

Raffineria d'oro Milano Inc. Business Analysis

Xiaochao Hong^{1*}, Changze Zhang²

¹The Smeal College of Business, The Pennsylvania State University, State College, PA, 16803, USA

²School of New Chanel, Wuhan, Hubei, 430022, China

* Corresponding author Emails: xiaochao.hong525@gmail.com

ABSTRACT

The main core of this thesis is our presentation of how to run a company that sells gold and silver in purified form and some of the cores needed for our operating company. Our work focuses on modelling the strengths and weaknesses of how this company can continue to operate and how to overcome the weaknesses. We had a good success in that our company was able to continue to operate and our work was intended to provide some experience and help to similar companies.

Keywords: SWOT, PESTLE, Porter 5F, SMART goals, VRINO

1. INTRODUCTION

Raffineria d'oro Milano Inc. (Rd'o.), a blender, manufacturer, local seller and exporter of gold and silver ores for diverse industrial and advanced custom collection coin product was established in 2018. The main business of Rd'o. is divided into two major areas: gold and silver purification and advanced customized coin production. To ensure the stability of production and design, Rd'o. separates the manufacturing factory and design department into different locations. Milan is the world's fashion art center and one of the four major economic centers in Europe (Milan). Milan is the birthplace of almost half of the world's luxury brands. At the same time, the hinterland of Milan is Italy's largest industrial area. The establishment of Rd'o. in Milan not only has advanced technology support, but also has many design resources.



Figure 1. Rd'o LOGO Create by Lin Giralt

To ensure the company's long-term development, Rd'o. needs to propose solutions to the following problems: the low product development and R&D, the

lack of technology to produce and maintain Gold and Silver Coins, the small business scope, and the common administrative and financial situation. Buying gold is a safe and sure investment, so gold can maintain value. Based on the research, the gold value per ounce presents a stable and continuously rising state [1]. China and India are the world's two largest markets for gold [2]. Since Italy has good relationship with China and India, Rd'o would do more international businesses with those two countries which is the opportunity for Rd'o to expand the business scope.

2. STRATEGIC ANALYSIS

2.1. Mission and Vision

The mission of Raffineria d'oro Milano Inc. is specialized in refining raw ore and rough-worked gold and silver ore and designed collected gold and silver coin to offer everyone meaningful products with a reasonable price. The vision of Rd'o is that recognize that we are a professional company in our industry and maintain the trust of our customers. We wish to become the leading specialist company of gold and silver processing in Italy and the Western Europe.

2.2. SWOT

2.2.1. Strengths:

Rd'o. has a good and noble vision and sense of mission, because they want to offer high quality products

with reasonable price to customers. To produce better products, Rd'o. focuses on being efficient and getting things done carefully which could offer better service and products to customers. Good Post-Sale Service could attract old customers who might bring more new clients, and more customers mean strong marketing. Rd'o. has strong marketing and sales skills which means that they would use their strength of marketing and sales to get more revenue. Since Rd'o. is good at marketing and sales, the annually growth rate of Rd'o. is stable and great.



Figure 2. Gold bar, ingots and coins on financial report. Growth of gold on stock market concept [8]

2.2.2 Weakness:

Rd'o. has strengths in marketing and sales, but it has weaknesses in internal departments. At first, Rd'o. should improve the administrative and financial situation which could help Rd'o. build a strong base. Second, the lack of independent produce and maintain gold and silver coin technology brings limited to Rd'o. The company cannot develop this technology individually so they should find partners to develop this technology together. Also, gold and silver purification technology on the market has reached its peak. It is difficult for Rd'o. to break through the purification technology and cannot surpass other competitors in purity. At last, the business scale of Rd'o. is small which only covered one or two countries which should be expanded.

2.2.3 Opportunity:

Rd'o would expand market to emerging international markets such as China and India because they are largest golden market around the world. In contrast, consumers in the European market are very interested in distinctive and unique products, so Rd'o would create unique and personalized designs for the customers. Milan is the world's leading design and fashion capital, where the company can communicate with top designers.

2.2.4 Threaten:

There are 13 competitors operating in Italy [3]. Then, Italy's gold and silver resources are very scarce. The competition was not only for gold and silver sources, but also for the refining industry. Also, the design and fabrication of gold coins would be a new competitor between the industry.

2.3. Business and Market Strategy

The first step of the business strategy is to work with some companies specializing in gold products. In the future, the company could take up the possibility of collaborating with other governments or European nobility to produce limited edition commemorative gold coins. Rd'o would take advantage of the government's policy to export growth business to Western Europe. Internally, the company would focus on improving the process of production to become an independent owner of technology. When sufficient funds to open new factories overseas, the business will open local production plants with our foreign partners to further reduce cost.



Figure 3. Gold & Silver Coin [9]

Rd'o are going to jointly issue brand commemorative coins with luxury brands. Then, holding product exhibitions regularly and cooperating with local travel agencies could promote the exhibition hall and factory. To satisfy customer, the company would adjust products with the outcome of market research and give back gifts to loyal customers or cooperative businesses. Also, the most important step for the market strategy is investing in gold and silver maintenance technology and hold a sharing session around the world with gold and silver refining technology.

2.4. PESTLE

2.4.1 Political:

The Italian government has been active in the recovery of industry and has made several economic stimulus policies after the shutdown of production in 2020, which are positive to our company.

2.4.2 Economic:

The economy of Italy is in the later cycles, which is recovery. The Italy economy is in an upward phase and stable economic development which is good for gold and silver ores industry.

2.4.3 Social:

Italy is the inheritance of Roman culture, which supports gold was sacrosanct. In Italy, Gold has an irreplaceable nature as a symbol of wealth and status.

2.4.4 Technology:

With the development of technology, Purified gold and silver technology would produce highest purity product with very little pollution.

2.4.5 Legal:

Italy, as one of the world's largest golds importing and producing countries, has well established laws, like Gold Storage Policy [4] to protect mineral companies and the industry.

2.4.6 Environment:

Gold and silver purification technology has evolved to an extent which is up to strict effluent standards. Also, Rd'o. has the purification technology which can produce the highest quality of gold and silver while meeting strict effluent standards.

2.5. Porter 5F

2.5.1 Competition in the industry:

The current technology of the gold and silver purification companies is similar, and most of the companies are able to produce products with a purity of around 99.999% [5]. Also, it is easy for companies to imitate each other, which cause low product differentiation. Therefore, the degree of competition from peer competitors is high.



Figure 4. 9999 vs 999 gold [10]

2.5.2 Potential of new entrants into the industry:

There are around 13 gold and silver ores companies and little new entrants in Italy. There are no new companies from outside to divide up the market. So, the danger of new entrants is low.

2.5.3 Power of suppliers:

Due to the current mining license [6], the raw material supplier of gold and silver ores has a stable market position and is not controlled by fierce market competition. The supplier companies are not distinctive, so Rd'o. conversion costs are not high, and alternative suppliers can be easily found. Our bargaining power over suppliers is generally good.



Figure 5. Gold mining licence [11]

2.5.4 Power of customers:

The base of the consumer group is large, and some buyers have large purchases, which may account for a large proportion of the company's sales. The gold and silver ores industry is made up of a small number of companies. The purchasers buy largely standardized products and get products from multiple sellers. Therefore, the bargaining power of the customers is high.

2.5.5 Threat of substitute products:

The gold and silver products produced by the various producers are similar except the design. There is no precious metal created that can replace gold and silver. Therefore, the threat of substitution is low.

2.6. VRINO

Rd'o realized that it has the capability of understanding customers' want and need and then design specific products for them. The key capability is valuable because the customer's satisfaction will be high. Not every business has the same key capability to cater to the needs of every customer, so the key capability is rare. No other capability can imitability and other companies cannot use the same capability as Rd'o do which means this ability has imperfect imitability. This key capability is non-substitutability because it cannot be replaced. Also, Rd'o use the key capability in all the people they need which can make the business better.

2.7. Proposed Corporate Culture

Rd'o has the consistency culture because the strategy of Rd'o focuses on the internal, which means the company will focus on its planning, costs, and capabilities. Improving itself so that the company can develop to achieve consistent quality and bring better business. The environment the company work for is stable because it works on gold and silver all the time. Rd'o would not produce other products which are not related to gold or silver even customer want.

2.8. Smart Goals

Rd'o aims to increase the annual sales from 17 million to 50 million in five years. 50 million dollar is a measurable number and to achieve this goal Rd'o would setup local processing center in gold producing area with international partners. Also, 20% to 25% growth rate is realistic for five years for the company.

2.9. Key Capabilities and Core Competencies

To have a stable position in the market, Rd'o. has clarified its key capabilities and core competencies. Rd'o. has three key capabilities: sales and marketing, post-sales service, and efficient environmental protection purification technology. Good sales and marketing can help Rd'o. have higher sales so that it can occupy more market share. Excellent after-sales service can attract old customers, thereby bringing in more new customers, and more customers means strong marketing. At last, efficient environmental protection purification technology brings more pure gold and silver which could reduce waste. All key capabilities are connecting with each other. Also, the core competency of company is offering price-reasonable gold and silver products to customers and the whole industry. The core competency fits the mission of Rd'o.

3. SUPPORT ELEMENTS

3.1. Alliances

Rd'o has three different kinds of Alliances. At first, Rd'o would find Manufacturer operates in the Metals precious and special industry which are Supplier alliances, like Better Silver SRL. Then, Buyer Alliances which have number of clients who want to buy gold would bring lots of customer resources to the business, like The Royal Mint. At last, Rd'o would cooperate with Gold-Related Technology Development Alliance for technology development [7], like Croatian Mint, because Rd'o should overcome the lack of itself develop purification technology.



Figure 6. The Royal Mint LOGO [12]

3.2. Organizational Chart

Organizational Chart of Rd'o is Matrix Organization by Function because the leader of the company think it is the most effective way to manage employees. There are 76 employees and four main departments in the company. Each main departments have their branches to deal with specific work. Each department could directly communicate with each other, and supervisors of each department report to the CEO.

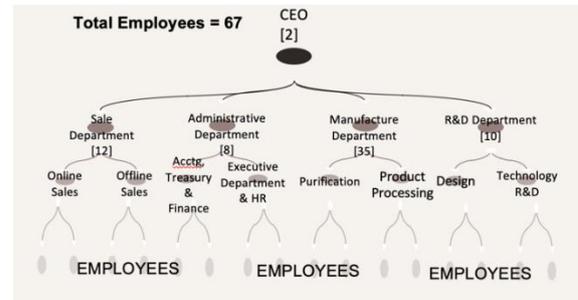


Figure 7. Rd'o Organizational Chart

Matrix Organization by Function

Create by Author

3.3. Diversity in Workforce

To rich the diversity in workforce, we welcome different kinds of people to join us. We have no limit on age, language, gender, culture, or other requirements. We want to get different ideas to innovate products all the time.

3.4. Leadership Style

The Leadership Style of Rd'o is democratic. We all agree that it is the most effective leadership style. Managers would encourage all group members to participate, and this action would make employees become more motivated and creative. Flat Management could give employees chance to share their idea. Also, the participate leadership style can foster higher levels of employee engagement and workplace satisfaction which could make the organization better.

4. CONCLUSION

This work helps the company conduct a comprehensive analysis, and at the same time put forward its own advantages and existing problems. In the future, we actively engage with our employees in reflection and encourage their valuable suggestions. We listen to and respect every valuable suggestion, thus keeping the company alive. We would look for other governments to seek raw gold, where we can then invest or open companies to provide local jobs. This will allow our company to expand its market and become more diversified. We have innovated and reformed in a challenging environment. We are developing towards our goal to become a stronger company.

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