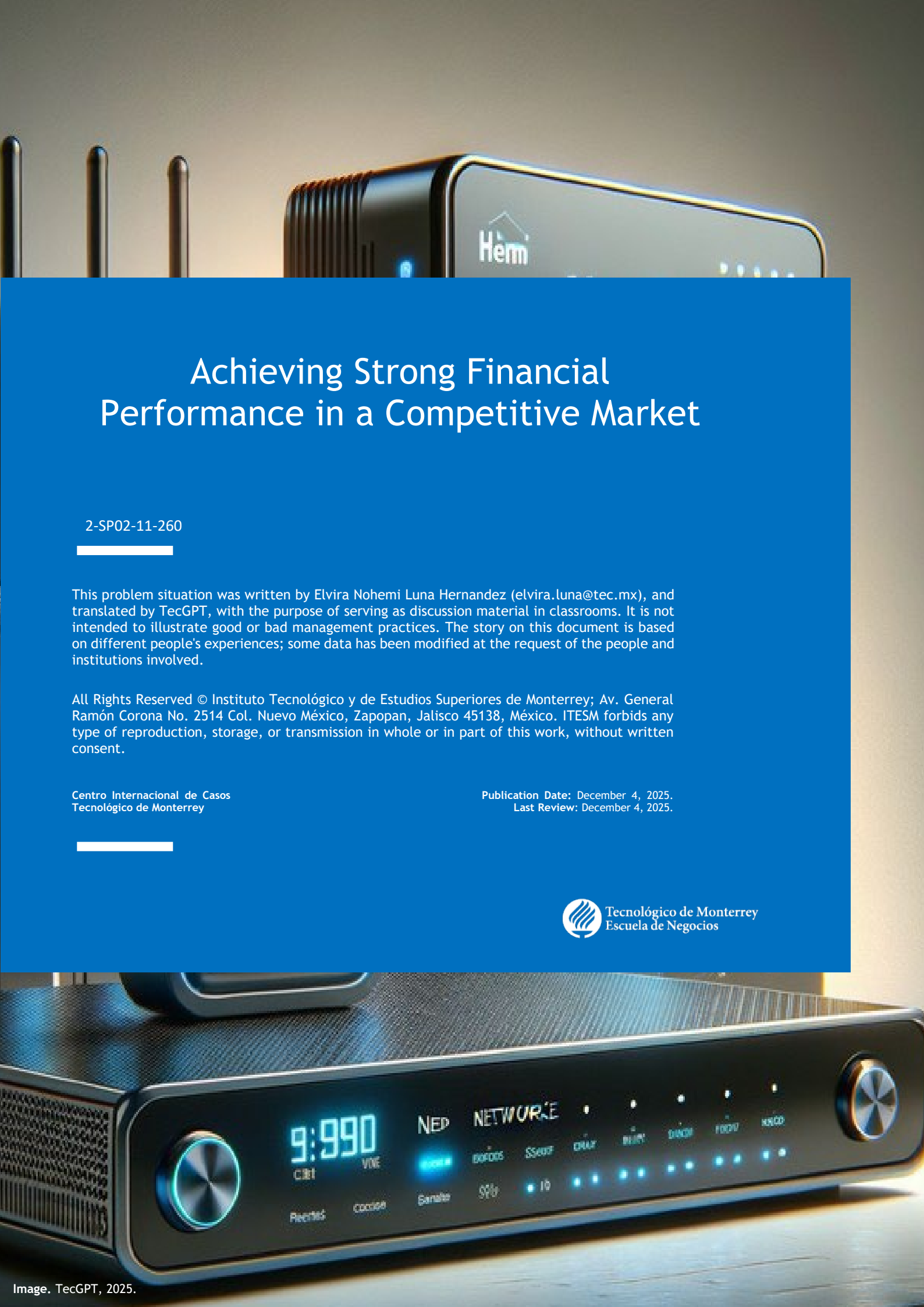




Achieving Strong Financial Performance in a Competitive Market

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This problem situation was written by Elvira Nohemi Luna Hernandez (elvira.luna@tec.mx), and translated by TecGPT, with the purpose of serving as discussion material in classrooms. It is not intended to illustrate good or bad management practices. The story on this document is based on different people's experiences; some data has been modified at the request of the people and institutions involved.

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The company

NYZ Logy is a telecommunications hardware company founded in 2005 by engineers Tom and Eleanor Hazrman, who envisioned integrating technology through reliable communication devices. The company's core values include innovation, research, and a commitment to enhancing connectivity. NYZ Logy has grown to become a significant player in the telecommunications sector, known for its high-quality products and strong customer focus.

The current CEO, Dr. Helena Hazrman, daughter of the founders, has led the company for two years. Under her leadership, NYZ Logy has embraced digital transformation, focusing on the implementation of AI software and cybersecurity services to enhance operations and safeguard sensitive data. Despite steady growth, the company faces challenges in profitability and competition from emerging players. The company produces two main products: Nyz Logy Routers, a high-performance internet router, and HomeGuard, a comprehensive home network security system. These products are distributed in three major markets: Germany, Japan, and Canada. Nyz Logy Routers have a loyal customer base but face stiff competition in the router market. HomeGuard, however, is a leading brand in the growing home network security industry.

In the World

According to The Digital Economy by the World Economic Forum, technology should be seen as a means of connecting and empowering (World Economic Forum, 2025). This ecosystem includes the Universal Adoption of Affordable Digital Services, as well as Trust, Security, and Protection.

Statista (2025a) reports that the AI Development Tool Software market is projected to reach \$3.37 billion in the Americas and \$316.82 million in Western Asia by 2025, with expected annual growth rates of 5.43% and 5.89%, respectively, through 2030. Additionally, 82% of developers reported using AI tools to write code in 2024, with ChatGPT being the most popular. Moreover, leading tech companies are investing billions with a focus on advancing capabilities responsibly while scaling adoption.

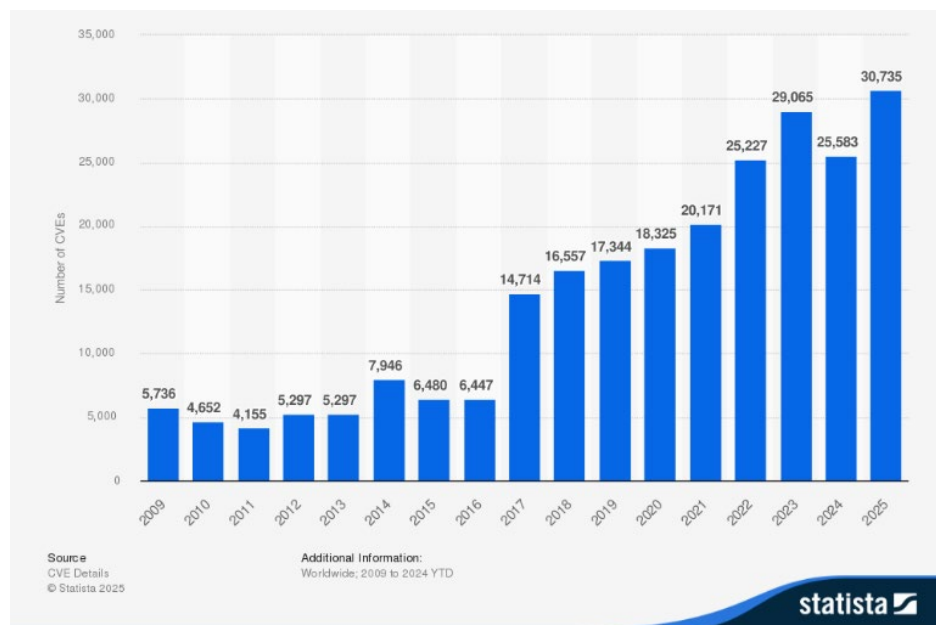
These tech giants are investing heavily in AI infrastructure, with a focus on building AI datacenters and expanding cloud capabilities. In 2025, Meta, Alphabet, Amazon, and Microsoft are expected to spend between \$350 and \$400 billion in capital expenditure, primarily for AI datacenter construction (Statista Research Department, 2025). Nvidia leads the AI compute space with over 90% market share in data center GPUs, while cloud providers like Microsoft Azure, Amazon AWS, and Google Cloud compete for enterprise customers.

Key investment areas include process-level productivity improvements (42% of AI investments) and company-level innovation (40%). Global capital investment in AI-related data center capacity is projected to reach between \$3.7 trillion and \$7.9 trillion by 2030, with the majority going towards IT equipment (BCG, 2025). These investments are shaping the industry by creating an "AI arms race" among tech giants, driving innovation and competition. Companies like Meta are focusing on integrating AI capabilities into their products and services, while others like Apple are taking a more cautious, privacy-focused approach. The market is dominated by a few major players, including Nvidia, Microsoft, Apple, Alphabet, and Meta, each valued in trillions of dollars.

This development raises questions related to digital identity and cybersecurity. Statista (2025c) reports that the global cybersecurity market is projected to reach \$129.45 billion in 2025, with an anticipated annual growth rate of 5.58% from 2025 to 2030. This indicates a growing demand for cybersecurity solutions. Cyber incidents, including cybercrime, IT failures, and data breaches, are consistently ranked as the leading risk to businesses globally. This trend highlights the increasing importance of cybersecurity in the business world.

Ransomware attacks are considered the most significant cybersecurity threat by 41% of Chief Information Security Officers (CISOs) worldwide. This metric underscores the persistent and evolving nature of ransomware threats. As of August 2024, around 30,700 new common vulnerabilities and exposures (CVEs) had been discovered worldwide. The increasing number of vulnerabilities highlights the expanding attack surface and the need for continuous security updates. The most important consequences of cyberattacks are greater difficulty attracting new customers, lost customers and negative impact on brand or reputation (CVE Details, 2025).

Image. Number of common IT security vulnerabilities and exposures worldwide (2009 to 2025 YTD).



Source. Statista, 2025c.

Initial State

The following information is drawn from the CESIM Firm Simulation (CESIM Oy, 2025), which serves as the foundational framework for the development of this problem situation.

Market Analysis:

Germany, Japan, and Canada represent significant market opportunities. Germany has rising purchasing power and its market for high-quality telecommunications hardware is growing steadily. Japan's market is expanding, driven by an increasing demand for advanced internet devices and robust network security. Canada offers a large potential market for both routers and network security systems, facilitated by a flexible regulatory environment.

Marketing and Distribution:

Effective marketing and advertising are crucial for NYZ Logy' success. In Germany and Japan, building a strong brand that emphasizes quality and reliability is essential. In Canada, the focus should be on increasing the number of retail outlets and partnerships through robust customer care. Efficient distribution strategies across all three countries are integral to maintaining and expanding market share.

Production:

NYZ Logy operates two production facilities: a large manufacturing plant in Eastern Germany and a smaller facility in Western Canada. Domestic transport is handled by freight trucks, while cross-country transport requires both freight trucks and maritime transport, utilizing large container ships. Maritime transport is less polluting per unit of cargo, but advances in all-electric truck technology could make trucking more environmentally friendly.

The production process for network security systems is still evolving, and significant cost reductions are anticipated as the manufacturing process becomes more efficient. Router production is well-established, ensuring steady production costs.

Strategic Goals:

- Implement AI solutions to optimize inventory management and reduce operational costs.
- Enhance cybersecurity measures to protect intellectual property and sensitive customer data.
- Increase market share through targeted advertising and strategic partnerships with retailers and distributors.
- Explore opportunities for product diversification based on emerging technological trends and customer needs.

By focusing on these strategic goals, NYZ Logy aims to strengthen its market position, improve profitability, and ensure sustainable growth in the competitive telecommunications hardware industry.

NYZ Logy has moderate leverage but has struggled with profitability due to fluctuating exchange rates and rising competition. Analysts predict an increase in interest rates, which could have a further impact on the company's financial health. The company's board and shareholders are concerned about these trends and are looking for a new consulting team to give them solutions.

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