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iNeptune Engineering: A Firm at Crossroads

Author: Ahmet Rasim Demirtas

E-mail Address: ahmetrasimdemirtas@gmail.com

NEPTUNE ENGINEERING: AEROSPACE & DEFENSE

CASE SYNOPSIS

Neptune Engineering is a middle-sized, local firm in Istanbul. It sells engineering software and applications. Neptune also provides engineering consulting on projects, because of its high engineering resources and capabilities. Besides it is the regional sales representative of Saturn Systems, a military mechanical component (Component X) producer firm.

Neptune`s top managers are considering to focusing on military business by stretching to two ways; increasing their sales significantly against their competitor, “Uranus Engineering” and entering into the production of Component X gradually. Neptune is considering using different sales channels to overcome Uranus Engineering`s dominance in market. Uranus Engineering`s main business focus is on military electronics and they are the representatives of another global “Component X” producer, “Jupiter Systems”. However, Uranus Engineering entered the sales of Component X earlier on as a first-mover and owns the significant portion of “Component X” market in Turkey due to its business network among main military product and platform producers. Unlike Neptune, they have no intentions to manufacture “Component X”.

The producer firms for Component X, Saturn and Jupiter Systems, have over 60 years expertise and reputations as reliable global players. Saturn and Jupiter are located in Germany and the USA respectively, which are NATO member countries. Although Jupiter Systems has a broader network and owns a bigger share of the market, quality-wise the products are very



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similar, even equal on certain aspects. A new entrant does not seem likely in near term due to the industry`s heavy-capital requirement and technical know-how.

Neptune managers have questions in their minds related to how to handle the domestic competition and their relationship with Saturn in the long term, because of not only firm-based reasons but macro-conditions as well. The Component X has huge capital requirements and substantial technical entry barriers. In Turkey, the government supports and pushes any kind of domestically-produced military products due to its visions as a strong NATO member country. Meanwhile, political turmoil and unfavorable views towards Turkey`s current economic and political situation in Germany and the USA, (especially in the USA, because of stricter political and legal constraints on military business) raises huge question marks for foreign military firms and ongoing relations with their Turkish business partners. Neptune managers have doubts about how to enter the production of Component X while handling Saturn`s sales for Component X in a highly uncertain macroeconomic and political environment.



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