

**SPONSORED PERSONAL AND CAREER DEVELOPMENT
TOOLS SUPPORTING EARLY AWARENESS PROGRAMS
IN THE NORTH AMERICAN SCHOOL SYSTEM**

by

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ABSTRACT

Bridges Transitions Inc. (Bridges) offers web-based career planning tools designed to help schools increase their graduation rates. Bridges products are currently used in over 30 per cent of North American high schools.

Changes to public education budgets have reduced funding for career development programs. Bridges must now establish its direction amongst intense rivalry and shrinking margins.

Sponsorship is one possible solution. Sponsors such as Student Loan Organizations (SLOs), post-secondary institutions and trade associations could provide funds to promote their offerings directly to users of career guidance systems. With strong reputational capital, solid market share and excess capacity, Bridges is in a prime position to profit from this business model.

Bridges' financial position is the primary obstacle, as the company lacks the resources to finance the necessary changes. The sales, marketing and accounting processes would require redesigning, and the staff would need to be augmented with the appropriate skills and knowledge.

DEDICATION

I wish to dedicate this paper to:

My wonderful boys

Mathew Owen & Steffan Niazim

and

My inspirational wife

Eirian

*“If you can imagine it, you can achieve it;
if you can dream it, you can become it!”*

Quote: William Arthur Ward

Ελεφτηρια, Παπου και Μαρια

Ευχαριστο

Thank you!

ACKNOWLEDGEMENTS

How do you begin to thank the people who graciously offered their valuable time and sacrificed their brilliant thoughts, only have them manipulated, hacked, discombobulated and degraded into literary debris by a neophyte pseudo-scholar trying to impress several obdurate yet *brilliant* professors in a feeble effort to persuade them to permit the publishing of the incoherent dribble for the privilege of adding three letters after a name on a business card, not to mention tens of thousands of dollars to an annual remuneration?

You name them in the paragraph, that's how.

In no particular order (except for the professors who have to sign off on this paper): Dr. Ed Bukszar, may all your flops bring you sets; Dr. Neil Abramson, our time was brief but our result eternal; Dr. Leyland Pitt, I for one, don't think you're the Pitts; Dr. Mark Wexler, the light of my shadow; Dr. Carolyn Egri, compass extraordinaire; Dr. Aidan Vining, I just wanted to spell your name right for once; Dr. David Paterson, U-know; Mr. Andrew Draper; Mr. John C. Simmons; Mr. Doug Manning; Mr. John Walker; Mr. Ross Dickie; Mr. Don Phillips; Mr. Bill Spittle; Ms. Lori Wood; Ms. Lisa Hewitt; Mr. Keith Gaudreau; Ms. Judy Lang; The entire 2004-2006 SFU EMBA cohort (except Mr. Gary Jung, who I love as a brother); The entire SFU EMBA staff; Ms. Laura Slauson; Ms. Crystal Lee; and last but not least, my sounding board, editor, critic and loving wife, Mrs. Eirian, to whom I bestow an honorary Executive Assistant MBA.

In 1822, the Ohio Common Schools Report of Commissioners asked the question:

“What man among us would not sooner pay tax for the purpose of educating the poor, in the ways of knowledge and virtue, than, in the Penitentiary, preparing them for doing more and more mischief to society. If it be the duty of the community to punish the hardened culprit, is it not equally a duty to [endeavour] to prevent his becoming a burden to himself and a pest to society, by training them up when young, in the way he should walk when arrived at the years of maturity?”

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GLOSSARY

AOL	America On-Line is a US internet provider.
ACT	ACT is the American College Testing assessment. Colleges and universities use scores from these tests to screen applicants.
blogs	A weblog, which shortened to blog, is website where entries are made (such as in a journal or diary).
CDN	A contraction for “Canadian”; usually used to denote the currency.
CEO	An acronym for Chief Executive Officer.
CFO	Acronym for Chief Financial Officer.
CIS	Oregon CIS is a consortium organization administered by the University of Oregon. Their software is used in schools, colleges, workforce agencies, and private businesses to support career development.
CRM	Is a customer relationship management support an enterprise in managing customer relationships.
DOE	An acronym for Department of Education.
EBIDTA	An acronym for Earning Before Interest, Depreciation, Taxes and Amortization.
ECM	Enterprise Content Management is system used to manage the capture, storage, security, revision control, retrieval, distribution, preservation and destruction of a company’s documents and content.
FTE	An acronym for Full-Time Equivalents.
GRIP	An acronym for Graduation Rate Improvement Program
IEP	IEP, Independent Education Plan (Programs) guide the delivery of special education supports and services for the student with a disability.
NGO	An acronym for Non-Governmental Organization.
NOC	NOC (National Occupation Classification): The Canadian federal government’s classification of hundreds of jobs according to the skills and duties required.
O*NET	Occupational Information Network - O*NET® is the US primary source of occupational information and is administered and sponsored by the US Department of Labor's Employment and Training Administration.

RIASEC	Dr. John Holland's RIASEC coding system (Realistic, Investigative, Artistic, Social, Entrepreneurial, and Conventional) are psychometrics and personality criteria used to map occupations to.
SAT	SAT is the Scholastic Assessment Test. Colleges and universities use scores from these tests to screen applicants.
SIS	An SIS system is a software application for schools to manage student data, such as personal information, schedules and course marks.
SLO	An acronym for Student Loan Organization.
SOX	The Sarbanes-Oxley Act was signed into law on July 30, 2002, and introduced stringent new rules with the stated objective: "to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws." http://www.sarbanes-oxley-forum.com/
STEPS	An acronym for Bridges' System for Teaching Exploration and Planning Skills Curriculum.
US	An acronym for "United States"; usually used to denote the currency.

1 BRIDGES OVERVIEW

1.1 Background

Bridges Transitions Inc. (Bridges) is an \$11-million CDN public company with shares trading on the Toronto Stock Exchange. It offers career counselling tools to the kindergarten to Grade 12 (K-12) market in the United States and Canada. Bridges, a Kelowna company, was started by two local school counsellors who created and offered a Web-based application that allowed middle and high school students to explore potential careers.¹ Their objective was to increase high school graduation rates by keeping students interested in school. It is commonly recognized by experts in education that students who discover a career of interest at an early age become more focused in school. Consequently, students are more attentive while in school, thus increasing their probability of graduating.

The career planning and test prep market has its roots in social theory that posits that when students have career goals "... seriousness of tardiness, student fights, vandalism, absenteeism, student apathy, drug use, physical and verbal abuse of teachers, student lack of career focus or lack of knowledge about college, and class cutting all decreased dramatically..."² Early on, schools used paper-based systems (forms and books) where students would fill out forms, assess their results against tables in books, and look up potential occupations based on the reference books. In the past 25 years, the trend has slowly migrated towards being totally computer based. Innovation in this market has come from technology and the state-of-the-art systems are now Web based.

¹ Of the two original founders Doug Manning and Dave Cousins, only Doug remains with the company at the time.

² Jordan, W. J., McPartland, J. M., Legters, N. E., & Balfanz, R. (2000). Creating a comprehensive school reform model: The Talent Development High School with Career Academies (one of the studies on the subject).. *Journal of Education for Students Placed At Risk*

Bridges was started in 1994 and went public shortly thereafter. As an upstart firm in the education industry, Bridges immediately took aim at the dominant player in the industry: Careerware, an IBM subsidiary. Careerware marketed *Choices*®, the industry leader controlling over 30 percent of the North American market. With cash in the bank from the public offering, Bridges decided to expand its customer base by making a successful bid to IBM for its subsidiary.

Although Bridges is the leading provider of software-based and online education planning, career exploration and high school/college test prep resources, it is a small player in the overall \$471 billion US K-12 education industry in North America.³ The largest portion of the market is composed of labour, fuel and other miscellaneous consumable items, leaving physical assets such as buildings, school buses and furnishings to make up the rest.

1.2 History

1.2.1 Careerware

Careerware was a small Ottawa-based subsidiary of IBM, accustomed to a great amount of autonomy within a very hierarchical multinational company. Prior to the merger, Careerware was seen as a differentiated marketer⁴ and was considered a leader in the industry by continuously developing products that incorporated the leading principles in occupational counselling. Its competitive advantage derived from Careerware's product reputation and a longstanding and deep involvement in the career planning industry. *Choices*®, Careerware's product, aggregated and presented occupational information not readily available previous to the proliferation of the World Wide Web.

Product development was an iterative process of customizing and tweaking the existing

³ Market Data Retrieval (MDR) 2005-2006 Brochure.

⁴ Differentiated and low-cost strategies are on opposite ends of a continuum that defines an organization's marketing strategy. A focused differentiated strategy is used by firms addressing a limited customer segment on the customized attributes of their products or services over those of rivals, while a focused low-cost strategy is used by firms concentrating on a narrow customer segment, based on lower cost than rivals.

mature product's code-base⁵ each year. Each school district, state or province would receive their customized version of the application on their preferred media (tape, diskette, CD, etc.)

Careerware, being an IBM subsidiary, built all of its products using mostly IBM tool sets and environments, including Lotus, Domino and DB2. This resulted in the products being very reliable but very costly. For example, *eChoices*®, the first endeavour in the Web-based offering, was built using Domino and DB2. This resulted in the need for more powerful and costly servers to run the applications. It also called for IBM-trained staff, who demanded a premium for their specific skills. The applications by nature were very difficult and very expensive to modify and maintain. All the years of working in the IBM organization resulted in Careerware's staff being highly skilled but inflexible.

As a Canadian company selling into the United States, Careerware needed a sales team that was closer to the customer; its team was therefore extremely decentralized.

1.2.2 Bridges.com

Bridges.com was a very centralized organization, with the two founders closely monitoring all aspects of the operation. The entire operation, including its sales force, was based in the Kelowna office, making e-commerce an important component of managing the sales and customer service process. Consequently, its salespeople were unavoidably a telemarketing force. This centralized model extended to product design, and like almost every other part of the operation, was primarily the domain of the founders and their erudition.

Doug Manning was the CEO from the onset until June 2002. Mr. Manning also held the position of president for most of that time, with the exception of the three years when he and the board appointed an interim president to advise on business development. When asked how to

⁵ A code-base is the set of programming instructions that allows people to operate computers. wordnet.princeton.edu/perl/webwn defines *code* as "the symbolic arrangement of data or instructions in a computer program or the set of such instructions"

describe the culture in the early days of Bridges, one of the salespeople claimed to have witnessed “evangelical zeal!” This culture extended into the sales process, allowing each salesperson the opportunity to “deliver the message” while selling to the individual school counsellors.

Bridges’ product was called *Career Explorer (CX)* and was a one-size-fits-all Web-based application. Students logged on and explored occupations in an “amusement park-like setting.” This was a new concept that appealed to the students. However, it was shunned by the traditionalists because it did not adhere to existing standards.

1.2.3 Merger

The early years brought rising revenues, profits and confidence in the operations. With a hot equity market, then-chairman John Simmons considered his options and made his play for one of IBM’s smallest and most remote subsidiaries. He was successful and Bridges acquired its biggest competitor while simultaneously moving the company from the Alberta Stock Exchange - - a small venture exchange -- to the main Toronto Stock Exchange (TSE). On March 30, 2000, Bridges completed a special warrant financing for \$18 million CDN and subsequently the acquisition of Careerware for \$9 million. Following this merger, invoicing jumped from \$4.6 million in 1999 to \$14.6 million in 2000 and hit a peak of \$20.5 million over a 12-month period in 2000-2001. This was primarily the result of a product cross-selling campaign.⁶

After the merger, Bridges ended up with two distinct sales forces. The original Bridges’ sales force performed internal (telemarketing) sales, while the Careerware sales force performed an outside sales function, working remotely in their territories. This resulted in the two sales teams having overlapping regions. Rather than reconfigure the regions, the then CEO decided to have the two sales forces collaborate on customer accounts where territories overlapped.

⁶ Cross-selling occurred when Bridges started to sell Careerware’s *Choice* product to their customers and Bridges’ *CX* product to Careerware’s customers.

Executives from both sides of the business were and still are held in high regard within the industry and are often invited to present at conferences, occasionally as keynote speakers. Overall, Bridges had a significant, positive “mind-share”⁷ in the industry. Bridges attempted to maintain Careerware’s competitive advantage by encouraging continuation of memberships in all industry associations, to ensure that Careerware/Bridges always had access to the latest knowledge in this sector. The R&D process adopted was that of collaboration and involved the larger customers and industry experts.

1.2.4 Post Merger

In 2001, Doug Manning was named Ernst & Young’s Entrepreneur of the Year in the E-Business category -- Pacific Region and was also appointed to the premier’s technology council. In addition, Bridges achieved a top-10 finish in the list of Canada’s 50 fastest-growing companies. Projections released by the company forecast revenues for 2002 to be \$28 million.⁸

Bridges decided to build up its technical infrastructure and spend some of the cash that remained from the equity financing. Bridges also decided to review its approach to the market and hired a research firm to analyze the North American career counselling market. In the meantime, Bridges had started the *iChoices*® initiative that was designed to integrate all the functionality of the *Choices*® and *CX* applications into a single code-base. This required a very large investment and an equally large effort by the development team. Bridges contracted the requirements definition and architectural design to a large custom development shop, while the project was spearheaded from the Kelowna office.

Fiscal 2002 brought an unexpected and unprecedented downturn in the fortunes of the company. First, there was the much-publicized event of September 11, 2001, which had a

⁷ Mind-Share or Share of Mind is a marketing term that defines the degree to which a brand occupies consumers’ awareness.

⁸ In the *Bridges Tracks Progress of 2002 business plan Metrics* press release of November 6, 2001, Doug Manning projected 20,000 subscribers at \$1,400 average revenue per site.

dramatic effect on U.S. public policy and funding. Unfortunately for Bridges, the timing could not have been worse. The company had committed to increasing expenditures in technology and infrastructure based on pre-9/11 plans. While the U.S. reflected on its tragedy, Bridges, like most other companies, experienced a slowdown in revenues in the first two quarters. With half the fiscal year over and expenses and revenues heading in opposite directions, the board of directors started to feel uncomfortable with the company's fiscal outlook and appointed then-chairman John Simmons to the position of CEO in June of 2002; Doug Manning remained as president.

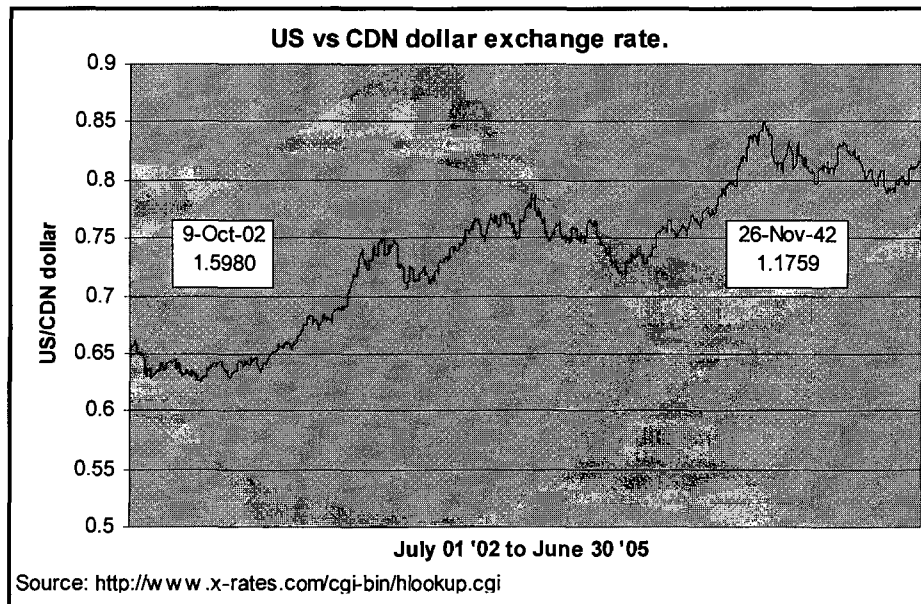
Expenses and capital investment were far exceeding revenue and quickly depleting the cash assets. The management team decided that reducing expenses by restructuring the entire organization was its only option. Mr. Simmons immediately restructured the sales department by integrating the two sales forces and splitting the territories in such a manner that each territory had only one account manager. In addition to reducing costs by removing the less effective salespeople, this would also instil accountability within the remaining sales force.

The company also reduced the remaining workforce from a peak of over 170 to approximately 85 in the summer of 2004. This reduction did not happen without some repercussions. First, the *iChoices*® project was aborted, leaving the developers with multiple sets of code to maintain and with no suitable Web-based product to meet the needs of the *Choices*® customers. Secondly, the hosting of the new technical infrastructure was outsourced, which sidetracked the technical resources that were building the new Web-based *Choices*® *Planner*™ code, resulting in the development of an unstable product. Thirdly, with new entrants and existing competitors bringing Web-based products to the market, thereby threatening Bridges' market share, lofty promises were made by the organization, adding further pressure to the product release dates and features. Finally, employees' insecurities, caused by the closure of the Ottawa office, led to an exodus of highly competent and critical staff members, further diminishing the quality of the products and resulting in dissatisfied customers. All of this came to

a head during the 2004-2005 school year, when the systems were intermittently and frequently “crashing” and customers were constantly complaining about the quality and accuracy of the products.

On the economic front, the Canadian dollar rose 42.2 cents CDN against the United States dollar in the period between October 2002 and December 2004. At the same time Bridges, yielding to competitive pressures by a low-priced entrant, was forced to restructure its pricing. All this resulted in a reduction of overall revenues of over \$4 million CDN, from \$17 million to just under \$13 million.

Figure 1-1 Canadian vs. US Exchange rates (2002-2005)



Source: Compiled by Author with data from <http://www.x-rates.com/cgi-bin/hlookup.cgi>

Fuelled by the drastic reduction in revenues and compounded by shareholder demands for change, Bridges’ new leader was forced to change the strategy from focused differentiated to focused low-cost. Bridges’ culture before the merger could be categorized as “communitarian.”⁹ Bridges culture was to treat all employees like members of a family, consistent with the altruistic

⁹ Wexler, Mark N. (2005) “Leadership in Context: The Four Faces of Capitalism”

vision and mission. The cutbacks implemented were therefore seen by the employees as a shift in vision to a “profits before kids” strategy. This perceived shift in strategy alienated many of the staff members who were driven by the original core vision; the change left them directionless.

Bridges has been able to address most of these challenges over the past year. The production systems have been stabilized, the content cleaned up, and new features have been added regularly, all contributing to rebuilding customer confidence. Product stability and the award of some state-wide deals have stabilized the customer churn.¹⁰ The only outstanding issues affecting Bridges in a negative way are the exchange rate, the natural disasters of 2005 (i.e. hurricane Katrina) and the changing funding priorities brought on by the sunseting¹¹ of several federal funding initiatives.

With most of the major turmoil behind it, Bridges is now able to look forward to addressing its future.

1.3 Introduction

This paper will analyze Bridges Transitions Inc.’s operations and the future potential of the industry and make recommendations regarding a possible strategy. The recommendations will have as their ultimate objective the capture of optimal market share to maximize value to all stakeholders. To do this, the paper will consider Bridges’ strategic fit, the industry’s direction, and the value chain¹² to identify opportunities that may exist. The paper will also address other environmental factors, such as technology, government and the economy, which could potentially influence the market, and examine how to take advantage of these opportunities or guard against any threats that may emerge.

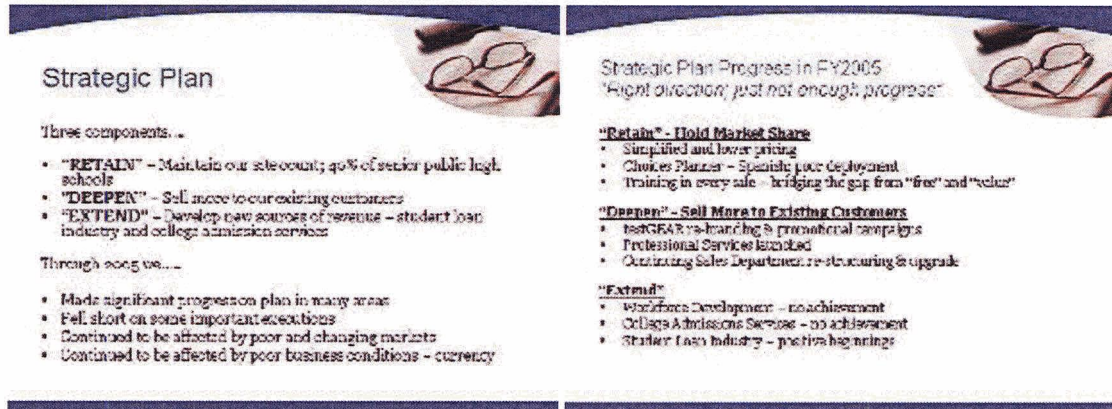
¹⁰ Churn rate, as applied to a customer base, refers to the proportion of contractual customers or subscribers who leave a supplier during a given time period.

¹¹ Sunseting refers to the end of the life of an act.

¹² The value chain categorizes the generic value-adding activities of an organization

Bridges' current strategic plan is summarized as "retain, deepen, and extend." Figure 1.1 is a PowerPoint slide from the 2005 Annual General Meeting of the shareholders, held on November 8, 2005, in which Mr. Simmons explains Bridges' strategy and the progress towards it:

Figure 1-2 Bridges' Strategy



Source: 2005 AGM, Strategy PowerPoint slides

Bridges has no formal vision or mission statement. Bridges' founders envisioned a company that would deliver a comprehensive online tool set capable of guiding students to explore possible career alternatives by actively engaging their imaginations. In addition to meeting the requirements of the counsellors (providing valuable information to the student), a successful career development tool must also appeal to the student to ensure its use. To be considered comprehensive and effective, the application must facilitate the networking of occupational professionals to the students. This collective intelligence would create a community of infinite possibilities.

1.4 Target Markets

To properly analyze Bridges, this paper will examine its customers. Bridges' customers fall into several categories, each with their own requirements. The following table breaks down the customers by segment and category:

Table 1-1 U.S. Education Market Snapshot

50 State Departments of Education					Private and Catholic Schools		
Administrative Level							
14,115 Districts 154,443 District Administrators		254 County Centres	1,013 Regional Centres		176 Catholic Dioceses		
Elementary Level		Combined (K-12) Schools			Elementary Level		
53,067 Public Elementary Schools	1,547 Public Special Ed. Schools	3,966 Public Combined (K-12) Schools	1,273 County Schools	1,873 State-Run schools	5,283 Private and Catholic Combined (K-12) Schools	6,437 Catholic Elementary Schools	7,384 Private Elementary Schools
Middle/Junior High					Middle/Junior High Level		
11,161 Public Middle Schools					123 Catholic Middle Schools	123 Private Middle Schools	
3,081 Public Jr. High Schools					16 Catholic Jr. High Schools	17 Private Jr. High Schools	
Senior High Level					Senior High Level		
16,987 Public Sr. Schools	1,214 Public Voc. Ed. Schools				1,055 Catholic Sr. Schools	1,126 Private Sr. Schools	
Adult/College Level					Related Markets		
		466 Public Adult Education Schools	2,526 Two-Year Colleges	3,197 Four-Year Colleges		16,612 Public Libraries	859 Overseas American Private Schools
Other Schools					Other Schools		
		163 BIA (Indian) Schools	114 APO/FPO Schools	1,806 US Territory Public Schools		584 U.S. Territory Private Schools	859 Overseas American Private Schools

Source: Adapted from Education 2005-2006 Market Data Retrieval brochure

This market is comprised of elementary schools, middle and junior high schools, high or secondary schools and adult career counselling centres. Seventy-five percent of the customers are public and government-operated and the remaining 25 percent are private for-profit or not-for-profit institutions.

This market segment represents the target users and the traditional customers for career development tools. Changing priorities in public school funding have necessitated finding other forms of funding for these tools.

1.4.1 Schools - Public

Approximately 91.7 percent of Bridges customers (sites) are public K-12 schools in the United States and Canada.

Table 1-2 Market & Bridges' Customers by Category and Segment

	Industry		Bridges	
	Schools	%	Sites%	Accounts
Public schools	88,262	77.0%	91.75%	2947
Private schools	21,600	18.9%	2.77%	89
Adult*	1,804	1.6%	2.49%	80
Other	2,817	2.5%	2.99%	96
Total	114,483	100%	100.00%	3212

*Data Source: Bridges CRM; * Adult numbers also contain U.S. military and vocational institutions.*

The public education sectors in both the U.S. and Canada have experienced major downward budgetary pressures because of the shifting priorities in the two countries. The customers are, for the most part, government institutions. However, the purchasing functions are often performed by departments other than the ultimate users of the product. With low switching costs and changing budgetary priorities lowering discretionary funding, the customers have the ultimate bargaining power. Customers are also very familiar with all of the competitors and one could say they have access to perfect information from which to make their decisions.

In addition, there is no requirement for schools to use any application or service to perform their career counselling tasks. In fact, some of the more adventurous or frugal counsellors often build their own models from which they run their curriculum.

Career planning products are mainly considered a non-essential service. This is a changing phenomenon as the U.S. Congress recently passed President George Bush's No Child

Left Behind (NCLB) legislation.¹³ This act and the funding behind it are intended to improve graduation rates across the entire country. Career planning is a proven method of establishing goals for students that keep them interested in attending school through graduation. Although not directly related to the NCLB legislation, career planning offers a tangible framework for students to follow to achieve this goal.

1.4.2 Schools - Private

Although private schools comprise nearly 20 percent of the overall market, they only comprise 2.5 percent of the Bridges' customer base. This market has similar challenges as the public schools. However, because this market is highly segmented, it is very costly to address. Apart from the Catholic school system, which makes up 34 percent of this segment, most of the remaining schools are independent and dispersed, making them harder to reach.

1.4.3 Adults

Bridges has made significant inroads into this market. Unlike the K-12 market, decisions in the adult market are made quickly because the cost is passed on to the user. The challenge that Bridges faces in this segment is the stigma that the products are developed for the K-12 market.

1.4.4 Student Loan Organizations (SLOs), Sponsors and Others

As changing priorities in the school system have redirected discretionary funds away from career development and counselling tools, organizations with outreach mandates¹⁴ have become more prevalent as a funding source for these applications. The users of the products are still K-12 students; however, the products are paid for by the SLOs, colleges or others. This

¹³ Source: <http://www.ed.gov/nclb/landing.jhtml?src=pb>.

¹⁴ Outreach services are a form of communication or informative advertising that ensures that potential users are aware of their options in regards to the service provided by the organization. Organizations are mandated to ensure students have access to information that will help them get into college.

relationship complicates Bridges' servicing model, as the needs of the purchasers and users are very different.

1.4.4.1 Student Loan Organization (SLO)

An SLO, occasionally referred to as a "guarantor," is a member of the student loan industry, which in the US is mandated in the administration of the Federal Family Education Loan Program (FFELP). An SLO's key objective is to keep the public informed about the availability of FFELP loans as a method to ensure open access to post-secondary education.¹⁵ In this industry, an organization can play one or more of these roles:

1. Lender or Originator: Makes loans to students
2. Secondary Market: Purchases loans from lenders
3. Servicer: Provides "life of the loan" servicing
4. Guarantor: Provides default insurance to lenders; lenders are reimbursed for defaulted loans

In addition, an organization may play one role in one state, but may play a different role in other states. Some work solely in one state; others work in more than one state or on a national level. Some SLOs have specific working relationships (exclusive or not) with other organizations that may play a different role. Although there are a relatively small number of players, the market can be confusing. For example, KHEAA is the Kentucky Higher Education Assistance Authority, while KHESLC is the Kentucky Higher Education Student Loan Corporation. KHEAA is a guarantor while its sister organization KHESLC is a lender, servicer, and secondary market.

SLOs usually sponsor the procurement and implementation of career planning products to schools, school districts or states that do not otherwise have the funds to purchase such tools. In return, they have access to the students through banner or similar "advertising." Typically, Bridges will customize a site by applying "promotional badges" that contain the SLO's name, logo and message and that link back to the SLO's Web site. The SLO market is still relatively

¹⁵ See www.finaid.org

new to Bridges. While Bridges has existing state-wide customers in this market, it is developing more opportunities and continuing to learn more about this market.

This market completely eclipses any alphabet soup: VSAC, ICSAC, ISLLC, SLND, ESF, NCHHELP, EFC, CSAC, UHEAA, KHEAA, MOHELA, PHEAA, RIHEAA, FAME, CFNC, and dozens more. Many of these organizations, regardless of their role, are expected to provide outreach services.

There are two industry organizations to which many of the SLO members belong. Bridges has joined them both, giving it access to potential funding sources (customers).

NCHHELP (National Council of Higher Education Loan Programs) represents a nationwide network of guaranty agencies, secondary markets, lenders, loan servicers, collectors, schools, and other organizations involved in FFELP administration. It represents its members on public policy and regulatory issues with the legislative and executive branches of the various levels of government. Historically, NCHHELP was founded first.

NCHHELP members promote student access and choice for post-secondary education and training. They also provide guaranteed loan assistance under the FFELP, which consists of four different loan programs: subsidized and unsubsidized Federal Stafford Loans, the Federal PLUS Program and the Federal Consolidation Loan Program.

EFC (Education Finance Council) is a non-profit trade association that represents state-based student loan secondary market organizations, including scholarship funding corporations. These public purpose organizations are dedicated to the single purpose of making sure students can get the money they need to go to college. EFC's members expand access to higher education in two main ways: by ensuring the availability of funding for student loans and by making it

easier and less expensive to pay for college. EFC was formed as an organization just for non-profit SLOs when members like Sallie Mae¹⁶ became public companies.

Most non-profit SLOs are members of both EFC and NCHELP. Both are relatively small organizations with well-connected members. Many members have been working together in the industry for many years and continue to talk and share information. It is a close group through which good and bad news can travel quickly. They respect each other's operations and opinions. Both groups meet quite frequently which underlines the level of cooperation within the industry.

Bridges' staff members have attended their conferences and stay in touch with the activities of these organizations. There were only about nine exhibits at the NCHELP annual conference, Bridges being one of them. Attendance at these conferences has been instrumental in enhancing Bridges' image and raising awareness with the members of these organizations.

As discretionary funding is cut at the school and education board level, the sponsorship customer segment will only increase in importance to Bridges. SLOs have a need that Bridges' products satisfy in a cost-effective manner. Bridges' products are primarily used by students that just happen to be the SLO industry's target customers. SLOs, as a customer segment, will be featured prominently in the recommendation section.

1.4.4.2 Other Potential Customers

Like SLOs, there are other organizations that would be willing to buy access to Bridges' users. Because Bridges' products are used primarily by children, it is necessary to strictly qualify any potential customer. The underlying assumption is that these customers offer products or services that bring value to the user's career or education development. In other words, the final

¹⁶ Sallie Mae, formerly known as the Student Loan Marketing Association (SLMA), is the nation's largest secondary market and holds approximately one third of all educational loans.

product or service must help the students achieve their post-secondary goals. The following is a list of possible customer segments and the value they would bring to the student:

Trade organizations - With the impending labour shortage,¹⁷ these organizations would find value in promoting the benefits of their trade to a targeted student segment. Students would be exposed to viable alternatives at their desktops.

Tutoring agents and schools - These institutions would find value in being presented to students requiring additional practice and study in certain subjects. These services may make the difference in a student's attaining his career or educational goals.

Universities and colleges - Universities are currently using online applications and services to promote their schools. Currently, students flip between systems, whereas Bridges would offer convenience by merging school information within the application.

Major employers and government - Like trade organizations, major employers and government agencies would have direct contact with the students. Students again benefit from being presented all viable alternatives in one place. This service would enhance a company's workforce development or recruitment efforts.

Consumer products - There are many consumer products like computers, calculators, dictionaries and Web-based services that students may require to achieve their goals. Bridges can assist companies that offer these products by bringing them closer to their target customers.

International NGOs - Often, students are not aware of the volunteer or other international organizations that offer work and life experiences. Students who are confused about their post-secondary lives may benefit from such an experience. Non-Governmental Organizations

¹⁷ U.S. Bureau of Labour Statistics Web site displayed the unemployment rate in May 2006 in the U.S. as 4.6 percent. <http://www.bls.gov/> (June 4, 2006). Economists consider six percent full employment.

(NGOs), on the other hand, can target the characteristics that make an effective member of their community.

Table 1-3 Industries With the Largest Growth Rate in the U.S. (2004-14*)

The 10 detailed industries with the largest wage and salary employment growth, 2004-14 ('000)

Industry	Employment		Change	
	2004	2014	2004	2014
Employment services	3,470.3	5,050.20	1,579.9	45.5
Local government educational services	7,762.5	8,545.50	783.0	10.1
Local government, excluding education and hospitals	5,485.6	6,249.30	763.7	13.9
Offices of physicians	2,053.9	2,813.40	759.5	37.0
Full-service restaurants	4,226.4	4,927.80	701.4	16.6
General medical and surgical hospitals, private	4,050.9	4,699.00	648.1	16.0
Limited-service eating places	3,726.7	4,318.60	591.9	15.9
Home health-care services	773.2	1,310.30	537.1	69.5
Colleges, universities, and professional schools, private	1,377.5	1,849.80	472.3	34.3
Management, scientific, and technical consulting	779.0	1,250.20	471.2	60.5

Source: U.S. Bureau of Labour Statistic * Data are from the National Employment Matrix.

Within the aforementioned customer segments there are specific industries that will have a greater need for labour. Table 1-3 shows the industries that are expected to experience the highest growth, in term of employment, within the next eight years. Customer segments that service these industries are Bridges' primary market.

1.5 Bridges' Products

Career development is typically delivered by education professionals either in a classroom setting to a group of students or in one-on-one sessions. The content that is delivered by these professionals consists of: assessments, which allow the students to explore their interests, abilities and skills; current career and post-secondary institution information; and funding information on how to apply for and receive scholarships, bursaries and loans. All this information, including the assessment tools, is available to the public through various sources.

The career development industry aggregates the information and develops the interface that delivers it.











Bridges is primarily involved in delivering products that are geared towards assisting the users to: **explore** career or vocational opportunities based on a series of validated assessment tools that match their interests and abilities to the requirements of the potential occupations; **plan** their course of post-secondary studies or apprenticeship by matching their chosen occupation(s) with the institutions that will train them; and **achieve** their goals by using accountability tools that review their assessment results, measure progress and report on their program's success. Bridges also offers a test preparation application that can assist users to prepare for either high school exit exams or post-secondary entrance exams (ACT/SAT).

Bridges' products, with the exception of its professional services component, are for the most part homogeneous in the eyes of the consumer. Career development products, or more precisely services, have been extensively used in the education system for many years and vary only in their packaging. However, Bridges attempts to differentiate its products by claiming its products uniquely adhere to industry standards and utilize professionally validated assessment tools. In recent years, new buyers of career development services and products have been singularly focused on price.

In theory, the Bridges product suite should produce more accurate results than the competition. Bridges' President Doug Manning is currently conducting a comprehensive scientific study with a U.S. university to test this theory. The study has followed sample groups of students for five years. Some of the groups adhered to a Bridges' personal development curriculum while others did not. The study uses a methodology that limits the impact of socioeconomic or other environmental effects. If the findings confirm his theory, Bridges will be able to substantiate its products' effectiveness and be able to quantify the difference.

Bridges' tagline is "Explore, Plan, Achieve." Each word in the tagline identifies a phase of the career development process. The following table breaks down the Bridges product offering segment by category and phase:

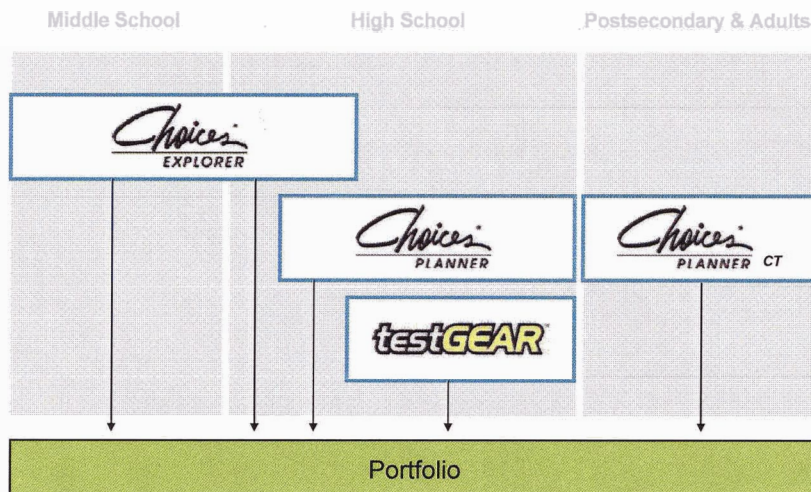
Table 1-4 Bridges Product Map

	Explore	Plan	Achieve
	Planning products		Test-prep
Products	 PAWS In JOBLAND	 Career Futures™	 SAT®, ACT™, PSAT, Math ELA, SS, SC
Reporting tools			
Assessments			
Professional Development	Product Webinars & Workshops Professional Webinar & Workshops		
Professional Services & Consulting	Program Reviews Program Development Program Implementation		Graduation Rate Program Development

Source: Bridges' corporate presentation (About Bridges slide deck) modified by author.

Figure 1-3 shows Bridges' planning products alignment with users schooling levels.

Figure 1-3 Product Positioning



Source: Bridges' corporate presentation (About Bridges slide deck) modified by author.

In addition to the online products, Bridges offers a suite of product development seminars and courses for career counsellors.

With the exception of the professional development services, Bridges' revenues are based on recognized monthly revenues from their products' annual subscriptions. Purchasers subscribe to one or more products for a "site," usually a school, for a period of time, usually one year. Users at that site have unlimited access from any Internet access point.

Table 1-5 indicates Bridges' heavy reliance on planning products, with over 85% of revenues coming from this one segment. The other two segments are relatively new to the company. Test prep has only been offered since 2003, while professional development was only introduced in 2004.

Table 1-5 Products by Revenue Dollars and Accounts (12 Months Ending Q3 '06)

	Revenue in '000	%	Accounts	%
Planning	\$10,115	85%	1,284	83%
Test Prep	1,378	12%	146	9%
Professional Development	447	3%	364	24%
Total	\$11,940	100%	1,547	

Data Source: Bridges financial statements and CRM.

Bridges' products are in 40 percent of the public high schools in North America.

Although Bridges' *CX* was considered more technologically innovative, Careerware had a reputation for precision and quality. Unfortunately, due to the rise of the Canadian dollar and some ill-executed change management, Bridges was unable to maintain its leadership position and found itself lagging the competition in features by approximately one year. This was due to Bridges' inability to deliver a comprehensive on-line planning product. And when they did

release version 1.0 of *Choices® Planner*, it was fraught with bugs and performance issues. Career Cruising, a new entrant, was able to address the market with a limited product that was both easy to use and stable.

1.5.1 Planning

Bridges has a full slate of planning products for the K-12 market. These products are delivered via the Web, like *Paws in Jobland™*, *Choices® Explorer* and *Choices® Planner*, or via CD, like *Choices® CD* and *Career Futures™*.

1.5.1.1 Elementary Schools

Paws in Jobland™ stirs up interest in students to learn more about themselves and the people at work in their communities. Bridges' award-winning product motivates young students and expands their horizons as they identify personal interests and explore over 100 different careers through an engaging and animated user interface.

Paws in Jobland™ improves academic performance by helping students successfully build crucial problem-solving, critical thinking and reading comprehension skills with a variety of activities and puzzles, a job finder quiz, and audio and video tracks.

Paws in Jobland™ saves the teacher time with online professional resources, including ready-made lesson plans and activities that can be effortlessly implemented into the schools' K-5 classes. Online access extends the program beyond the classroom and into the home, involving more parents in the career awareness process.

Paws in Jobland™ uses a 26-question interest survey to offer 100 career profiles in 20 work environments and uses age-appropriate fun animation and graphics. The program is enhanced by real job site pictures and videos showing real work activities. A game-style quiz makes the application easier to integrate into existing lesson plans, or teachers can use the 40

prearranged classroom lesson plans with student worksheets. The application can also be used in the home with its parent activities section.

1.5.1.2 Middle Schools

Choices® Explorer excites students about their future with engaging education and career exploration tools. It creates the motivational foundation for more meaningful career and education planning. *Choices® Explorer* expands self-awareness and broadens career horizons by connecting students to non-traditional and hard-to-find career options like no other exploration product available. Uniquely engaging features such as the Program Finder and regularly updated blogs initiate early post-secondary exploration and give students first-hand insight on post-secondary life and the working world. A counsellor or teacher can easily add relevance to the classroom experience with thousands of activities that tie academics to occupational pursuits. It is intended to inspire students to pursue more rigorous courses as they plan for the transition to high school and beyond. All work is automatically saved in students' customizable online portfolios, shared with *Choices® Planner*. *Choices® Explorer* helps increase the career development program's effectiveness and saves time with ready-made lesson plans and activities, as well as tools for involving parents. The downloadable planning guide helps engage students with special needs and includes valuable recommendations for Independent Education Plan (IEP) statements.

Career Futures™, a subset of *Choices® Planner CD*, is an application that helps students explore over 990 NOC occupations and make informed high school plans. Students are able to start the exploration process from the inside out, via an interest checklist or the education and career match game. *Career Futures™* builds self-awareness to help middle school students understand how interests, education, earnings, and skills relate to jobs. The hands-on activities and assessments engage students as they learn about their likes and dislikes, how to live on a

budget, and how to write a resume. *Career Futures*[™] is intended to excite students about their future as they explore all their career options and make meaningful high school plans. School-to-career planning is made easy with suggested school courses for students from Grade 9 to 12. The electronic portfolio helps students put it all together and provides a handy repository of past activity. *Career Futures*[™] customizable System Manager edits course plans, reporting features and local information. The application comes with over 300 Web-based career videos and over 40 worksheets to guide students in their exploration process.

1.5.1.3 High Schools

Achievement starts with a plan. *Choices*[®] *Planner* helps students compare and choose education and career options for more powerful plans. Both the CD and online application ensure every student is prepared for higher education and the world of work. *Choices*[®] *Planner* enables more meaningful planning by connecting students to a comprehensive network of school, program and career profiles and multiple research-based validated assessments. Students can easily identify how their interests, values, and skills relate to their best options for more meaningful plans. Self-directed and easy to use, *Choices*[®] *Planner*'s *Guideways*[™] make personalized planning more effective than ever before, saving time with next steps based on what students have started or completed. Individual plans are easily created using the innovative Career Plan Builder and are automatically saved in each student's online portfolio. *Choices*[®] *Planner*'s personal portfolio provides students a common platform with *Choices*[®] *Explorer*, facilitating a smooth transition from exploration to planning. The program provides a structured approach to better transition planning for students with special needs. The downloadable planning guide includes recommendations for IEP statements. Accountability statistics and reporting tools help teachers easily make effective data-driven decisions as they measure student plans and report on success. *Choices*[®] *Planner* uses the Career Finder tool to match the results of students' assessments with 990 NOC occupation profiles. It allows students to compare careers or use the

extensive assessment suite to assist in identifying a good fit. The application is rich in features, offering over 250 career videos, a resume builder, job interview practice scenarios, and a cover letter creator.

1.5.1.4 Post-Secondary and Adult

Bridges addresses this market by slightly modifying the *Choices® Planner* application's graphics to reflect the different demographic. Otherwise, the application is exactly the same.

1.5.2 Test Prep

Bridges recognizes the strategic importance of delivering Web-based tutorial programs to help students meet the challenges presented by college entry exams. The goal is to support students' post-secondary goals by providing a comprehensive, self-guided, Web-based tutorial program that is proven to raise student achievement.

TestGEAR™ has been designed to automatically assess student learning needs and prescribe a customized plan of study focused on those specific needs. Throughout the program, students receive feedback as they practise the skills to achieve excellence on their PSAT, SAT, and ACT exams.

Bridges' qualifications and the success stories of its users are testament to the success of this application. It should also be noted that Bridges believes that any successful Web-based program is irrelevant if teachers and parents do not have a significant stake in the program.

TestGEAR™ programs offer an integrated online solution that will serve to:

- Engage students with a unique, customized library of instructional and assessment components aligned with the objectives covered on the test
- Educate and inform teachers and students about the electronic tutorial programs strategically designed to help students master key performance objectives related to the mandatory assessments

- Enable educators and curriculum administrators to analyze student performance data for either formative evaluation or targeted test preparation purposes
- Provide teachers and curriculum designers with a host of educational resources designed to supplement the student classroom or specialized program experience
- Assist educators in planning for and crafting student readiness efforts, accessing real-time student performance data throughout the preparation process
- Supply educators with recommended classroom implementation strategies and related activity materials designed to reinforce and complement each student's online experience

Bridges is focused on delivering the finest Web-based solutions, giving the customer a more comprehensive, highly effective online test preparation experience that:

- Raises student scores with test items and learning activities keyed to specific learning objectives
- Builds student confidence with learning modules that review core skills and practice tests that mirror the exam
- Helps schools track and evaluate student performance with detailed reports on individual student and group activity as well as skill mastery
- Encourages parental involvement with reports that can be shared with families
- Prepares teachers with ongoing training to ensure successful results
- Is a cost-effective way to broaden access while providing one-to-one support for each student
- Is accessible 24-7 via any computer connected to the Internet

1.5.3 Professional Development

From July 1, 2005 to May 31, 2006, the professional development department trained 7,500 counsellors and teachers through workshops, product seminars and professional seminars. Professional development also creates a career development curriculum.

A 115-percent increase in invoiced revenue for fiscal 2006 over the same 11 months of fiscal 2005 indicates the growth potential of this department.

Some 7,500 customers (13.4 percent) have attended some form of Bridges' training in the first 11 months of fiscal 2006. This compares to 5,683 trained one year earlier. This is a significant increase from previous years and indicates heightened interest professional development programs.

1.5.3.1 Program Development

Bridges' Program Development service expands the career development program reach and effectiveness for all levels of customers through the Graduation Rate Improvement Program (GRIP). Bridges' consulting services help the counsellors learn, review, plan, and initiate a comprehensive GRIP in their schools or districts. The school-initiated program can be effectively implemented by strategically increasing the number of academic, social, and self-managed connections by a student to their school. The program offers a free downloadable digital copy of Bridges' powerful white paper: *Connected Students – The Key to School-Initiated Graduation Rate Improvement*.¹⁸

1.5.3.2 Workshops

Workshops are intended to help counsellors reach more students by using Bridges' products more effectively. The on-site product workshops provide hands-on training with implementation strategies customized to the school's unique needs.

Two Communities Research – Analysis of trained and untrained customer communities over the trailing 12 months has revealed data that supports a more aggressive campaign to train customers. Workshop-trained customers have high site renewal (98 percent) and revenue renewal (112 percent) rates. This compares to much lower site renewal (78 percent) and revenue renewal (71.8 percent) rates for untrained customers. The results are clear: trained customers retain their subscriptions and increase their financial commitment to Bridges.

Workshop Delivery – Approximately 330 workshops have been provided or scheduled in fiscal 2006, up 53 percent over 2005. Another 272 workshops have been delivered to 4,470 new and renewed customers.

¹⁸ The white paper is available at www.bridges.com/connected

State Workshop Attendance – A total of 1,449 customers have been reported as trained by state-funded trainers, not including Iowa, Maine, Vermont, and Wyoming.

Implementation Grid – Training of contract trainers will include an expanded format for teaching the customers' implementation tactics for using Bridges products. An implementation grid has been developed for each key product, aligning product features with the types of circumstances faced by the customers in various markets. This further standardizes the quality and content of the product workshops.

Professional workshops are intended to develop programs to reach more students and improve their skills. They are geared towards learning how to use activity-based lesson plans that deliver key student skills for educational and career planning.

Workshops Plus – In fiscal 2007, Professional Services will offer workshops in two formats – event-based workshops and process-based workshops (Workshops Plus). Customers choosing event-based training for \$1,200 will be provided the traditional workshop, now featuring a more implementation-oriented focus. Workshops Plus (\$1,500) will feature the same initial workshops followed 90 days later with an online Webinar¹⁹ or with direct calls to participating schools. This change aligns the professional development department's offerings with research-supported professional development practices.

1.5.3.3 Product/Professional Webinars

Quick, easy and convenient, the daily one-hour Web-based seminars (Webinars) provide a basic product orientation and introduce the latest updates. Two Webinars are included with every subscription.

¹⁹ A Webinar is a seminar that is conducted via an Internet virtual connection. Participants will connect to a Webinar Web site to observe a facilitator's or instructor's presentation.

Webinar Attendance – A total of 1,491 customers have attended Web-based training this year, up 92 percent over 2005.

Web PD, Bridges' branded interactive Webinar, takes the professional development program into the 21st century. Bridges' Web PD system is the most convenient and affordable method for delivering high-quality professional development. The program empowers the professional capacity of the educators as they learn, network and share best practices with other educators across the country -- without ever leaving their desks.

Web PD - BC Project – Several school districts in British Columbia are examining the opportunity to have districts train ten local experts and make access to them available through all participating districts. Each participating district has committed to contribute the funding for instructor training, Web training facilities, Web hosting services, and registration services.

Product Tutorials – Segmented product Webinars are being produced for release with the product in the fall. More than 30 pre-recorded tutorials will be introduced and developed throughout the year.

Usage Webinars – The live Webinars focus on product features and methods in driving product usage in fiscal 2007. Five titles are being developed for provision to customers each week, including High School 101 (for middle schools), College Prep 101 (for high schools), and Improving Student Test Scores.

Professional Webinars invite nationally recognized specialists into the comfort of the customer's office. Bridges' professional Webinar program provides online training and resources to help customers more effectively develop the school counselling, career development, and student achievement programs.

1.5.3.4 Curriculum

Bridges can develop a curriculum to provide the students with the motivational foundation for quality exploration and meaningful career/life planning with *Snapshots* paper-based curriculum and *STEPS* (System for Teaching Exploration and Planning Skills) self-managed workbooks.²⁰

1.5.4 Other

Bridges also offers a series of assessment tools that can be used in conjunction with the planning products or as stand-alone products. In addition, Bridges' reporting tools make it easier to measure program effectiveness. These products are typically incorporated into the career planning applications.

1.5.4.1 Do What You Are®

Do What You Are® is a third party product that quickly improves every student's education and career plans with the proven science of personality type assessment.

Do What You Are® self-discovery assessment is based on the science of personality type.²¹ *Do What You Are*® empowers students to make more informed decisions about their future with detailed information about their unique strengths and blind spots. The application recommends career paths and post-secondary programs as well as tips for conducting an effective career search. The confidential reports provide useful insight on how to best work with each student. Students' completed personality profiles identify their preferences in communication, learning styles, social situations, and relationship strategies. Results are then securely delivered

²⁰ Snapshots and STEPS are example of curriculum developed by Bridges to be used by educators and counsellors.

²¹ *Do What You Are*® is a personality test designed to assist a person in identifying some significant personality preferences derived from Carl Jung's theories in his work Psychological Types.

to counsellors and students via e-mail. Students can choose to share their results with parents, so the parents may also benefit from a better understanding of their child's personality type.

1.5.4.2 The Learning Style Inventory™

This third party application will maximize the potential of every high school student by supporting achievement with valuable insight about each student's unique learning style.

Bridges' online *Learning Style Inventory™* (LSI) helps improve student self-awareness, study habits, attitudes and behaviour, increasing overall achievement in all areas of education. This results in boosting the student's self-esteem through more successful learning. Originally developed by Dunn, Dunn and Price and backed by over 30 years of extensive research, Bridges' online LSI is the most used learning style inventory in the education community to significantly increase standardized test scores. It also helps underachieving students get back on track. Unlike standard paper-based assessments, the online LSI provides instant individual and class reports offering insight into 22 preferences and strategies. Learning style reports are accessible online anytime, anywhere, helping to include more parents in the student achievement process.

The *Learning Style Inventory™* analyzes 22 different preferences in the areas of:

- Immediate environment (sound, heat, light, and design)
- Emotionality (motivation, responsibility, persistence, and structure)
- Sociological needs (self-oriented, peer-oriented, adult-oriented, or combined ways)
- Physical needs (perceptual preference(s), time of day, food intake, and mobility)

1.5.4.3 Ability Profiler™

Ability Profiler™, a computer-administered assessment adapted from the latest paper-based O*NET®²² Ability Profiler, empowers users to discover new insights about themselves and about their aptitude strengths and related the occupations. Available only as an add-on assessment for *Choices® Planner* and *Choices® CD*, the Ability Profiler defines the relevance between aptitude scores and the world of work based on information about job aptitude requirements.

Ability Profiler has on-screen directions that make it easy to use, allowing test-takers to work independently with minimal assistance. Raw scores from the mark-making and dexterity board exercises can be manually entered to provide a more comprehensive view of the user's abilities. The user gets a printed profile of test results immediately.

Its easy-to-understand results quickly identify the test-takers' potential for specific career and education options by highlighting their strengths, occupations that match their strengths, and areas in which they may want to expand their training. The Multi-Aptitude Ability Assessment looks at arithmetic reasoning, vocabulary, three-dimensional space, computation, name comparison and object matching in assessing a user's profile.

1.5.4.4 Choices® Regional Reporter

This feature measures progress and reports on program achievement across a province/state or district. This is an essential add-on for province/state- and district-wide *Choices®* product subscribers. This comprehensive set of outcome- and usage-based reporting tools provides an aggregated overview for all sites within a region. Up-to-date statistics help

²² O*NET: Occupational Information Network, is a unique, comprehensive database of worker competencies, job requirements, resources and replaces the old Dictionary of Occupational Titles (DOT). For more information see, http://www.onetknowledgesite.com/what_is_onet.cfm

administrators and counsellors make the best use of their *Choices® Explorer* and *Choices® Planner* subscriptions.

Choices® Regional Reporter provides crucial insight into all areas of program outcomes and allows professionals to provide more targeted, data-driven instruction to achieve the most effective program results.

Outcome-Based Reports – The Career Plans Outcome Report lists careers, schools and programs in which users have shown an interest by using *Choices® Planner*'s Career Plan Builder tool. The Interests Outcome Report provides current month and year-to-date statistics regarding the usage of the Interest Profiler assessment tool and the areas in which users in the region are most interested.

The Saved Pathways Outcome Report offers a breakdown of the career paths users in a region have selected in their career planning process. The Top 40 Saved Schools Outcome Report lists schools, ranked in order of popularity, in which users in the region have selected their career planning process. The Work Values Outcome Report provides current month and year-to-date statistics regarding the usage of the Work Values Sorter assessment and the work values that are most important to individuals in the region.

1.6 Buyer Behaviour

To fully appreciate buyer behaviour, it is important to understand the history of the career counselling profession. School counselling has traditionally been a reactive practice leading to remedial intervention. Even though the concept of early intervention has been around for over 50 years, its application has yet to be universally mandated. There are counsellors who recognize the value and effectiveness of focusing students through goal setting. They are the drivers of the career development process and the industry that supports it. However, because their function is

not mandated, they must rely on special funding or the discretionary school budget to purchase their tools.

Behaviour must therefore be described for each of the three major buyer segments.

Certain buyers have not yet fervently embraced the concept of early intervention or for their own reasons feel unable to implement it. These buyers are unlikely to use career development tools as a staple of their daily routine. If they do have access to these products, they simply use them as a reference. During the budgeting process, these buyers will put planning products fairly low on the spending priority.

There is also a segment of school counsellors that recognize the benefits of career development and utilize the available tools in a reactive mode. Typically, these counsellors prescribe career counselling tools to students whom they identify as potentially benefiting from them. They are conversant in the subject but are less likely to take an active role in the development or refinement of the process. This is often because they are too busy counselling (reacting) to student needs; Doug Manning uses the metaphor of “pulling babies out of the river.” The behaviour of this segment has changed only in the demand for a computer-based product to reduce time demands. First-generation paper-based products require a certain amount of analysis that is more easily performed by a computer-based system. There is an element of this customer segment that has demanded Web-based products. This offers students the opportunity to use the systems from their homes or another access point. This segment’s primary decision criterion is cost. When individuals from this group are exposed to and start exploring the possibilities inherent in some of the robust tools, they quickly move into the next segment. This market is passive but can be persuaded (moved) to adopt not just the tools but also the model that they support. During the budgeting process, these buyers will ask for planning products but will not demand or champion these products with the purchasing department or administrators.

The last segment is that of the proactive counsellors or career development professionals. These people are well organized and are active in lobbying for universal adoption of the career development process within the public school system. They are highly knowledgeable and very demanding. They are very interested in the accuracy of the algorithms and the content of the products. Reliability and availability of the system are important because these buyers use the tools as part of their overall curriculum in a classroom setting. These buyers will champion the buying process and will ensure that administrators and buyers are aware of the value.

Overall, the buyers are caught in a paradox of sorts; budget priorities are changing such that school administrators cannot afford to purchase the tools required for early intervention because they need the budget to deal with the challenges caused by students that have become a burden to the system. It is widely accepted that early intervention programs that increase graduation rates are highly effective, yet budgets for career development programs are considered non-essential and are funded out of discretionary funds. This has ultimately changed buyer behaviour to weigh price higher in the decision process than quality or accuracy.

2 THE CAREER COUNSELLING INDUSTRY

Career counselling, otherwise referred to as career development, is a very small but extremely important element of the education system. The industry that develops the tools for this critical function is just as understated as the discipline that it supports. Even though career development benefits society in general, it receives a disproportionately small amount of the overall education budget. In fact, career development is not considered essential in any of the U.S. states' education departments. The only jurisdiction in North America that has made career development a mandatory component of graduation is British Columbia.

There are no known industry figures to quantify the K-12 career counselling market. Consequently, Bridges' VP of Marketing uses data on the number and size of schools, available via market research firms, and the average cost of Bridges' products to estimate the market size. The following table contains the data, which estimates the market at \$401 million.

Table 2-1 Planning and Test Prep Products: Estimated market size.

US/CDN exchange	Products & Services						
	Education & Career Planning				Test Preparation		Other Professional Services
	Elementary School	Middle School	High School	Other	Entrance Exams	Exit Exams	
US							
# of school*	76,137	23,765	28,417		28,417	28,417	28,417
# of locations*				4,510			4,510
average price**	\$ 520	773	1,796	1,828	3,360	4,200	500
Total US Market in '000	\$ 39,591	\$ 18,370	\$ 51,037	\$ 8,244	\$ 95,481	\$ 119,351	16,464
Canada							
# of school*	11,505	2,004	1,603		N/A	N/A	1,603
# of locations*				N/A			N/A
average price**	\$ 520	773	1,796				550
Total CDN Market in '000	\$ 5,983	\$ 1,549	\$ 2,879				\$ 882

Total Market in '000 \$ 401,656 CDN

* source: MDR 2005-2006 brochure: Market Data Retrieval is a Dunn & Bradstreet Company.

** source: Bridges Transitions Inc. confidential price sheet (entire applicable suite per customer segment)

^ Professional services average price is based on two counsellors per school / location.

Source: Author with data from: Education 2005-2006 Market Size Data Retrieval brochure

The career development market started heating up in late 1994 when the U.S. government enacted the National School to Work Opportunities Act to fund programs aimed at preparing students for their post-secondary lives. With public money available and further driven by the technology boom of the mid-'90s, many new entrants took the challenge to develop and deliver computer-based tools to assist career development professionals.

Up until this point, proactive efforts to deliver career development and counselling programs were labour-intensive and complex in their delivery and processing. Counsellors having to use 19th-century processes resorted to dealing with cases in a reactive way rather than taking proactive or more effective steps. The availability of these new 21st-century tools enabled the more progressive professionals to change their practices to support the missionary zeal that was sweeping the country.

All of the 16 firms in Figure 2-1 are direct competitors to Bridges. Thirteen of these 16 major players in the career development industry are privately owned companies and one is a "private" government-sponsored agency. Because private companies are not required to publicly disclose any information, it is difficult to compile industry statistics. Another industry anomaly is that many of the schools will purchase several career development tools, with each counsellor using his product of choice. It is also common for the state education department to subscribe to one tool, a district to purchase a completely different product, and an individual school to subscribe and use a third one. This fact would indicate that the market is larger than the \$401 million estimate. Bridges' \$10 million CDN revenues represent 2.5 percent of the overall market.

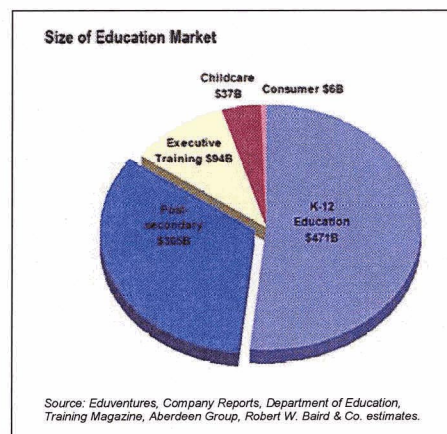
The career counselling industry is considered part of the overall education market. The three major players in the career counselling industry are Peterson's, a division of Thompson's; Princeton Review; and Kaplan. Two of these companies, Kaplan and Princeton Review, entered the career development market through their test prep products.

Figure 2-1 Competitors by estimated market share

Competitors by market share	
Planning Products	Test prep
IntoCareers/CIS Princeton Review Bridges Peterson's ACT Kuder XAP Career Cruising Collegeboard Coin	Kaplan K-12 Princeton Review Peterson's Collegeboard Cambridge Number2.com Boston TP Bridges

The test prep market relies on post-secondary institution advertising dollars for part of its revenue stream. These institutions pay the test prep providers for leads, known as “click-throughs”.²³ Peterson’s, a supplier of college program information, also generates leads for post-secondary institutions by providing links directly to the schools from their databases. These three firms represent a major portion of the overall education market and grew through expansion into all related segments.

Figure 2-2 Education Market in the U.S.



²³ A click-through is a unit of measure used to determine the success of an online advertising campaign obtained by dividing the number of users who clicked on an advertisement on a web page by the number of times the advertisement was delivered to the users screen.

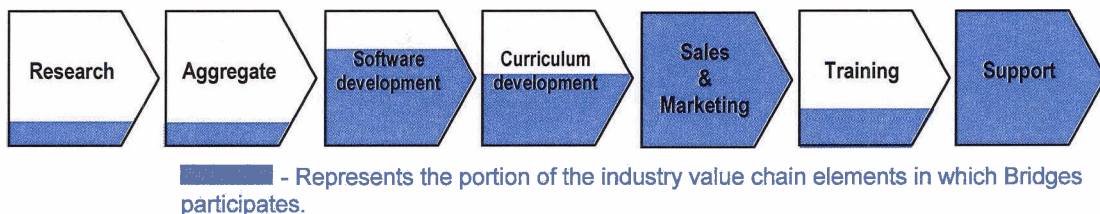
In addition, there are some other players like Pearson’s Education and Chancery Solutions that offer comprehensive student information systems (SIS) software with interfaces to specific career planning applications. These organizations will be considered in further detail in the new entrants section because they do not have their own modules at this time but are no less influential in the process.

Unlike the career development market, the overall education market has remained steady in recent years and grew by just under seven percent in 2005.²⁴

2.1 Career Development Industry Value Chain

The following diagram depicts the elements that make up the career development value chain. The following section takes a closer look at each element of the value chain and a discussion of the activities each performs in the process.

Figure 2-3 Career Development Industry Value Chain



2.1.1 Research

Research is conducted by universities, governments, and to a certain degree, private industry. Researchers collect psychometric data such as interests, abilities, aptitudes, and other personality attributes necessary to succeed in certain occupations. Conversely, occupations are evaluated to determine what traits make one successful in these occupations and what crossover attributes exist between them. Several testing standards such as RIASEC (which stands for

²⁴ Source: Baird Class notes Education Services 2005 year in review, January 10, 2006.

Realistic, Investigative, Artistic, Social, Entrepreneurial, and Conventional) are used. These standards are continually being updated and fine-tuned.

Researchers also gather data on scholarships and school programs, with Peterson's being the industry leader in school data research. Researchers also develop testing algorithms for test preparation applications for college entrance or high school exit exams.

The major suppliers of occupational research data are Statistics Canada and the U.S. Bureau of Labour Statistics.

2.1.2 Aggregate

The aggregation process is typically conducted by occupational analysts working for content publishing firms or government agencies. The data is collected from the researchers and is codified for future use. Codification is conducted in many ways; one common method is to map psychometric criteria to the occupations or to post-secondary programs. Occasionally, this work is done by contract specialists working with research or software development firms. The best aggregated information from occupations comes from the Occupational Information Network (O*NET®) database. Peterson's is an example of a private organization that is an aggregator.

Test prep aggregators build a series of tests to assess users' knowledge of a subject. The challenge is to have several questions that assess the same knowledge so that students can repeat tests without getting the same question twice. Users will repeat tests during their test preparation process to assess the progress of their study.

2.1.3 Software Development

Software developers write the applications and algorithms that match the individual's attributes to those of the occupation, then present the results. These applications also provide reporting for the school counsellors and the administrators.

Typically, the applications will start by leading the user through a personal assessment, identifying specific traits and attributes. These attributes are compared to those of the occupations in the database; the user is then presented with several occupations that may be of interest. Once the user selects an occupation from the list, the application will take him to a page displaying the details about the job. For example, a user selecting Accountant may be told about the various educational requirements, the compensation band (low to high), working conditions, career paths and the like. Other applications will display lists of occupations from which the students can choose.

Other software applications can also be used to search universities by the type of programs they offer or by field of study. Additional facts will also be displayed, such as extracurricular activities offered, location, history, and other interesting information. Users weigh all of this information to help them decide which schools to consider.

Software systems also allow users to apply to many post-secondary institutions with just one application form. Others will offer information on scholarships and how to apply for them.

In addition to helping students, the software is designed to provide reporting for the school counsellors and administrators. Reports are used to acquire funding for school programs or provide information about what courses a school should offer to keep students engaged.

Software development, for the most part, is done by private for-profit companies. The exception is CIS, which is a cooperative of 13 states. These 13 states share in the funding of CIS and utilize the software applications that are developed for their school districts.

2.1.4 Curriculum Development

Traditionally, teachers/counsellors developed their own curricula, which entailed little more than asking students to fill out some forms and directing them to reference resources as

follow-up. This process was very time-consuming for the counsellors. It was physically impossible for counsellors to work proactively with all the students, which resulted in most counsellors opting to deal mainly with the trouble cases in a reactive mode.

As more and more information became available, the reference material became more onerous to navigate and required computer database technology to manage it. At the same time, assessment tools became more sophisticated, resulting in their computerization. As the computer software became more effective and less time-consuming for the counsellors, they began to use it more frequently and proactively.

Although career development is not a mandatory subject in every school in North America, it is offered by most schools either as optional or compulsory part-time sessions or as a module within another subject, typically physical education. To achieve their objectives of assisting students, counsellors follow curricula that ensure they convey all the basics and principles required by students to build their career and education plans. Counsellors also utilize computer-based planning tools to carry out the practice of guiding students through the comprehensive exploration and planning process towards their educational and vocational goals.

The curriculum they use to do this is often designed around the tools they deploy. This curriculum is sometimes defined by their department of education. However, in some cases, the curriculum is designed by the application provider.

2.1.5 Sales and Marketing

Traditionally, governments have funded private and public career development programs by enacting special policies. The problem with these funding sources is their fixed timeline. Occasionally, such funding programs are renewed, but most often they just expire. As new administrations come to power, they either reprioritize existing policies or implement different

initiatives in line with their priorities. Regardless, private firms' marketing departments are continuously engaged in costly lobbying efforts to promote both the industry and their products.

Like software development, the sales and marketing function is carried out primarily by private for-profit firms, again with the exception of CIS. Sales and marketing is an important element in spreading the message about the latest best practices being deployed and engaging students in recognizing the value of the process and how the products meet the schools' or departments' objectives.

Marketing is the process of identifying customer needs and designing product bundles that bring value to the market. These bundles of products and services should meet the customers' basic requirements of facilitating the education and career planning curriculum and reduce the administration time required to monitor and report on the effectiveness of their curriculum. This function results in the development of more desirable and valuable tools.

The sales process establishes and maintains the customer contact that delivers the message and the products. The sales process also manages the relationship with the customers to ensure that marketing has accurately identified and continues to meet their needs. Furthermore, the sales function determines the value these tools bring to the customer and ensures the organization is able to extract the maximum rents/profits in a very competitive market.

The career development industry utilizes the same techniques today to sell its computer-based products that were used to sell the original paper-based products. Salespeople are still required to make personal sales calls and personal visits. In other words, it is very labour-intensive and costly. Meanwhile, the average price of a product and the average revenue per site has dramatically declined.

2.1.6 Training

Educators must be continuously trained in the latest methods and techniques for delivering the career and education planning curriculum. Training is also required to interpret the information reported by the software application in order to maximize the counsellor's effectiveness. Parts of the training qualify for the counsellor's professional development, which is a professional requirement for all counsellors.

Training is provided by various sources, including government institutions, professional associations and private firms. Due to the specialized nature of the tools now used by the counsellors, the training is almost best delivered by the organization that developed those tools.

2.1.7 Support

Again, due to the specialized nature of the tools, support is provided by the software developer. The nature of all software applications is that occasionally users will find they have misinterpreted the instructions and require assistance to navigate through the software tool. The success or failure of a career development program at a school can be determined by the level of support to which the counsellors have access through the process.

The support analyst can guide the user or counsellor to a familiar part of the application or reacquaint the user with the recommended operational procedures. Users may also experience generic computer problems or require clarification on a matter relating to the information delivered by the application. Without an excellent support function, users and counsellors may feel frustrated and discontinue the use of the tool.

2.2 Porter's²⁵ Five Forces Analysis

The following is an analysis of the career development industry using Porter's five forces methodology. The scope of this industry strategic analysis will be the career planning and test preparation product market in North America.

Figure 2-4 Porter's Five Forces Strategic Analysis

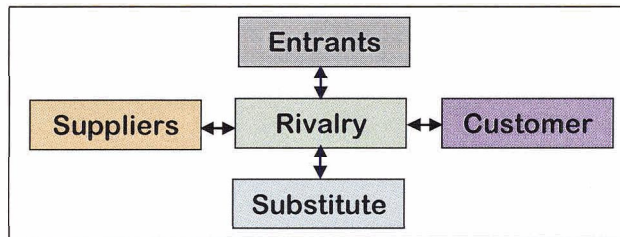


Table 2-2 Strategic Analysis Table

		+	-
Rivalry Intensity	High	<ul style="list-style-type: none"> Market size growing very slowly Many rivals relative to market size Industry consolidation High initial fixed costs of development Recent price reductions for market share Small switching costs Perishable products (timely data) One very aggressive competitor 	<ul style="list-style-type: none"> Slightly differentiated products Competitors can co-exist in one site No clear market share leader Similar sized rivals Similar rival history
Customer's Power	High	<ul style="list-style-type: none"> Budgetary pressures Highly regulated Build their own models May buy rival or support consolidation Non-essential service A customer can represent five to 10 % of market 	<ul style="list-style-type: none"> Legislation (NCLB) Customers do not use portfolios
Supplier's Power	Low	<ul style="list-style-type: none"> High labour cost (collecting) Tapered vertical integration, can enter market 	<ul style="list-style-type: none"> Diversified suppliers Homogenous product (data) Perishable data, can change annually Very low switching costs Internet effects Rival can backward integrate
Entrant's Threat	Medium	<ul style="list-style-type: none"> Small likelihood of retaliation Strong relationship with decision-maker Bundling of complementary products Potential related diversification 	<ul style="list-style-type: none"> High initial fixed costs of development. Lack reputation in discipline Small margins/Low marginal cost Learning curve of algorithms
Substitute's Threat	Medium	<ul style="list-style-type: none"> Paper based Using nothing at all 	<ul style="list-style-type: none"> Legislation (NCLB)

²⁵ (adapted from Bukszar (2006) with permission)

2.2.1 Rivalry/Competition (Intensity is very high)

The number of potential buyers for all intents and purposes is fixed, as only 977 net new schools were opened in the U.S. in 2005.²⁶ This only represents a 0.7 percent growth. There is a lack of data to determine what percentage of the schools have computer-based career planning products, although one could assume the market is not saturated. This is especially true if one considers that it is common for a single school to own and use several products. Often, this is a result of buying decisions that are made at various levels within the complex government hierarchy.

In the past four years, rivalry for market share has led to significant price wars. Of the ten mid-sized rivals, one, CIS, is an institutional collaborative partnership between universities and 13 state departments of education (DOEs). CIS is funded via a cost-sharing program in the 13 states. In recent years, these organizations have experienced cost increases while private competitors have dropped their prices. Federal cuts to the programs that fund these initiatives at the state level are forcing the partner “customer” DOEs to re-evaluate their commitment to the partnership. With a large segment of the market potentially becoming available, the remaining competitors are positioning themselves to pick up as much of the additional available market as they can.

Each year, every competitor absorbs fixed costs required to update its content and programs. The marginal cost (less marketing and sales costs) is almost zero, and once each rival has completed its update it has the capacity to effectively supply the entire market with services. Competitors are often giving away their products in an effort to seed the market and use the lock-

²⁶ Source: 2005-2006 MDR education brochure, pp 11.

in effect²⁷ to capture market share. This further intensifies rivalry in the market, making price the primary decision criterion

Competitors are, for the most part, separated geographically. CIS is prevalent in the 13 states that sponsor it; Kudor, Bridges, Xap, Peterson's and ACT are strong in the other areas. There are some single sites or districts that are scattered across the map, but for the most part the lines are quite clear. It is also common for two competitors to have state deals with the same state but for different products, or even product components, such as assessment tools. Rivals are always trying to penetrate each other's territory, but the serious players are careful not to disrupt the pricing balance. Defending territories from the smaller aggressive players like Career Cruising is always the biggest challenge.

Competitive concentration is relatively low but, counter-intuitively, the market has not been very attractive. With many players vying for a slow growing and mature market, most competitors are using a product development or related diversification strategy.²⁸ Related diversification may be accomplished by acquiring a complementary firm.

The industry's slow growth and the geographic diversity of the rivals is making consolidation very attractive. Smaller margins are causing competitors to look at ways of reducing expenses as a means of increasing profitability. The scale effects of absorbing users onto under-utilised servers and the efficiencies gained from doing just one annual data update, instead of one for each company, make consolidating a very tempting option.

However, this is a changing phenomenon with the No Child Left Behind legislation. Although career planning is a proven method of establishing goals for students that keep them

²⁷ The "Lock-in effect" describes the costs, both monetary and emotional, a customer will incur by switching from a vendor's product or service; the higher the cost the stronger the lock-in effect.

²⁸ Product development is a popular strategy used by companies attempting to grow in an "old" or mature market by introducing new products. Diversification is a popular strategy when a company in one market introduces a new product into a market that is "new" to them.

interested in and attending school through graduation, the education department has not yet adopted it as an essential discipline. Lobbying groups are attempting to convince policy makers to make career development an essential component of graduation. If career planning becomes an essential discipline, this market has the potential of seeing a revival.

The switching costs today are very minimal but all rivals are addressing this issue by implementing “portfolios.” Portfolios are being demanded by the market as a means of storing the student/user results from the career exploration and planning exercise for future reference. Once implemented, these portfolios will lock the user to the application suite, thus increasing switching costs and creating a powerful lock-in effect.

The products and services being offered are considered perishable because the information being offered is expected to be relatively timely or else it will be not be useful for planning purposes. Most of the data, including occupations, categorization, salary, and working conditions, changes on an annual basis. Post-secondary schools add and modify programs as well as admission criteria, while private schools open and close with market conditions. All this data is gathered annually from government and private sources and databases within the competing products are kept current. This means all players in this market have only a six-month period to recover their fixed costs and extract rents on a release.

The main differentiator between rivals is customer service, which entails technical support, sales support and customer relationship. Of these, customer relationship, typically performed by the external sale force and key executives is the most significant. Re-subscription rates are directly related to the customer rapport. However, Customer service is a defensive differentiator in that it is only effective in keeping customers; it is not very effective in penetrating a new account.

Differences between rival's products are found in the user interfaces, the number of assessments used to identify the user's attributes, and the algorithms used to match the student with potential occupations. Thus far, none of the competitors have managed to successfully differentiate themselves in the way of creating premium, value-add services for the traditional customers.

One area of the market that seems to be growing and attracting more competition is test prep. This market has been the domain of two major competitors, Kaplan and Princeton Review. Both companies have enjoyed a virtual duopoly. They primarily market their services directly to the consumer. Most students use these products to assess their readiness for college entry exams. A major obstacle is that most often this happens late in their final high school year, which makes it too late to remedy any shortcomings they may identify.

The primary reason students wait until their final year to use test prep products is that for the most part the majority of students do not think about their post-secondary life early enough. Once they decide to pursue post-secondary education, they cram for these exams, only to find that they are deficient in one area or another. Then they look for tutors or other extracurricular activities to improve on these shortcomings. If these students were to use planning products at an early age and consider their options for the future, they could use test prep products to assess themselves earlier in high school. They would then be able to deal with any area of concern during their high school years.

Costs related to steep learning curves²⁹ are not a major consideration in the customer's purchasing decision process since all applications are very similar. Once portfolios are more

²⁹ Learning curve effects, which are closely related to experience curve effects, express the relationship between experience and efficiency and are based on the work of Bruce Henderson of the Boston Consulting Group.: Boston Consulting Group. Perspectives in Experience, 1968, 1970

prevalent and the tools are used within a curriculum, these learning curve costs will become a more important criterion.

Some of the rivals are starting to address this opportunity by bundling test prep products with other offerings. Xap, for example, gave away free test prep modules to the State of Texas to secure a deal for its other products. This is the purest form of price reduction, resulting in further intensifying rivalry.

Pressure on prices affects margins which necessitates a corresponding reduction in expenses in order to maintain earnings.

2.2.2 Customers (Bargaining power is very high)

The customers in this market are elementary schools, middle and junior high schools, high or secondary schools and adult career counselling centres. Approximately 75 percent of the customers are public (government-operated) institutions and the remaining 25 percent are private for-profit or not-for-profit (charity) organizations.³⁰

The public education sectors in the U.S. and Canada have changed their spending priorities due to budgetary pressures. Procurement in these institutions is often performed by professional buyers in a central purchasing department. Typically, the purchasers make their decision at arm's length from the ultimate users of the planning products. The purchasers or other administrators that prioritize the budgets are not necessarily aware of the benefits of the planning products. They may also not value the benefits of the different applications and treat them as like commodities.

With changing budgetary priorities and low switching costs (for the majority of customers that have not adopted the portfolio), the customers have the ultimate bargaining power.

³⁰ MDR 2005-2006 Education Market brochure, pp 11

Customers switch for a number of reasons. Customers may purchase an application with which they are familiar when they move from one school to another. They may also want to try a new application with different features. Some may have had experience with a particular product and decide to try another. Some may not have budget dollars to pay for a product and choose to buy a less expensive product.

Some customers are very familiar with all the competitors. They research the methods used in the applications and one can say they have access to perfect information from which to make their decisions. In fact, this is true for most major purchases because they will have several presentations on the benefits of most major brands.

Career planning products are mainly a non-essential service. Oddly enough, since the School to Work act was phased out in 2002, U.S. high schools have seen their budgets decline for career development tools. This reduction in funding has now resulted in career planning vendors fighting for a piece of the decreasing discretionary budget.

Test prep products are a natural complement to planning products. Exposing students to specific products in school seeds the market for consumer-based sales. This market has the most potential, but it requires building awareness of the benefits for educators. This is still new for the customers but it has implications for the new entrant analysis.

Opportunities in this market are being developed by converting potential entrants into customers. Colleges, student loan organizations and semi-private student loan guarantors are being mandated or otherwise encouraged to develop or sponsor outreach programs. Some of these organizations are actively paying for and supplying the schools with “mentor sites”³¹ – a suite of planning and test preparation applications – as part of their outreach initiatives. These sponsor organizations advertise their services directly to the student and their parents by putting

³¹ See www.xap.com

hyperlinks on the product Web pages to take potential customers directly to their sites. The schools get their much-needed career and education development tools at no cost, the sponsor organization gets access to its target market, and the suppliers of the applications sell their products. This relationship creates a win-win-win situation.

2.2.3 Suppliers (Have low bargaining power)

The career planning industry has few inputs³² that come from a large number of suppliers. The four categories of suppliers are data, algorithms, computer systems (hardware/software), and labour.

Data on the whole is a homogenous product that is becoming easier to procure. In the past, information was sourced from government organizations such as Statistics Canada, the U.S. Census Bureau, the Bureau of Labour Statistics, and state/provincial departments. The process was laborious and certain organizations established an industry around gathering and codifying such data. Recently, as a result of the Internet effects and improved data manipulation tools, rivals have reduced their reliance on such intermediaries (suppliers), which further reduced their influence.

As was discussed earlier, the nature of the products requires timely data. This makes the data and therefore the product perishable with a shelf life of, at most, one year. When combined with the high labour costs involved in collecting the data, it is no wonder suppliers are suffering a slow but steady demise. This may be the reason that some of these suppliers are looking at vertically integrating. One example is Peterson's, a supplier that has now become a vertically integrated supplier.³³

³² The term "inputs" refers to raw materials that go into a manufacturing process. In the career planning and development industry, the inputs are primarily data and knowledge.

³³ A vertically integrated supplier that supplies a market and also participates as a rival in the market it supplies.

Matching algorithms is the other input for the planning products. These algorithms use the codified user assessment results and link them to the attributes of the occupations, schools, and scholarships. The algorithm's accuracy ensures that the students are offered the information that most closely match their interests, skills, and aptitudes.

The matching algorithms are derived from social scientists and academia. The algorithm suppliers are no more influential than their data counterparts, for completely opposite reasons. Matching algorithms do not change very often and when they do they become public domain. These are then used by career counsellors to assist on improving the overall accuracy and effectiveness of the career counselling process. The value, although not obvious to most customers, comes from working with specialists in the field to modify them for a particular application. Usually there are many suppliers and very little work.

This public good comes at little or no cost to most planning product marketers. Occasionally an organization will contract an occupational analyst to vet the categorization of specialized occupations. This cost is minimal and is only required periodically and there are literally thousands of occupational analysts lined up to assist with this task.

Unlike matching algorithms, testing algorithms change often and their suppliers have been able to remain influential in the market thus far because of their scarcity. This situation is slowly changing as more and more academics with the appropriate credentials realize there is a market for their knowledge.

Computer systems and telecommunications (the Internet) are the primary source input of the new 21st-century career development products. There is not much to say about the suppliers of these inputs as their influences on this market are no different than in most other industries. Declining switching costs and declining cost/performance renders these suppliers amongst the lowest in power.

Labour is the highest cost content of all the inputs. Most competitors have a large stable of computer programmers, database and network administrators, and content editors to ensure the products are developed and delivered. Because the products are sold on a subscription basis, marketing, accounting, and sales functions make up the other major component of labour. Often, though, the highest cost to the organization comes from the executive tier, which includes the industry experts. Overall, the influence of labour is minimal except for those few with industry-specific or relationship (network) tacit knowledge. The only challenge is keeping the stars in the company satisfied, since it is common for their satisfaction to come mostly from their altruistic motivations rather than their paycheques.

2.2.4 New Entrants(The threat is medium)

Despite the relatively low barriers to entry, few if any new entrants are expected to attempt to enter this highly competitive market. The long budget cycles and well-established vendors deter those who want to get into this “get rich slow” market. The low prices in the market eliminate both rapid and slow skimming as entry strategies. For those who do attempt to enter, the choice is slow penetration. The annual fixed costs, the strength of relationships that exist between the incumbents and the customer base and the long government buying cycles make this an unattractive market. The incumbents rarely retaliate, rather choosing to wait for new players to starve slowly.

Many of the executives in this industry are heavily involved in the same professional associations that regulate and administer career development. Reputation is an important buying criterion for the purchasers and it can take many years to establish a good one. This is another major contributor to the slow starvation that a new entrant will experience. On the other hand, individual counsellors using their own algorithms may attack the market using guerrilla marketing tactics and slice themselves a niche in a market where they are well-known.

Entry barriers are relatively small. Open-source software and a couple of small servers are enough to allow access to the market. A counsellor with average computer skills can develop a rudimentary application; in fact, some have.

A minor barrier to entry is the learning curve effects. First there is the learning curve required to identify any better algorithms that may be preferred by the industry. This would require serious involvement in industry associations and the establishment of a strong trust relationship with them. An entrant also has to overcome experience curve effects that incumbents have acquired from labour efficiencies. Efficiencies are related to the integration of unstructured aggregated information that is proprietary to a specific value chain.

However, as stated in the customer analysis section, government policy making career development essential to graduation may change the threat. These changes may encourage new entrants as the School to Work act encouraged the last group of entrants in the '90s. This is an opportunity yet unrealized.

One method of entry may be for others in the education industry to bundle complementary products. For example, a college admissions player may choose to develop a planning application and integrate the new application with its college admissions application. This would satisfy the reputation requirement and the existing revenue stream would support a slow penetration strategy. It may also become possible to use a related diversification strategy for a well-established firm in the education market.

Another viable threat would be if education loan companies were to engage in their own related diversification by offering and developing their own applications. They can provide these products for free or at a low cost, enabling them to identify and target potential clients for their lucrative market. An example of this type of service is *educationplanner.org*, by American Education Services.

There are some very real opportunities for turning potential entrants into customers. An entrant that may consider developing its own planning or test preparation programs may be convinced to partner with firms that market these applications. Rather than the entrant spending its money developing another application, it may be convinced to fund (sponsor) the application for a jurisdiction. This will be explored further in the recommendation chapter.

2.2.5 Substitutes (The threat is medium)

The most significant substitute threat derives from potential customers using nothing at all. Although this is highly unlikely, it could be considered as “low-lying fruit” for administrators looking to reduce their budgets. If a school district administrator has to decide between fuel for the school bus or a furnace and buying career planning programs or test preparation software, the easy decision would be to eliminate the applications. Potential customers may also use a few free resources, such as *educationplanner.org*, and others available on the Internet.

An unlikely but possible threat is one where customers start using paper-based products. This option would actually cost more than the electronic options and these products are more complicated for purposes of consolidation, reporting, and follow-up.

2.2.6 Overall Assessment

At present, this is not an attractive market. It requires selling products that are considered non-essential to government organizations that are constantly belt-tightening.

To succeed, a firm needs to have a strong reputation, access to decision-makers, a product that meets strict industry standards, and a product that the end users will want to use.

A limiting factor to growth in revenues and profits is the current marketing, sales and distribution methods deployed by the industry. This inefficient sales process results in lower priced digital products being serviced by a very costly traditional model. Overall, the industry is

experiencing lower revenues and fairly constant expenses, resulting in lower profits. This is reflected by the education indices: the K-12 market fell by 6.4 percent in 2005 while the NYSE composite index was up 12 percent and the NASDAQ composite index was up 13 percent for the same period.³⁴

On the other hand, the federal government in the U.S. is being lobbied towards making career development an essential component of graduation. Policy makers are being informed about early intervention through goal setting and planning and its benefits to society. This type of action would have a tremendous effect on stimulating the industry.

The industry is about to experience a paradigm shift as the SLOs increase their involvement and prominence in the industry. It appears that SLOs are finally willing to use some of their large outreach budgets to sponsor (fund) these services. SLOs receive value by supplying the product to the user base as a form of exposing users to their services. Quite simply, planning products enable these organizations to offer their products directly to their target customers. The SLOs' need to target their services to students and their parents makes this an exciting new market opportunity for the career planning industry.

The future outlook for the career development industry is a lot brighter. Industry consolidation of this fragmented industry will result in obvious scale efficiencies³⁵ and potential marketing synergies.³⁶ Consolidation would rationalize fixed costs, such as marketing, accounting, and other administration costs, through economies of scale.³⁷ The industry also uses direct personal marketing model to sell at the individual school level. This current process is inefficient and costly. A typical organization can absorb another of equal size while reducing total

³⁴ Source: Baird Class notes Education Services 2005 year in review, January 10, 2006.

³⁵ Efficiencies of "Economies of Scale"

³⁶ Marketing synergies refer to the complementary nature of two or more products such that success on one product can lead to success of the other thus benefiting from "Economies of Scope".

³⁷ Economies of Scale is an economic term referring to the decreased per unit cost as output increases, resulting from the dispersal of overhead or fixed cost over a larger quantity.

costs by over 30 percent. This could be accomplished by rationalizing technology, sales forces, accounting departments, executives, and other redundant staff.

Consolidation would be very beneficial to the industry since customers are geographically divided and there is little concern about cannibalization of markets³⁸ between the two partners. In addition to scale effects, marketing synergies may also be derived through cross-selling of complementary products of consolidating firms; in other words, economies of scope.³⁹ The strategic value of such complementary firms will be further magnified by the scale effects achieved by the integration of a new customer base into an existing operation. The nature of the technology-based products means that none of the rivals are operating at the minimum scale.

At their most basic level, career development products are nothing more than sophisticated search engines. In view of that fact, the industry must consider how Web-based search tools are marketed and adopt that model. This appears to be the direction this industry is heading and the recommendation section will expand on how to employ these methods.

2.2.7 Key Success Factors

There are two major success factors for firms competing in this industry. With customer's perceiving little or no difference between the rivals' products, the first key success factor is service, or more precisely the relationship with key decision-makers. The successful firms provide a product that meets the basic requirements at a competitive price. They depend on their relationships with customers and use the customer's power to defend against rivals and maintain their market share.

³⁸ Cannibalization of Market describes the loss of revenue of one product by a lower priced product from the same firm.

³⁹ Economies of scope refer to efficiencies primarily associated with increasing or decreasing the scope of marketing and distribution, of different types of products.

Each market has renegades that utilize a competitive product, but price incentives offered by entrants do not last and eventually these renegades conform to the adopted standard. Generally, the competitive advantage is maintained by membership and involvement in the key industry and lobbying associations by each rival firm's executives.

Bridges' customers in most states are very influential and are part of the network of career development professionals. Of great importance is the fact that Bridges is well-known by every decision-maker in the career counselling industry.

Bridges and its signature brand *Choices*® enjoys a strong reputation within the community. A 25-year history, strong products and the reputations of the key personnel, both internal and contractors, make Bridges a trusted name in the industry. A focus on interaction design has made its products known for their superior design and usability. Recent changes to the pricing matrix ensure that Bridges' quality products are now offered at a competitive price point.

Bridges' customer service team has a long history of serving the market and being responsive to its needs. There is a strong culture of "customer comes first" within the entire organization. The customers are defined as states/provinces, districts, schools, and students, the end users.

Bridges' Customer loyalty is best illustrated by customers' willingness to persevere during the 2004-2005 school year, when Bridges encountered serious reliability issues with its online product.

The second key success factor is cost containment. With intense rivalry and the customers' power, firms in this industry are constantly under pressures to compete on price. Being located in Kelowna has traditionally given Bridges the advantage of the "sunshine tax," which results in employees accepting lower wages for the desired Okanagan lifestyle. Kelowna

also has the benefit of lower rents than other parts of the country and an overall lower cost of living.

Bridges has managed to develop expertise in the managing and outsourcing of its information technology (IT) functions. Bridges' internal software development team has been able to establish world-class processes to develop and deliver the Web-based applications and content. These processes have allowed Bridges to refine its ability to adapt quickly and cost effectively to market demands by leveraging the outsourcing of development.

In addition to the cost-efficiencies recently designed into the development process, Bridges has also been able to develop and streamline the aggregation of career and college content. All of these efficiencies are contributing to Bridges ability to remain competitive.

Consolidation becomes even more attractive for firms that have dense geographic markets that can acquire competitors with more engaging products. The scale effects will further enable the new company to compete more competitively.

The most significant opportunity facing this industry is the new sponsorship customer segment. In addressing this new emerging market, rivals will have to become responsive. Sponsors are constantly demanding changes to the application to effectively promote their services. Adapting the application to engage users will test a competitor's ability to respond to users needs.

These customers are willing to subsidize or outright pay for their products for a specific region. In return for funding the products, these customers expect to promote their services to the users. Consequently the value proposition becomes a function of usage over access. Even if one firm has a state deal and its products can be accessed by a large user base, a competitor with

fewer sites but more usage offers sponsors a better value proposition. The sponsors are quickly discovering this correlation and are looking for partners that can drive usage.

A very lucrative opportunity exists for reputable firms with an attractive product that can deliver their service to the user base for no charge, thus driving high usage, and have all interested and qualified sponsors/advertisers pay for access to the users.

There are two main threats that will influence this industry. The first and most pressing is the declining funding for career planning and development products. The second is the threat of a disruptive technology that will revolutionize the industry. The industry's major weakness is the cost involved in the aggregation of data. It is only a matter of time that some firm radically transforms the aggregation process.

In closing, it is fair to say that the industry is about to exit an era of stagnation and decline. The opportunities presented in the form of technology, consolidation, restructuring, and new markets look bright. The success of the current lobbying efforts would only enhance the industry prospects.

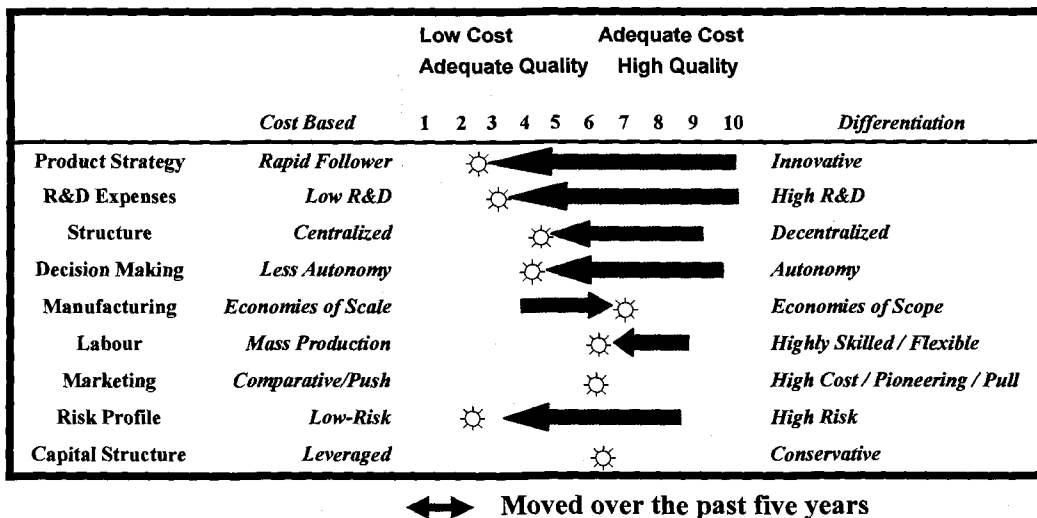
3 INTERNAL ANALYSIS

This chapter will focus on Bridges Transitions Inc. and its status within the career development market. The analysis will consider Bridges' strategic fit in relation to nine variables and a value chain analysis.

3.1 Strategic Fit

The following chart⁴⁰ graphically depicts Bridges Transitions Inc.'s strategic fit relative to the nine variables: Product Strategy; R&D Expenses; Structure; Decision Making; Manufacturing; Labour; Marketing; Risk Profile; and Capital Structure.

3.1.1 Strategic Fit Chart



The arrows indicate major shifts in strategy post merger that reflect the company's movement from a differentiation strategy to a low cost. The driver for this shift was a cash flow crisis in fiscal 2003 detailed in the first chapter. The suddenness of this survival tactic by the company left both staff and customers unprepared for the consequences. The customers that had

⁴⁰ (adapted from Bukszar (2006) with permission)

become accustomed to a certain level of support and service were now encountering unexpected delays. Salespeople, unaware of the implications of this low-cost strategy, were continuing to reinforce their customers' traditional expectations. Because of the reduction in support staffing levels, the service expectation could not be met. This confusion in strategic directions resulted in customer frustration and the loss of some major accounts.

Even to this day, Bridges' strategy is unclear. Though most indicators point towards a low-cost strategy, the funding problems faced by the traditional customers and the impending changes in the market require the adoption of a differentiated strategy.

The following will discuss each of the strategic fit variables' past and current positions and will examine what strategy is appropriate for the future.

3.1.2 Product Strategy

Careerware was seen as a highly innovative company and was considered a leader in the industry by continuously developing products that incorporated the leading-edge technology and principles in student counselling. Immediately after the merger, Bridges attempted to maintain this strategy by encouraging continuation of memberships in all the industry associations, to ensure that Careerware/Bridges always had access to the latest knowledge in this sector.

Unfortunately, due to the rise of the Canadian dollar (relative to the U.S. dollar)⁴¹ and other market conditions, Bridges was unable to maintain its leadership position. Bridges quickly found itself lagging the market by approximately one year, for two primary reasons: firstly, the lack of a multilingual product; and secondly, the deterioration of the content due to a lack of

⁴¹ In 2000, the exchange rate between the Canadian and U.S. dollar was \$1.40 CDN for \$1.00 US; in 2005 the rate is \$1.16 CDN for \$1.00 US. This represents a 17 percent decrease, resulting in a loss of \$2,400,000 in revenue.

quality assurance staff. Bridges is in the unenviable position of becoming a rapid follower⁴² in its core market. In the past year, however, Bridges stopped losing market share with the development of the 7.0 release and is primed to return to the leadership position.

Bridges is attempting to make up lost revenue by supplying other products, like SAT test prep, to its market but to this point, it is merely another rapid follower.

As traditional purchasers experience declines in their funding, Bridges has started to rely on SLOs and other sponsors to pay for its products. These new customers are demanding changes to the core products to link them back to their sites. In some cases, they want to be able to target users that meet a specific profile. These changes will require costly capital investment to the core products.

These same customers require increased traffic to the sites to justify their investment. This means that the products have to be constantly enhanced to entice users to use them. This is another costly exercise in product development. In other words, these new customer segments will require new innovative products to drive usage.

3.1.3 R&D Expenses

Bridges' deteriorating financial situation has had an adverse effect on the research and development investments. The product development staff has been reduced by 70 percent since the merger and overall R&D costs have been reduced by 50 percent. The result has been a deterioration of the product features, which consequently led to a decline in revenue, forcing the company to cut all expenses including R&D. This situation is commonly referred to as the death spiral.

⁴² A Rapid Follower Strategy is typically used by firms that rely less on innovating new products but rather rapidly copying the innovations of other firms; typically associated with a low-cost strategy.

R&D at Bridges is the domain of both the marketing and product development teams and has four aspects: *technology, content, career counselling logic*⁴³ and *user interface*.⁴⁴ Each of these aspects requires a specific expertise. Certain customers have been involved in the design and testing, but Bridges rarely uses non-customers or prospects for this function. Products often tend to meet the needs of the most loyal customers but are not necessarily appealing to new prospects.

Technology is the simplest of the aspects and encompasses the investigation and utilization of leading-edge Web presentation tools and database systems. The user interface and response time must be appealing and captivating to teenagers, who have a very short attention span. Bridges also requires a level of reliability that rivals that of stock exchanges. It becomes very awkward when a counsellor plans a class to instruct students to use the application and the program is unavailable due to technical or other difficulties.

Content is continuously being updated and edited for presentation. Bridges employs freelance writers and editors who ensure the articles are timely and targeted at the audience. *Choices*[®] content is considered the most comprehensive in the industry by industry experts. In the past, Bridges was known for its fresh and interesting content. Reductions in R&D expenses have resulted in a lower percentage of original content and a higher percentage of reused/recycled content⁴⁵ in the systems.

Bridges' products use a proprietary set of matching algorithms or counselling logic that links a student's attributes to potential occupations. Bridges has always tried to differentiate itself

⁴³ Counselling logic is derived from the categorization of the characteristics of occupations and the corresponding human characteristics that an algorithm uses to match students to an occupation. For example, a service sector job has a high social requirement and would be categorized as such. A student with high social characteristics may be interested in this type of job and counselling logic algorithm would offer this occupation as a possible fit.

⁴⁴ A User Interface is the screen that users navigate when working on computers.

⁴⁵ Content is often reused with minor updating as it becomes relevant because of current events or time of year; for example, Halloween, Christmas or government elections.

by stating that its algorithms and assessment tools strictly adhere to industry standards; they are “validated.” For example, the algorithms that perform the matching are engineered by a committee of occupational analysts, professional counsellors, academics, and other industry experts. All are members of industry associations that define the standards by which the entire industry must adhere. In theory, the matching algorithms are supposed to be more accurate and therefore more valuable to the customer.

Recently, the cost-sensitive segment of the market has ignored the value of Bridges’ “validated” assessments and has voted to purchase based on price. Bridges has reacted to this and has put less emphasis on the algorithms and the user interface.

The most innovative aspects of Bridges’ products are the interfaces (screens). Another way Bridges has tried to differentiate itself is by making the interfaces user-friendly and appealing to the target users. During the lean years, functionality and appeal were forfeited for “quick and dirty” solutions. This resulted in declining use of the products. In the last year, Bridges has implemented formal software development practices that have improved its products and stopped the declining use.

The customers in this new sponsorship market are demanding high usage to justify their expense. For Bridges to drive usage they must attract users by offering appealing products that are easy to use, accurate, and fast. In order to meet these requirements Bridges will need to increase R&D spending.

3.1.4 Structure

It is in “structure” where the first cultural clash between the two organizations, Bridges and Careerware, was felt. Careerware was a very small subsidiary of IBM, a large multinational organization, and was accustomed to a decentralized structure. It made its own decisions about

product development, marketing, and sales. In fact, its sales team was field-based and rarely if ever were monitored other than by a reporting of the annual sales results. R&D was collaborative and involved the customers and industry experts with little input from the company managers. Life was good under the radar.

Bridges, on the other hand, was very centralized, with the two founders closely monitoring all aspects of the operation. Its sales force was based in the Kelowna office and was little more than a telemarketing operation. E-commerce was an important component of managing the sales process under a centralized control model. R&D, like almost every other part of the operation, was primarily the domain of the founders and their impressions of best practices.

Careerware's customers were accustomed to seeing their account managers in their offices regularly. After the merger, Bridges restructured the sales force by dividing it into two teams: internal and external. This change had two objectives: for one, it meant the customers had multiple points of contact, ensuring that customers were well looked after; secondly, it was an attempt to monitor the activities of the external sales force.

The restructuring led to confusion on the part of employees, customers, and the industry. The salespeople started to blame each other for interfering with the sales process. The customers were confused by different messages and occasionally annoyed to hear from someone other than the account manager with whom they were familiar, thereby resulting in lost sales. The industry was confused because Bridges' leaders were presenting two different visions.

Recently, Bridges' management realized that a decentralized sales force is more effective based on its existing customer base. The process of reorganizing the sales force towards a field-based model is ongoing. Other options are being considered to address the various customer tiers. The concept being discussed is to provide dedicated field account managers for the larger

customers, while servicing the smaller, single site customers through a centralized telemarketing team.

It is expected that this model would have to change again once the emphasis is moved from selling to education institutions toward selling to SLOs and site sponsors.

All other aspects of the operations, such as R&D and product development, are still primarily centrally controlled. The size of the operation dictates that this would be the most efficient model. On the other hand, the company could reduce overhead by promoting telecommuting. This option would require developing processes to effectively manage remote staff. However, decentralizing operational functions would enable the company to retain the tacit knowledge while allowing its workers maximum flexibility.

Recently, the product development team established relationships with offshore developers in India. This relationship presents Bridges with an opportunity to quickly expand its development and quality assurance (QA) staff in response to changing market conditions.

3.1.5 Decision Making

Bridges has been going through a transition period for nearly five years. The company's revenues are in decline and the technical difficulties experienced in late 2004 and early 2005 prolonged the transition period. In times of uncertainty, most companies centralize their decision making, and Bridges is no exception. John Simmons, the CEO,⁴⁶ was forced to continue his involvement in most decisions. As the company starts to stabilize both technically and financially, the CEO is able to back off from his day-to-day involvement and return his focus to more strategic matters.

⁴⁶ John Simmons became Bridges CEO in 2002, replacing Doug Manning. Mr. Simmons was the board chair and was asked by the board to take the CEO position to step in and control spending, which at the time was out of control.

Budgeting is another ineffective process due to of the lack of autonomy and accountability. The current process requires managers to work with their staff to determine the revenue and expense forecasts for their respective departments. The accounting department then consolidates those forecasts. From there, the executive team reviews the forecasts and changes them accordingly, in an effort to target an acceptable EBIDTA. Finally, after Board of Directors approval, the executive team is tasked to execute the plan. This method removes responsibility from the operators, as they cannot be held accountable for forecasts modified by the executives.

All product feature development is managed by a steering committee of executives and some other key staff members.⁴⁷ The process requires developing a concept, defining requirements, making a preliminary design, and estimating and building a business plan before it is brought forward to the steering committee. It is at this level that the concept is evaluated and typically most decisions are made based on cost. Occasionally, the CEO has been known to overrule the steering committee's decision. This makes development of new features an arduous task, which can limit the organization's ability to react to market demands.

As Bridges addresses the new market opportunities, the decision process needs to be distributed closer to the customer touch points.⁴⁸ This will require a complete bottom-up approach to budgeting and decision making with full accountability by the operators. This will enable Bridges to become far more responsive and accountable.

3.1.6 Manufacturing

Bridges' version of manufacturing is software development or, more recently, integrating third party applications into the standard platform.

⁴⁷ The product steering committee is chaired by the product manager and includes a business analyst and project manager in addition to the executive members.

⁴⁸ Customer Touch Points defines any time a customer comes in contact with the customer such as, face-to-face, phone call, email web site or even marketing material.

Manufacturing under Careerware was simply a process of customizing a base product. School districts, states, or provinces would receive their customized version of the application on their preferred media (tape, diskette, CD, etc.). Prior to modifying the application, customers would submit their customized data, which was required to augment the generic national data. This data would be expected to adhere to industry standards, but if it did not, Careerware would “clean it up” without charge. Since each version was, for all intents and purposes, a separate product, the manufacturing used an “economies of scope” process.

Bridges’ products consisted of one-size-fits-all Web pages. Students logged on and saw whatever data the content department had prepared for that occupation or what they were able to find about the post-secondary institutions. Customers had little or no say in what was offered to them. Bridges used an “economies of scale” model.

After the merger, Bridges decided to deploy the *Choices*® product online. This required a very large capital investment and an equally large effort by the development team. Once the decision was made to build the product, management had to decide who would do the work. The Careerware staff had all the product knowledge but had little or no experience developing Web applications. Based purely on the development experience, it was decided to use Bridges’ development staff. Bridges’ programmers developed the new online product with a one-size-fits-all framework, migrating the economies of scope product to one using their economies of scale process.

The concept had some merit, especially since the new strategy had the company moving towards a cost-based model. Unfortunately, as with previous merger transition management processes, this was poorly executed. The result was a disaster and the company is still suffering the consequences of this action.

In short, the manufacturing strategy has been in disarray. Bridges is trying to use economies of scale, but the customers are expecting customization. This lack of clear strategy is causing a great deal of tension and conflict within the development and delivery department.

Recently, the company started developing new products and delivering them over the same infrastructure. Changes in the target market will necessitate further movement towards customization. This will require giving the developers templates that simplify the customization process, moving the manufacturing process towards the benefits of scope effects.

3.1.7 Labour

Once again, the clash of cultures and methodology is evident. Bridges, being located in Kelowna, has always benefited from the “sunshine tax” where people will take lower compensation for the preferred lifestyle. As such, the original Bridges employees tended to be more laid-back and enjoyed working in a company with an altruistic cause. Almost counter-intuitively, they also had an entrepreneurial spirit. They were eager to take risks to improve the product, for altruistic reasons. These risks often resulted in increased appeal, usage and ultimately revenues.

Although the staff members are highly skilled, in that they use very advanced tools, they have a tendency to work like a mass production workforce. For example, the data integration and development process could be more automated, but they have traditionally operated in a highly labour-intensive way. Staff members in these departments are not encouraged to use their sophisticated tools to automate and streamline their tasks.

Careerware, on the other hand, as part of IBM, had fairly generous compensation packages for its staff. Its people, some with over 20 years in the company, were very well paid. Unfortunately, the years at IBM had dulled their entrepreneurial spirit and the culture of “staying

under the radar” was prevalent throughout the organization. Careerware’s staff members were highly skilled with the flexibility that is associated with a highly differentiated marketer.

After the merger and the decision to develop the *Choices*® online product in Kelowna, many of the higher priced talent from Careerware were packaged out.⁴⁹ With fewer flexible employees, Bridges has shifted slightly down the scale towards the lower end, meaning more mass production oriented.

The quandary now is that if Bridges provides the level of service and quality expected from its customers, it would have to hire more technical people, elevating the overall skill level and consequently labour costs. If it elevates its labour costs, it will be unable to continue operating with its existing revenue.

As the target markets change towards the SLOs and sponsors, the labour practices will also need to change by adding more highly skilled employees. Also, products will need to be reengineered to utilize templates and themes in an effort to address the high customization needs of this market.

3.1.8 Marketing

Bridges’ marketing was similar to Careerware’s, as both organizations deployed a “pull” marketing strategy.⁵⁰ The current marketing tactics deployed are face-to-face encounters in one-on-one sessions or at conferences; direct mailing of promotional and educational materials; and awareness through published white papers and research. Telephone marketing is only deployed for the smallest customer accounts.

⁴⁹ Packaged out refers to the severance packages offered to employees who are terminated without cause. Bridges closed down the Careerware Ottawa office, resulting in the termination of 60 employees.

⁵⁰ The American Marketing Association defines “pull” marketing” as: The communications and promotional activities by the marketer to persuade consumers to request specific products or brands from retail channel members.

Several of the company's executives are highly regarded in the industry and are often invited to present at conferences, occasionally as keynote speakers. This is a very important component of the marketing strategy as a key industry success factor is reputational capital.⁵¹

The company has a very creative marketing team but would probably not be labelled as "pioneering." Overall, Bridges has a significant positive mind-share in the industry, although the image has taken a hit in the past couple of years.

Marketing is also responsible for controlling product development, although the centralized and non-autonomous nature of the department ensures it often gets overruled on product issues.

Overall, the marketing efforts come at a very high cost due to the travel expenses associated with the face-to-face strategy. Although not to the same extent, the other strategies are also costly: mailing promotional material, conducting research and writing white papers.

Marketing is the only area that has been fairly consistent through the merger and the only area in the company that appears to have remained effective throughout the transition process. However, the marketing strategy must also be evaluated against the needs of the new target market. Bridges will not be able to market to SLOs and other sponsors as it has to the schools.

Marketing will also be tasked with assisting the professional development (PD) department with increasing usage in the future by raising awareness of the PD team's role. The professional development team instructs counsellors on how properly to use the planning products to maximize their effectiveness.

⁵¹ Charles J. Fombrun, in his 1996 book, *Reputation: Realizing Value From the Corporate Image*, defines reputational capital as the market measure of the economic value of a company's corporate reputation.

3.1.9 Risk Profile

Bridges has traditionally been very conservative in its risk profile. It takes very few chances with any aspect of its operations. Under the IBM banner, Careerware took few chances lest it come into the radar of the parent company. Bridges during its infancy took some initial risk in building and maintaining its technical infrastructure. Unfortunately, the company underestimated the ongoing operational costs of that infrastructure, resulting in prohibitively high technology expenses. In 2004, Bridges decided to outsource the hosting of its technology to a U.S. hosting company. That one incident led Bridges to write off \$1,500,000 in assets as it sold off the majority of the infrastructure it had amassed.

Other than this one incident, Bridges has been a very risk-averse organization. This is also evident in its pricing strategy. Several years ago, Bridges was targeted by a new entrant. This new entrant recognized an opportunity created by loss of funding resulting from the sunset of the School to Work act. It had developed a lower quality product and was able to use a rapid skimming strategy to eat away at Bridges' market share. It took Bridges some time to react but once it was decided to retaliate, the action was quick and decisive. Bridges chose to lower its prices as a defensive measure rather than promote its more robust, higher quality product.

Bridges could have addressed the new entrant threat by using innovation. Either of the planning products could have been modified to provide the limited functionality of the entrant while meeting the lower price point. Instead, Bridges took the conservative approach and reduced prices.

The organization does not offer compensation incentives to promote one product over another. The risk that an account manager may favour selling one product over another is

considered unacceptable. Therefore, compensation remains constant regardless of the life cycle of the product; this makes it difficult for new products to get traction and gain some market share.

Risk aversion is also present in the product features. In order to gain industry acceptance, the product interfaces, although appealing and user-friendly, have been fairly standard. In order to drive usage, the primary requirement of SLOs and sponsors, the user interface will have to become exciting and fresh. Making the necessary changes to address these requirements will require a significant development investment. Consequently, the risk profile will have to change in order to address these market demands.

3.1.10 Capital Structure

As with the risk profile, Bridges has been fairly conservative in its approach to capital. The company has less than \$200,000 in debt, which is less than two percent of sales. None of the debt is secured against any asset. Bridges has over \$2,500,000 in the bank and the current assets comprise 50 percent of its total assets.

The company's policy is to buy everything without debt and the only lease it currently has is for its office space. Bridges also deploys a hedging strategy⁵² to manage foreign exchange.

The only aspect of Bridges' capital structure that may be considered as leveraged is its ownership structure. Bridges is a public company with high regulatory costs and a claim on future earnings by the shareholders.

The public equity vehicle⁵³ can be leveraged to finance a new business model. However, this new model would necessitate an aggressive business plan that would attract investors to this mature, small-cap company.⁵⁴ One of the recommendations will further describe this option.

⁵² In finance, an edge is an investment that is taken out specifically to reduce or cancel out the risk in another investment; in this case the risk of interest rates.

It must be noted that Bridges has never made a profit in its history and currently has negative equity position. However the company doesn't have a lot of debt outstanding as it pays for any capital and operating expenses out of cash-flows. Recently the company has invested heavily in product redevelopment and has been depleting its cash reserves. Consequently, with little in the way of cash or cash equivalents, Bridges is unable to finance significant changes or innovations in support of a differentiated strategy.

3.1.11 Conclusion

Bridges Transitions Inc.'s strategic fit can only be categorized as "all over the place." This may be due to the company's financial situation, the poor change management process, the lack of cohesion in the corporate strategy or just timing in that they are not through the change management process. However one looks at it, the company's strategic fit appears to be unsystematic.

The education industry is solidly entrenched in the communitarian worldview quadrant of the Wexler leadership model.⁵⁵ This is understandable, as the industry's primary objective is to educate and develop youth. In addition to a strong communitarian lean, there is an element of regulatory worldview style⁵⁶ as most leaders in this industry are principally concerned with the maintenance and control of the enormous education system. Bridges' current leadership has adopted a low-cost strategy that is more related to the highly competitive entrepreneurial worldview.⁵⁷ Bridges' non-management staff hail, for the most part, from the education industry and accordingly are at odds with the current strategy.

⁵³ The term Public Equity Vehicle is used to describe the method firms would use to raise capital by selling shares in their company to investors.

⁵⁴ Small-cap refers: Refers to stocks with a relatively small market capitalization. The definition of small cap can vary among brokerages, but generally it is a company with a market capitalization of under and \$2 billion.

⁵⁵ Wexler, Mark N. (2005) "Leadership in Context: The Four Faces of Capitalism"

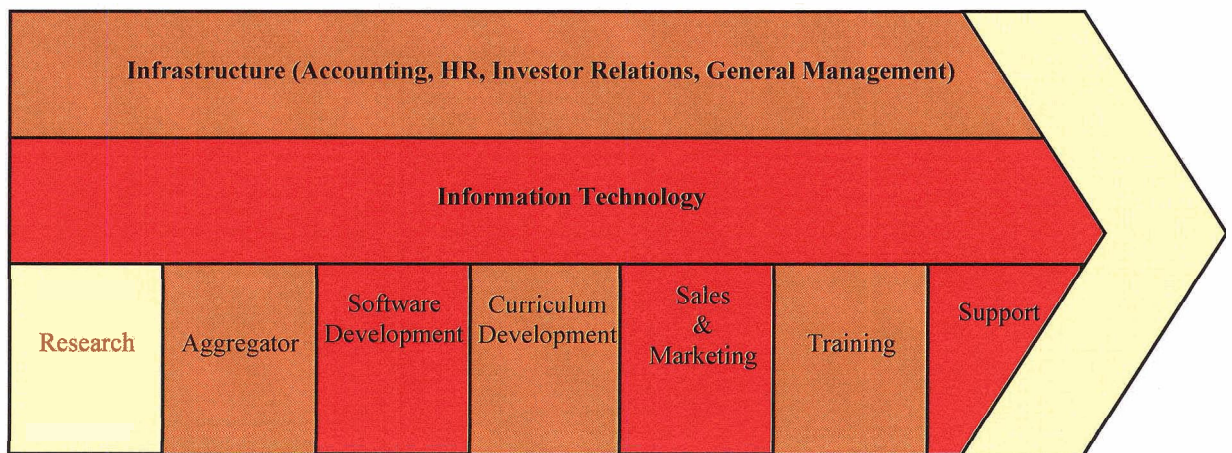
⁵⁶ Ibid

⁵⁷ Ibid

3.2 Bridges Value Chain

Chapter two presented an analysis of the industry value chain. This section will analyze the Bridges value chain and identify opportunities that can be exploited or threats that may be pre-empted. The following figure is based on Porter’s value chain model and illustrates the value chain functions and their significance in Bridges’ operation.

Figure 3-1 Bridges Value Chain at a Glance



Bridges Value Chain Legend - ■ *critical* ■ *moderate* ■ *low*

3.2.1 Research

Bridges conducts research on specific data and processes to differentiate itself from the other competitors in the market.

Data: Often, data is not readily available or is incomplete from the regular suppliers. Government or quasi-government researchers may not gather the same level of detail required for the Bridges application. Trade and industry associations, which conduct some of the research, will often only include information from its members. This process would then omit pertinent and important information for the end user. Bridges also develops its own content for the Canadian market and for the *Choices® Explorer* product that is targeted at the middle school

market. These requests come from users that are looking for specific occupations for which there are currently no descriptions available. Customers also gather data either directly through the board of education, or indirectly through government, labour or other agencies.

Bridges used to perform much more data research, especially in the Canadian market where there are few firms that gather such information. As a result of the cutbacks and staff reductions, and due to the ever-changing nature of the school and occupations data, Bridges is experiencing data quality issues.

Curriculum: Bridges does research on the cause and effect of its tools. This research assists educational authorities to assess the effectiveness of its programs relative to the objectives. For example, Bridges' President Doug Manning is working with the University of Massachusetts on early education career planning's effectiveness on graduation rates. The theory is that the earlier children discover a field of interest, the more likely they would be to stay in school as a pathway to achieving their goals. The benefit of this research project over previous ones is that this project monitors the subjects through the entire education term. This allows the researchers to monitor the subjects' changing interests as they progress and mature. If the theory is proven, educational institutions will be encouraged to provide career and education counselling products earlier in the child's education, and to keep a record of the child's progress in the form of a portfolio.

In addition to serving the collective education market and industry, Bridges' reputation is enhanced by its link to Mr. Manning's research.

Test Prep: Bridges, as the reseller of *TestGear*[™], does not conduct any research for the test prep application. If Bridges were to acquire the rights to this product, it would have to reconsider its involvement in test prep research.

3.2.2 Aggregate

For the most part, Bridges acquires information from contracted individuals, although some information comes from public or private aggregation firms. These include: Peterson's, which provides national U.S. college information; Ms. Eleanor Dietrich, a professional consultant who cleanses, codifies and remaps data from O*NET (a U.S. occupational network); CollegeNet, a private firm that provides admission and scholarship information; state and provincial agencies that license educational institutions; and educational standards organizations such as ASCA.⁵⁸

Without aggregation, the data gathered by the research organizations would be cumbersome to sift through for users. Bridges also acts as an aggregator primarily for the data and research it provides. Unlike the research and data collection, this aggregation effort is not shared with the industry other than through the software application. This is considered a competitive advantage as it offers the *Choices*® product a larger and more accurate database.

Most of the magic in the career development industry takes place in the aggregation function. Bridges' occupations database originates from the O*NET (U.S.) and NOC (Canadian) databases. Government sources categorize the data based on knowledge, skills, abilities, interests, and work values. However, this classification of occupations is still rudimentary and inadequate for advanced searching. Occupational professionals reclassify and codify based on a variety of psychometrics and personality criteria. For example, they will map occupations to Dr. John Holland's RIASEC coding system.

Although the initial mappings of the personal and occupational attributes are the domain of the experts, the mapping of the occupations to post-secondary institutions can be done by anyone. This arduous and tedious task requires only rudimentary knowledge of data

⁵⁸ The American School Counseling Association's mission is to represent professional school counsellors and to promote professionalism and ethical practices. See: <http://www.schoolcounselor.org>

manipulation tools such as MS Excel™ or MS Access™.⁵⁹ Universities frequently add, modify or delete programs as they fine-tune them to meet the world's ever-changing needs.

Job requirements are also changing and must be reconciled to ensure that users are using the latest information in their planning process. Technology, government policy, and socio-political and environmental changes all influence the evolution of occupations.

Criteria for scholarships, bursaries and education loans also change. Financial planning is a big part of the overall education plan. Mapping financial aid to fields of study is the most labour-intensive task in the entire aggregation process. Bridges does not perform any of the financial aid aggregation. It is assumed that the information is comprehensive and accurate, whether purchased from College Pro or Peterson's, or provided by certain customers with state deals.⁶⁰

Bridges aggregates and codifies the state-specific information of its state or major district customers. These services are typically included as part of the original contract. Larger educational buyers want to enrich their jurisdiction's data beyond that provided by the national suppliers. Such customization is only made to planning data. Bridges does not do any aggregation for the test prep application as this application is delivered in its entirety by the vendor.

Bridges plays a relatively small role in directly aggregating most of the content for the applications and relies primarily on vendors or contractors to perform this function. This outsourcing affiliation has three main benefits: it reduces the need to have occupational professionals on staff; Bridges benefits from the knowledge and input of various professionals;

⁵⁹ MS Excel™ and MS Access™ are products of Microsoft Corporation of Seattle, Washington.

⁶⁰ State deals are contracts with an entire state, such as Florida, to provide career planning products and services for that state. These typically will include some customization that has been requested by the state.

and Bridges is able to leverage the specialists' reputational capital. This is a significant aspect of Bridges' competitive advantage and a major component of the company's value chain.

The high costs of collecting and integrating data are incurred on an annual basis in the way of labour costs. Labour costs, incurred in Canadian dollars, have not declined in step with revenues, which come primarily from the United States.

These technical costs may seem to be an industry barrier; however, the specifics of how other firms manage their data is unknown and therefore it cannot be assumed that they experience the same inefficiencies. Competitors may utilize one of a number of readily available content management systems to maintain their data more efficiently.

Bridges has been able to retain its high product quality because it has outsourced the aggregation function. In fact, efficiencies have been realized because outsourcing has led to competition for this function.

3.2.3 Software Development

Software development is where most of Bridges' resources are focused today. Bridges has a reputation going back 25 years to the Careerware days of supplying the most comprehensive and user-friendly applications in the industry. Best known for superior user interfaces, Bridges' algorithms produce the most accurate returns as judged by industry pundits.

The planning applications branded *Choices® Explorer* and *Choices® Planner* allow users to explore careers and to establish plans to achieve their goals. The applications take users through a series of assessments to establish their skills, abilities, and interests.

Bridges' planning software offers users eight different assessments, the most in the industry. Some customers consider this number of assessments a major product feature while others see it as a drawback. Building assessments was a fairly simple process. The application

shows the user a series of multiple-choice questions from which he chooses the response that best describes his ability, interest, or feeling.

The responses are mapped against specific psychometric criteria, such as the RIASEC code. The software builds a string array⁶¹ of all of the attributes that define that user. That string array is then correlated against the string array of the occupation. The application will then display all of the occupations that matched the criteria in the string array. The results are sorted from highest to lowest based on how closely they met the criteria.

The uniqueness of Bridges' offerings is both the number and type of assessments. For example, Bridges has the exclusive rights to market the *Learning Styles Inventory*TM assessment tool. Bridges has built or modified the assessment user interfaces for some assessments to enhance usability. This is done through designing a cleaner integration and presenting a common consistent theme throughout.

Recently, experts further refined these assessment tools by defining what is known as computer-adaptive algorithms.⁶² These algorithms are meant to reduce the time users spend in front of the screen, making it quicker for students with short attention spans while performing more accurate assessments. Bridges' products are unique in their ability to utilize these variable length user string arrays and thereby present more accurate results.

The accuracy of the results is validated by occupational experts against established industry standards. Bridges' products are often criticized for the large number of results that are displayed. This is because the application prioritizes all positive results based on the significance to the user's criteria. For example, if a user is identified as having creative tendencies, the

⁶¹ A string array is a series of characters (numbers and letters) where every character has a meaning based on its position within the series. String arrays are used to condense information and enable the use of Boolean logic in the decision-making process.

⁶² Computer Adaptive tests are computer based tests that determine subsequent questions based on answers to earlier ones.

application will display both actor and architect in the list of possible occupations. One will appear before the other based on other attributes, but both will show somewhere on the list.

Once users select and start to explore one or more occupations, they will inevitably look at the educational requirements. The application offers students the criteria from which to identify the most appropriate schools for their training. Price, location, entrance requirements, and extracurricular activities are the primary search criteria. The application already knows the program requirements to select based on the occupation requirements. For example, if a student wanted to be a veterinarian and required an 82 percent average, scored 1,000 on his SATs, had a limited budget, wanted to study in the Rocky Mountains, and liked archery, the application will display all schools that meet those criteria.

After users select one or more possible alternatives for their post-secondary education, they can look at financial aid plans. Financial aid is available for schools, fields of study, or other personal attributes such as race, sex, or other affiliation. For example, universities will give bursaries to visible minorities, women, or athletes. This may require submitting additional personal information to enable the program to identify the maximum number of options available for the users.

Bridges' applications are not only used for the career or education planning student. The counsellors and administrators also use Bridges' applications in the execution of their duties. Counsellors require the ability to follow the progress of their students and ensure they remain focused. Because of their busy schedules, they do not have the luxury of going through the entire process individually with each student. Counsellors will introduce the users to the application and then may expect the students to work on their own and come to them only when they have questions or require clarification.

Administrators require only summary information to determine if the school district is meeting the needs of the students. They must also determine if their institutions offer the appropriate number and type of classes based on the students' plans. Students explore and choose their desired occupational goals and establish their educational requirements to meet these goals. Bridges' reporting systems are able to aggregate, summarize, and report this data. The reports can be consolidated by school, district, state, or even national level. This is a valuable planning tool for administrators.

Bridges' current product development team is focused on designing features to attract career counsellors or school administrators. However, the resulting products are not necessarily engaging the students who ultimately drive usage. Consequently, the product development process must be balanced between: enhancements that appeal to the users to drive usage; features to monitor and manage usage to satisfy the administrators; and targeting models to maximize the effectiveness of sponsors' marketing campaigns and management reports to substantiate the cost.

In addition to the user interfaces discussed above, the software developers must build and maintain the tools to manage the database. The biggest single issue is the constantly changing data structure. As more information is captured and utilized by the matching algorithms, the more work is required to tweak the data management and integration tools.

The integration of the aggregated information into the database is a major obstacle that needs to be addressed on an annual basis by all firms. This was an area where Bridges' software development tools differentiated it from its competitors. This process of uploading all the information into the database was automated, enabling Bridges to reduce the overhead brought on by state customizations. The automation process was possible because the internal data aggregation team followed proprietary standards. However, when Bridges reduced the aggregation and integration staff and outsourced the process, it subsequently lost control of those

standards. For the nine months ending March 30, 2006, the cost of development to keep up with the industry changes was over \$400,000.

Bridges' role is now one of content manager. Unfortunately, the tools being used to manage the content are homegrown and require constant modification to adapt to the dynamic and volatile information structure delivered by Bridges' vendors. To deal with these issues, the company experienced higher editing and content management costs. To contend with these higher costs, Bridges should consider deploying an Enterprise Content Management (ECM) system and collaboration tool to rationalize the process. Another benefit of an ECM is the ability to more efficiently facilitate the management of distributed knowledge workers.⁶³

The richness and complexity of Bridges' products is its Achilles heel. By constantly adding more and more assessments and more complex algorithms, the application is becoming more difficult to use and manage. It requires constant tuning to stay on top of the changes to the application and data. This adds to the cost of the application, either through direct maintenance or indirect R&D costs.

The value to the customers is the packaging of accurate information and the presentation of that information in a comprehensive user-friendly series of screens. The application both delivers and monitors the objectives of the career counselling programs and reports on its overall effectiveness.

Because of the specialized nature of the application, software development has traditionally been a competitive advantage for Bridges. Recent cutbacks in this workforce and

⁶³ Knowledge Worker as a term was coined by Peter Drucker in 1959, and is one who works primarily with information or one who develops and uses knowledge in the workplace. Distributed refers to worker who most often work remotely.

poor change management during the four-year integration of Careerware and Bridges have resulted in the degradation of quality and product reliability.

Deploying ECM tools is an area of opportunity within the software development element. By migrating to an ECM tool set, Bridges can reduce its ongoing development costs while increasing the flexibility and reliability of its products. ECM can harness the power of the user community and the collective intelligence to maintain and manage the vast content repository. In time, Bridges can integrate the researchers, aggregators, curriculum developers, and customers into a large connected community.

Bridges' current proprietary applications have several shortcomings adding to the cost inefficiencies. First, there is the issue of the multiple code-bases that require ongoing costly maintenance. The proprietary identity management system is expensive to integrate with third party applications sold by Bridges. This becomes an issue when dealing with schools that use an integrated SIS.

Maintaining the various code-bases is another component of Bridges' high technical costs. Currently *Choices® Explorer*, *Choices® Planner US* and *Choices® Planner Canada* exist as three different and distinct code-bases. Changes identified in one application that need to be replicated in the others require three separate manual modifications and the processes required to deploy them. Data is also impacted by this aberration, as each application evolved to have its own database.

In the future, Bridges' value would be as a portal of information and not as a software development shop. Bridges is a knowledge company; it is a virtual clearinghouse of information. Data is collected, codified and presented to users searching for information in a consistent and user-friendly environment. This is no different than any Internet search engine or online encyclopaedia.

3.2.4 Curriculum Development

Every year, counsellors, like other teachers, plan their classes in advance of the school year. For the most part, their objectives remain the same but the techniques or tools they use will change. For those counsellors who use the *Choices*® planning products, Bridges plays a small but very important role in the curriculum development process. Bridges' professional development department adapts the prescribed curriculum by constantly changing the tools the counsellors use in addition to researching and developing new techniques.

Bridges offers the pre-prepared curriculum to the market so that counsellors can take advantage of the latest delivery techniques and the new features of the application. The industry association-approved curriculum is comprehensive and ensures the user is taken through all the critical components of the career and education planning process. The value to the counsellor and the administration is twofold: first, they save time because their curriculum planning is done for them; and second, their curriculum planning is completed sooner since they did not have to spend time thoroughly examining the application before developing their own plans.

3.2.5 Sales and Marketing

Bridges has split the sales and marketing elements into two separate teams. Marketing is focused on requirements gathering (market analysis), product planning, lead generation and brand management.⁶⁴ The sales team is charged with taking prospects through the pipeline, closing business and then fostering the ongoing relationship with that customer.

Bridges does not have a prescribed sales process that is followed. Account managers are evaluated based on their annual targets. They will get their leads through various sources: "click-throughs" from the Web sites that have first been qualified by the marketing department; leads generated through face-to-face encounters at trade show and contest entry forms; personal

⁶⁴ Lead Generation is a marketing process deployed with the objective of identifying prospective buyers for a firm's products or services.

networking; and finally referrals. Some cold calling does take place but has proven to be a very inefficient process.

Recently, Bridges has increasingly been included in Request For Proposal (RFP) distributions from large school districts or states. This is a result of a successful marketing campaign and increased attendance at various association gatherings attended by decision-makers from this market segment.

The account manager's compensation consists of a small base salary plus commissions based on nine percent of the invoiced totals, less refunds. Starting on the following month after a customer is invoiced, the account manager is paid one-12th of the nine percent for the next 12 months. If a customer subscribes for \$6,667 worth of services in June, the account manager will be paid \$50 per month for the next 12 months, for a total of \$600. If the customer renews for another year, the account manager will continue to get paid that same commission rate for another year.

Marketing: Customer input comes from three basic areas: the industry by means of published research; the customers by either deliberate or ad-hoc input; and finally Bridges' own internal resources and experts, most of whom gather feedback from various industry associations. Each year Bridges hosts a key client conference where customers get a chance to give direct feedback on the products and services offered. At these sessions, clients contribute to the final fine-tuning of the final deliverables. These sessions take place in late April to allow the development team to make any approved recommendations in time for the next school year.

The marketing team also manages Bridges' appearances at trade shows and at association conferences. Marketing also manages lead generation that is accomplished by mass or direct marketing. This year to date (July '05 – March '06), marketing has conducted 18 campaigns that

have produced 168,000 digital impressions, resulting in 4,200 unique views (click-throughs), 1,300 requests for information; and 420 leads.

Marketing campaigns are primarily conducted through e-mail or traditional mail channels. The collateral will give a teaser to hook (intrigue) the target audience. It will persuade the potential customers to act by directing them to a Web site for more information. This is what marketing refers to as a “unique view” or “click-through.” The Web site will ask interested users to initiate a request for more information, making them a prospective customer or “prospect.” It is at this point that a prospect is qualified by the marketing group and is either forwarded to the sales team or dropped. Dropping a prospect means it is put into the database for future reference but not pursued at that time.

Nationalism has always been a marketing obstacle for Bridges, as a Canadian-based company serving the U.S. school market. Bridges’ account managers report that competitors have used Bridges’ head office location as a fear tactic, playing on a customer’s national pride.

Finally, marketing manages the launch of new releases of products. It coordinates the delivery of the software applications, training, and the sales programs, which include the incentives to customers and the sales force. If research is the egg, then delivery of the products and services is the chicken in the analogy.

In recent years, the sales team has been instrumental in lobbying the marketing team to revamp the pricing structure and lower the prices. Competition and market conditions have resulted in a downward price trend that has contributed to Bridges’ decreasing revenues. Marketing is currently addressing the pricing concerns in light of the emerging sponsorship market.

Table 3-1 Revenue and revenue per site

Planning Products	2000	2001	2002	2003	2004	2005	YTD Q3 2006
Sites	9,661	12,967	13,225	5,984	10,468	9,753	8,123
\$/site	912	939	940	849	1,109	10,22	955
Total in \$ '000	8,813	12,186	12,442	5,081	11,610	9,968	7,757

The marketing team is also responsible for conducting all customer research. Research is done primarily by surveying the customer and non-customer segments of the markets. The research is conducted either by third party research firms or by internal staff using online surveying tools.

Surveys are most often qualitative as well as quantitative and are used in a number of ways. Feedback is used to determine the marketing campaigns' success as well as determine product features. Marketing research is also instrumental in making the products attractive to the customers.

Sales: Sales' primary role is to maintain the relationship to ensure re-subscription and to attempt to move up the decision-making tree, with an objective of getting to the policy level decision-makers. Today, the overall sales costs to the organization account for approximately 12 percent of revenues.

Once leads are qualified, as described previously, they are taken through a sales process that can last up to five full years. This depends mostly on the size and complexity of the sale. Smaller sales, such as individual school sites and small districts, can be closed in anywhere from two days to one year depending on funding availability and the perceived value of the product. Larger sales depend mostly on budget cycles and the degree to which they follow a formal purchasing process. Some less formal sales require that the account manager establish a level of

credibility with the decision-maker that will earn him an opportunity to quote. This process can take anywhere from two to five years.

After a sale is made, account managers are expected to deepen the relationship with the customer by enticing them to use more of Bridges' products and services. This is a time-consuming process, but they are supported by a small sales administration team. This group of internal agents is tasked with renewing annual subscriptions and ensuring that customers are invoiced for the products and services to which they have subscribed. Account managers only get involved for face-to-face meetings or when issues arise.

Account managers are responsible for maintaining solid relationships with their top customers and prospects. This includes invitations to participate in company forums and local education industry association events.

Bridges has a very strong relationship with its customers despite the recent issues with data quality and systems reliability. The churn rate⁶⁵ in the past two years has only gone up slightly from a low average of 11 percent prior to 2005 to a high of 16 percent in 2005 and a return to 13 percent in 2006.

Technical support, unlike sales administration/support, is the domain of the product development and delivery team. This area falls under the support function and will be expanded upon in that section of the value chain analysis.

Unlike Bridges' other products that are sold by subscription, product and professional development training is sold like any seminar event. Customers can buy tickets online or through an account manager while trainers receive a set amount for the session. Attendees can buy their tickets from the trainer, their account manager or directly from the Web site. A commission is

⁶⁵ Churn rate is the percentage of customers that re-subscribe to a service or product once their subscription has lapsed.

paid to the account manager that hosts the event. Delivery of the training is described in more detail in the next section.

Bridges also has a VP of Business Development, who is tasked with developing emerging markets. The SLO, college and sponsorship markets are becoming more prominent in the industry and are increasing in importance to Bridges. As opportunities are identified through this function, the sales and marketing teams are involved in the process to close the sale. Selling to this market is new for Bridges and its account managers lack the experience to sell into these new markets. If Bridges is to succeed in this market segment, it will have to revamp its existing sales process. For example, Bridges will have to develop a new value statement and collateral material that will address the concerns of this market segment.

An area of opportunity that is developing is the sponsored site option. With the education system under downward budgetary pressures, it is unable or unwilling to continue to finance career planning tools. Loan guarantors have been prominent in stepping up to provide financial assistance to some of the have-not jurisdictions. It is thought that counselling and planning tools can be considered a form of an outreach program for colleges and financial institutions interested in enticing users to their services. It is for this reason the sales and marketing teams will now be targeting such institutions in future. Both teams are actively developing strategies to sell to these new markets.

The nationalism issue is expected to grow in importance with the decision-makers in the emerging markets. Trade organizations for the most part are typically communitarian and nationalistic in nature. Colleges are more likely to be unbiased, although their decision-makers may feel pressure from local competitors.

3.2.6 Training

Training is the principal mandate of the professional development team. Professional development is managed by the founder of Bridges, Doug Manning. Training is provided by Bridges through contract trainers that facilitate three types of curriculum: product training (using the Bridges product); curriculum training (best practices and new facilitation techniques) for career and education planning; and related topics as required by the clients or their educational administrators. The curriculum for the training sessions is for the most part developed by Doug Manning, while the remainder is developed by local educational experts.

Training has traditionally been delivered live, although more recently Bridges has started to deliver some of this training through the Web. The next phase of the product training will be delivered via embedded videos within the product. This feature will allow users to engage in self-paced learning.

The value that Bridges receives from the training element is mostly reputational capital. Bridges is seen as the expert in the industry and the professional development team's reputation makes the products desirable at the grassroots level.

3.2.7 Support

Bridges offers support for its entire suite of products, including Web training. Support, in the education industry, is the expected norm, and in Bridges' case, it is offered as part of the annual subscription.

Customers receive a product key from the sales administration staff, which the users enter into the application to activate it. From this point forward, the customer support team takes over supporting all customers: users may forget their passwords or how to use the product; counsellors may want assistance on how to use the reporting or management tools; administrators may want

to access or modify stock reports to meet their requirements; or anyone may want to call the support line to report a “bug” in the application or content.

The support function is the second most valuable value chain element. The cost of this function is less than \$200,000 CDN per year. This team handles thousands of customer calls annually and also supports QA efforts over the slower summer months. During the school year, the customer support team answers every customer call with the exception of those regarding the sales process. In surveys, this support function is often described as the customer’s most valuable service.

Bridges’ support costs are very low relative to the value the organization receives for the service provided. The customer service team has three full-time equivalents (FTEs), one-third of a full-time manager, and a small portion of a vice president. With this relatively lean group, the team communicates with over 2,000 customers and users a year.

3.2.8 Infrastructure Overhead

As stated earlier, Bridges has a very low infrastructure cost. The main supporting functions include accounting, human resources, and investor relations.

Accounting: This entire functional team reports to the Chief Financial Officer (CFO). The accounting department has a controller, an accounts payable clerk who also does credit collection, and one accountant who does all of the accounts receivable and accounting. Sales order processing is performed by the sales administration team, which reports directly to the executive in charge of sales. Human resources, payroll, and regulatory reporting functions are performed by one person. There is one other clerk on the accounting team whose primary role is asset tracking and general office management. Investor relations are the domain of the ex-CFO and current VP of Investor Relations.

Bridges' public company regulatory costs have increased tremendously in the post-Enron era.⁶⁶ The Sarbanes-Oxley (SOX) Act was introduced to provide legislative changes to financial practice and corporate governance regulation. Unfortunately, SOX compliance reporting has drastically increased costs, especially to small-cap companies like Bridges. In addition to the SOX and other compliance costs, Bridges also carries the overhead of two very experienced and high-powered executives whose knowledge and skills, at their own admission, are under-utilized at this time.

Despite the high regulatory costs, the currency exchange rate has had a greater impact on the organization as a whole. With 90 percent of the revenues coming from the U.S., every one percent change in the exchange rate represents \$100,000 (CDN). A decrease in the exchange rate from 1.65 to 1.20, over the past three years, has decreased annual revenues by \$4,500,000 (CDN).

Bridges today suffers from a lack of direction. The merger of the company led to the union of several key executives with differing visions. The merger was ineffective in unifying the management team in focusing their efforts on a common goal. As a result of the strong personalities involved, the company is unfortunately being pulled in different directions. This is best illustrated in the misalignment of Bridges' strategic fit. The fragmented direction has been further exacerbated by the perceived lack of long-term commitment by the CEO and CFO, who often work remotely.

The issues created by the problematic merger process and job losses resulting from migration to the low-cost strategy have left the staff stressed, cynical and resentful. Aggravating the feelings of low morale is the weak financial performance, most notably, the poor revenues. It would appear that most staff members have lost faith in their management.

⁶⁶ Enron Corporation is an American energy company based in Houston, Texas, that went bankrupt in late 2001 when it was revealed that its financial condition was sustained mostly by institutionalized, systematic, and creatively planned accounting fraud, which led to the passing of the Sarbanes-Oxley Act.

This lack of direction together with the company's performance issues has resulted in the executives drawing upon their individual experience and knowledge to find solutions. Unfortunately, the solutions they arrive at are not always aligned to a common objective.

Bridges is currently operating under the three-pronged strategy of "retain, deepen, and extend." The vagueness of these sub-strategies has resulted in their misinterpretation by some executives, which has allowed them to advance their personal vision and agendas. Other executives are taking a more conservative approach and are focusing on the term "retain," applying all their efforts to maintaining the current customer base. Others still are focused on short-term revenues in an effort to keep the company solvent. Regardless, the lack of a clear mission and direction has resulted in strategic myopia. In other words, the company is not deploying enough resources towards long-term strategic planning.

3.2.9 Technology Overhead

The current customer relationship management (CRM) system is slow and awkward to use and does not meet the sales team's needs. Furthermore, the CRM is dated technology and is no longer supported by the vendor. Subscription management is the only module in the current CRM that is marginally effective. Eventually, the need for this module will be marginalized.

Bridges also suffers from scale effects inefficiencies as a result of the high infrastructure cost of its system's expected functionality. Bridges must provide highly reliable and responsive applications to satisfy its market. To deliver this level of service, Bridges requires a team with comprehensive technical skills. The cost of such a team would double Bridges' infrastructure costs. To mitigate these costs, Bridges engaged in an outsourcing contract with USi. Unfortunately, Bridges signed this contract in 2000, when it had visions of tremendous growth which, of course, never materialized. Consequently, the outsourcing costs are under contract,

fixed and still very high. Bridges is currently using only 15 to 20 percent of its capacity, meaning that it can handle more than four times the volume with the same infrastructure costs.

The current infrastructure represents the third largest cost (at \$750,000 per year) to the organization, behind only product development (software), labour, and regulatory and securities compliance. Internal technology break fix support is provided by one individual.

Technology is not considered a core competency⁶⁷ or key success factor for Bridges. It is, however, a critical component of the delivery of its products and services.

3.3 Conclusion

It is obvious the cutbacks have affected the quality of Bridges' products and services, which adversely affects most of the value chain elements and thus the overall reputational capital. Bridges' reputational capital comes primarily from three sources: marketing in the form of market advocacy; customer service and training that supports the marketing advocacy; and product development, which is a result of the strict product doctrine.

Market advocacy is created through key executives' involvement and their leadership in industry associations such as ACSCI.⁶⁸ Bridges is the only private company sponsoring research into the impact of career development and thought leadership for counsellors and career professionals in Canada and the U.S. Bridges' executives have presented keynote addresses to over 10,000 people during the past two years. This level of exposure for the company's leaders has proven to be the most significant contributor to Bridges' reputation.

⁶⁷ A Core Competency is a key activity that the gives the firm its competitive advantage.

⁶⁸ The Association of Computer-Based Systems for Career Information, formed in 1978, is a professional association dedicated to the advancement of career information. For more information see: www.acrnetwork.org or <http://www.acsci.org/>

Closely related to market advocacy are the support, curriculum development, and training functions. These functions are always rated highly in customer surveys and are a bargain relative to other functions.

Product development encompasses both the technical and functional user experience. The planning products incorporate the latest technology to ensure reliability and rapid response times. In addition, the user interfaces are carefully designed to engage the user while at the same time informing them. However, Bridges is able to claim that all of its assessment and matching algorithms adhere to industry best practices that present the most accurate results.

The least valuable element in the value chain is Bridges' research and aggregation functions. These are the most labour-intensive elements relative to output and value to the company. It is for this reason that these functions are outsourced. Given the number of contributors, this is an area that will experience a paradigm shift as Wiki technology becomes more established.⁶⁹ It is envisioned that the community will gladly contribute information for access to the users. For example, a trade organization will contribute occupational data to inform users of opportunities in their industry.

In the future, Bridges' incremental value will come from product development by producing applications that will reduce costs and increase revenue. The costs of research and aggregation can be reduced by providing an information portal to act as a structured repository of data. This repository will accept contribution of information by the community to be used by the students in the exploration, planning and achievement of their goals.

Bridges must become the enabler of change to the education system by connecting users to the resources that can best assist them in meeting their goals. These are the post-secondary,

⁶⁹ Wiki: from "Wiki wiki" meaning "rapidly" in the Hawaiian language, are a collection of websites of hypertext (an online collaboration model), and tool that allows any user to visit and edit content by anyone through a simple browser.

academic and vocational institutions, trade associations, major employers, and financial aid organizations. By allowing these organizations to compete for the rights to promote their “approved” services or products to the user, Bridges can maximize its revenue opportunity. This competition could result in significant sales cost savings because customers can use automated online bidding tools rather than account managers. Bridges’ reputational capital and technology uniquely qualifies it to exploit this opportunity.

The following table represents Bridges’ personnel breakdown by value chain element.

Figure 3-2 Bridges Personnel by Value Chain Element

Infrastructure administration: Finance, HR, Management, Investor Relations (1 - CEO, John Simmons; 1 - VP Business Development, Bill Spittle; 1 - CFO, John Walker; 6 - support roles)					
IT (1 - internal analyst reporting to the VP Product Development & Delivery, Usi -outsourced)					
Research	Aggregate	Software development	Curriculum Development	Sales & Marketing	Training
Manning, Doug - President 1	Tzetzos, Bill - VP Development and Delivery	Tzetzos, Bill, - VP Development and Delivery	Manning, Doug - President 1	Phillips, Don - VP Sales	Manning, Doug - President 1
Dickie, Ross, VP Marketing	7 - Content (Including Graphics) 1 User Interface	1 - Infrastructure 2 - QA		Dickie, Ross, VP Marketing	24 contract trainers, 2 coordinators
In cooperation with educational institutions and occupational experts	3 - Data Integration 1 - Database Admin.	4 -Application Development		15 Regional managers, 5 Sales administration	

3.4 Financial Analysis

Bridges Transitions Inc. is experiencing some very difficult financial times. The following will provide an analysis of the company’s finances.

Since 1999, the company has followed a conservative fiscal policy, preferring to operate with very little debt. Today, Bridges has less than \$400,000 in long-term debt, with the majority coming due within three years. Lease costs and licensing fees make up the majority of debt.

Table 3-2 Bridges Consolidated Balance Sheets 2004-2005

Consolidated Balance Sheets	June-30 2005	at	June-30 2004
Assets			
Current			
Cash and cash equivalents	\$ 2,292		4,250
Accounts receivable	3,231		3,550
Prepaid expenses and other	776		501
Deferred costs	450		647
	6,749		8,948
Restricted cash			200
Property & equipment	1,980		2,663
	8,730		11,812
Liabilities			
Current			
Accounts payable and accrued liabilities	\$ 1,791		2,613
Accrued restricting charge			511
Current position of long term debt	286		341
Deferred revenue	7,102		7,541
	9,179		11,006
Long term debt	127		662
	9,306		11,668
(Deficiency in assets) Shareholders Equity			
Common stock	\$ 54		17,691
Contributed surplus	73		86
Deficit	(703)		(17,633)
	(577)		143
	\$ 8,730		11,812

Source: Bridges 2005 annual report.

Table 3-3 Long-Term Debt Breakdown

	Total	Less than 1 year	1-3 years	4-5 years
Long-term debt	\$ 413,285	\$ 285,883	\$ 119,995	\$ 7,407
Lease obligations	960,625	224,750	735,875	0
Hosted web service & third- party product fees	1,250,544	870,392	380,152	0
Total	\$2,624,454	\$ 1,381,025	\$1,236,022	\$ 7,407

Long-term debt does not include interest.

Source: Bridges' 2005 annual report.

A weak Bridges balance sheet is highlighted by a shrinking cash account and an unhealthy current ratio⁷⁰ at .735. It should be noted that Bridges invoices its customers on an advanced subscriptions model and recognizes revenue using a deferred method.⁷¹ This revenue is realized on a monthly basis as the service is provided to the customers. The current ratio, not including the deferred revenue or deferred costs, is calculated at 3.03. Bridges Transitions Inc. has never had a profitable year. This has resulted in negative equity, which makes all equity-related ratios irrelevant.

Bridges' accounts receivables collection period is insignificant as a ratio, given the dependable nature of its customers. The inventory turns ratio is also irrelevant, as the company delivers almost all of its products via the Internet and therefore does not carry any material inventory.

On August 12, 2004, Bridges established an operating line of credit with a Canadian chartered bank with a maximum borrowing limit of \$1 million secured by a first charge and general security agreement over all assets. In other words, if Bridges were to default on terms of the loan the bank could seize all of the company's assets. Although no funds have ever been drawn on this account, the line does provide security for the hedging contracts.

On January 7, 2003, Bridges negotiated a term line of credit for \$1.2 million secured to be used as working capital. Previously, \$200,000 of this amount was restricted cash to be kept on account. However, as of June 30, 2005, this restriction was removed and the cash has subsequently been applied against the loan.

⁷⁰ The current ratio is a comparison of a firm's current assets to its current liabilities. Current ratio is equal to current assets divided by current liabilities.

⁷¹ The deferred revenue model accrues the invoiced amount into the deferred revenue liability account. The revenue is then posted to the revenue account over the term of the subscription, via journal entry.

The profit or loss (P&L) statement indicates more problems, as Bridges is averaging an annual loss of 18.2 percent since 1997. However, 2005 resulted in a relatively respectable 3.1 percent loss.

The product and development costs have fluctuated over recent years. The capitalization of the 19-month development costs of *Choices® Planner* was the primary cause of this fluctuation.

Table 3-4 Bridges' Income Reporting 1999-2005 (in '000 of \$)

	30-Nov 1999	30-Nov 2000	30-Nov 2001	30-Nov 2002	30-Jun 2003*	30-Jun 2004	30-Jun 2005
Revenue	4,616	14,626	19,525	18,533	4,816	13,899	13,147
Cost of Revenue	1,331	4,460	5,715	6,032	3,101	4,713	4,426
Gross Margin	3,285	10,166	13,810	12,502	1,715	9,186	8,721
	71%	70%	71%	67%	36%	66%	66%
Expenses	26%	29%	30%	40%	68%	36%	32%
Sales & Marketing	1,213	4,288	5,925	7,429	3,262	4,973	4,261
Product Development	-	726	632	326	64	212	2,138
General Administration	1,216	3,037	3,981	3,236	1,358	1,772	1,857
EBITDA	856	2,116	3,272	1,510	(2,968)	2,229	464
Net Income (Loss)	268	(812)	(1,181)	(6,246)	(4,872)	(3,499)	(406)
Long-Term Debt	-	-	-	-	739	662	127
Share Buyback	-	-	872	1,159	-	97	396
Capital Spending	-	13,106	2,735	4,644	255	715	(122)
Cash & Cash Equivalents	2,187	8,233	6,953	4,328	2,416	4,250	2,292
	* Reporting for seven month due to a change of fiscal year end						

Source: Compiled by author from Bridges' annual reports.

Historical gross margin analysis is also relatively ineffectual due to the company's change in accounting of cost of revenue.⁷² Prior to 2004, Bridges was capitalizing the cost⁷³ of developing *Choices® Planner*, the online version of the career planning products. It is important

⁷² Most firms account for the production costs in an account called "Cost of Goods", in their financial statements. Bridges calls this account "Cost of Revenue".

⁷³ According to generally accepted accounting principles (GAAP), expenses incurred for the purchase of assets that can be used over a period of time must be expensed over the life of that asset. Therefore, capital expenses are added as assets to the firm's balance sheet. This process is called capitalizing.

to note that some of the historical product development costs were essentially a cost of revenue. The significant numbers are: the lower average revenue per customer, and the growing expense of development and support. These increase expenses can be attributed direct to the strengthening Canadian dollar. Another notable contributor to the current financial situation is the higher than conventional executive costs.

Despite not having made a profit, Bridges has managed to have a positive cash flow from its operations. Nonetheless, Bridges' cash position has been in a steady decline since the \$18-million special warrant financing. This decline is attributable to three primary reasons:

- Bridges purchased over \$6 million of computer and networking hardware (capital spending) in anticipation of growth in user volumes. Much of this equipment was subsequently sold for \$1.5 million when the company outsourced the management of its infrastructure.
- The company also repurchased \$2 million in shares under rules for Normal Course Issuer bids.⁷⁴ Bridges' management and board felt that Bridges shares were undervalued and therefore investing in the company was the best use of the capital on hand.
- Bridges also repaid \$2 million in long-term debt. This tactic was both a result of meeting restructuring obligations and in keeping with the company's conservative capital policy.

The 2005 outsourcing and annual securities compliance costs total \$2,100,000. If these two costs were eliminated, it would improve Bridges' EBIDTA from the current four percent to 20 percent, and the company would have ended the year with a \$2.2-million profit.

The return on asset ratio is negative 4.6% which is caused by the negative profit, or losses, incurred in the last year of operations.

In a company of just over 70 employees, Bridges has a CEO, President, CFO, VP Sales, VP Marketing, VP Investor Relations, VP Business Development, and a VP Development and Delivery. Salary and incentives of this level of the organization account for \$1.2 million of the

⁷⁴ Normal Course Issuer Bids refer to the rules governing firms buying back shares of their company on the open stock market.

company's \$9-million CDN total expenses. The 15 percent in executive overhead leads all other public companies in the industry.

All these issues are contributing to the company's poor financial performance and critical cash flow situation.

4 KEY ISSUES & BARRIERS

To put the key issues and barriers facing both the industry and Bridges into perspective, it is important to review the driving force behind the industry.

4.1 Driving Force

High graduation rate communities are defined as communities where the ratio of students graduating from high school is above the national average. The communities tend to be financially stronger through increased tax revenue, decreased workplace literacy costs and reduced costs in dealing with problematic students.⁷⁵

High grad rate communities are socially stronger as a result of a reduction in the number of community members requiring assistance. Fewer high school dropouts result in higher graduation rates. Dropouts are more likely to engage in high-risk behaviours such as premature sexual activity, early pregnancy, delinquency, crime, violence, alcohol and drug abuse, and suicide.

High grad rate communities have less crime due to the fact that high school dropouts are 3.5 times more likely than high school graduates to be arrested in their lifetime. A one percent increase in high school graduation rates would save approximately \$1.4 billion in incarceration costs, or about \$2,100 per male high school graduate.

Peter Greenwood, PhD, the director of Rand Corporation's criminal justice program, estimates that over 205 serious crimes are averted for every million dollars spent on graduation

⁷⁵ Doug Manning, *Connected Students – The Key to School-Initiated Graduated Rate Improvement*, Bridges Transitions Inc. White Paper (2005), <http://www.bridges.com/connected>

incentives. Graduation incentives were the most cost-effective program in his study and were 1.5 times more cost-effective than the second highest program, parent training.⁷⁶

About 1,648,000 serious crimes were committed in the U.S. in 2004.⁷⁷ The statistics would indicate that \$5.5 billion spent on graduation incentives during previous years theoretically would have resulted in the elimination of serious crimes in 2004.

Government and other public institutions have attempted to develop tools to assist counsellors in the U.S. and Canada to address these social issues. However, these tools are not very effective in capturing and engaging the users, resulting in low usage and making them essentially ineffective. Private firms have had more success in engaging users and providing more appealing and useful products. The challenge to these private firms is establishing permanent sustainable funding in the form of revenue.

4.2 Industry Barriers

The planning product's value is not always apparent to users or the influencers in the decision-making process. In addition, the marketing overhead is devastating to the industry as long as career development funding comes from public sources. Dependence on public funding is the largest barrier to this fragile industry.

Another major barrier is the lack of universally accepted standards for the occupation, school and financial aid data. Today, most research institutions use proprietary database structures, making data consolidation and aggregation difficult and labour-intensive. This would not be a major issue if the data structure remained constant from year to year. Unfortunately,

⁷⁶ Diverting Children From a Life of Crime: What Are the Costs and Benefits? (Greenwood, et al)

⁷⁷ Department of Justice: Bureau of Justice Statistics, <http://www.ojp.usdoj.gov/bjs/glance/cv2.htm>

most institutions change their structure frequently, requiring costly modifications to the aggregation tools. The industry is therefore left to contend with these annual fixed sunk costs.⁷⁸

4.3 Bridges' Barriers

4.3.1 Vision, Mission, and Strategic Fit

The lack of a clear vision and mission is Bridges' most crucial obstacle. Bridges faces a fundamental cultural mismatch between the current strategy and the culture, or worldview, of its customers and employees. The low staff morale and their lack of confidence in the current management have resulted in employee apathy about the company's future. Unless this cultural mismatch is reconciled, Bridges risks further alienating the industry and continuing to lose market share.

The low-cost strategy has resulted in a corresponding decline in product quality and confusion among both customers and staff.

Additionally, this lack of direction has the dispersed company resources attending to the current customer segment, with a declining ability to fund their needs. Changing this direction will require refocusing the company's resources on more profitable prospects. Establishing a new course of action is being hindered by the confusion at the executive level.

4.3.2 Sales and Marketing

Bridges, like most other private firms, is continuously engaged in costly lobbying efforts to promote both the industry and the social and economic value of its products. The costs of such marketing efforts are growing while funding for career development products is declining.

⁷⁸ Sunk costs are costs that a firm has already incurred and which cannot be recovered to any significant degree.

Dependence on public funding is the largest barrier to this fragile industry and to Bridges specifically.

Recently, the guidance counselling and career development industries began finding financial support in the form of sponsorship. SLOs, trade organizations and other firms associated with post-secondary or occupational support are seeking to use their promotion budgets to get in front of the users that are seeking career development support. Bridges, because of its strong reputational capital, is being pulled in this direction but does not have the skills, knowledge, experience, process, or infrastructure necessary to exploit this opportunity.

For example, the company will require a whole new sales process and value proposition.⁷⁹ Rather than focusing on graduation rates, the new customer is concerned about usage rates. Instead of buying period subscriptions, the new sponsors are looking for outcome-based pricing. As opposed to validated assessment tools, they are looking for improved targeting demographics and predictive capabilities. The value proposition therefore needs to address marketing campaign outcomes, not students' graduation outcomes.

Bridges is a relative unknown in the emerging markets. Bridges does not have a clear understanding of the student loan and trade association industries that make up a large part of these new markets. The knowledge gap goes beyond the marketing and sales teams and into the accounting and support functions. These differences will mean a rather large learning curve for the members of the sales team that will remain with Bridges.

At this time, Bridges is not adequately prepared to address this change in direction. To get prepared, the company will require a fairly significant investment.

⁷⁹ A value proposition is a statement summarizing the core differentiation of one's product from the offerings of competitors.

4.3.3 Financial

Bridges' tenuous financial situation is caused by four separate issues: the exchange rate due to a strengthening Canadian dollar; the shrinking margins due to competitive pressures; the high cost of remaining a listed company due to SOX compliance; and the high technical costs. Consequently, the company lacks the resources to advance any strategic initiatives to address the emerging markets.

4.3.4 Other Barriers

SLOs are essentially banks and may have business or other political reasons for devaluing bids from a Canadian company. Nationalism may not be a major obstacle, but its effects should certainly be considered in any future planning.

Bridges also faces some smaller barriers due to its remote location. Kelowna offers a limited labour pool, making it difficult to find qualified staff.

5 RECOMMENDATIONS

It is a fact that changing priorities in the education industry are redistributing the discretionary funds used to purchase career development tools and services. Lack of funding from government programs in recent years has further reduced the schools' ability to pay for these products. Maintaining market share, in this climate, means a company will have to contend with declining prices and profits. This is a clear indication of a mature market. Bridges' options are to: harvest, by continuing to reduce costs and maximize revenue until the organization can no longer maintain itself; divest, by selling the company to a willing buyer; or re-invest, by identifying and aggressively pursuing a prospective opportunity. This was the same decision faced by the firms that offered paper-based career development programs prior to the proliferation of computer-based products and those that offered computer-based services prior to the Internet. The firms that re-invested in the disruptive technologies⁸⁰ of their day were able to succeed and thrive.

Therefore it is recommended that Bridges Transitions Inc., transition their business model from one that relies on schools and school districts subscription revenues, to one that services firms that want to procure access to Bridges' users. Firms that wish to promote their services to users of personal development tools and services will be called Sponsors for the remainder of the paper. It is implicit that all Sponsors will be scrutinized to ensure that their promotions conform to the values of the community and their products or services contribute to users' personal development.

⁸⁰ A Disruptive Technology is a new technological innovation, product, or service that eventually overturns the existing dominant technology or product in the market

This would be a bold and fundamental change in strategy for Bridges. The mature career planning industry requires a shake up, a disruptive technology, to revitalize it and bring it on track for future success. The rationale for moving in this new direction is threefold:

The primary reason is that Sponsors have the resources and the need to access Bridges' users. The outreach funding that these Sponsors have can be used more effectively to target their markets through Bridges' products. Bridges, due to its strong reputational capital, is in prime position to address the Sponsors' needs and also profit from this new business model.

Secondly, Internet advertising spending is growing in all other general market segments. The following is a series of recent news articles that chronicle the growth and clearly illustrate the potential of Internet based advertising.

"Sales at Monster Careers rose 38% to \$237.2 million, while Internet advertising and fees soared 46% to \$38 million from \$26.1 million."
August 1, 2006

<http://newyorkbusiness.com/news.cms?id=14273>

"Time Warner Inc. 's board is expected to review on Thursday a proposal for its AOL LLC online unit to make even more services free, likely including the vaunted AOL.com e-mail accounts, in hopes of boosting advertising. Internet advertising, meanwhile, is booming industry wide, and opportunities abound." August 1, 2006

<http://thechronicleherald.ca/Business/517270.html>

"Online advertising is projected to total \$12.5 billion this year, and climb to \$25.9 billion by 2011. Old business models - even those in the 'New Media' world - are being blown to pieces as a mad scramble grows to get a slice of this growing pie." July 29, 2006

<http://newsblaze.com/story/20060730221245nnnm.nb/newsblaze/TOPSTORY/Top-Stories.htm>

“Yes, Internet advertising is taking the world by a click. According to the trade group, Interactive Advertising Bureau, online advertising has been growing at about 30 percent a year. It cites more advertisers turning their dollars away from television and other traditional media to the growing audience online.” July 23, 2006:

<http://www.bayoubuzz.com/articles.aspx?aid=7697>

“The Interactive Advertising Bureau of Canada today announced that 2005 Canadian Internet Advertising Revenues reached a new high of \$562 million dollars for the year. The 2005 actuals represent an 8% increase over the \$519 million originally estimated by the IAB for 2005; and a 54% increase over the 2004 figure of \$364 million. Of the \$562 million received by Canadian Online publisher sites in 2005...”. July 26, 2006 <http://www.cnw.ca/fr/releases/archive/July2006/26/c9325.html>

Bridges' existing revenue model is slowly becoming extinct. The future lies in establishing a collaborative “metamediation”⁸¹ market where suppliers of personal development services and products can connect with their targeted customers.

The final motivation is to establish a defensive strategy against new entrants and rivals. In light of the Wikipedia phenomenon⁸², this new business model is inevitable. There is a finite time within which someone will establish a community around career development thus instituting the industry's de facto standards. Ebay is the most notable example of an on-line community that has evolved from a Web site trading PEZ candy and dispensers, into a legendary on-line auction and retail firm. Flickr, an on-line photo publishing community was recently bought by Yahoo, in an attempt to grow its own community. By establishing communities

⁸¹ Metamediaries are trusted third parties that provide information via a single point of contact between a community of customers and a community of suppliers. For more information see: http://www.siliconindia.com/magazine/display_back_issue.asp?article_id=516

⁸² “Wikipedia phenomenon”, describes a practice whereby members of an on-line community populate and manage a database of content pertinent to that community through the use of Wikis.

around trusted brands, these companies use network effects⁸³ and lock-in effects to establish barriers that discourage entry into their markets.

The transition, recommended for Bridges, comes with some risks and costs and will require modifying Bridges' current business model. The following sections offer recommendations on how to proceed with this strategy.

5.1.1 Vision and Mission

If Bridges is to transition the business model it is important to first clearly define, articulate and declare its vision and mission statements. The statements must be consistent with the principal values of the people within the industry in order to persuade them to participate. In addition all of Bridges' strategies, tactics and actions must be consistent with the beliefs expressed in these statements. An example of such a vision statement could be:

Bridges envisions a time when every person in North America has the freedom to lead a fulfilled life because they were able to graduate from high school with a clear set of goals that are aligned with their personal interests, skills and abilities.

An example of a mission statement could be:

*To establish **Bridges Transitions Inc.** as the primary and most trusted source of post-secondary transition support by becoming the universally accepted standard in providing services to individuals that allow them to:*

- *Accurately **Explore** their identity, interest, abilities and skills.*
- *Expertly **Plan** their education, occupational or life goals.*
- *Confidently **Achieve** their goals through valuable feedback and guidance.*

⁸³ The network effect causes a good or service to have a value to a potential customer dependent on the number of customers already owning that good or using that service. Metcalfe's law states that the total value of a good or service that possesses a network effect is roughly proportional to the square of the number of customers already owning that good or using that service.

And in so doing, provide a valuable service to those companies that can assist these individuals in their journey for fulfillment and happiness.

The above statements clearly speak to the communitarian worldview of the user community while recognizing the Sponsors need for value in pursuing cost effective direct access to their target markets.

The statements would clearly crystallize the company's direction, resulting in the reconciliation of the differing visions from the strong personalities currently involved in the organization. This reconciliation and new focus should quickly unite the organization.

Most of Bridges' employees come from the education industry and they will undoubtedly accept this new vision and mission.

5.1.2 Sales and Marketing

Once Bridges agrees on the vision and mission, it must then look at how to identify the target market and build plans to address it. These plans must include assembling the skills and knowledge, developing the processes and fostering the culture that would succeed in this market.

First and foremost, the organization would need to consider hiring a professional sales manager with a vast amount of experience in this new market segment. The new manager would have had success in selling Internet based advertising, hopefully within the education banking field. This may not be as difficult as it would seem at first, because of the recent displacement of such talent from the volatile high-tech and education markets. Another draw is the earning potential of the Internet based advertising industry.

Subsequently, the entire sales team would have to be retrained or replaced with those who possess the skill set and experience to succeed in this new market. Major account

experience in the advertising field would be an absolute requirement. Individuals with knowledge of SLOs and trade organizations would need to be integrated into the new sales team.

In addition, Bridges would require a whole new sales process that would be focused on the value of usage rates, impressions, outcome-based pricing and predictive capabilities.⁸⁴ The value proposition would have to address customers' interest in marketing campaign outcomes, targeted impressions and percentage "click-throughs". Bridges must exploit its outstanding reputational capital and its strong position within the career development sector of the education market.

The change in direction would also impact the marketing team, although it is expected that the existing members would be able to adjust with little staff turnover. The team would have to conduct research and training on marketing Internet based advertising. Fortunately, other organizations like Google, AOL and Yahoo have pioneered this space and there is already a great deal published about their methods.

This change in revenue model is going to be a drastic change for Bridges. One consideration is the migration strategy that should be deployed. Should Bridges make a sudden change or take a slower approach? It is recommended that Bridges use a slower, tapered migration strategy in addressing this new market segment. In other words, Bridges should continue selling subscription to the existing customer base while tactically manoeuvring into the new market segment. There are three main reasons for this tapered approach: first, Bridges should not alienate their existing customers thus maintaining the existing network effects; secondly, to maintain an income stream during the transition period; and lastly, as a potential exit strategy in case the new business plan does not meet expectations. The financial section will expand on the proposed revenue model.

⁸⁴ The application's predictive capability refers to its ability to accurately detect suitable promotion targets.

5.1.3 Back office systems

The accounting department would have to remodel its processes to manage a usage-based charge model which would require an upgraded CRM system to handle the new requirements. The system should also manage the sales funnel and all customer contact regardless of communication media. This system would need to be integrated with the customer service desk, account managers, accounting and the company executive.

Bridges' limited exposure in dealing with this market has indicated a need to become more innovative with its product strategy. Sponsors would expect significant customizations within the constraints of Bridges' values and those of education regulators. This would require funding R&D into new methods of quickly delivering on Sponsors' expectations. Rapid response capabilities would need to be designed, within the applications, in order to become more responsive to the users and customers.

Other than customer relationships and reputational capital, Bridges' other major advantage is its product development process. This competence, although under valued in the current market, would become a competitive advantage in the Sponsor market.

Increases in R&D costs to develop innovative products, decentralize the structure with more autonomy and hire highly skilled flexible staff would result in a high risk environment associated with a highly differentiated strategy.

5.1.3.1 Other Products and Services

Sponsors will demand growth in usage rates. It has been proven that counsellor training is the most significant contributor to increasing usage. When counsellors are well trained in the product, they are more likely to insert it as a core part of their curriculum and feel more comfortable guiding students to use it.

To stimulate training Bridges should consider a franchise model. Educators with an entrepreneurial lean or entrepreneurs with an interest in education make excellent trainers. They would purchase the rights for and deliver the training on behalf of the organization in a specific geographic region. Controls for such a process would be implemented through a registration and accreditation program handled directly by Bridges.

Training material for such a system would be produced by Bridges as it is today. However, the training material would be sold in bulk, directly to the trainer rather than to the individual users. This would reduce Bridges' "shrinkage" cost, experienced today, due to materials lost in shipping. The serialized certificate would be included in each package.

It has been established that counsellors would rather deal with local representatives when purchasing either personal development products or services, including their own professional development training. By accrediting local trainers in a franchise model, it would satisfy both the counsellors need for representation as well as Bridges' need to have local advocates.

This new process would require decentralizing Bridges' structure and giving these individuals some autonomy in marketing and selling their services.

In a similar effort to increase usage, the Professional Development team should consider deploying "product coaches" that would: quantify the renewal risk of targeted customer sites in the fall, serve high risk sites in the winter and spring; up-sell every assigned customer to Bridges' products and services; introduce new customers to the business; and evaluate the trailing 12-month site retention and revenue growth every month. The product coach program should be self-funding, paid for by revenues derived from increased usage and training services.

In addition, the Professional Development team would need to continue to refine curriculum development. One gap that should be addressed is the "College Application Lesson

Set”. This would provide educators with outcome-based instruction designed to increase students’ ability to apply online for college, scholarships and financial assistance. Another opportunity would be the “Asset Development Lesson Set” that would provide educators with lessons to support student planning for skill development and the accumulation of useful credentials, experiences and networks.

Both the “Bridges Accredited Trainer” and the “Bridges Product Coaches” programs can be combined into one program with a multi-level hierarchical accreditation process. This would allow trainers with significant experience and influence in their geographic market to build their own local businesses if they chose. As a result, Bridges could become entrenched in the local education community, further deepening their influence at the grass roots level.

These advocates would work closely in their local market and develop counsellors to raise awareness of the benefits of Bridges’ other products. Advocates would be able to satisfy the local counsellors’ interest by directly offering these add-on products. Local advocates could be commissioned on their sales and benefit from the additional training that counsellors would require on these new products.

Bridges 25 year history has produced in a formidable network of highly respected counselling professionals. These contacts were established through the company’s involvement in the senior ranks of the industry association. Although some of these contacts are still active in the industry, some are retired and may be keen on the part time trainers’ roles.

TestGear[™] and some of the other applications could be sold as add-ons or upgrades to the base planning products. Once user organizations are locked into Bridges’ product suite, buying such upgrades that are integrated to users’ portfolios would become extremely enticing.

5.1.4 Other considerations

Bridges needs to continue to develop products that engage the students, which would encourage usage and in turn drive the increased revenue. Enhancements would also be required to the report tools to satisfy the administrators' need to monitor and manage the effectiveness of the tools. Moreover, new tools would have to be developed or purchased allowing customers to maximize the effectiveness of their marketing campaigns and providing the management reports to substantiate the costs. All these projects would require capital funding. The costs of these projects can not be determined until the detailed requirements have been identified.

To overcome the labour barrier raised earlier in the paper, Bridges needs to target and attract the type of individuals that would appreciate the benefits of a small community. These would typically be candidates with young families, looking to get out of the big city and enjoy the natural amenities that Kelowna has to offer. In keeping with the new communitarian vision and mission, Bridges should also identify candidates with similar values. Compensation packages should offer life rewards that go beyond simply salary and benefits. For example annual ski passes, golf memberships and contributions to employees favourite registered charity might be looked upon favourably.

All the above would have a significant positive impact on overall employee morale and would greatly assist in building employee confidence in management. This would go along way towards retaining the stars of the organization and help recruit talented candidates.

5.1.5 Financial

Of the most pressing financial barriers facing Bridges, only the exchange rate is out of its control. However, the company uses a hedging strategy to counteract the consequences of these costs. Moving operations to the US may remedy this issue, but would aggravate the financial

situation by losing the benefits of Kelowna's low-cost conditions and incurring the relocation resulting costs.

The only other endeavour to be considered would be to continue to reduce expenses. These efforts, so far, have resulted in a corresponding decline in product quality. This would appear to indicate that current spending is too low and in fact could benefit from a slight increase.

Eliminating the high technical costs would require only a moderate investment in a development project. This project would integrate the code-bases of Bridges' three major applications. This has been estimated at just over 12 person-months of effort, approximately \$100,000 and a four month timeline. With the recent success the development team experienced in delivering projects on time and on budget, it would be a safe undertaking with a relatively quick ROI.

Another option would require Bridges to migrate the entire product suite to an ECM system. Adding an ECM system would require more detailed investigation but preliminary analysis estimated the cost at about \$3.5 million CDN. The ECM project's ROI would vary depending on the success of the new market strategy. An ECM would drastically reduce Bridges' reliance on software developers. Contemporary ECMs come with easy-to-use configuration tools that allow non-technical, staff such as editors, to handle both the management and delivery of content.

In regard to the infrastructure hosting costs, Bridges should identify a lower cost vendor or look at partnering with one or more companies in a similar position.

Bridges would also need to deal with the high cost of remaining a listed company by de-listing the company from the Toronto Stock Exchange; in other words, taking it private. This is a complicated process that requires securing the cash to buy out all existing shareholders. There

are two possible outcomes to consider in regards to this option: one would be to find an investor with the wherewithal, that would recognize the value in the opportunity; the other is to find a partner from the industry that would recognize the potential and have the means to carry out the transaction.

Ideally, Bridges would find a partner with the capacity to absorb its entire technology infrastructure and simultaneously provide the ownership structure to eliminate compliance costs. To identify such a partner, Bridges would be well advised to engage an investment banker, experienced in acquisitions and mergers of this kind. Despite the company's poor financial position it would be much sought after as an acquisition target. The negative equity position does not incorporate the value of the reputational capital. On the other hand, Bridges' shareholders may overvalue the reputational capital when evaluating offers, thus hampering any potential deal.

The company would also need to deal with the high executive overhead. In a partnership situation the company could rationalize costs by streamlining the executive level. If the strategic alternative were to result in a sale to a private investor it would be necessary to reduce the executive level by three positions. My recommendation would be to eliminate at least one of: the CEO or President; the CFO or VP Investor Relations; and the VP Sales or VP Marketing. These changes would result in a \$600,000 positive impact on the bottom line.

On the other hand, Bridges could use its public vehicle and the executive team to access capital from the equity markets in executing the recommended business plan. This approach would result in the dilution of current shareholders' equity. However, when one analyzes the current financial condition of the company, dilution may be an attractive alternative. One major obstacle to this approach is Bridges' poor history in delivering on the equity markets expectations. Potential investors would be sceptical about believing a business plan with a new

direction that relies on a performance-based revenue model. Bridges' reputational capital is relatively weak in the equity markets, unlike the education industry, where it is held in high regard. Regardless, to attract investment, Bridges would require an executive team with the credibility to sell this new vision.

It is imminent that a sponsorship and advertising funded model will emerge for the personal and career development industry. The unanswered question is, who will step forward and how will they organize to profit from this opportunity? Bridges, with its current reputation, products, training services and infrastructure has all of the ingredients required to succeed in this new metamediatio n market.

5.1.5.1 New business model

In order to proceed properly, Bridges will need to develop a comprehensive business plan prior to moving forward with the change in market strategy. The following are highlights or components of a plan that would need to be further fleshed out before any action could be taken.

It is expected that the on-going "Cost of Revenue" would remain fairly constant as the marginal cost of adding a user is minimal. Bridges' current infrastructure, managing 30 percent of all US high schools, is underutilized and could easily handle three or four times the current volumes. Given that any business model would presume a ramp-up to maximum volumes, the company would have ample warning to expand the infrastructure if required. Regardless, technology would be an insignificant component of the overall setup cost of the new business model.

The recommended model will have three new revenue components consisting of: Title sponsorship; page sponsorship and click-through rating.

Title sponsorship – in keeping with Bridges’ current offering, the Title Sponsor would receive limited custom modifications to the look of the landing page,⁸⁵ for a specific geographic region. The customisation involves layout harmonization to the Sponsor’s visual style, including: changing the colour-scheme, choice of new photographs, custom navigation tabs⁸⁶ and specific articles with direct links to Sponsor’s web site. Title Sponsors would receive unlimited click-throughs. The annual sponsorship fees would depend on the number and size of the schools in the district. The rates would need to be determined following the appropriate market research. For purposes of this paper we will use a discounted price from Bridges’ pricing matrix.

Page sponsor – would be offered limited modifications to specific pages relating to occupations, schools or scholarship programs which they chose to sponsor. Customisations would include: custom navigation tabs and specific articles with links to Sponsor’s web site. The standard assessment tools could also be sponsored but the Sponsor would have an option to include custom articles. Page Sponsors would have a limited number of click-throughs included with their annual sponsorship. Any click-throughs over that limit would incur an overage charge. Once again, Bridges would have to conduct market research to determine the appropriate pricing.

Click-throughs – Sponsors would also have the ability to enrol based on a pay per click model. Rather than sponsor a geographic district, Sponsors can choose to promote their services in a “Your Best Bet” (YBB) tab. This tab would allow Sponsors to bid for the right to have their services appear in the YBB tab. They would be charged, the amount they bid, for every time users click on their URL, similar to other Internet advertising sites. This model would start as

⁸⁵ A landing page is the first page shown to users when they come to a web-site. www.bridges.com is Bridges landing page.

⁸⁶ Custom tabs (Navigation tabs) denote an identifiable part of a web page that contains a message for the user. Often these tabs will contain a hyperlink (link to a predefined Internet web page).

monthly service and in time, move to an on-line, real-time bidding model similar to Google's AdWords or Yahoo's Overture.⁸⁷

The following table shows the revenue potential of the click-through offering based on page view data collected from Bridges logs. Monthly page views were calculated by taking average of the actual logs from May and November of 2005. The bid rates quoted were derived from Yahoo Overture view bids tool. The table uses only single the highest bid related to education for the specific occupation. This table also assumes that every student viewing the corresponding occupational page will click only one URL. Although not every user going into a web page will necessarily click a URL, others may, in fact, click on more than one. Using one click per view is a conservative estimate.

Table 5-1 Top 15 CP Occupations by Page View & Potential Click-through Revenue.

Top 15 occupation	Page views *		Bid	Revenue Monthly	Education related URLs with top bid [^]
	Monthly	% of			
Actor	13,938	0.18%	0.31	4,321	www.castingaudition.com
Psychiatrist	9,945	0.13%	0.17	1,691	www.psychologytoday.com
Lawyer	8,486	0.11%	1.60	13,578	legalauthority.com (lawyer jobs)
Architect	8,401	0.11%	0.76	6,385	www.academyart.edu
Model	8,040	0.10%	0.27	2,171	www.modelsearchamerica.com
Elementary School Teacher	7,193	0.09%	0.42	3,021	www.teacherssupportnetwork.com (teacher jobs)
Aircraft Pilot	6,890	0.08%	0.97	6,683	www.aviationcareer.com
Graphic Designer	6,843	0.09%	1.15	7,869	www.graphic-design-degrees.com
Fashion Designer	6,508	0.08%	1.73	11,259	career.edu-degrees.com
Coach	6,002	0.07%	0.20	1,200	(most likely National coaching association)
Counseling Psychologist	5,943	0.08%	2.28	13,550	counseling.edu-info.com (Argosy university)
Hairdresser/Cosmetologist	5,648	0.07%	0.34	1,920	www.cksystemz.com
Physical Therapist	5,613	0.07%	0.33	1,852	rehaboptions.com
Accountant	5,457	0.07%	1.85	10,095	accounting.degrees-info.com
Physician	4,619	0.05%	9.50	43,881	www.physicianwork.com
				\$ 129,476	Average monthly revenue (sample list)
				\$ 1,359,501	Annual revenue from sample list
			1.34%	% of total page view	
				\$ 20,367,049	Estimated total annual revenue [^]
The top 15 occupations searched on Choice Planner					
* Based on a two month representative sample (May and November 2005)					
[^] Estimated total annual revenue are based on 20% of the page view.					

Source: compiled by author from the following tables

Monthly revenues do not address potential sponsorship revenue for occupations.

⁸⁷ Google's AdWords and Yahoo's Overture allow customers to place bids, for the price they are willing to pay for a click-through, to have their URL appear before others who are interested in a specific keyword.

The following table contains the per click-through rates bid by advertisers for specific keywords.⁸⁸ The click-through statistics are derived from Yahoo Overture's keyword selector search tool. The bid rates are derived from Yahoo Overture's view bids tool.

Table 5-2 Sample click-through bids on Overture.com - August 2006

Keyword	Bid \$	Bidder	June* Click-throughs
Student loan	12.84	www.loantolearn.com	1,045,969
College Application	3.50	www.kaptest.com	13,083
Test Prep	3.00	www.huntingtonlearning.com	25,144
SAT	2.00	www.Kaptest.com	137,519
Scholarship	1.28	www.freecollegescholarships.net	196,554
University	1.21	www.earnmydegree.com	1,051,024

Source: http://searchmarketing.yahoo.com/srch/srch_pr.php.

Table 5-3 *Top ten click-throughs on Overture.com - June 2006

click-throughs	Keywords	click-throughs	Keywords
320,535	student loan consolidation	133,177	scholarship
309,931	student loan	27,559	college scholarship
186,906	consolidate loan student	6,635	nursing scholarship
98,057	student loan consolidation program	6,496	free scholarship
38,828	college student loan	4,859	grant scholarship
22,794	federal student loan consolidation	4,061	hope scholarship
19,969	consolidating student loan	3,658	minority scholarship
18,649	federal student loan	3,639	scholarship search
15,260	sallie mae student loan	3,267	college grant scholarship
15,040	student loan debt consolidation	3,203	accounting scholarship
1,045,969	TOTAL	196,554	TOTAL
6,690	college application	62,702	sat
1,721	college scholarship application	14,682	sat test
1,100	application for college scholarship service profile	13,720	sat score
744	college application essay	12,258	sat key
729	online college application	10,399	sat prep
562	ontario college application	6,044	rdi sat key
507	sample of college application essay	5,502	sat exam
426	college common application	5,478	sat key.org
304	ontario college application services	3,371	rdi sat
300	ontario college application service	3,363	average sat score
13,083	TOTAL	137,519	TOTAL
16,510	test prep	263,066	university
1,639	lsat test prep	189,182	online university
1,574	kaplan test prep	145,337	harvard university summer school
1,521	college prep test	130,588	university of phoenix
1,167	gre test prep	123,955	college and university
980	act test prep	56,946	online university degree
945	sat test prep	39,501	distance learning university
312	ged prep test	37,190	university of texas
305	gmat test prep	33,066	university of florida
191	cdl prep test	32,193	university of michigan
25,144	TOTAL	1,051,024	TOTAL

Source: http://searchmarketing.yahoo.com/srch/srch_pr.php.

⁸⁸ Keywords are words that may be used by viewers searching for information. Keywords can be purchased from search engine companies so that an appropriate ad banner may be displayed when a viewer searches on a particular word.

The preceding tables give a clear indication of the enormous potential of the Internet based advertising revenue model. The projections are based on current volumes and do not include potential sponsorship revenues. If Bridges were to attain click-through contracts for only the 15 occupations featured in table 5-1, their annual revenues would more than triple. Bridges has over 900 occupations in their database. A conservative three hundred percent increase in revenues should offer all the justification needed to proceed with building a comprehensive business plan. Number like this may also intrigue the equity investor.

APPENDICES

Appendix A - Bridges Pricing Matrix

US PRICING

Pop Range	CP List	CX List	CHCD List	tG ACT & SAT	tG PSAT, Math/ELA SCI/SS	CF List	AP List	DWYA List	Paws List	LSI
0 - 100	363	263	465	495	450	158	195	195	100	150
101 - 200	388	288	495	605	550	173	205	205	110	185
201 - 300	413	313	525	715	650	188	215	215	120	220
301 - 400	438	338	555	825	750	203	225	225	130	255
401 - 500	463	363	585	935	850	218	235	235	140	290
501 - 600	488	388	615	1045	950	233	245	245	150	325
601 - 700	513	413	645	1155	1050	248	255	255	160	360
701 - 800	538	438	675	1265	1150	263	265	265	170	395
801 - 900	563	463	705	1375	1250	278	275	275	180	430
901 - 1000	588	488	735	1485	1350	293	285	285	190	465
1001 - 1100	613	513	765	1595	1450	308	295	295	200	500
1101 - 1200	638	538	795	1705	1550	323	305	305	210	535
1201 - 1300	663	563	825	1815	1650	338	315	315	220	570
1301 - 1400	688	588	855	1925	1750	353	325	325	230	605
1401 - 1500	713	613	885	2035	1850	368	335	335	240	640
1501 - 1600	738	638	915	2145	1950	383	345	345	250	675
1601 - 1700	763	663	945	2255	2050	398	355	355	260	710
1701 - 1800	788	688	975	2365	2150	413	365	365	270	745
1801 - 1900	813	713	1005	2475	2250	428	375	375	280	780
1901 - 2000	838	738	1035	2585	2350	443	385	385	290	815
2001+	863	763	1065	2695	2450	458	395	395	300	850

- * 10% District discounts are available (if District purchases for all middle and high schools and have a minimum of 5 schools in the district)
- * 5% discount for 2 year purchase
- * 10% PREMIUM for prorated (only allowed 6 months or greater) - no premium if prorating to align dates

CDN PRICING

Pop Range	CP List	CX List	CHCD List	tG ACT & SAT	tG PSAT, Math/ELA SCI/SS	CF List	AP List	DWYA List	Paws List	LSI
0 - 100	363	263	465	495	450	158	195	195	100	150
101 - 200	388	288	495	605	550	173	205	205	110	185
201 - 300	413	313	525	715	650	188	215	215	120	220
301 - 400	438	338	555	825	750	203	225	225	130	255
401 - 500	463	363	585	935	850	218	235	235	140	290
501 - 600	488	388	615	1045	950	233	245	245	150	325
601 - 700	513	413	645	1155	1050	248	255	255	160	360
701 - 800	538	438	675	1265	1150	263	265	265	170	395
801 - 900	563	463	705	1375	1250	278	275	275	180	430
901 - 1000	588	488	735	1485	1350	293	285	285	190	465
1001 - 1100	613	513	765	1595	1450	308	295	295	200	500
1101 - 1200	638	538	795	1705	1550	323	305	305	210	535
1201 - 1300	663	563	825	1815	1650	338	315	315	220	570
1301 - 1400	688	588	855	1925	1750	353	325	325	230	605
1401 - 1500	713	613	885	2035	1850	368	335	335	240	640
1501 - 1600	738	638	915	2145	1950	383	345	345	250	675
1601 - 1700	763	663	945	2255	2050	398	355	355	260	710
1701 - 1800	788	688	975	2365	2150	413	365	365	270	745
1801 - 1900	813	713	1005	2475	2250	428	375	375	280	780
1901 - 2000	838	738	1035	2585	2350	443	385	385	290	815
2001+	863	763	1065	2695	2450	458	395	395	300	850

- * 10% District discounts are available (if District purchases for all middle and high schools and have a minimum of 5 schools in the district)
- * 5% discount for 2 year purchase
- * 10% PREMIUM for prorated (only allowed 6 months or greater) - no premium if prorating to align dates

ADULT PRICING

Pop Range	CP Adult List	CX Adult List	CHCD Adult List	AP Adult
0 - 100	513	413	645	195
101 - 200	513	413	645	195
201 - 300	513	413	645	195
301 - 400	663	563	820	295
401 - 500	663	563	820	295
501 - 600	663	563	820	295
601 - 700	813	713	995	395
701 - 800	813	713	995	395
801 - 900	813	713	995	395
901 - 1000	813	713	995	395
1001 - 1100	813	713	995	395
1101 - 1200	813	713	995	395
1201 - 1300	813	713	995	395
1301 - 1400	813	713	995	395
1401 - 1500	813	713	995	395
1501 - 1600	813	713	995	395
1601 - 1700	813	713	995	395
1701 - 1800	813	713	995	395
1801 - 1900	813	713	995	395
1901 - 2000	813	713	995	395
2001+	813	713	995	395

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