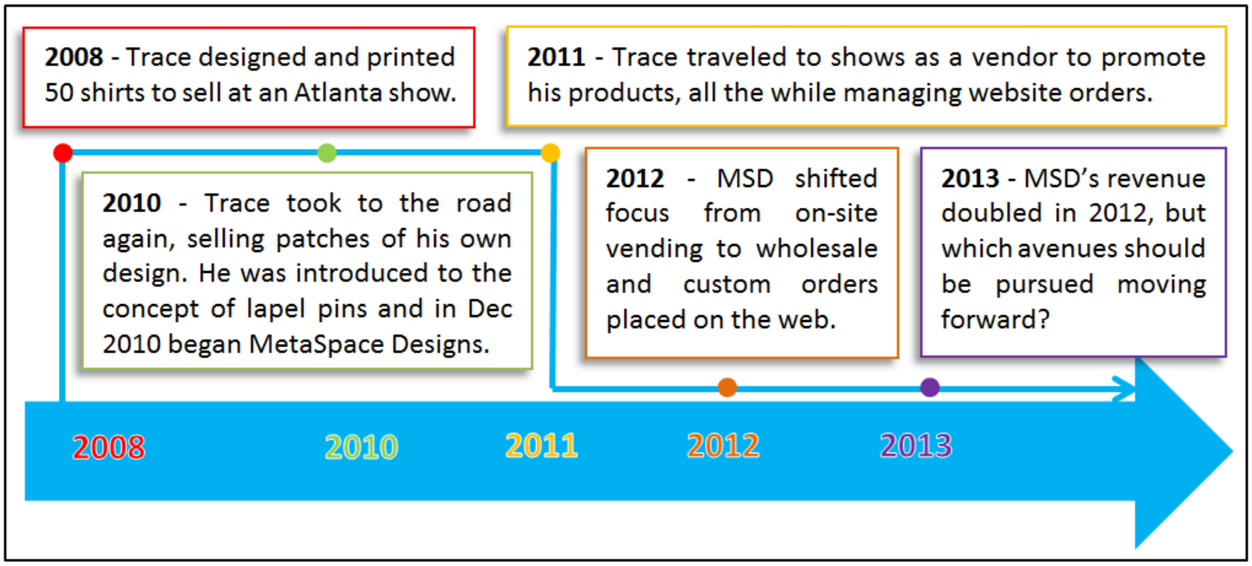


The relative youth of the market created a number of unique challenges that confronted the organization; for example, how to formulate a strategy and deal with market demand. MetaSpace’s history, the market it served, the external environment surrounding the company, the growing competition, and how it should move forward were all aspects that needed to be carefully considered. MetaSpace knew it had mounting challenges and if current opportunities were not leveraged, the company might have to deal with potentially negative repercussions. The opportunities of this market might be better described by *Phish* in its song “Squirming Coil”: "I saw Satan on the beach, trying to catch a ray, He wasn't quite the speed of light and the squirming coil, it got away."

METASPACE HISTORY

MetaSpace was born from the seeds of humble necessity, the need for Trace to use his creative talents. Trace internalized the name of Frank Zappa’s band The Mothers of Invention into his perspective on life. The name stemmed from the old saying “necessity is the mother of invention” and Trace needed to find a way to make a living and utilize untapped artistic talents. The opportunity to demonstrate these talents was discovered when Trace, a music lover and concertgoer, designed a few shirts to make a little cash while on the road. In 2008 Trace designed, had printed, and sold out of 50 t-shirts while at a show in Atlanta (see Figure 2). He went on to take a position as the general manager of a restaurant in Mississippi, but left in August 2010 to take to the road again – creating and selling more merchandise. During this time, he designed and sold patches, which supported his tour to more than ten different shows. Trace’s creativity had found an outlet and his merchandise had found a niche.

FIGURE 2
TIMELINE OF METASPACE DESIGN'S HISTORY AND ORIGIN

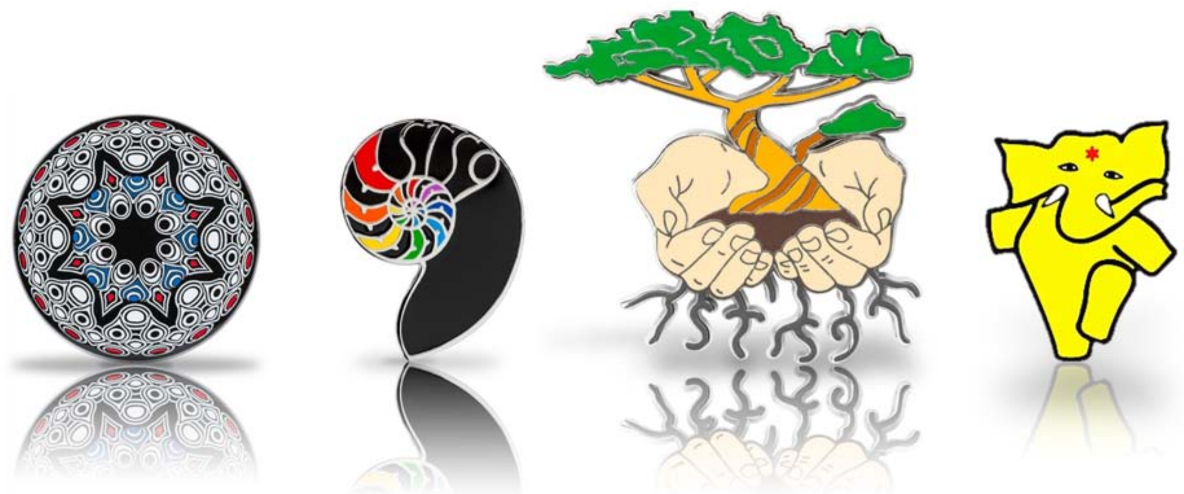


Trace was introduced to the lapel pin market, a product with higher margins than t-shirts and patches that was just beginning to gain popularity with fans attending these concerts. Initially, he traded for a few of these pins here and there to vend a larger variety of products, but it was not long before he took the idea and ran with it. In December 2010, Trace started MetaSpace Designs, created a website to go along with the new company, and designed and produced high quality lapel pins exclusively (see Figure 3). "When I started making patches, I was introduced to pins and there was a much bigger margin selling them. It would have been silly to not dive into that product line," recounts Trace. At the time, there were very few people producing and selling this type of merchandise. Trace traveled to show after show in 2011 to sell his product and to gain recognition for his new company and designs. In addition to the extensive travel, he also ran his business online and filled web-based orders. As the number of designs produced and the number of shows attended increased, he began seeing sales of hundreds of pins in places like Denver, Atlanta, Chicago, New Jersey, New York, and California. The design creativity that had brought him stumbling into the market was monetarily rewarding in earnest during this time.

"I remember on my first ten show run with my merchandise," Trace explained. "I was at the last show of the tour at Red Rocks in Colorado. I had sold nearly 400 patches up to this point and a handful of pins. Remember, at this time I had just been introduced to pins and had not yet had the opportunity to test those waters. So after the show I was at the exit with my patches, people were buying up the patches so fast that my backpack was full of cash. I could barely find the patches in there! That's when I knew I was in for a ride."

As word of MetaSpace spread throughout the concert-going community, website sales increased and requests for wholesale orders became more frequent. By this time there were also many more competitors joining the lapel pin market at shows around the country. This newfound and aggressive competition among show vendors became disenchanting to Trace. In some cases, he would even see competition from vendors selling his own pins! In an effort to increase his competitive advantage, Trace pursued and gained connections to an overseas factory to produce pins less expensively. He also intended to enhance his business acumen and, hopefully, profitability in future endeavors by pursuing a Master's in Business Administration.

FIGURE 3
LAPEL PINS PRODUCED BY METASPACE. FROM LEFT: UWA (A COLLABORATION WITH YOSHINORI KONDO) PIN, NAUTILUS PIN, GROW PIN, AND APPA THE DANCING ELEPHANT PIN



By late 2011, MetaSpace had slowly moved out of the vendor market and began focusing on online sales of custom and wholesale lapel pins, going to select shows as a vendor. In 2012, the organization saw revenues double from 2011. Despite this substantial growth, Trace remained the company's sole employee and continued to run all aspects of the one-person business himself. To keep up with the needs of a growing company, Trace outsourced some of the design work when necessary and adopted more efficient business tools to make online order receipts and shipments easier. With increasing competition, the company needed to continue to improve and adapt using Trace's creativity and business know-how to stay ahead in the market and plan ways around these obstacles.

MARKET SEGMENT AND TRENDS

The niche market that MetaSpace served was born from the jam band music scene that had been growing steadily since the rise of the Grateful Dead in the 1960s ("Jam band," 2013). Since the mid-1990s, the number and popularity of jam bands had increased tremendously. During this time, bands formed their own music festivals, which spurred other festivals to be introduced throughout the country featuring many of these jam style bands. Some of the most popular jam bands included names like Phish, Sound Tribe Sector 9, Disco Biscuits, String Cheese Incident, and Widespread Panic ("Jam band," 2013). Although the names may have sounded funny, the opportunities to profit from these markets were very serious.

Bands and fans alike were both able to reap the profits from shows in different ways. The majority of MetaSpace's typical customers were fans that followed certain touring jam bands or that attended music festivals across the country. Some of these fans chose to sell different products in order to fund their trips and were viewed as vendors. These vendors were in need of inexpensive promotional items for resale. Initially, the vendor market was flooded with t-shirts and posters, but came to include anything from patches to homemade goods to lapel pins. Many of the lapel pins sold in this market were band themed in order to appeal to fans of particular bands or shows. The majority of MetaSpace's revenue came from pins sold to individual consumers (B2C) by means of its website and by vending at select shows throughout the year. The company did have some business-to-business (B2B) sales, i.e., vendors that purchase large quantities of pins at discounted prices for resale at shows.

The jam band market for vended merchandise was significantly affected by the time of the year. The summer months (June and July specifically) saw a far greater number of jam band shows and festivals than the other months throughout the year. While some vendors got their wholesale orders in early, managing order fulfillment was still important in order for companies to prepare for the surge in business at that time of year. In this way, wholesale orders tended to fluctuate fairly drastically during the year.

From 2010 to 2012, a boom in competition among pin makers shaped the market landscape among vendors of these goods. In 2009, when Phish ended their five-year hiatus, there were only a small handful of pin makers selling their collectible badges at shows. At that time, pinning was not unheard of, but pins were certainly not a commonly sold lot good, a merchandise item found outside of concert events. However, a new trend was birthing right out of the touring culture. As with any successful business idea, there were some entrepreneurial minds that wanted a piece of the action. Low costs and margins on pin sales pushing upwards of 1000% attracted numerous individuals to the hustle. Someone could easily have about any art or design translated into an enamel pin for a couple of dollars per unit. By the end of 2012, what started out as about five or so pin makers had turned into a force of 200-plus pin makers all in business for themselves. As competitive pressure began to mount, the margins on pin sales began to markedly decrease.

Free websites and social media provided a sales channel for new entrants. Facebook groups acting as a forum for collectors and sellers alike began popping up. These online groups were a place for collectors to seek new pins and for sellers to advertise and announce new releases. Because of the need for virtually no start-up capital, the stage was set for a massive influx of vendors. An individual (with little to no graphic skills) could have had a graphic made and offer pre-sales of the pin on Facebook. The order of pins would only be produced once enough presales had been made to finance the order. Sometimes novices in the business did not make enough pre-sales to fund their project and kept the money without refunding it to the customers. The focus of many sellers was to push merchandise by whatever means possible, a practice that often led to a less than pleasant online user experience via their websites.

As it became increasingly effortless to conduct business in the marketplace, the massive inflow of pin dealers led to an increased dilution of market share. During the first few years since MetaSpace's entry into the pin market, the average price of pins had risen from \$10 to \$15, and although pin prices were rising, price competition was still prevalent. New entrants, who had less experience and a limited knowledge of the market, lacked price confidence. The new entrants entered the market with the perception of a mad cash grab and then realized that there was more to it than meets the eye. A sense of panic overcame some individuals, and they opted to sell their pins for a little over cost just to get out from under the inventory. Some vendors responded with lowering their prices while others remained steadfast. MetaSpace chose the latter and continued to sell high quality, creative products at a price it chose. The company created a price strategy that would allow the wholesale of its pins and maintain over a 400% markup, thereby, allowing vendors to sell the MetaSpace pins for more than double the wholesale rate. For example, MetaSpace would pay \$1.75 for each pin and sold it at a wholesale discount of \$7.00, which would then be marked up for resale to a typical market price of \$14.00 by the vendor. At the same time, via the retail website channel, pins would be sold at standard retail prices, but the end-user benefited because the cost of shipping was not factored into the price for each pin, unlike most of its competitors. The company charged a flat shipping fee, which resulted in an online customer seeing much more competitive pricing and created an added incentive to purchase pins in greater quantities, as the shipping cost decreased per each additional pin ordered.

Despite this marketing plan, price reductions were typically sought out because of the hawker mentality of concert vendors and the haggling, "I'm broke" attitude of customers. In addition, the lack of coherence in the overall market of structured price points left vendors at a disadvantage in presenting a solid price. MetaSpace decided on a cost-plus basis to start, and driving down production costs as much as possible allowed it to compete. "I know buyers are sensitive to price. I also know how much money I want or need to make per piece in order to run and grow the business. Instead of charging a high price for every pin, I would have different prices for different pins and I feel like its conducive to better sales," explained Trace.

Executing business in this way kept prices low enough to be both competitive and attractive to the market. Furthermore, buyers of its goods were varied, with no one buyer representing a large portion of the company's total revenue. Positive word-of-mouth reviews and a fastidious approach to customer relationship management had driven a great deal of the company's success and had set it apart from its competitors. Implemented practices included swift response times to customer communication, next-day order shipment, and a favorable shipping price structure. "Really concentrating on the customers' needs makes the difference in this market," described Trace.

In the two years since MetaSpace entered the jam band lapel pin market, the demand for custom lapel pins at shows around the country had increased significantly, and with it, the number of producers and vendors selling similar items. Time had passed and the market was undergoing change. "People selling wares at shows is nothing new. That's how people that followed the Grateful Dead in the 60's were able to do so… They made something Grateful Dead themed and sold it for gas money. Relative to pins, when I first started, I could count on one hand how many people I would encounter selling pins and now, within just a couple of years, I encounter *easily* 15 to 20; I often think to myself 'When is this trend going to die?'" Figuring out what phase the market was in was a challenge for Trace.

METASPACE'S WORLD

The environment surrounding MetaSpace had changed in a number of ways since it first came on the scene. Most notably among these environmental factors were the recovering economy, increased upward pressure on costs because of an inflating Chinese Yuan, and increased wages of labor in China (China Briefing, 2013). Another factor contributing to the turbulence of the market was the crackdown on copyright and trademark infringement by the bands' labels, plus the increasing movement of the market to the online marketplace.

In the largest sense, in 2010 the economy had begun to rebound if only incrementally. As a result, people tended to have more disposable income to use for attending concerts and purchasing marketed souvenirs. Because of the nascent turnaround in the economy, an upswing in the total fortunes of concert attendees and vendors occurred. Interestingly, concert attendance had not sagged to any noticeable degree even during the recession. But because of the relative originality of the lapel pin segment, it was difficult to judge how much of an impact the recession had.

MetaSpace was linked to suppliers in China, and changes in the Chinese economy had a dramatic impact on pricing strategy. Lapel pin prices had risen steadily as a result of increased costs. Manufacturers overseas were faced with heightened pressure to increase labor wages and improve working conditions because of the burgeoning middle class in China and increased domestic consumer spending (China Briefing, 2013). Beginning in September 2011, Trace chose Metal Gifts Unlimited, one of the hundreds of manufacturers located in Guangdong Province, China, to be MetaSpace's sole supplier. Inexpensive labor and material costs in China, as compared to those in the U.S., had led the company to contract with the Chinese manufacturer. However, China was no longer the low cost sourcing country it once was. Inflation, wages, and currency appreciation were three major factors that drove up the costs. Further, there was always the looming concern of the five-week lead-time associated with placing custom pin orders because of the distance of producers from the served market.

Additionally, the Chinese consumer price index, commodity prices, and labor costs had risen sharply. The minimum wage in China had increased annually by 12.6% over the past two years, with double digit increases anticipated to continue for the next five (China Briefing, 2013). Appreciation had exacerbated cost pressures as well, particularly for these companies selling goods to the U.S. market. Consequently, MetaSpace had increasing expenditures from its overseas manufacturer and struggled to estimate lead-times for its custom pin orders. These lead times were sometimes bumped by larger, more important orders to the manufacturer. These factors undermined lead-times by pushing them out from the normal three weeks to up to five weeks or longer.

Meanwhile, several alternative Chinese production facilities were available for contract, prompting MetaSpace to explore alternatives. The ability to choose among producers lent some strength to the company's ability to control its costs from suppliers. However, with quality being such an important aspect of production, changing suppliers and risking its quality-in-product could have proven disastrous. Fortunately, the demand for several small orders, ranging from 100-200 pieces made by Trace's clients, allowed MetaSpace to enjoy similar prices to larger firms which generated fewer, larger quantity orders. While MetaSpace could not purchase huge orders at once, smaller orders of 100 to 200 pins were placed with high frequency, which gave it some influence through its supplier relations.

In regards to the local supplier option, domestic manufacturers were limited by environmental regulations and demands by the labor pool. Since the cost of living was much higher in the United States than in Asia, wages were a much larger portion of the manufacturer's expenses. This variable alone was directly responsible for a significantly higher price for lapel pins to be manufactured in the U.S. Additionally, stateside manufacturers could not make cloisonné pins, which were considered to be of the highest quality. This process was largely absent in American manufacturing because of government regulations that deemed the byproducts of the process dangerous to the environment. In addition, domestic manufacturers would not make precise molds for pins. These producers would make only basic shaped molds with content designed inside the shape. This particular aspect of domestic manufacturing was extremely limiting to artists and designers alike, especially for MetaSpace, which prided itself on creativity and its ability to break out of the literal and figurative mold. For this reason, Chinese manufacturers were a superior option, despite increasing costs.

A movement by concert promoters and bands' labels to crack down on copyright and trademark infringement had also impacted the lapel pin business. What was originally benignly neglected, because of the limited number of purveyors and categorization as "fan art," had turned into a growing and ever more noticed market. As a result, some owners of the infringed upon intellectual property sought to protect their investment by issuing cease and desist notices. MetaSpace had avoided infringing on any intellectual property, but the negative perception of the segment in which the company operated had caused problems when seeking sales venues at concerts or festivals. In other words, a few bad apples spoiled it for the bunch. This particular problem could have ultimately proven to be systemic in that there were a growing number of stringent rules that were enforced at concerts and music festivals that, in the end, could have driven up transaction costs. At worst, lapel pin vendors might have been prevented from accessing their target market at festivals if the relationship worsened.

The operating environment was very much affected by the growing prevalence and abundance of artistic offerings in MetaSpace's lapel pin category online. Originally, the market functioned fairly collegially, informally, and almost exclusively at shows in-person; but in typical market lifecycle fashion, with more entrants and rapid growth the market turned into a state of chaos very quickly. As a consequence, the use of online distribution networks had lowered barriers to entry to a great extent and increased competitive pressure. Also, because of virtually no coordination or even interest in 'friendly competition' amongst one another, the online market had nearly broken into a complete state of disarray. This disarray was largely driven by the limited conceptualization of pricing strategies by the competing members. The competition seemed to act as though they were islands unto themselves. They implemented pricing strategies that were all over the spectrum, which made the gathering of market intelligence an incredibly arduous, if not impossible, task.

METASPACE MOVING FORWARD

The position of MetaSpace was in the wholesale and custom design of lapel pins to festival vendors and storeowners for resale. The company was known for its high quality products, customer service, and unique designs. This was evidenced by referrals from current customers. It was not uncommon for MetaSpace to receive emails from new prospective clients stating they know MetaSpace made some of the best quality pins and backed up the product with reputable service. Trace recounted a story from an chance meeting with a fan in 2010. "I was walking from one stage to another with my pin board out and this girl was following me and eventually stopped me to look at what I had. I introduced myself and she was almost smitten to learn that *I* was MetaSpace. She told me she pretty much stalked my Facebook page and website daily. I felt like a rock star."

MetaSpace used the latest technology in graphic design software and incorporated market insight sharpened by MBA courses, experience, and time into each pin produced. The latest technology allowed MetaSpace to take full advantage of its native creative talent. Further, the company retailed, wholesaled, and took custom pin orders through one of the most comprehensive websites in the market. "I feel a lot more confident in what MetaSpace can offer and do as a company. I definitely feel like we could branch into other segments of the market – maybe even a spin-off company."

MetaSpace was registered in the state of Florida as an LLC. Although the company went to great lengths to avoid infringing upon any copyrights, the advent of more underground activity in the market and under-the-table pin dealing had put the industry under the microscope by many of the larger touring acts. These bands requested stricter definitions of copyrights in an effort to combat the rise of "pinfringement" as the market called it. By filing as an LLC, the owner and sole employee Trace had separated his business position from his personal position, granting him certain protections in an environment where "guilty until proven innocent" seemed to be the predominant way of thinking.

In response to the increased number of competitors, many of the first movers had chosen to diversify their offerings. As a direct result, MetaSpace offered customized lapel pin services and dabbled in apparel like hats and shirts utilizing its design skills. In the company's custom pin segment, businesses and/or artists could have their own design made into a lapel pin. MetaSpace performed all of the necessary graphic design work to the customer's request and approval. Then, the company contracted a supplier to have the pins produced. The sales cycle for custom pins was about one week from initial request to invoicing and carried a profit margin of close to 50%. Production took another three weeks. This segment was beneficial to the business because of the close to zero financial risk involved. The addition of this segment in 2012 brought in over $18,000.

MetaSpace began quite informally and was organized as such. Trace always knew he needed to keep good records of his business activities, but he took a "let's cross that bridge when we come to it" approach. The result is that only basic records were able to be compiled in 2011 and 2012. No records exist for 2010. The online retail pin segment, thus far, had proven to be the most successful business segment in terms of total profit. Online retail pin sales resulted in nearly $23,000 in revenue in 2012. However, this segment might not have been the most profitable or led to the company's success. More indirect costs were allocated to the online retail segment since the higher revenues could cushion the expenses. On-site retail, by the numbers, indicated the greatest area for success. There were fewer costs associated with selling on-site; however, opportunities to engage in this sales channel were limited.

TABLE 1
METASPACE DESIGNS' SELECT FINANCIALS BY BUSINESS SEGMENT

	Wholesale	%	Custom	%	Online Retail	%	On-Site Retail	%	Total	%
Revenue	$14,647	100	$18,773	100	$22,844	100	$1,804	100	$58,068	100
COGS	$3,222	22%	$9,754	52%	$2,741	12%	$180	10%	$15,898	27%
Gross Margin	$11,425	78%	$9,019	48%	$20,103	88%	$1,624	90%	$42,170	73%
Shipping	$399	3%	$295	2%	$1,371	6%	$0	0%	$2,065	4%
Seller Fees	$366	3%	$469	3%	$571	3%	$0	0%	$1,407	2%
Misc.	$200	1%	$0	0%	$1,400	6%	$214	12%	$1,814	3%
Profit	$10,459	71%	$8,255	44%	$16,761	73%	$1,409.60	78%	$36,884	64%

Table 1 shows MetaSpace's select financials by business segment in 2012. For internal accounting purposes, only direct costs were reported in this table with exceptions made for the specific sales channels, which are unique to this market. As a result of high costs, low revenues, and infancy of the business, MetaSpace took a $9,372 loss in 2011. From 2011 to 2012, revenues increased 166% to $58,068. In 2012, MetaSpace actually turned a profit! The net profit margin as a percent of sales improved from -48% in 2011 to 64% in 2012. However, even with higher revenues, MetaSpace incurred more costs to grow the business such as buying new design software and beefing up its inventory levels. In the online retail segment, miscellaneous expenses of $1,400 consisted mostly of Facebook marketing campaigns and website development and hosting. Miscellaneous expenses of $214 in the on-site retail segment accounted for banners, tables, and lighting to increase exposure and appeal at venues.

The primary strategy for 2012 was to push sales. Trace said, "I did not force products down people's throats, but I certainly figured out what was most important to my clients and how to convince potential clients why buying my products was better for their wallets than buying someone else's. The fact of the matter is that *it was better for my customers*." Much of the growth from 2011 to 2012 was attributable to MetaSpace's greater focus on selling the custom design lapel pins and Trace's wholesaling of his own designed pins. In this way, the company attracted more and more customers who were willing to spend money shopping online for products. However, the fact that a new business was able to turn a profit early, in only its second year, signaled positively in terms of number of sales per day and the considerable markup that took place for on-site sales.

CUSTOMER RELATIONSHIP MANAGEMENT

In the beginning, the Trace would walk around venues hosting the concerts with the only two wares for sale patches for a band called STS9 for sale. This type of sales strategy was implemented until late 2010 when pin dealers began sprouting up, and Trace decided it would be more rewarding to wholesale his pins instead of competing with other vendors. The Internet and Facebook proved to be very solid channels for marketing and creating awareness and sales. Internet and Facebook were virtually the only two means of business for much of 2011 and 2012. In the beginning of 2013, Trace linked up with a sales partner and began vending legitimately onsite at different festivals. He was no longer selling from a backpack, but from a venue sanctioned sales booth. These new formalized channels proved to be the most successful avenues for retail sales that MetaSpace had ever experienced in terms of being able to interact with the customer.

Since its inception, Trace had focused on MetaSpace's customer service as a point of differentiation. Emails were returned within 24 hours, if not within a few hours, of receiving them. MetaSpace placed an emphasis on fast and efficient order fulfillment, shipping orders next day so the customer received them within a few days at the most (with the exception of custom pins) and provided an automatically generated tracking number that was emailed to the buyer. When shipping retail pin orders, the firm set itself apart by providing unique packaging to the customer, a round metal tin with a company label on top. This metal tin not only helped with advertising for the company, but also decreased the likelihood that a pin would be broken during shipping and provided the customer with an unexpected value-added complement to their purchase. Plus, word-of-mouth proved time and time again to be a massive determinant in acquiring new buyers. Trace's consistent focus on enhancing the customer's experience through whatever means he could truly helped make the startup a stronger enterprise.

MetaSpace was aware that the long-term potential in the consumer lapel pin market was extremely limited. In the concert scene, pins were only a trend that would fade out in the coming years. In order for it to grow to a level that would yield greater profits and continue to allow the company to prosper, the company considered expansion into new markets via new sales strategies. As it stood, the product diversification of the company was not long-term. Success with the concert and festival-going crowd depended on product availability and consumer attraction; however, the company was considering making inroads to penetrate a broader market base instead of serving many smaller niche markets. The firm considered using its product line and suppliers as a springboard to create a new company that sold custom metal promotional products such as key chains, lapel pins, cuff links, coins, bottle openers, etc. The new company would cater to markets that were more sensitive to quality than price. "I also have a genius idea to open *another* separate company that would cater to the price sensitive market so I can capture *everyone*." Trace chuckled and continued to say, "No customer-type should be excluded from the breadth of my vision and ideas." In this way, MetaSpace had far greater potential for larger market access along with a larger clientele that would bring higher revenue transactions by leveraging its customer relationships. The company was poised to adapt to these considerations; however, what challenges remained and on what strengths to capitalize was a matter of some head scratching for Trace.

CHALLENGES FACING METASPACE

Trace looked at his most recent artistic vision come to life, a belt buckle encrusted with precious stones and made of precious metal crafted into a flowing form. With the music from the festival dancing across the breeze, he smiled to himself because his success with MetaSpace had allowed his company to grow into this new market and begin to establish others. However, he knew that any advantages enjoyed today might be coming to an end, and he had to be aware of any potential opportunities that might be just over the horizon if he were to continue growing and developing his company. He knew he had his MBA training to fall back on, but often that only allowed him to see what was going wrong with how the market functioned. Still, he knew he had an edge against most of his competitors and planned on staying ahead of the game – like he had since MetaSpace began – all the while trusting his creative energies.

In the meantime, Trace also understood he had a number of things to deal with. For instance, he had to keep his traditional lapel pin segment up and running because it created a bridge for his new products. However, there were numerous challenges that were commensurate with continuing to operate in the lapel pin segment. MetaSpace's current clients were not what Trace would describe as "ideal." Additionally, Trace wanted to branch out of the jam band scene. However, he also wanted to stick with MetaSpace Designs and continue to play a role in the jam band space, but he felt there were unsettling limitations to his success. So what should he do to deal with the old challenges and the constant threat of the up-and-comers who created seemingly systemic chaos? MetaSpace was totally malleable with arguably a great deal of promise, a relatively large customer base, and a strong marketing/networking approach; yet where should the company go from here and how does it get there? How should MetaSpace leverage Trace's creativity in the most effective way?

As Trace pondered these questions, while he was packing up his wares and thinking about getting back to the hotel, he heard the familiar lyrics of the *Grateful Dead's* "Scarlet Begonias:" "Once in a while you get shown the light, in the strangest of places if you look at it right." He knew he had already found a business opportunity in one of the strangest of places but hoped that he could soon discover the next "light" that would lead to continued success for himself and for MetaSpace Designs.

INSTRUCTOR'S MANUAL

Edgar (Trace) Reddick started his small business, MetaSpace Designs, in 2008 by selling graphic t-shirts at a jam band concert in Atlanta. After he became more familiar with the jam band market, Trace learned that lapel pin sales were more profitable than t-shirt sales. The company focused on selling band-inspired lapel pins in musical concert venues led and operated by only one person, Trace himself, through the period 2008-2013. As with any new opportunity, the market gained greater recognition as lapel pins grew in popularity. Further, market potential coupled with low-barriers to entry created an environment where MetaSpace struggled with a perpetual onslaught of new competitors. As a result, MetaSpace Designs stepped into business-to-business (B2B) sales in addition to sales to individual consumers (B2C). Armed with high quality products and services, Trace had achieved ever-increasing profits in all MetaSpace's served markets. However, obstructions, such as more competitors appearing in the market, ever more demanding customers, and upward price pressure by suppliers, created challenges for MetaSpace to survive and thrive within this marketplace. Customer relationship management, though a primary focus of the company, would not be the only thing to save MetaSpace from other players that ate away at market share. In order to overcome these obstacles, Trace thought it was time to change the competitive strategy and to adapt so his small company could survive in this dynamic environment. What should Trace do to take his one-person operation to the next level? Are there specific strategies that might help MetaSpace weather the chaos of a new market? Should Trace concentrate on B2B or B2C? Can MetaSpace Designs grow from a small company to a larger one with proper strategy implementation? Will Trace still be able to hang out at shows and have fun?

COURSES AND LEVELS WHERE CASE CAN BE USED

This case can be used in an entrepreneurship class at either the undergraduate or the MBA level. It can also be used in a graduate or undergraduate strategy class. If used within a Strategy class, it is positioned well for a discussion of strategy implementation. However, it can also be a strong example of the identification of strategy analysis and the impact of a rapidly changing environment relative to one company dealing with a growing industry.

LEARNING OBJECTIVES

- Understand why entrepreneurship can be very volatile.
- Gain experience on how one company within an industry can outperform another and assess the reasons behind the situation.
- Apply strategic tools to identify problems and opportunities.
- Develop strategies to influence the market and to improve profitability.
- Implement a strategy implementation plan.

THEORY APPLICATION

The case's solution requires students to understand Resource Based View (Barney, 1991) and Porter's (1979) competitive forces along with other information contained within strategy texts. A footing in industrial ecology and symbiosis helps extract a better understanding of firm interrelationships in this case. Furthermore, understanding the relationship between customer relationship management (Davenport, Harris and Kohli, 2001) and technology grounded in literature helps to develop key components of the case (Zeng, Wen and Yen, 2003).

RESEARCH METHODS

The information from this case through primary research by interviewing the owner of MetaSpace. The information was not attached, as it had been transcribed within the case. A copy of the transcript of those interviews is available upon request.

DISCUSSION QUESTIONS

1. Is this a successful business? Why or Why not?
2. What competencies does this company possess?
3. How can this business remain sustainable? If you were the owner of this company, what would you do? Why do you think that will work?
4. How would you implement that plan?

Answers to the questions are shown in this instructors note. In addition, once you get to question three, a guide is provided on how to distinguish between an "A" or a "B" student.

SUGGESTED TEACHING APPROACHES

Get the students to read the case and then ask them what they would do if they were Trace and why they feel that action would give them a competitive advantage. Get them to complete a general environmental analysis, a five forces analysis, and a value chain and resource based view analysis. With this information in hand, each student should be able to individually come up with problems and recommendations. The student should be thinking about how to help MetaSpace get to the next level, which would include 1) seeing growth in both revenue and profit in the near- to long-term, taking into consideration the individual market segments and 2) how to promote and enhance its marketing effort in a field dominated by a seemingly perpetual onslaught of new entrants.

Within the classroom setting, have the students discuss their findings within their groups. After a short individual group discussion, have the groups present their findings to the rest of the class. A student's creativity has no limit to overcome these challenges and identify opportunities, albeit limited to some extent by the relative size of MetaSpace. Also, it is easily discernible that MetaSpace is worth the effort because of its dramatic turnaround from loss to profit in merely one year. Furthermore, a natural growth should be identified by the students from a guy hawking wares at a concert to a legitimate business operation on the upswing.

At the end of the discussion, provide them with information on the update to the case and then have another discussion. The scope of this analysis will also increase the reader's understanding of how MetaSpace decided to change its marketing course through the rollout of a new website and the addition of new support and market information technology.

QUESTION 1 – IS THIS A SUCCESSFUL BUSINESS? WHY OR WHY NOT?

To fully investigate this question, requires a thorough investigation and analysis. The student should be able to investigate the general environment (1.1) and also understand and assess the impact of the industry environment – 5 forces (1.2). In addition, the student should be able to understand financials and determine how the financials are impacting the organizations (1.3). Also an understanding the organizational competencies is also an important consideration. Organizational Competencies are addressed in Question 2.

1.1 The General Environment

MetaSpace Designs' business revenue was positively affected by bull economies because more disposable income was available to the general population to allocate toward these types of goods. Many concert attendees were present to escape from their daily routines and enjoyed purchasing and looking at the various art and goods that were available at shows. Many thousands of dollars of sales were generated through these vendors at each show.

MetaSpace Designs worked on a global level. Albeit small, the business had relationships with overseas manufacturers and shippers in order to cater to the needs of clients. Furthermore, these relationships allowed the small enterprise to accommodate all types of custom requests. One example of a technological advantage was graphic software. The software allowed the firm to create complex and detailed images with ease that later would be manufactured by the firm's overseas supplier.

There were limitations by which MetaSpace Designs had to abide. Bands and other artists protected their intellectual property with copyrights that could not be infringed upon. Examples of copyright infringements were images with the likeness of members of the band, the name of the band, all logos and album cover art, and recently the dates in combination with the city of the event had become protected. As such, MetaSpace had to work to ensure that it remained above board, as it had in the past, in order to remain ethically viable in the market.

1.2 Industry Environment (5 Forces)

In relation to five forces, barriers to entry were low. All an individual needed to enter this business was to have Internet access and a Facebook account. An individual with little to no graphic skills could have the graphic made and offer pre-sales of the pin on Facebook. Once they had enough presales to finance the order, then the individual would submit the order of pins to be made. The company differentiated itself by maintaining a professional and reliable reputation that led to a portion of its success. MetaSpace *never* left an order unfilled.

Competitive rivalry was high. It had increased at an alarming rate since 2010. Selling conditions online via social media networks were borderline cutthroat. Rookie pin salesmen were often not confident in their prices and when a design did not sell as fast as originally thought, the individual would try and sell the pins very inexpensively. This behavior by sellers would affect the market in two ways. If the individual felt that they had to sell their pin at an incredibly low price that person might exit the market and not make another pin. This quick exiting negatively impacted the market because it decreased the overall value of the goods and perpetuated a commodity-like perception of lapel pins. Ultimately, the shady dealings of some lapel pin dealers undermined the more creative designs' values. Regardless, for every salesperson's exit there were many more that replaced them.

The threat of substitutes was medium. There were a few substitutes for pins at festivals and on the Internet. The more experienced vendors knew that pins were unique. However, other vendors chose to also sell t-shirts, posters, and patches. Shirts and posters were a mainstay of merchandise items available at venues and online for a long time (before the Internet even existed). Pins had recently become the encroaching item on the other staple goods suggesting that pins by themselves were unique and without substitutes. However, in the memorabilia category all goods competed.

The power of suppliers was medium to high. This might have put companies like MetaSpace at a disadvantage. Overseas suppliers had clients that ordered in large quantities. Buyers of only 100 or 200 units were viewed as low priority and on occasion would have their order bumped to the back of the line in order to fulfill the request of more profitable clients. MetaSpace Designs had been able to limit supplier's power to some extent through increasing its number of purchases. The company arranged a high quantity of low-cost unit orders, thereby creating itself as a high-standing, revenue-generating client of the supplier. Although MetaSpace had created a close relationship with its primary supplier, the company was not immune to increasing labor rates and inflation overseas.

Buyer power was low. MetaSpace Designs' client base was comprised of many individuals. No one client or customer of the company provided a tremendous percentage of revenue (Porter, 1971). Over the firm's lifetime, it had learned the value of the time and the work put into running the business and did not allow customers to sway from the stated price. The threat of backward integration was practically eliminated because MetaSpace's unique designs were its own and could not be [legally] copied. However, to stay in business, it was critical to meet the needs of individual customers.

1.3 MetaSpace Financials

TABLE 2
METASPACE DESIGNS' SELECT FINANCIALS BY BUSINESS SEGMENT

	Wholesale	%	Custom	%	Online Retail	%	On-Site Retail	%	Total	%
Revenue	$14,647	100	$18,773	100	$22,844	100	$1,804	100	$58,068	100
COGS	$3,222	22%	$9,754	52%	$2,741	12%	$180	10%	$15,898	27%
Gross Margin	$11,425	78%	$9,019	48%	$20,103	88%	$1,624	90%	$42,170	73%
Shipping	$399	3%	$295	2%	$1,371	6%	$0	0%	$2,065	4%
Seller Fees	$366	3%	$469	3%	$571	3%	$0	0%	$1,407	2%
Misc.	$200	1%	$0	0%	$1,400	6%	$214	12%	$1,814	3%
Profit	$10,459	71%	$8,255	44%	$16,761	73%	$1,409.60	78%	$36,884	64%

Table 2 showed the MetaSpace Designs' select financials by business segment reproduced from the case itself for referencing ease. As a result of more products sold in 2012, revenues rose an incredible 166%. This dramatic turnaround in financial performance also came from a broader variety of products, strong customer service, higher quality lapel pins, and sophisticated marketing approaches. In many ways, Trace's inherent agility led his business to seize upon opportunities that other competitors were totally unaware.

In regards to the bottom line, net income increased dramatically from a loss in 2011 of roughly $9,000 to a profit of $36,884 in 2012. This increase in net income demonstrated that MetaSpace Designs was walking away from a business in its infancy and moving forward to a more secure, long-term position. However, this dramatic increase in the bottom line suggested that both a learning curve had been achieved and that financial management had become an important issue for the company. Furthermore, MetaSpace was finding itself in the position where it needed to start to pay attention to the individual market segments it served within the pin category. In fact, Table 2 was developed after the company recognized the need for better market segment identification.

One of the single most important aspects to developing a marketing plan for MetaSpace was to take into account which of its segments was performing the best in regards to its individual profit margin. Information within Table 2 clearly shows that the custom segment was the poorest performer. This finding is largely predicated on the fact that custom pins have a much higher cost of goods sold (52%) than the other segments, although a look at the pricing scheme should also be considered. However, as was mentioned in the case, the custom segment was a fairly new market for MetaSpace and the other segments also accounted for substantial revenue gains in 2012.

On the other hand, on-site retail would appear to be the strongest segment by profit margin percentage (78%) followed by online retail and wholesale. On-site venues in the region were time consuming and difficult to organize. While the profit margin percentage may look positive, the time spent and difficulty transporting and setting up/breaking down for these shows might eventually outweigh the benefits. However, on-site vending was important if aggressive growth in this segment was planned. Online retail orders made up the greatest revenue percentage of all segments and showed a strong return. Order fulfillment involved more time spent per dollar earned because these were typically lower quantity orders. Wholesale orders tended to be less cumbersome due to larger orders placed, designs already developed, and marketing effort undertaken by others on behalf of MetaSpace. In effect, wholesale orders were simply money in the bank with little effort on the part of Trace. Since MetaSpace remained largely a one-person show, the wholesale segment increased the company's marketing reach without MetaSpace having to raise a finger. Even with the discounts offered to vendors who buy wholesale, the segment was still an important part of the business.

As was mentioned before, all demand in the market--whether business-to-business (B2B) or business-to-consumer (B2C), online or retail – was important in the overall marketing picture for MetaSpace. With that in mind, MetaSpace might have endeavored to use its brand image, as discussed as a sustainable competitive advantage earlier, to its benefit by shifting effort away from the other segments to focus on the custom segment on one hand and the wholesale/online/on-site on the other. Later, in the recommendations section, this suggestion will be explored as MetaSpace would be split into "two" enterprises that make the marketing approaches more salient to the consumer – one up-market and the other in the concert flow (down-market). As of the time of this analysis, MetaSpace was caught trying to do all these things at once because that was historically how it had grown. No matter what, the common denominator has been lapel pins and those pins remain an important outlet for the company's creative strength.

As MetaSpace grew, financing that growth was an area that required special attention. In the near-term, internal financing would be necessary for any asset growth initiatives. Internal financing was money that came from within the company, rather than from external sources such as loans or equity issues. The incoming profits from MetaSpace Designs' operating activities had enabled the venture to grow organically. Increasing revenues and cutting costs were the most important ways to apply internal financing methods. While strength could be found in the agility of MetaSpace Designs' size, an issue would arise when the company would need a large cash infusion to take advantage of a growth opportunity. MetaSpace was poised to make at least some progress in achieving modest asset gains if it could keep its costs under control. In order to have better financial performance in the future, MetaSpace Designs should focus on long-term solvency, which is "a measure of the firm's long-term survival" (Peavler, 2013). Paying attention to the higher costs and trying to reduce them as much as possible would help MetaSpace Designs survive in the long-term. However, the company's ability to secure debt financing remained untested and the presented revenue levels were highly unlikely to generate the necessary security to obtain a loan. As a result, organic growth should be built into MetaSpace's strategy.

QUESTION 2 – METASPACE COMPETENCIES

Although MetaSpace Designs was growing rather rapidly, the firm was still in the startup phase of the business life cycle. Because of this position, the firm had some competencies that were typical of the value chain while other value chain elements such as human resources and technology development that would be considered less relevant to a small company (Barney, 1991). The findings were clear that MetaSpace was leading the jam band pin market in many ways and had competitive advantages in various functions throughout the value chain. Table 1 summarized these competencies and defined them as a disadvantage, parity with competition (Parity), a temporary competitive advantage (TCA), or a sustainable competitive advantage (SCA). The key to success was discovering which of these advantages were temporary and which were sustainable in order to develop a plan of action for the company's future. The preceding discussion to Table 1 will give an in-depth explanation of each of the company's competencies.

The support activities of MetaSpace included the company infrastructure and procurement. As a limited liability company (LLC), MetaSpace was nimble and could make rapid changes to policies and procedures in order to adapt to the market at any time. This structure also protected the owner from any legal action against MetaSpace should it have presented itself. Most other vendors and lapel pin producers in the market had not established an LLC, but could have done so rather easily if the other firm chose. In this regard, MetaSpace held a temporary competitive advantage. The ability to change strategies and develop new products was not unique and could only be considered parity amongst competitors.

A competency that fell into the procurement category for MetaSpace was its relationship with its overseas suppliers (Barney, 1991; Davenport et al, 2001). By fostering these relationships, MetaSpace could take advantage of pin production techniques not available in the U.S. and obtain lower costs. These relationships demonstrated an inherent symbiotic relationship between MetaSpace and its suppliers where Trace's firm could only do well if its suppliers were doing well (Chertow, 2000). This competency would be considered a temporary competitive advantage because the common knowledge amongst competitors was that the least expensive and highest quality pins could only be produced overseas. Thus, it was only a matter of time before competitors established these types of relationships as well.

The primary activities of MetaSpace were similar to those in the typical value chain and held the key to MetaSpace's core competencies. Succinctly, the firm's primary value chain activities created MetaSpace's sustainable competitive advantages (Barney, 1991). The company maintained parity with competition when it came to inbound logistics and had an advantage in outbound. As with any other company in this market, MetaSpace struggled with long lead-times for its custom pin orders. Lead-times were not a problem with wholesale or retail pins that were in stock and ready to ship, but custom pin orders took up to five weeks to be delivered. In turn, the long wait could be a turn off to potential customers. Although MetaSpace was not technically at a disadvantage when it came to the lead-time concerning custom pins (other companies faced the same problem), there was clearly room for improvement. Opportunities might lie in reaching out to other suppliers and investigating whether or not these lead-times could be reduced.

As for outbound logistics, MetaSpace performed admirably in ensuring stock orders were turned around the next day so that customers received their orders within a few days. Tracking numbers for orders were automatically generated to provide customers with real-time updates. Although tracking numbers were not rare to any extent, the auto-generation aspect was rare within the market. Furthermore, the quick turnaround time was better than most of the competition. These practices gave MetaSpace a temporary competitive advantage (TCA) in this area, but could be replicated with relative ease (Barney, 1991).

MetaSpace Designs had a few key competencies in its operations activities of the value chain, the first being the unique way that MetaSpace packaged its products before shipping. The branded tin that protected the pins during shipping took extra time, resources, and effort but added value to the product for the customer. The tin was also something that no one else in the market was doing. This was a current advantage for MetaSpace, but would not be difficult to reproduce should a competitor elect to do so. Thus, the branded packaging tin was a temporary competitive advantage for MetaSpace.

The most important aspect of operations in MetaSpace was the time, effort, and research that went into determining and creating industry leading designs. MetaSpace used a combination of the latest in design software and knowledge of market trends to create one-of-a-kind designs for consumers. The designs were not only aesthetically pleasing, but were also relevant to what the consumer base was demanding. Moreover, Trace's designs were very difficult to replicate. The years of design experience, in-depth market knowledge, and time spent on each design were what gave MetaSpace a competitive advantage that could be sustainable if the current effort was continued (Barney, 1991). Furthermore, MetaSpace's creativity was unique in this market category, as its creativity was possessed solely by the enterprise. As a result, this core competency was a real asset to MetaSpace and a definite competitive advantage.

Marketing and sales practices at MetaSpace also held some advantages. The company's brand image had grown stronger over the years due to proper marketing, design, and customer service initiatives. The MetaSpace Designs brand name was valuable in the industry and could not be reproduced by competitors, giving it a sustainable competitive advantage in this area. One reason the MetaSpace name had spread so quickly was the three-pronged approach through which the company marketed its products. The three-prongs included its website, its social media presence, and continued on-site vending. MetaSpace was one of the first to develop a website for buyers of jam band-themed lapel pins. The company also expertly deployed its expertise of using social media (Facebook) to market in real-time to consumers all over the globe. In this way, MetaSpace was able to stay on top of market trends and whims (Frahm, 2007). MetaSpace had come full circle and had even begun vending its uniquely designed products at select shows, which had been found not only to be profitable but also a good marketing tool to continue developing the MetaSpace name and brand. These three marketing and sales channels were a technique that no other company in the market was using and gave the organization a temporary competitive advantage to exploit, while it was able, to build the brand image further (Barney, 1991).

MetaSpace put customer service at the forefront of its business activities. Being friendly, approachable, and timely in responses were all ways that the company exceeded customers' expectations. Many other competitors were not as diligent in their customer service approach and would fall short of their customers' expectations. This attention to customer service put MetaSpace in a position to take advantage of another competency temporarily while the other competitors in the market worked to catch up. MetaSpace had many advantages over its competition, but most tended to be only temporary or on par with market standards. Because these advantages might only last a short while, new markets, products and ways to stay ahead of the competition should definitely be considered. The two sustainable competitive advantages, pin design and brand image, might be irrelevant if this market was simply a fad and declined in customer value.

TABLE 3
METASPACE DESIGNS' COMPETENCIES AND VRIO ANALYSIS

Competency or Resource	Where on value chain	Valu able	Rare	Difficult to imitate	Org to Exploit	Type of Advantage
Nimble structure for rapid changes	Gen. Admin.	Y	N	-	-	Parity
LLC structure for legal protection of owner	Gen. Admin.	Y	Y	N	-	TCA
Relationships with overseas manufacturers	Procurement	Y	Y	N	-	TCA
Lead times of 4+ weeks for custom pins	Inbound Log.	N	-	-	-	Disadvantage
Auto-tracking numbers and quick shipping	Outbound Log.	Y	Y	N	-	TCA
Branded tin packaging for pin orders	Operations	Y	Y	N	-	TCA
Market leading designs, insight, and experience	Operations	Y	Y	Y	Y	SCA
MetaSpace Designs' brand image	Mark. & Sales	Y	Y	Y	Y	SCA
Three-pronged approach to marketing	Mark. & Sales	Y	Y	N	-	TCA
Quality customer service (timely, friendly, diligent)	Service	Y	Y	N	-	TCA

QUESTION 3 - RECOMMENDATIONS

Students should be able to come up with recommendations which are the answer to question number three. An "A" student will understand that there is not always one right answer. This student will also have a strong link from problems and opportunities identified in the preceding sections with the recommendation the student is considering.

A "B" student will have good recommendations. However, the student may have inappropriately applied some of the tools or there may not be a strong link from problem identification to the solution offered by the student. Some potential recommendations that the authors came up with are shown below:

As presented in the preceding sections, there were several areas in which MetaSpace could achieve some advantages over its rivals. In the immediate-term, managing demand, supply, and fulfillment were the most important aspects for MetaSpace's focus. For demand, the suggestion would be made for MetaSpace to integrate its marketing effort throughout the enterprise by proactively using information technology and scalable Internet-based resources. In fact, MetaSpace had done just the same by deploying a new website that was more agreeable to the end-user's experience and had a more logical flow than the old site. Further, the website was also integrated into the order/fulfillment process as it generated orders and shipping forms automatically (Leon-Sigg, Villa-Cisneros, Reyes, Cordova-Lara, and Canstaneda Ramirez, 2012). The website also alerted MetaSpace as to what had been ordered and how much remained available for purchase, thereby controlling inventory. This integration took a great deal of pressure off the information coder's fingers and the constant toggling between different spreadsheets, which was the original information system.

Supply management was also an ongoing concern because of the distance of the production facilities from MetaSpace. Although the unique production capabilities of China, as opposed to the U.S., made it an amenable alternative to producing closer to home, there remained several key challenges. For instance, the price per pin was rising steadily from the current partnered overseas supplier. As such, MetaSpace had to endeavor to research alternative facilities in order to achieve and ensure both the quality demanded by its customers and the lowest possible price per pin. Unfortunately, MetaSpace lacked any real bargaining power with its suppliers as the firm only represented a fraction of the production facility's revenue. Although the argument could be made that if Trace's firm were to leverage its relationships with suppliers more handily, a truly strong symbiotic relationship would develop thereby allowing MetaSpace a better bargaining position. In effect, by demonstrating MetaSpace's importance to its suppliers, those suppliers would be more interested in continuing the mutually beneficial relationship (Chertow, 2000).

However, it was recommended that MetaSpace take a proactive role in discovering exactly how the production facilities operated and how those facilities conducted their business. With this thinking in mind, a plan had been laid for MetaSpace manager and owner, Trace, to visit China where his suppliers were located and discover exactly what was happening after he placed an order. If nothing else, Trace would return more informed about the process and be able to make better decisions if MetaSpace should need to change suppliers or increase its supplier network.

Moving from the immediate to near-term view, the importance of staying on top of the market cannot be understated. One of MetaSpace's chief strengths has been its ability to scan the environment and identify opportunities. Trace has demonstrated an inherent agility in the way he conducts business, as was shown by his moving from selling a few t-shirts, to a few patches, to a few pins, to sourcing and selling many pins, and eventually selling to vendors who make large orders of produced pins; all these accomplishments within a couple of short years. This innate entrepreneurial skill allowed MetaSpace to remain ahead of the power curve, be viable, and grow into a profitable business. However, if steps were not taken to somehow distill this agility and put it into organizational and operational frameworks then the company might become unwieldy and unmanageable as it grows. This predicament could arise especially if MetaSpace decided to hire more personnel. In other words, the task of orienting a larger enterprise to the growing market was surpassing the abilities of one person to collect and organically analyze all the data and perform all the sales functions.

MetaSpace had answered this problem by using analytic software to support its website and used Facebook analytics to gain a better understanding of who had an interest in its products. In this way, MetaSpace could identify new areas in which to market and see where the growth was happening (McCormick, 2003). Once this data was collected and analyzed, real efforts could be made to capitalize on the opportunities in the market (Leon-Sigg et al., 2012). In effect, no longer was scanning the festival scene for potential buyers enough, but because of the growing salience of MetaSpace's brand and online recognition, a more in-depth, sophisticated approach was required. This marketing initiative was yet another way MetaSpace had moved beyond its competitors who typically moved more slowly to capitalize on opportunities like integrated information technology systems related to customer relationship management. Important to note here was that the utility of any information technology resource was only as good as the information that could be derived from the data. As such, it was recommended that MetaSpace use a scaled approach in developing its marketing knowledge information system so as to not be both overburdened by too much information and too high a price tag (Leon-Sigg et al., 2012). As more questions arise more system capability could be acquired and the system could grow alongside the company instead of the system taking over the company.

Armed with a stronger foundation and control in demand, supply, and fulfillment management and market information system analytics, MetaSpace should be poised to be able to discern new opportunities in the market while also gaining some efficiency in its core operational processes. In sum, MetaSpace would be able to run leaner with more available resources, not least of which time, that can be devoted to innovating, adapting, and experimenting to grow the label and product offering. Lapel pins, as mentioned in the case, were recognized as a fad and as such had a limited market lifespan. Taken with this assessment, the recommendation was made that the company begin to promote itself not just as a lapel pin purveyor, but also as an apparel and accessories artist and production company. To this end, leading apparel designers had recognized MetaSpace's prowess in creativity in design.

As of the writing of this case and analysis, Trace had been approached to design apparel for another company who would market the goods for MetaSpace branded as MetaSpace products at their stores. This was a win-win for MetaSpace as it had limited experience in producing textiles effectively and the company would have a larger product line to increase its name recognition. From Trace's viewpoint, this development was a windfall for the company because it created an expansion in the scope of offered products and allowed a foot-in-the-door for getting branded apparel to market.

In the long-term, MetaSpace had to pay close attention to remaining in the black while growing into new markets. As mentioned, lapel pins were apt to cool off, so expanding into different product offerings that had an artistic bent would be best for MetaSpace to remain viable. Furthermore, it was recommended that all costs were watched and analyzed closely. Although this may seem simple or trite to mention, analyzing cost was a core component of MetaSpace's success and had allowed it the financial wherewithal to be able to grow from internal financing. So, this recommendation cannot be undervalued or overlooked.

The case did point the reader in the direction of market segmentation. At present, MetaSpace was segmented into four customer groups, i.e. wholesale, custom, online retail, and on-site retail. These four groups were wholesalers who vend at concerts and festivals and direct sales online whether custom or otherwise. Less on-site selling by MetaSpace Designs occurred as a percentage of revenue; however, the wholesale segment was meant to continue the brand market penetration at music festivals. Unfortunately, as was also mentioned in the case, the vendors at the shows were not only misinformed about how to price products, but also lacked price confidence to start out. As a result, the lack of coherence in prices diluted the hoped for association of a high-quality goods to MetaSpace. Thus, the recommendation was made that the wholesale segment be served with a quick Frequently Asked Question (FAQ) sheet with the shipment that suggested prices to sell the wares, e.g. a manufacturer's suggested retail price (MSRP) and how to go about doing it. Furthermore, hiring full-time, trained personnel to sell goods at shows was prohibitively expensive for such a small business; the FAQ sheet may create some marketing stability for MetaSpace's vendors selling at shows. In the long-term, the recommendation was made that if further company growth demanded a firmer grip on forward-facing marketing efforts at shows, then hiring at least some trained and informed part-time salespeople would be the necessary path to take. Regardless of whether near- or long-term, it was very important for MetaSpace to remain a visible element at concerts and festivals in order to continue growing the brand and building the company's image whether through wholesale merchandise or direct on-site sales.

In the long-term, further market segmentation was envisioned at MetaSpace. Instead of just wholesale and custom lapel pins based on "fan art" of certain bands, the market could be further segmented to include a larger potential pool of customers. To explain, Trace envisioned offering a high-quality generalized offering that users gained access to online and were presented with a sleek, business look. Whereas MetaSpace was more focused on the jam band fans, this new website would market and cater to businesses for their company's pin and promotional product needs. It was recommended that if MetaSpace should decide to generalize and differentiate its marketing effort, then the company should separate the artistic, jam-band-scene-MetaSpace from the business-market-oriented-MetaSpace to the greatest extent possible. As was mentioned in the finance section, MetaSpace was poised to do so if it differentiated its custom offering enough. Potential strategies included changing the generalized offering to just "Superior Custom Pin" (SCP) and distancing itself from MetaSpace. In this way, SCP would take advantage of its higher profit percentage and real efforts could be undertaken to encourage and strengthen the venture. To the casual observer, the two entities would be distinct; however, both arms of the business would draw from the same pool of creative talent and sourcing plans. MetaSpace's core creative talent would be the driver separating both entities from the rest of the competition.

IMPLEMENTATION PLAN

IMMEDIATE-TERM (NOW – 3 MONTHS)

1. Continue best practices and core competitive advantages

2. Deploy and update new website
3. Manage demand through website and analytics tools
4. Learn and fully incorporate IS tools for fulfillment integration
5. Travel to suppliers and become informed

NEAR-TERM (3 – 6 MONTHS)
1. Continue to scan environment incorporating new IS tools
2. Ensure analytics work for MetaSpace, not other way around
3. Keep IS packages scalable to tamp down costs
4. Begin to experiment with larger product offering
5. Attempt to accent innovation and design competency over just lapel pins
6. Develop and include FAQ sheet in wholesale orders

LONG-TERM (6 MONTHS – ANON)
1. Expand product offerings
2. Keep costs as low as possible
3. Seek out potential partners to increase product scope
4. Continue market segmentation and separation: generalized vs. jam band offerings
5. Continued presence of products at shows
6. Hire and train salespeople for shows

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