
Zone 5 Photo Studios, INC.: The Graduate's Partner

"To succeed in business, you can either be first, or great, or different"

- Rebel Aldeguer, President and CEO, Zone 5 Photo Studios Inc.

Reb on Edge

Reb Aldeguer, President and CEO of Zone 5 Photo Studios, hung up the phone. He had just spoken to a regular client who was complaining that the final draft of their yearbook had missing and mismatched pictures and write-ups. This concerned Aldeguer because the client's graduation ceremonies were nearing, as was Zone 5's deadline to issue the client's yearbooks. Given the missing and mismatched items in the final draft, the studio would be hard pressed to deliver on its promise that, given that schedules were followed by both the studio and the client, on or before the students' graduation Zone 5 would have released yearbooks to the students.

This wasn't the first time that Aldeguer dealt with such a complaint in the past few weeks. Aldeguer wanted to reinvigorate Zone 5's presence in Metro Manila, but the influx of customer complaints was slowing his plans to do so. He desired to take advantage of the innovation potential in the yearbook industry and expand Zone 5 Photo Studios, but he needed to address operating inconsistencies first. Aldeguer sat at his desk, questioning how to address Zone 5's internal inefficiencies so that it could become a leader of yearbook production in the Philippines.

Repro Professional Printers

Aldeguer's journey began with the company, Repro Professional Printers. Established in 1998, Repro was a small printing press trying to find its place in a very competitive industry. In Repro's first years of operations, it took on any potential client, project, order, or deal as long as its machines were capable of producing the product. Repro's technologies produced products ranging from the printing of commercial posters to the binding of books. As Repro expanded, Aldeguer decided that rather than producing different products of various complexities and specifications, Repro would specialize more narrowly on a few products, with graduation yearbook printing as its flagship product. Thus, Repro's primary customers shifted to schools, colleges, and universities based in Metro Manila.

The go signal to specialize in this niche market started when Aldeguer spoke to photo studios that partnered with Repro. By partnering with photo studios that developed content for graduation yearbooks, Aldeguer obtained the experience, information, and expertise needed to enter the yearbook industry. Repro determined that this unique industry focus would be profitable enough to sustain the productivity of its operations, with the potential to generate a higher profit margin. Entering the yearbook industry was a sustainable business model given that each year the majority of all academic institutions had a graduating class that wanted to purchase a graduation yearbook. Considering the large pool of potential clients (academic institutions) and the quantity of purchasing parties (graduating students), it seemed that the yearbook business model would generate a steady revenue stream to cover Repro's continuing operations.

After 16 years of operations focused on yearbook production, Aldeguer decided to again expand the scope of Repro. He observed limited and sometimes lacking quality graduation photo packages available in Metro Manila. Photography studios offered students steeply priced graduation photo packages that were low quality. Aldeguer considered utilizing the developed synergies within his existing business to lower costs and offer better quality products for a more reasonable price to students in Metro Manila, leading to an improvement in the value-chain capability of Repro Professional Printers. Thus, in 2007 the idea of forming a photo studio, Zone 5 Photo Studios, was initiated. See **Exhibit 1** for a list of the products and services offered by Zone 5.

Exhibit 1

Products and Services List

Zone 5 Photo Studios, Inc.	Repro Professional Printers
Portraiture Graduation Photos Creative Indoor Photography Creative Outdoor Photography Glamor Photography Portfolio and Set Cards Make-Up and Hair Styling Photo Printing Frames, Albums, and Photo Laminations	Graduation Yearbooks Interactive DVD Yearbooks Other Services: Flyers, brochures, coffee table books, primers, calling cards, sintra boards, photo books, and planners

Source: Zone 5 Photo Studios, Inc. "ZONE 5 Company Profile." 2013. Microsoft Word file.

Competitive Edge

Competition in the photo industry was tough. The market was saturated with photographers and photo studios that offered nearly identical services to that of Zone 5. Such saturation was brought about by the pervasiveness and accessibility of digital photography equipment, which significantly reduced the barriers-of-entry into the photography industry. Aldeguer pooled together a group of young passionate photography amateurs, mostly fine arts and visual communication students, to guide, train, and expose to the photography craft so that they could gain the experience and competencies as working professionals.

But with entering such a competitive industry, what set Zone 5 apart? Aldeguer observed that Zone 5's competition were only able to deliver suboptimal formal Filipino images where clients posed in a formal barong (for men), a beige or ecru Filipiniana dress (for women), or a toga. The competition's weakness, creatively shot photos, became Zone 5's differentiating factor and competitive advantage. Maintaining constant communication and an open mindset with Zone 5's pool of photographers, Aldeguer was able to foster its young apprentices' technical competence and raw passion to come up with the trendiest ideas that were relevant and geared toward students. Zone 5 was a photo studio that developed its product and service delivery around its customers, where quality was measured by customer satisfaction—a first for the market in Metro Manila. Zone 5's value proposition focused on quality and was reflected in its company motto: "Life is Full of Choices."¹

Zone 5 recognized that there was a difference in telling clients what a studio offered as compared to asking them what they wanted. Since Zone 5 focused on making client needs a reality, its products and services expanded as customer wants diversified. The challenge, therefore, lay in the company's ability to respond to customer requests in a relevant and appropriate manner.

Zone 5 Capabilities²

Zone 5 expanded its studio to include various indoor and outdoor sets and backgrounds, with props and furniture. They also had an enormous wardrobe collection of costumes, suits, and dresses, along with a styling room and a team of in-house makeup and hair stylists. Zone 5 featured an entire air conditioned area with a living room, work space, beds, and all other necessities designated for student editorial boards to use while visiting Zone 5.

Zone 5's post-processing department, which included its layout, graphic, and digital artists, were directly accessible to student boards. This integrated all the necessary post-processing procedures and services for the editorial boards. The post-processing team gave advice to clients on how images appeared in the graduation book, which promoted client ownership and mass customization of the final product. All products were eventually printed by Repro's printing machines, which were located on the same premises as Zone 5.

Yearbook editorial boards provided Zone 5 with a write-up and an overall theme and look for the yearbook design, with Zone 5 taking care of the rest. Constant interaction among designated Zone 5 staff and the client kept projects updated and the team productive. This became the winning formula for success at Zone 5 Photo Studios which enabled Zone 5 to deliver the highest quality products. Because of the synergies Zone 5 had as a photo studio, it became the only competitor in the market to offer what was termed as a 'trophy package' for its yearbook line. The trophy package meant that, on or before the time students graduated, Zone 5 would have released the yearbook.

Zone 5 Photo Studios worked to earn its spot as the preferred graduation yearbook and photography partner. They popularized creative graduation yearbook shots as well as other product innovations such as an interactive DVD yearbook. It was this competitive position and brand of service that provided Zone 5 with repeat businesses from many clients. Students were given control to determine how much photo editing they wanted done to their photo. In the long-term, Zone 5 envisioned itself as the ultimate graduation company by specializing in all miscellaneous graduation needs such as college rings, toga manufacturing, diploma printing, and medal printing.

Zone 5's differential capabilities secured various schools across Metro Manila as clients. They were one of the leaders in the Filipino yearbook industry because they were the only shop that allowed clients to "show up, pay, and pose" without any worries.³ Zone 5 focused on its long-term vision of becoming the ultimate graduation photo company for all schools to trust and transact with in the Philippines. Since Zone 5 identified academia at all levels as its target audience, the company sought to make its presence known not only in Metro Manila but also within Luzon, from Batanes to Sorsogon.

Client Profile⁴

As of 2014, colleges and universities accounted for 90% of Zone 5's customers, with the remaining 10% coming from other types of schools. Of the 90%, 95% were located in Metro Manila, specifically in the Quezon City area, with the remaining 5% found elsewhere. A large number of the 5% of clients based outside of Metro Manila were what the studio termed as significant accounts. These accounts were not considered primary accounts, but still contributed a sizeable amount of revenue. Because of the account size of the outlying customers, Zone 5 was looking to expand beyond Metro Manila to take advantage of potential growth.

Competition

Zone 5 experienced cutthroat competition with five studios that had similarly scaled operations and recognized around 15 minor competitors. According to Aldeguer, two of the five competitors had a large scale university as a major client.⁵ Aldeguer found that it was not about the quality of the products and services offered by Zone 5's two competitors that created their market share because Zone 5's quality was considered top of the line in the Philippines.

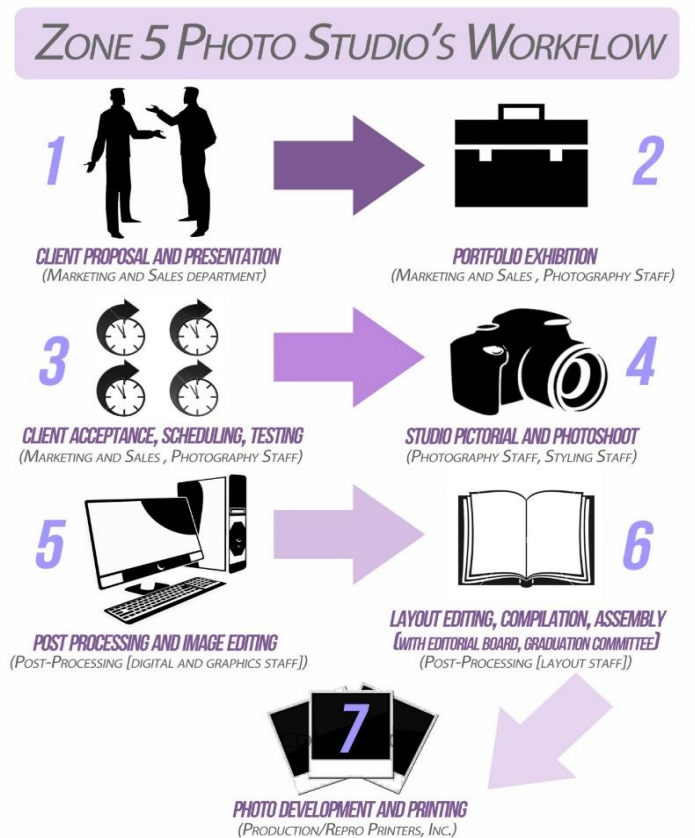
The strengths of Zone 5's competition were that each had connections inside universities with decision making authority. Specifically, Ateneo de Manila University was a major client for Competitor Alpha and University of Santo Tomas (UST) for Competitor Beta. Competitor Alpha established satellite offices, while Competitor Beta was located adjacent to UST and was closer to other Manila based universities than Zone 5, with its main office in Quezon City. Despite Competitor Beta's insider ties, Zone 5 managed to make connections within several colleges at UST, who ultimately converted to their services (see **Appendix A**).

Workflow⁶

Zone 5's ability to provide on time delivery of quality products and services was contingent on a seven step process to be as efficient and effective as possible. (See **Exhibit 2**). This was essential since Zone 5's top three products focused on portraiture with creative shots (e.g., those found in graduation yearbook packages), followed by individual portrait shots and family portrait shots. The first step, Client Proposal and Presentation, depended on the customer account. The time to finish this first step could be indefinite, meaning it could range from days to even months, depending on the level of engagement and familiarity with the customer. Time seemed to vary more in regards to newer accounts than repeat customers.⁷

Exhibit 2

Zone 5 Photo Studio Workflow



Source: Aldeguer, Rebel M. Personal Interview. 10 October 2013.

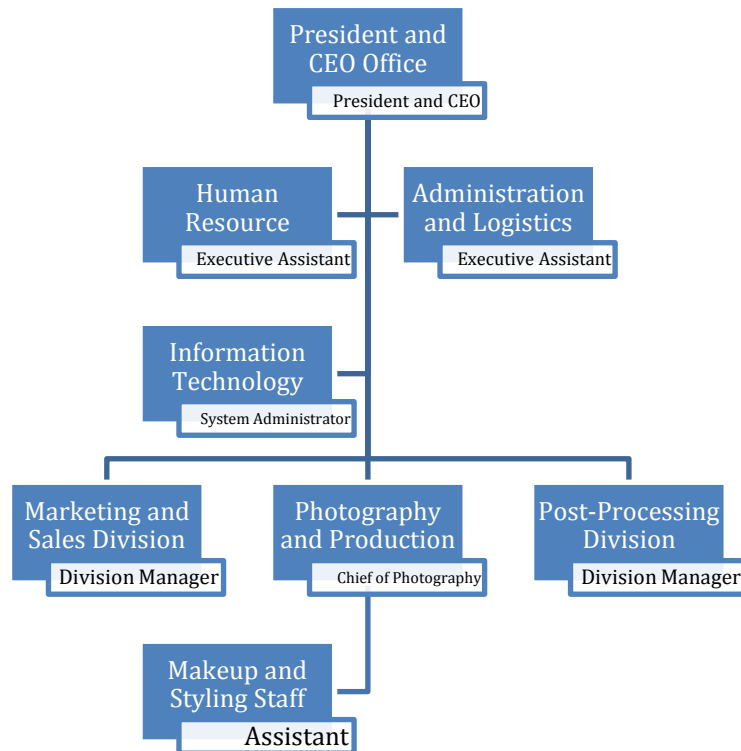
The second step, Portfolio Exhibition, also depended on the customer account. Exhibit viewings usually took about a week because clients had to view and comment on the photo portfolio. Luckily, some accounts did not require a portfolio exhibition, saving a significant amount of time for the project. After a customer gave acceptance of the project, step 3, the process then moved to the Studio Pictorial and Photo Shoot step. Step four could take anywhere from 1 to 5 days due to scheduling, which depended on the photo package selected. The more varied the types of photos selected and the more students that were to be photographed, the longer it took to complete the photo shoot properly.

Steps five and six involved post-processing on two different fronts: Zone 5 and the editorial board or graduation committee. These steps were the longest to complete due to the customizations and personalization specifications of the photos. It was during this stage when customer complaints arose most often because instructions and specifications provided by the clients were ambiguous, vague, or undefined. This produced difficulties in achieving and matching the expectations of individual clients during the post-processing and image editing stages. These difficulties, unresolved, ate into the 75 working day maximum for any given project, as stated in Zone 5's contract agreement. Thus, the need to resolve customer expectations discrepancies was important; otherwise, it was challenging to abide by contract deadlines.

Organization⁸

Customer service was handled by the Marketing and Sales Division. The marketing staff dealt with online responses and production concerns, while the Sales staff handled ground responses, such as the face-to-face feedback given to editorial boards. **Exhibit 3** reflects the organizational structure of Zone 5.

Exhibit 3
Organizational Structure



Source: Aldeguer, Rebel and Ma. Christina Fabito. Personal Interview. 3 October 2014.

Expansion Barriers⁹

In spite of its successes, Zone 5 still encountered operational inefficiencies, specifically in regards to any customer driven processes. Competitive pricing and exemplary product quality was always a draw for potential customers, but it was through customer relations that partnerships and long-term loyalty was established. Yearbook production was a customer-centric process, since customers needed to be involved in design decisions throughout the entire contract. Miscommunications with customers caused heavy delays in the release of a final product. While it was Zone 5's aim to finish each yearbook by its set deadline, this did not always happen. It was difficult for Zone 5 to follow and maintain its timeline due to difficult updating communications with clients. The first identified hurdle to overcome was that Zone 5 faced market share losses from competitor advantages in networking with prospect clients. This occurred because competitors often offered incentives to persuade clientele.

Miscommunications, the next and most prominent barrier to expansion, stemmed from student clients with several demands and expectations. To illustrate, there were instances wherein the release date of yearbooks were not met because student clients failed to submit the required deliverables on schedule. The most common problem arose when students demanded that yearbooks be distributed on the original scheduled release date, failing to account for the time extensions caused by failures in delivering necessary materials on time. In this instance, consideration for Zone 5's fixed time schedule for each process, such as layouts, approvals, and printing, as stipulated in their contract, was ignored.

Miscommunication also happened in connection to the photography and photo image rendering service. To demonstrate, instances where student clients provided ambiguous instructions or vague specifications on how they wanted creative shots to be rendered. These cases caused to and fro communications between Zone 5's digital artists and clients for consultation and approval. As a result, the approval process was commonly delayed.

With overall revenues composed of 70% student client sales and 30% administrative and office sales, the miscommunication, high expectations, and production schedule problems were magnified. Student clients divided time and resources between academics and other co-curricular demands, constraining interaction and collaboration time with Zone 5.

In response, Zone 5 used several strategies to minimize the domino effect that these unfavorable circumstances brought. The first mitigation strategy Zone 5 used was to send clients expectation management letters to remind them of their contract timeline and notify them of any implications that delays had on the schedule of service delivery. Another strategy Zone 5 used was to hold a soft-viewing with clients to exhibit their photos so that the images were approved by the clients before being approved by Zone 5. The clients were also allowed to add remarks and other specifications for Zone 5 to consider and edit accordingly, contributing to client fulfillment. This technique was used to establish ownership and artistic direction from the client to boost overall satisfaction with the product and service.

Despite the different cases of miscommunication and challenges experienced by Zone 5, it was still able to achieve a high retention rate. It made it a point to only accept projects that could be delivered to ensure good customer satisfaction ratings. It also allowed students to sit down with the studio artists and become hands on with the project to make it a learning experience. This opportunity allowed students to have more creative freedom and ownership of the end result.

What Edge for Reb?

Reb Aldeguer was faced with lots of challenges stemming from addressing the needs of Zone 5 student clients. However, he wasn't new to the ever changing and evolving market of his niche and always saw that he turned these adversities into personal challenges. The prospect of improving the company's edge against its competitors fueled and motivated him to work harder. Once again, Aldeguer had to think quickly and react to these dynamics. As he readied himself to go home after a day of entertaining clients, he couldn't help but critically ponder how he could overcome Zone 5's challenges that stemmed from operational and customer relationship issues. How could Aldeguer transform the studio into a great company possessing a competitive edge in the photography industry while overcoming its amounting customer complaints?

Appendices

Appendix A

Zone 5's Partial Client List

- University of the Philippines Institute of Tourism 2015, 2014, 2013, 2012 & 2010
- University of the Philippines College of Architecture 2015, 2014, 2013, 2012 & 2008
- University of the Philippines College of Law 2015, 2013
- University of the Philippines College of Business Administration 2015, 2014, 13, 12, 11 & 10
- University of the Philippines College of Education 2013, 2012, 2010, 2009 & 2007
- University of the Philippines College of Engineering 2014, 2012
- University of the Philippines College of Home Economics 2013, 2011, 2009 & 2007
- University of the Philippines College of Human Kinetics 2012
- University of the Philippines College of Psychology 2014, 2012, 2010 & 08
- University of the Philippines College of Science 2014, 2012 & 2009
- University of the Philippines College of Social Sciences and Philosophy 2015, 13, 12 & 2007
- University of the Philippines NCPAG 2012
- University of the Philippines School of Statistics 2014, 2013, 2012 & 2011
- University of the Philippines Los Baños Dept of Biology 2010 & 2009
- University of the Philippines Los Baños College of Economics 2015, 2013, 2010
- University of the Philippines Los Baños College of Dev't Com 2011 & 2010
- University of the Philippines Los Baños College of Human Ecology 2010
- University of the Philippines Los Baños Dept of Computer Science 2010
- University of the Philippines Los Baños Dept of Communication Arts 2010
- University of the Philippines Mla College of Allied Med Professions 2014, 2013, 12, 10 & 09
- University of the Philippines Mla College of Dentistry 2013, 2011
- University of the Philippines Mla College of Medicine Intarmed 2010
- University of the Philippines Mla College of Nursing 2014, 2012, 2011 & 2010
- University of the Philippines Mla College of Public Health 2014, 2013, 2012 & 2010
- University of the Philippines Mla College of Pharmacy 2013, 2010 & 08
- University of the Philippines Mla College of Arts and Sciences 2014, 13, 12, 11, 10, 09, & 08
- University of the Philippines Integrated School 2014, 2013, 2012 & 2011
- Ateneo de Manila College of Law 2015, 2012, 2011, 2010
- Ateneo de Manila University College, Loyola 2009
- Ateneo de Manila University High School, Loyola 2011, 2010 & 2009
- Asia Pacific College 2012 & 2011
- Lyceum of the Philippines University Cavite 2015, 2014, 2013 & 2012
- University of Santo Tomas College of Education 2013, 2012 & 2011
- University of Santo Tomas College of Commerce and Business Administration 2013
- University of Santo Tomas College of Nursing 2007
- University of Santo Tomas College of Science 2012, 2011 & 2010
- Far Eastern University College of Medicine 2012 & 2011
- Far Eastern University College of Physical Therapy 2012
- Manila Central University 2012, 2011, 2010, 2009 & 2008
- PSBA Manila 2013, 2012, 2011, 2010, 2008
- PSBA Quezon City 2012
- San Beda College of Arts & Sciences 2008
- San Beda College of Nursing 2013, 2012, 2011 & 2009
- San Beda College of Law 2011 & 2010
- San Juan de Dios College of Nursing 2012, 2011 & 2010
- Saint Bridget School of Quezon City 2012
- Saint Luke's College of Medicine 2012 & 2011
- Saint Scholastica's College Manila 2014, 2013 & 2012
- UERM College of Nursing 2011 & 2008
- Technological University of the Philippines Manila 2014, 2013
- Technological University of the Philippines Taguig 2014

Source: Zone 5 Photo Studios, Inc. "ZONE 5 Partial Roster of Clients." 2014. Microsoft Word file.

Endnotes

¹ Aldeguer, Rebel. Personal Interview. 10 Oct. 2013.

² The information in this section came from the source: Fabito, Ma. Christina. Personal Interview. 15 Aug. 2014.

³ Aldeguer, Rebel. Personal Interview. 2014.

⁴ The information in this section came from the source: Fabito, Ma. Christina. Personal Interview. 15 Aug. 2014.

⁵ Aldeguer, Rebel. Personal Interview. 2014.

⁶ The information in this section came from the source: Aldeguer, Rebel. Personal Interview. 10 Oct. 2013.

⁷ The information in this paragraph came from the source: Fabito, Ma. Christina. Personal Interview. 15 Aug. 2014.

⁸ Ibid.

⁹ The information in this section came from the source: Fabito, Ma. Christina. Personal Interview. 3 Oct. 2014.