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CENTRUM PUCP
BUSINESS SCHOOL

Consulting Report – Toulouse Lautrec

**TESIS PARA OBTENER EL GRADO DE MAGÍSTER EN
ADMINISTRACIÓN DE NEGOCIOS OTORGADO POR LA
PONTIFICIA UNIVERSIDAD CATÓLICA
DEL PERÚ**

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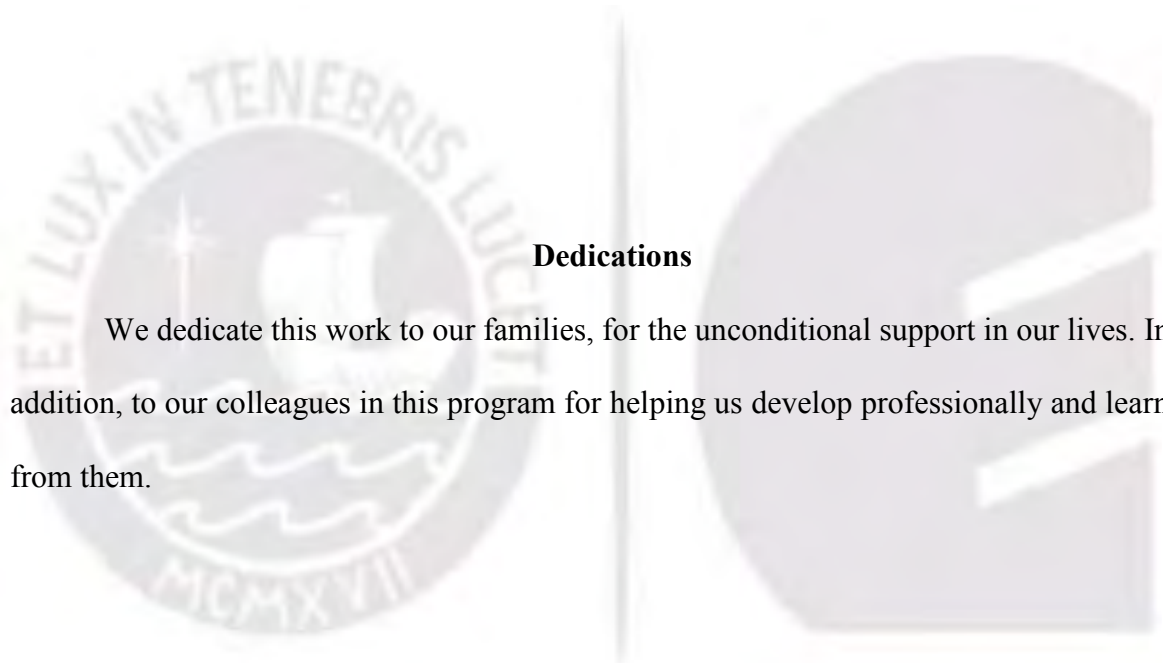
Surco, September 2019

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Dedications

We dedicate this work to our families, for the unconditional support in our lives. In addition, to our colleagues in this program for helping us develop professionally and learn from them.



Abstract

Toulouse Lautrec is an Escuela de Educación Superior in Peru, the first institution in the country to obtain the SUNEDU licensing to operate as an escuela. It also belongs to the Educa group, to which also belongs Universidad de Ciencias y Artes de América Latina and the CERTUS Institute. The educational center was founded in 1983, being one of the first to focus on creative careers. Currently, TLS offers specialization in six subjects. Also, to offer a quality education, the company has two business units, *Antegrado* and *Educación Continua*. The company employs more than 900 professors, with a student body of 7,500 and more than 6,000 graduates. In recent years, one of the main challenges for TLS is to improve the image and profitability of *Educación Continua* business unit, which operates in the four buildings that the company has, sharing spaces with *Antegrado* in the campuses of Santiago de Surco and Magdalena, while at the *sede* of San Miguel and Independencia it operates 100%.

To achieve the objective, the CENTRUM consulting team held meetings with the company to identify the problem and propose the optimal solution. After conducting an analysis of the company, it was determined that the problem to be solved is the low percentage of use of classrooms, mainly at the *sede* of San Miguel. In the course of the consultancy and with the commitment of TLS representatives, it was proposed to establish an innovation center at San Miguel. This implies enabling co-working spaces.

The budget to implement this proposal amounts to S/608,600, and will give as a result a net present value of S/495,538. It is expected to develop this plan in September 2019 and have the spaces enabled by January 2020. The result of this proposal will bring sustained growth in the operating margin of *sede* San Miguel.

Resumen Ejecutivo

Toulouse Lautrec es una escuela de educación superior en el Perú, primera institución en el país en conseguir el licenciamiento de SUNEDU para operar como escuela. Además, pertenece al grupo Educa, al cual también pertenecen la Universidad de Ciencias y Artes de América Latina y el instituto CERTUS. El centro educativo fue fundado en el año 1983, siendo uno de los primeros en enfocarse en carreras creativas. En la actualidad, TLS ofrece especialización en seis temas. Asimismo, para ofrecer una educación de calidad, la empresa tiene dos unidades de negocio, Antegrado y Educación Continua. La empresa emplea a más de 900 docentes, con un alumnado de 7,500 estudiantes y más de 6,000 graduados. En los últimos años, uno de los principales retos para TLS es mejorar la imagen y rentabilidad de la unidad de negocio de Educación Continua, la cual opera en los cuatro edificios que tiene la empresa, compartiendo espacios con Antegrado en los campus de Santiago de Surco y Magdalena, mientras que en las sedes de San Miguel e Independencia opera al 100%.

Para lograr el objetivo, el equipo de consultoría de CENTRUM, sostuvo reuniones con la empresa para identificar el problema y proponer la solución óptima. Luego de realizar un análisis de la empresa, se determinó que el problema a solucionar es el bajo porcentaje de utilización de aulas en las aulas, principalmente en la sede de San Miguel. En el transcurso de la consultoría y con el compromiso de los representantes de TLS, se propuso establecer un centro de innovación en la sede. Esto implica habilitar espacios de *co-working*.

El presupuesto para implementar esta propuesta suma S/608,600 y dará como resultado un valor presente neto de S/495,538. Se espera desarrollar este plan en el mes de septiembre del 2019 y tener los espacios habilitados para enero del 2020. El resultado de esta propuesta, traerá un crecimiento sostenido en el margen operativo de la sede San Miguel.

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Chapter I: General Situation of the Organization

The following first chapter intends to give an introduction and overview of the company this consulting report is concerned with: Toulouse Lautrec. Therefore, it will start with a presentation of the organization's general information. Section 1.1 will cover the company's history, products and services, operations and structure. Then, Section 1.2. will develop further information about the educational sector through an analysis of Porter's Five Competitive Forces (Porter, 1980), which will be complemented in section 1.3 by the external PESTE analysis (Aguilar, 1967). However this review of the external factors affecting Toulouse Lautrec Operations will be framed in the Peruvian context, it will have a special focus on the opportunities and threats that concern the Educational sector. Lastly, the internal analysis of the company in section 1.4, according to the AMOFHIT framework (D'Alessio, 2013), is presented to identify the company's strengths and weaknesses. Section 1.5 will conclude this chapter, remarking the main points and drawing some conclusions with a SWOT analysis that will summarize both internal and external factors.

1.1. Presentation of the Organization

1.1.1. History

Toulouse Lautrec is a High Institute of Communications and Design in Lima, Peru. It was founded in December 1983 by José Antonio Guinea, Luis Deza and Mario Villavicencio in Lima driven by the desire to "make of design a real profession". Being the first ones to focus on creative careers in Lima, they simultaneously launched three professional programs related to designing: Graphic Design, Advertising Design and Interior Design (Toulouse Lautrec [Toulouse Lautrec], 2019a). In 1990, Toulouse Lautrec launched the Audiovisual Communication track. With that Toulouse Lautrec remains to be the first and only institute offering programs related solely to communication and design. Five years later, the institute becomes an *Escuela de Educación Superior*, which allows the graduate students from

Toulouse Lautrec to receive the Bachelor's degree, to allow the professional-techniques to track students to achieve a higher professional level of education (Toulouse Lautrec, 2019a).

1.1.2. Products and Services

Nowadays, 36 years later, the institute has extended their specialization paths to 6 themes: Interior, Design, Communications, Marketing and Advertising, Digital, and Fashion. Currently the company a new path of specialization in Business is underdevelopment, and it is expected to be launched in the next months with a relaunch of the company's image.

Toulouse Lautrec divides its educational services into two main paths: Undergraduate Education (*Antegrado*) and Continuous Education (*Educación Continua*). Undergraduate Education includes 20 programs with a duration of three to four years and Continuous Education provides a variety of 54 courses over a time-span from one and a half to ten months. In total, Toulouse Lautrec currently employs 900 professors, serves 7,500 students and has had more than 6,000 graduates. A company research showed that nine out of ten graduates work on their professional fields after concluding their studies at Toulouse Lautrec.

The Undergraduate Education targets students at the age of 15 to 25 years. It offers 20 professional study programs, distributed between all of the previously mentioned six specializations. Each program has a duration of three to four years. While Continuous Education targets a wider span of individuals ranging from 15 to 55 years old, segmented in six archetypes: (a) Students, (b) Entrepreneurs, Professionals, (c) Teenagers, (d) Adults, and (e) "NiNis" - *Neither working, nor studying* (Toulouse Lautrec, 2019a). The service portfolio includes a broad variety of courses in the same six specialization paths that were previously mentioned. The number of offered courses have reduced drastically since last year when the portfolio reached the amount of 100 courses to 54 courses this year. The courses' lengths range from a one and a half months up to ten months' duration.

1.1.3.Future goals

Currently, the Toulouse Lautrec is trying to accomplish its goals for 2025 which focuses on (a) developing the differentiation of Toulouse Lautrec to become a market leader in creative careers, and (b) triple growth in the number of sales. Accordingly, the company has started its transformation process boarding four main aspects: (a) a change from an institute to becoming an *Escuela de Educación Superior*, which, different from an Institute that offers a degree of Technician Bachelor, offers a Bachelor degree equivalent to that of universities (MINEDU, 2019). The Bachelor's degree allows students to pursue later post-graduate degrees in any university. Toulouse Lautrec officially obtained the category of Escuela Superior in July the 24th this year; (b) The enlargement of departments which will be explained in point 1.1.2. Structure and Organogram; (c) the move to a bigger venue in the north of Lima explained in point 1.1.3 Locations - Present and Future, and (d) the relaunching of the Toulouse Lautrec brand as a vibrant, alternative, creative and open-minded brand.

1.1.4.Locations

Currently, Toulouse Lautrec has four facilities spread throughout the city of Lima in four locations: (a) “Chacarilla” (Santiago de Surco), (b) “Javier Prado” (Magdalena), (c) “Lima Norte” (Independencia) and (d) “San Miguel”. A fifth campus, “Lima Sur” was opened in 2017 (“Toulouse Lautrec invierte,” 2017) in the district Chorrillos, with an investment of 3 million soles; however, it was closed in 2019 due to an unsatisfying amount of sales and unprofitability. The facilities are divided in two categories: (a) *Campuses*, which are the buildings where both Undergraduate and Continuous Education are provided; and (b) *Sedes*, which are exclusive to Continuous Education due to the physical characteristics of the classrooms. As the spaces assigned to Undergraduate Education are submitted to more rigorous requirements by the Ministry of Education, which the “Sedes” of Lima Norte and San Miguel do not fulfill, Undergraduate classes cannot be provided in these places.

As part of Toulouse Lautrec transformation process, the organization is planning to move its existing campus in Lima Norte, currently located inside the mall Mega Plaza, to an own independent and bigger building, while remaining in the Lima Norte area. This option arose with the objective of trying to serve more people and expand their operations to provide Undergraduate programs. This decision is partially supported by the claiming that upon some market research done, potential customers in the area of Lima Norte would be willing to pay as much as three times of what they are paying or have paid for their high-school education (Toulouse Lautrec, *personal communication*, June 19, 2019). Lastly, Toulouse Lautrec fears that a location in a mall might not portray the institutional image they intend to.

1.1.5. Organogram

In regard of its corporate structure, the company has undergone through some changes after June 2019 with the aperture of new departments. Until June, Toulouse Lautrec counted with five operational departments (Figure A1), from which the Direction of Innovation and Development, included the Lifelong Learning Education Unit. As Toulouse Lautrec intends to strengthen their image as premium brand by stablishing strategic alliances with foreign or local institutions in the sector of creative careers, they have recently created the department of Institutional Relationships.

The head department Innovation and Development is divided into eight departments of which four have been restructured (Figure A2), creating a new Academic Direction of Management and Strategy to oversee the programs in the Business Management specialization path, and new positions in three other departments including the direction of Continuous Education. This last department, which the current reports consists on, has been changed from “Academic Direction of Continuous Education” to “Direction of Continuous Education”, meaning that they will now oversee the strategic and operational decisions,

besides the academic program. Also, it can be observed that several new positions have been added to the department (Figure A3), making the transformation apparent.

In summary, Toulouse Lautrec and is currently undergoing major structural changes that include reforms in the Continuous Education unit. These changes include the company's organization, its competitive strategy, marketing with the relaunch of the brand, and service mix by adding the Management and Strategy path of specialization. These modifications aim to boost the Institute's sales in 300% over a time span of 7 years, and earn customer's recognition as the leader competitor in the creative careers education sector by 2025. The following chapter will analyze the Educational Sector following Porter's Five Competitive Forces framework (Porter, 1980).

1.2. Industry Analysis (Porter's Five Forces)

According to D'Alessio (2013) an industry is a set of two or more organization producing the same goods or services and competing. The structure of the sector is composed by five competitive forces described by Porter (1980): The bargaining power of suppliers, the bargaining power of buyers, threat of substitutes, threat of new entrants, and rivalry among companies.

1.2.1. Bargaining power of suppliers

The main suppliers identified for Toulouse Lautrec were: (a) the workforce, divided into professors and administrative personnel, (b) the infrastructure service providers, and (c) the accrediting institutions. Concerning the professors, currently, given the low supply of qualified professors, this power is considered to be high. The law states that professors need to have achieved a master's degree (Congreso de la República, 2016). Additionally, according to the Basic Conditions of Quality for the Procedure of Licensing of Higher-Education Institutes (*Condiciones Básicas de Calidad para el Procedimiento de Licenciamiento de los Institutos de Educación Superior*), in order to achieve an operation license as Institute or a

Higher Education Institution, it is required to have a minimum number of professionals with a PhD and Master degree in certain administrative positions (MINEDU, 2019). As such, according to Giselle Orjeda, President of Concytec (*Consejo Nacional de Ciencia, Tecnología e Innovación*), there are currently 1800 Ph.D. researchers in Peru. This represents almost one-tenth of what is needed to be at a competitive level against other countries with a similar degree of economic development (Editora Peru, 2018). Additionally, in May 2018, after the new University Law (Ley N° 30220) became effective, as much as ten thousand professors with no Master's degree were given two years to obtain it, under the risk of losing their jobs if not accomplished (La República, 2018). Thus, we can assume that there is a limited number of professionals with a post-degree level working as higher-education professor in Peru, which makes the power of these suppliers rather high. Conversely, the power of the administrators is considered low, as the supply is high and there are no special requirements that would make the hiring of these harder. Moreover, companies providing infrastructure services are also considered to be plenty, making the power of this supplier also low.

Finally, the last group of suppliers that is important to analyze is the regulatory institutions: consisting on the licensing, and accrediting institutions. The first provide them the permission to run their operations, while the last reinforce the credibility of the educational institutions by providing them a stamp of quality. The Ministry of Education [MINEDU], is the institution in charge of providing the licensing to Institutes and Escuelas Superiores for their operations; while in the case of Universities, they are provided by the “Superintendencia Nacional de Educación Universitaria” [SUNEDU]. However, MINEDU is considering a law to open a new institution that supervises Institutes and Escuelas Superiores: EDUCATEC (MINEDU, 2019). Lastly, *Sistema Nacional de Evaluación, Acreditación y Certificación de Calidad Educativa* [SINEACE] is the set of structured and integrated

organizations, norms and procedures in charge of defining and establishing the criteria, standards and procedures of evaluation, accreditation and certification in order to ensure minimum quality levels for institutes within the General Law of Education (N° 28044) and promote its qualitative development (Congreso de la República, 2006). As such, given the strict rules and the limited number of accrediting institutions, their bargaining power is considered to be medium to high as they are not necessary but still important for Toulouse Lautrec to generate trust and reputation. In general terms, the bargaining power of suppliers is considered to be medium-high.

1.2.2. Bargaining power of customers

The customers of Toulouse Lautrec in terms of its Continuous Education services are individual students looking forward to acquiring new skills in the creative careers and the students provided by companies who might need their employees to keep learning and acquiring new skills. In regards to the demand, according to a survey from Laborum regarding post-degree studies in Peru, more than 90% of professionals in Lima intend to take professional training in the next two years (America Economía, 2018). The offer of educational institutions in the Metropolitan Area of Lima, which accounts for 20.7% of all higher-education institutions in Peru, is rather high. Nevertheless, Toulouse Lautrec can enjoy a premium reputation given its accreditations and the quality of the education provided, being considered the best in the non-university degree granting creative field. As a consequence of this analysis, companies are considered to have medium bargaining power and individual students to have a medium to high bargaining power. As Continuous Education courses are rather short, customers can choose between a wide variety of institutes. Even though, if they want superior quality in the service, Toulouse Lautrec remains the leading institute.

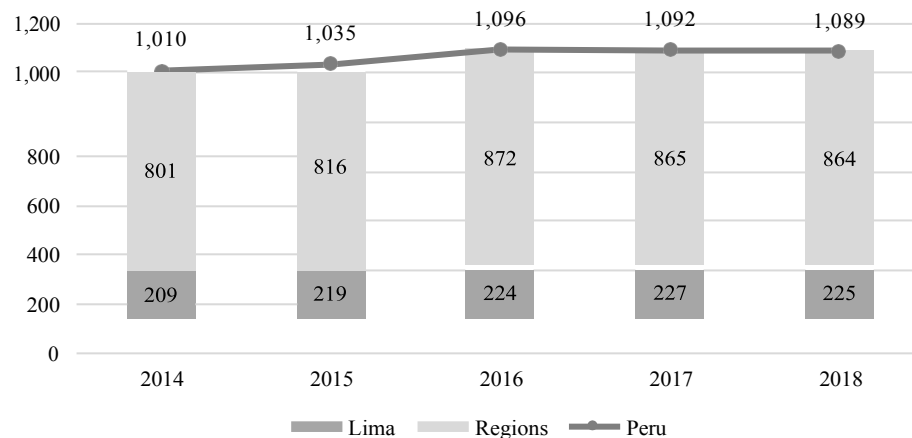


Figure 1. Number of institutes and Escuelas de Educación Superior.
Retrieved from Servicios Educativos, by ESCALE, 2019 (<http://escale.minedu.gob.pe>)

1.2.3. Potential new entrants

In Peru, as already discussed before, there are strict regulations when it comes to the formal education system. From the composition of the workforce with certainly required credentials (professors), to be able to exercise, to the requirements necessary to be recognized as an educational institution. All of these rules and regulations are important to ensure quality and standards in the formal education system. The government has since further introduced new regulations to better moderate the education sector. This is essentially a way to fight against informal low-quality education (“Educación, la principal reforma,” 2018). Moreover, opening an institution such as Toulouse Lautrec involves high investments in technology, accredited professors and infrastructure. Also, building up a brand reputation such as the Toulouse Lautrec brand is very time-intensive and almost impossible to achieve in the short-run.

Additionally, despite the normative requirements, education operations require high initial investments in infrastructure, and salaries for the professors and personnel. Therefore, the potential of new entrants is considered to be low as there are high entry barriers

1.2.4. Threat of substitutes

The main entities identified as substitutes to Toulouse Lautrec’s Continuous Education programs are online education programs (online degrees), at-home education

(private tutoring) and apprenticeships (learning on the job). The courses available in Continuous Education have different time-lengths, which will naturally impact how they are perceived. Therefore, all courses with a duration of fewer than 10 months (2, 3, 5, and 6 months) were considered to be short-term and the 10-month ones to be long-term.

For short-term programs, this threat is considered to be high, given the varied amount of different options and the fact that they are non-degree courses, easily provided through different channels during these days and the digital age. Massive Open Online Courses (MOOCs) offers have taken continuous education competition to a different level, offering a practical, flexible way of taking short-time courses, and growing very fast in the past few years (Figure 2). Some platforms as Coursera or edX aggregate courses from different globally recognized institutions and universities such as the MIT, Sandford, or Harvard. Moreover, as digital online platforms, they operate worldwide. By 2018, Coursera, the biggest MOOC platform counted with 37 million registered users, while edX had 18 million (Shah, 2019). For the 10-month long term program, however, the threat of substitutes is lower, as there are fewer specialization programs provided online, and yet Toulouse Lautrec is supported by its institutional reputation in the field which makes it the main alternative when considering such programs. Thus, the threat of substitutes is considered to be medium.

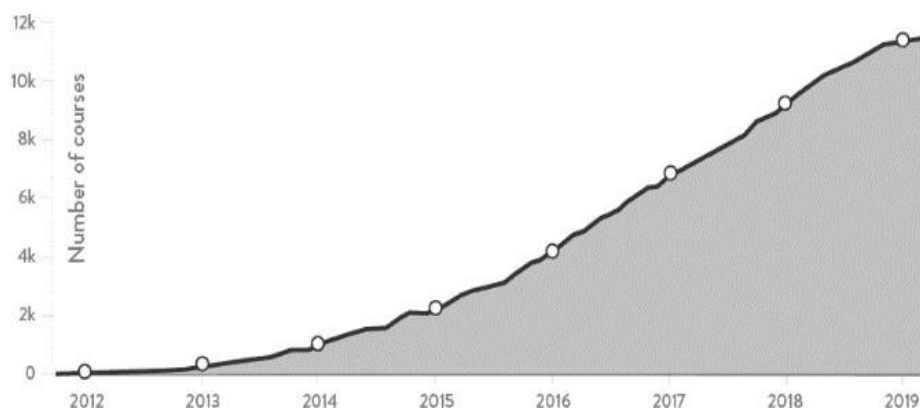


Figure 2. Growth of MOOCs.

Retrieved from: By The Numbers: MOOCs in 2018, by Dhawal Shah, 2019 (<https://www.classcentral.com/report/mooc-stats-2018/>)

1.2.5. Competitive rivalry

Finally, in the competition field, Toulouse Lautrec faces many rivals as the number of institutes in Lima is very high. A list of all competitors of Toulouse Lautrec, classified by specialization path can be found in Appendix B. As already mentioned, most of the competitors with similar services to those of Toulouse Lautrec are still considered to not have equivalent services. This happens because there is a clear disparity in the quality of the offered services. Toulouse Lautrec's satisfaction surveys show that students are very satisfied by the quality and price relationship of the courses. Also, the number of people enrolling every year remains positive, despite Toulouse Lautrec prices being considered high relative to other non-university institutions. This can only happen because customers believe that there is a real return on their investment when deciding to study in Toulouse Lautrec rather than choosing a cheaper option. This is more evident in the long-term courses (*diplomas*), with a competitive rivalry considered to be medium to low.

Also, during the past two decades, the higher-education sector has gone through major reforms, shaping the industry landscape and players. The increased demand for university education has been reflected in a drop in the number of institutes in the past 10 years, and a steady increase in the amount of universities (Figure 3). By the year 2000, there were 1,022 institutes in Peru; this number grew until 2009 at an average rate of 12.3% per year when it stopped and started to decrease at an even faster pace, dropping to 943 institutes in 2012 (20% in three years) while the number of universities kept increasing. Some universities even opened new programs similar to those offered by the institutes to be able to reach those niches. In 2014, UPC opened the program of Interior Design and Fashion Design, which were previously only offered by Institutes as Toulouse Lautrec and MAD (Abanto & Palacios, 2016).

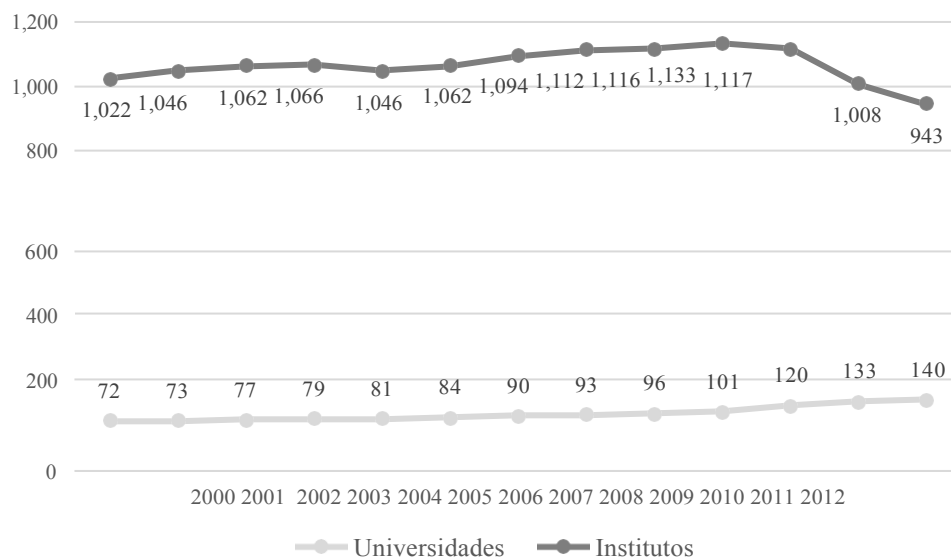


Figure 3. Institutes versus universities.

Retrieved from: *Institutos pierden Mercado ante auge de universidades*, by Yi, 2015 (<https://semanaeconomica.com/article/sectores-y-empresas/educacion/170823-institutos-pierden-mercado-ante-universidades/>)

In the most recent years, the number of institutions has been increasing again, growing from 1,010 in 2014 to 1,089 in 2018, 1.95% of average growth rate per year. The panorama in Lima has shown a similar behavior (Figure 4), with private institutes growing at a rate of 2% between 2015 and 2017 and decreasing in 3% in 2018 (Escale, 2019). Thus, considering the number of institutes, and the further increasing number of universities opening alike programs in the Continuous Education segment, the Competitive rivalry force is considered to be high.

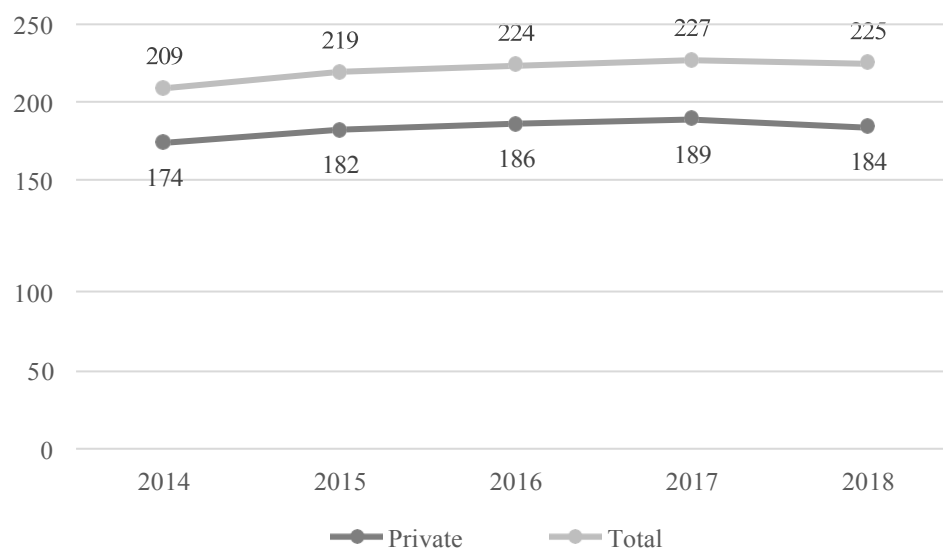


Figure 4. Private institutions of higher-education.

Retrieved from: *Servicios Educativos*, by ESCALE, 2019 (<http://escale.minedu.gob.pe>)

1.3. External Analysis (PESTE) – Opportunities and Threats

The PESTE Analysis is a framework first developed in 1967 by Francis Aguilar, Harvard Business School Professor. The analysis is composed by Political, Economic, Social, Technological and Environmental variables that may affect Toulouse Lautrec operations and strategy. According to D'Alessio (2013), through this external diagnosis, it is possible to identify Opportunities that the business can take advantage of, and threats that can be neutralized so they don't impact the company.

1.3.1. Political

Peru is a democratic, social, independent and sovereign republic as stated by the Political Constitution (Congreso Constituyente Democrático, 1993). It counts with 3 independent powers that govern the country, the main pillars of the government: (a) the Executive, (b) the Legislative, and (c) the Judicial Power. This distribution of power is supposed to allow independent political decision-making and reduce potential corruption and absolute power. However, Peru is currently undergoing a political crisis. The corruption case related to the construction company Odebrecht has involved all four former presidents during the last 20 years. These presidents received large amounts of money from the Brazilian company in exchange to concede large public works in the country ("Odebrecht case," 2019). Some other political leaders of Peruvians largest parties and majors of Lima have also been related to this corruption case. Corruption in Peru has had a huge negative effect on the country's economy, representing a deficit of S/17,101 million annually, approximately 10% of the country's annual budget ("Perú pierde," 2019).

As an attempt to improve this, the current government with Martín Vizcarra as president decided to start a political reform. This political reform is composed of six main points specifically targeting and trying to avoid further corruption problems, and thus including topics such as the criteria for a president to be elected, the criteria for someone to

be eligible as a candidate for the presidency and the removal of immunity for the members of the Congress (“Estos son los seis,” 2019). However, these initiatives have not been well received by the Congress, that has modified the reform proposal substantially. As a result of these events, currently, the Executive, and Legislative power are undergoing a tense rivalry that creates an environment of uncertainty in the Peruvian political environment. During the president’s speech in July the 28th, he proposed the congressmen to pass a reform to fast-forward general elections from 2021, to 2020. At the moment, the law has not been passed to be revised by the congress commissions, and the course of action remains unknown. The consequences of this panorama can be reflected on the drop of Peru’s position in the Corruption Perception index (Transparency International, 2018). In 2015, Peru was ranked number 88th out of 167 countries. After the Odebrecht scandal broke out in 2016, Peru fell to the position 101 and kept descending until position 105 by the end of last year.

Peruvian constitution also considers general regulations to promote private investment, establishing a stable and attractive legal framework to national and foreign investors. The Private Investment Promotion Agency of Peru (2019) clarifies that some important items for foreign investors in Peru are the following:

- *Basic Rights of Foreign Investors.* Including Non-discriminatory treatment to foreign investors, Freedom of trade and industry, Unlimited access to domestic credit, Free hiring of technology, and Legal Stability Agreements with Peruvian Government, among others.
- *Several different Foreign Investment Models.*
- *Free Access to Financial Sectors.* Without restrictions, in almost all financial activities.
- *Property Rights.* According the constitution, these are inviolable except under exceptional circumstances.

- *Performance Requirements.* In accordance with commitments made at the WTO, no mechanism of selection or performance requirement is applied.
- *Freedom of Organization and Performance of Activities.* Every company has the right to organize and perform activities in the manner that it deems convenient. The Government has repealed any legal provisions intervening in the production processes of a company.

As supported by the previously described legal framework, Peru is a very liberal country, very opened to the world since the 90's. Since then, many international commercial agreements such as the ones with the USA, China, and Europe have been celebrated. Similarly, Peru is member of many international trade agreements, being the most remarkable ones the Alianza del Pacífico (along with Colombia, Chile and Mexico) and the APEC (Ministerio de Comercio Exterior y Turismo [MINCETUR], 2019). Also, Peruvian consumers are protected by the work of the National Institute for the Defense of Competition and the Protection of Intellectual Property (INDECOPI) which demonstrates that consumers' rights are valued in Peru. Moreover, Peru is the fourth best country in South America to start a venture as evaluated in the *Doing Business ranking* of the World Bank (2019a). This ranking measure the ease to create and operate a company in the different countries, considering bureaucratic procedures, time-consumption, economic indicators, and founding availability, among others. In the last years, Peru has been improving the process to start a new business to benefit new entrepreneurship and small business opening. However, there are still areas that need further improvement as the ease to get credit, and property registration. Similarly, taxation, and imports are still very cumbersome procedures.

Regarding the Education sector, government entities are responsible for regulating, accrediting, and establishing standards. The most important of those entities is the Ministry of Education [MINEDU], responsible for guaranteeing high-quality education opportunities for

all the students. This ministry also defines, directs, regulates, and evaluates the national educational and pedagogical policy (MINEDU, 2019). While the Educational Reform that Peru has undergone in the past years have resulting in the creation of the National Superintendence of Higher Education University [SUNEDU], entity responsible for granting licenses to offer higher education services in universities (SUNEDU, 2019); MINEDU remains in charge of providing the operating license to Institutes and Higher-Education Schools. The third most important entity is the National System of Evaluation, Accreditation, and Certification of Educational Quality [SINEACE], responsible for ensuring that public and private institutions offer quality education with qualified teachers (SINEACE, 2019). These are the three main regulatory entities in the education system and have a very important responsibility, since in recent years the government began the licensing process of higher education centers, with 42 licensed institutes (“Hasta ahora cuarenta,” 2019).

Finally, in 2016, MINEDU approved and published the Law No. 30512, Law of Institutes and Schools of Higher Education and of the Public Career of their professors, which establishes the norms and guidelines that Higher Education Institutes and Schools must meet to provide quality education. It also stated that professors must have a high-level professional career to be able to teach in these educational centers (MINEDU, 2017).

Additionally, MINEDU through the Ministerial Resolution No. 020-2019 established the basic quality conditions needed to allow the Institutes of Higher Education and Public and Private Higher Education Schools to obtain a license. These conditions are the following (MINEDU, 2019):

- Institutional management, which demonstrates coherence and organizational solidity with the proposed educational model.
- Academic management and relevant study programs, aligned with the standards of the Ministry of Education.

- Physical infrastructure, equipment, and resources for adequate learning, such as libraries, laboratories and others, relevant for the development of educational activities.
- Availability of adequate and sufficient teaching staff for study programs, of which twenty percent must be full-time.
- Economic and financial sources to meet all the requirements mentioned.

1.3.2.Economical

Peru is one of the largest economies in the region of Latin America and the Caribbean, it has also been one of the most prominent performers in the region for the past 25 years with a rapid economic growth averaging 5.3% since 2001. This economic growth has been in great part result of sound macroeconomic policies implemented since the 1990's and external conditions such as favorable commodity prices. In the last 15 years, Peru has experienced a remarkable growth led by factor accumulation that resulted in an output recovery (OECD, 2017). Additionally, in the last 5 years, GDP growth has been ranging between 2 and 4% as shown in Table 03. Peru has sustained a growing GDP per capita for the past years, despite a drop after 2014. As seen in Table 3, inflation rate has also been stable, ranging from 2.5 to 3.5%, as result of good macroeconomic control policies. However, as already explored on the topic of Peru's current political situation, the general corruption issue facing the country has directly affected its economy. The economy's growth slowdown was smaller than expected, representing a reduction in between 2% and 4% rather than the 5% expected (INEI, 2019). According to the Ministry of Economy and Finance ("Peru debe crecer," 2019), Peru needs its economic growth to be at least 5% for the following 30 years to become a developed country.

Table 1

Economic Indicators of Peru

	2014	2015	2016	2017	2018
GDP (million USD)	200,984	189,759	191,907	210,702	222,238
GDP per capita (USD)	6,679	6,227	6,205	6,701	6,947
GDP annual growth rate	2.38%	3.26%	3.96%	2.52%	3.98%
Unemployment rate	2.96%	3.00%	3.54%	3.46%	2.84%
Inflation rate	2.53%	2.56%	3.11%	3.47%	2.25%
Foreign Direct Investment (million USD)	4,441	8,272	6,863	6,769	-

Adapted from *World Bank Open Data*. By The World Bank (<https://data.worldbank.org>)

Relative to other South American countries, Peru shows a strong economic situation. The following Table 04 summarizes some economic performance indicators for four of the biggest economies in the region: Peru, Colombia, Chile and Brazil. While Peru's GDP is smaller than Colombia's it has a bigger GDP per capita, although much smaller than Chile or Brazil. Nevertheless, Peru also displays the biggest annual growth rate out of the four. In terms of Unemployment rate (7.25%) and Inflation rate (2.73%), Peru also shows some of the best numbers, only outperformed by Chile, which is currently the best economic performer in the region. As of June 2019, Peru classifies in the 142nd place out of 201 countries ranked by the OECD (2019) with a score of 3 out of 7. Following a research by BBVA (2017), since 2011 Peru has upgraded greatly its Sovereign Rating Index, climbing for a category of BB to BBB+. This represents, according to the Stern School of Business of the University of New York (2019), a country risk premium calculated to be 1.69%. This ranks Peru as the 3rd place relative to other Latin American countries, after Chile (0.98%) and Mexico (1.67%).

Table 2

Economic Indicators of South American Countries

	Peru	Colombia	Chile	Brazil
GDP (million USD)	211,400	392,000	277,100	2,056,000
GDP per capita (USD)	6,572	6,409	15,346	9,812
GDP annual growth rate	2.53%	1.79%	1.49%	1.06%
Unemployment rate	7.25%	10.50%	6.90%	12.25%
Inflation rate	2.73%	3.31%	2.30%	4.66%

Adapted from World Bank, Expatistan, Nuemeo, and Trading Economics.

The economic environment in Peru has made it an interesting destination for foreign and domestic investment. The following Table 05 provides information regarding the Business Climate and the Ease of Doing Business in South America (World Bank, 2019b). Peru shows to be slightly more expensive than Colombia, however the cost of living and market basket are still much smaller than Chile and Brazil. It is also one of the easiest countries where to start a business, and is above average in the Latin America and Caribbean region regarding the access to Venture Capital, and has a diversified market (many competitors in the industries). It also shows the lowest Interest rate, and one of the lowest Corporate Tax rate. Finally, it scored 60 in the Competitive index. Although it is still a low score, it ranks above Brazil. In general terms, Peru is well positioned relative to other countries in the region.

Table 3

Ease of Doing Business in South America and Business Climate

	Peru	Colombia	Chile	Brazil
Cost of Living (Index)	105	100	130	123
Market Basket (Index)	139	100	181	124
Average monthly wages (USD)	497	491	1,134	718
Corporate Tax	29.5%	34.0%	27.0%	34.0%
Interest rate	2.8%	4.3%	3.0%	6.5%
Ease of starting a business (Ranking)	82.4	85.3	89.1	80.2
Venture Capital access (LA&C median: 100)	112	119	134	99
Market Dominance (LA&C median: 100)	98	86	109	48
Competitiveness Index	60.0	61.4	67.1	58.6

Adapted from World Bank, Expatistan, Nuemeo, and Trading Economics.

Concerning the international trade of Peru, the country's export has grown rapidly since the year 2000, although it suffered a drop after the financial crisis of 2007, and in the year 2016 (Figure 5). Currently, Peruvian exports account for \$44.8B (OEC, 2019). Its main export destinations are China (\$11.7B), the United States (\$6.77B), Switzerland (\$2.47B), South Korea (\$2.19B) and Spain (\$2B). While its top import origins are China (\$8.75B), the United States (\$7.73B), Brazil (\$2.37B), Mexico (\$1.78B) and Chile(\$1.39B). As for the

currency, the Peruvian Sol is pegged to the US Dollar within a band. The USD/PEN exchange rate reached its lowest point in 2013, surrounding the price of 2.5 soles per dollar (Figure 6). Since then, the Sol has depreciated importantly, currently reaching a value of almost 3.4 soles per dollar.

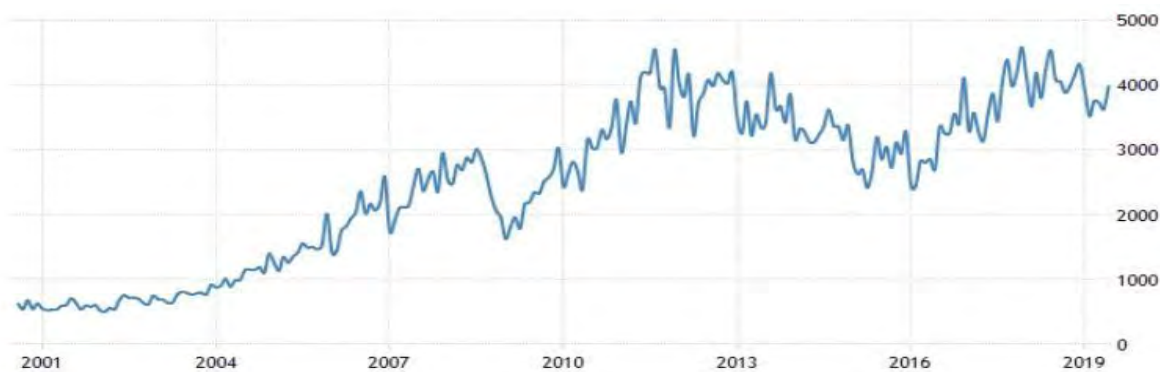


Figure 5. Peruvian exports in USD million.

Retrieved from Exports, by Trading Economics (<https://tradingeconomics.com/peru/exports>)



Figure 6. Exchange rate USD/PEN.

Retrieved from Exports, by Trading Economics (<https://tradingeconomics.com/peru/currency>)

In regard to the creative industries field, there is great potential for sectors such as architecture, design, and software. According to the National Center for Strategic Planning [CEPLAN], this sector can generate between S/32,900 and S/49,350 million by 2021, which represents between 2% and 2.5% of GDP. However, with more investment, the figure could reach up to 5% of GDP (“Industrias creativas podrían generar,” 2015). Also, if it is taken as a reference to developed markets such as the United Kingdom where the figure is

approximately 8% of GDP, it can be seen as a great opportunity to grow for the country, which would be very beneficial for Toulouse Lautrec since it serves this sector (“Industrias creativas podrían generar,” 2015). Another growth opportunity for Toulouse Lautrec is located in Lima North where the institute planned to open a new campus. In this part of the city, the economy is very dynamic due to the presence of large shopping centers and the more than 2.5 million inhabitants, of which 65% are middle class; added to this, the average annual expenditure in this area is S/14.1 million per year and the average monthly income is S/4,329, of which there is a surplus of S/1,285 at the end of each month (Salas, 2019). In conclusion, Toulouse Lautrec has great potential for growth in Lima North, thanks to the dynamism of the economy and the purchasing power of the inhabitants of that area. In addition to this, the growth potential of the cultural and creative industry represents a great opportunity for higher education centers that offer this type of career.

1.3.3.Social

The population in Peru is approximately 34'155,095 inhabitants according to estimates for the year 2018, of which about 25 million live in urban areas and 10'295,249 live in Metropolitan Lima (Peruvian Association of Market Research Companies [APEIM], 2018). The economic growth sustained over the last 25 years mentioned in the previous section was widely shared and transformed Peru into an upper-middle income economy with aspirations to become a high-income economy in the next 20 years (OECD, 2017). Likewise, 42.6% of the inhabitants of Lima belong to the socioeconomic level [NSE] C, being the predominant group of Lima population. According to the OECD (Figure 7), the middle class in Peru has widened since 2004 to 2014, reaching almost twice the percentage of the population. Also, the vulnerable population has also increased from 36.7% to 40.6 %; while the population considered Poor has reduced to in more than 20%. This distribution resembles the average of the Latin American and Caribbean region.

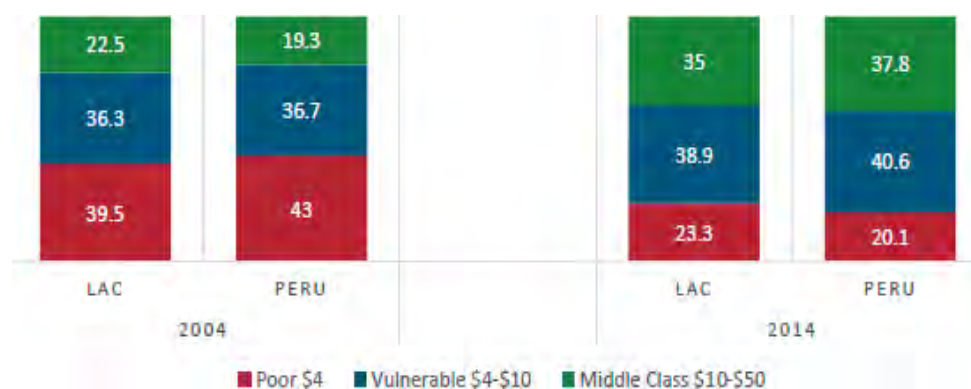


Figure 7. Middle class and vulnerable population in Peru and LAC, 2004-2014. Retrieved from: Peru. Systematic Country Diagnostic, by OECD, 2017 (<http://documents.worldbank.org/curated/en/919181490109288624/Peru-Systematic-Country-Diagnostic>)

Also, according to the National Household Survey (INEI, 2018), the rate of poverty has reduced in 1.2 percentual points in 2018, reducing from 21,7% to the 20,5% of the population (Figure 8). This represents almost half of what the poverty rate was in 2007, being an important achievement for the Peruvian government and economy.

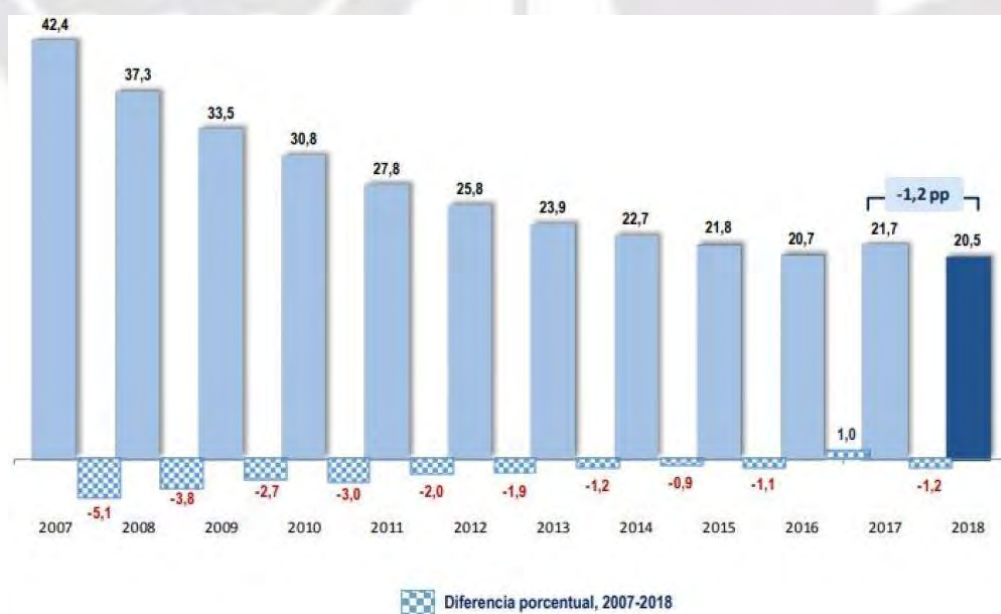


Figure 8. Evolution of the incidence of total monetary poverty, 2007-2018. Retrieved from: Pobreza monetaria y pobreza extrema en el Perú disminuyó en el 2018, by El Comercio, 2019 (<https://elcomercio.pe/economia/peru/pobreza-monetaria-pobreza-extrema-peru-disminuyo-2018-noticia-625267/>)

One major problem in the Peruvian context is informality, which surpasses social dynamics, and includes economic and business issues as well. According to INEI (2014), 61% of the Peruvian population lays within the informal sector. Informality, as defined by De Soto (1989), is comprised by the set of companies, workers and activities that operate outside the legal and regulatory frameworks that govern the economic activity. It implies being outside of the tax burdens and legal norms, but also not having the protection and services that the state can offer. De Soto sees the informal activity as an intermediate between the formal and the criminal activity over the simple criteria of means and ends. The formal activities have legal ends, but are conducted illegally because it is difficult and expensive for the participants to accomplish such official regulations; while illegal activities operate outside the legal regulations because the end is indeed illegal. As shown in Figure 9, the informal sector is an issue in many countries in Latin America, but Peru is one of the countries with the biggest informal sectors, only surpassed by Guatemala, Honduras, El Salvador and Colombia. Since 2004, the proportion of informal employment has reduced, however lightly.

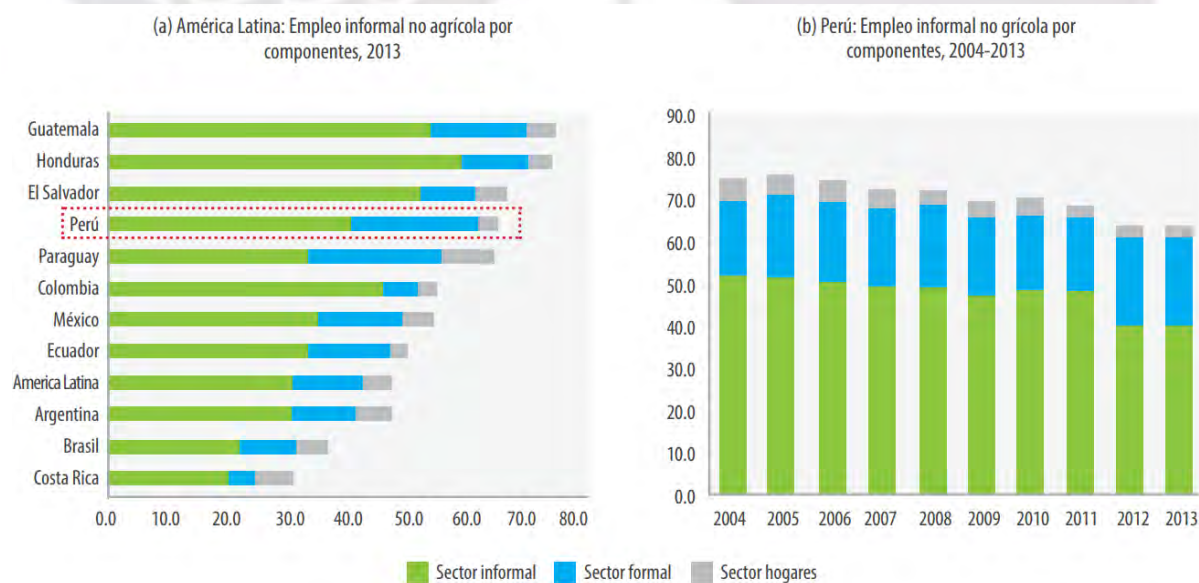


Figure 9. Composition of informal employment until 2013.

Retrieved from: Economía informal en Perú: Situación actual y perspectivas, by CEPLAN (https://www.ceplan.gob.pe/documentos_/economia-informal-en-peru/)

The social progress index by Marquina and Del Carpio (2018) also provides valuable information for private and public entities decision-making relating social investment and implementation of public policies. By 2017, the most outstanding regions are Moquegua, Arequipa, Ica, Tacna and Metropolitan Lima (Figure 10). It's important to notice that the southern regions have grown importantly due to the increased investment in extractive industries such as mining and energy. While Moquegua and Arequipa rank 1st and 2nd for two consecutive years, Ica has upgraded from the 5th to the 3rd position, while Metropolitan Lima decreased from 3rd to the 5th. Similarly, important is to notice that many regions improved from a Low to a Medium-Low level, evidencing a improvement in the whole country.

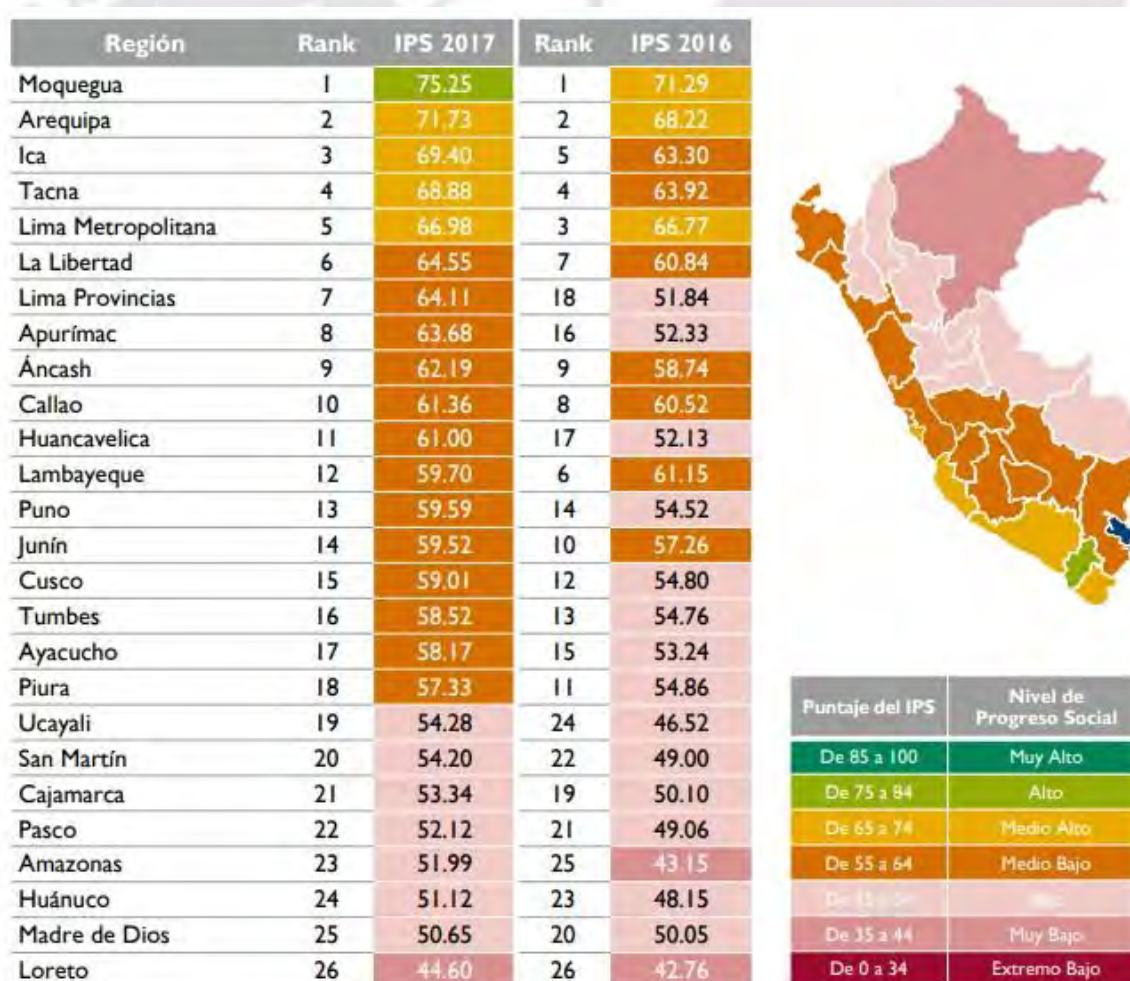


Figure 10. Social Progress Regional Index of Peru 2017.

Retrieved from “Resultados del Índice de Competitividad Regional del Perú 2018” by P. Marquina & L. Del Carpio, 2018. Retrieved from <http://vcentrum.pucp.edu.pe/promomails/2018/IMD/resultados-imd.pdf>

Another issue growing in importance in the past recent years is a social phenomenon that is noted in several countries of South America but especially in Peru is the migration of Venezuelan citizens, which according to data updated to 2018 is 635,000 (“Venezolanos en el Perú,” 2019). The relevant aspect of this data is that Los Olivos (LO) and San Martín de Porres (SMP) are the districts with the largest population of Venezuelans with 10% in LO and 12% in SMP of the total number of immigrants (Organización Internacional para las Migraciones [OIM], 2018). Finally, according to a study conducted by the market research company "Arellano Consultoría", the demand of young people from 17 to 24 years old to study in technological institutes increased from 21% to 40%, mainly the NSE B and C; on the other hand, the preferences for university studies reduced from 79% to 60% (“Crece demanda por estudiar,” 2018). In summary, there is a potential market in the districts of Lima North for Toulouse Lautrec and the increase in demand for technical studies.

1.3.4. Technological

Investment in science and technology in Peru is low in comparison to other economies. By 2015, R&D investment only accounted for 0.08 of Peruvian GDP, a very small figure compared to the 2.74% of the United States or the OECD average of 2.38%. Even within the region, Peruvian investment is small compared to the regions average in 0.75% (Figure 11). In the current year, investment in R&D represents 0.12% of GDP and places Peru in 71st place in the world ranking of innovation that compares 126 countries (“Concytec: Inversión en ciencia,” 2018). The detailed structure of expenditure in R&D can be found in Figure 12, it can be observed that most than half of the total investment is distributed between Natural Sciences (32%) and Engineering and Technology (22.7%). Social sciences, Agricultural science and Medicine are also three major destinies of investment; while Humanities has the smallest share with just 3%. There’s no relationship between these research fields and artistic or creative lines of specializations.

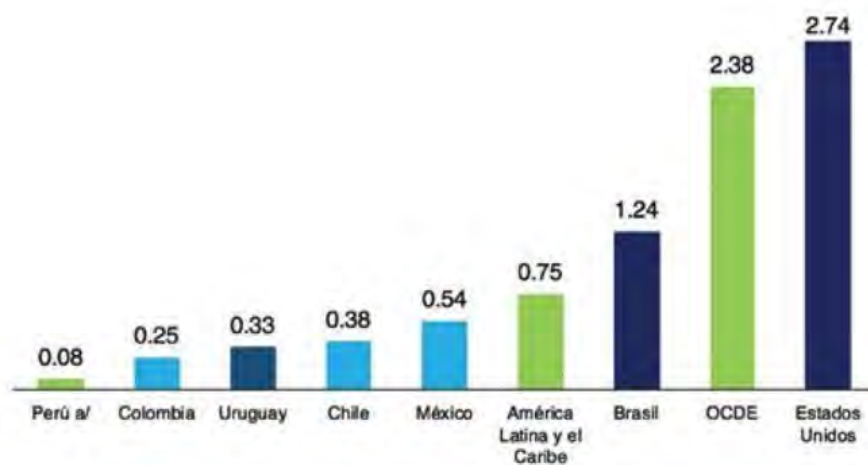


Figure 11. Expenditure on R&D as percentage of GDP in 2015
Retrieved from: I Censo Nacional de Investigación y Desarrollo a Centros de Investigación, by INEI (https://webinei.inei.gob.pe/anda_inei/index.php/catalog/567/)

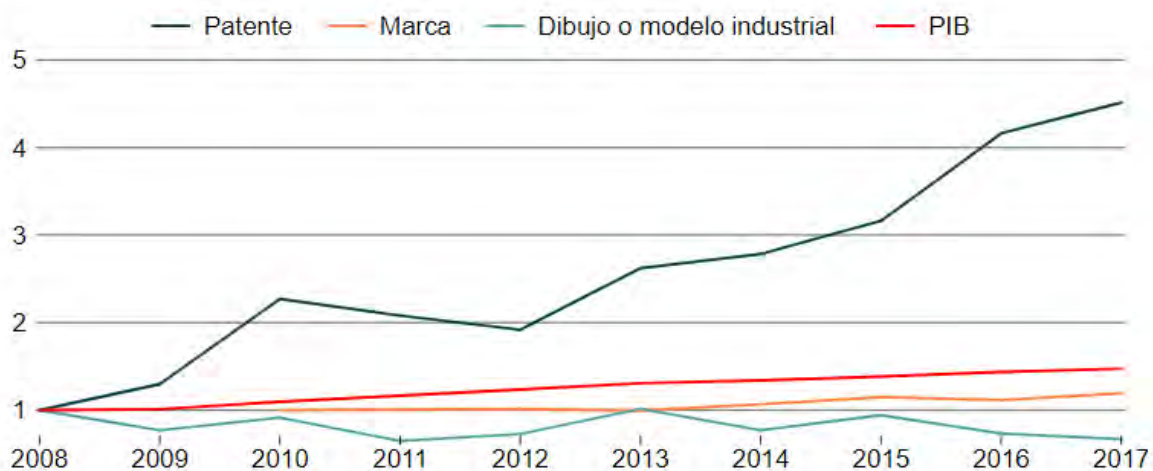


Figure 12. Expenditure on R&D per area of knowledge
Retrieved from: I Censo Nacional de Investigación y Desarrollo a Centros de Investigación, by INEI (https://webinei.inei.gob.pe/anda_inei/index.php/catalog/567/)

According to the Supervisory Organism of Private Investment in Telecommunication, 75.4% of households in Peru has access to Internet, either by fixed line or wireless. (“Peru: siete de cada diez,” 2018) This is reflected in several areas, one of which is the Internet connection. According to the latest figures, on average only 28.2% of the households in Peru have Internet access; in Lima, the level of access is 52.1% while in the rest of the country it is only 17.5% (National Institute of Statistics and Information [INEI], 2017). Moreover, the

country occupies the 113th position out of 207 countries in terms of the connection speed ranking in the world, with a speed of 3.31 Megabits per second [Mbps] compared to the most advanced countries that have a speed of 30 Mbps (“Perú ocupa el lugar,” 2019). This represents a disadvantage for all sectors since the use of the internet is a necessary tool for the development of industry and especially education.

Also, in 2017 Peru was ranked number 28 out of 45 in an Intellectual Property Index (Cámara de Comercio, 2017). This positions it as the last among the country members of the Pacific Alliance, being Mexico in the 20th position, Colombia in the 24th, and Chile in the 26th. As shown in Figure 13, The number of patents has grown rapidly in the last 9 years. According to the World Intellectual Property Organization (2019) by 2010, Perú had a total of 300 patent requests from which 365 were conceded. The number by 2017 of requested patents was 1229 while the number of conceded patents grew to a number of 510. Intellectual Property is not a strength in Peru, however, the numbers seem to be increasing in the past years, promoting more confidence to researchers and company in this tool.



Fuente: Base de datos estadísticos de la OMPI. Última actualización: 12/2018

Figure 13. Requests of IP titles and economic growth.

Retrieved from: Statistical profile per country, by World Intellectual Property Organization (https://www.wipo.int/ipstats/es/statistics/country_profile/profile.jsp?code=PE)

1.3.5. Environmental

Peru is one of the most geographically diverse countries in the world, which makes it a very resource rich country. It has large reserves of ores, oil and gas reserves, and a major exporter of fruits, vegetables and fish (OECD, 2017). However, along its history, resources have not always been adequately exploited and therefore, there has been situations in the economic history of Peru characterized by a boom of demand in certain products followed by the reduction of resources and the collapsed of the economy. Such is the case of the guano, rubber, and anchovy (Banco Mundial Del Perú, 2007). Since resource exploitation is the major source of income in the Peruvian industry, environmental pollution in Peru is a major problem. The main environmental problems or the cost associated with the economic development are: (a) water supply, (b) urban atmospheric pollution, (c) natural disasters, (d) deforestation, and (e) degradation of agricultural land.

As such, the studies carried out by the National Meteorology and Hydrology Service (SENAMHI) and the Water and Sewerage Service of Lima (SEDAPAL), factors like air quality, concentrations of particulate matter, concentrations of gaseous pollutants, and the quality of water present alarming levels of contamination in the city of Lima. Regarding these factors to measure the level of pollution, the areas of southern, eastern, and northern Lima are the most affected and represent a danger for the population if there is not a real solution to combat this problem in the short term (INEI, 2018). In this sense, the Government, through the Ministry of the Environment [MINAM] approved Law N° 30884 that applies a tax on the use of plastic bags, the main polluter, in all commercial establishments to reduce the excessive use of plastic (Rojas, 2019).

In 2018, the non-profit organization WWF, along with a social enterprise concerning urban development, Periferia, developed a study of over 30 cities in regard of their main sustainability indicators. According to the I National Report of Urban Indicators (Periferia &

WWF, 2018), only 6 out of the 32 main cities of Peru, containing 53% of the population, have an air monitoring system. Similarly, 6 cities also do not have the minimum coverage of water system as recommended by the BID; and many cities show do not comply with the minimum standards regarding sewage treatment. While Lima has a stronger position regarding environmental policies, most of the smaller cities and villages in the regions of Peru do not.

Thus, although the situation in general terms is not the best, environmental concern has been growing among the Peruvian population. In 2015, Ollanta Humala, then president of Peru, signed the Paris agreement on climate change that seeks to contribute with the preservation of the environment. This places Peru in a group of countries committed to guaranteeing the present and future well-being of its citizens (“Ollanta Humala firmó”, 2016). This agreement intends to stop or at least slow down the consequences of climate change in the world and raises important possibilities to guide the country on a truly sustainable development path based on clean technologies, green economy, responsible consumption, decreasing dependence on fossil fuels, and a continuous process of adaptation (Ruiz, 2016).

In summary, the environmental situation in Lima is a priority since contamination levels are far from reaching quality standards. However, the Government tries to establish laws in favor of the environment, but this will not be enough if the population does not educate themselves and change their habits. Then it is important that educational centers, such as schools, universities, and institutes also commit to participate with activities or campaigns that encourage the population to become aware of preserving the environment. This is, however, not considered to be a critical external factor affecting the company's performance.

1.4. Internal Analysis (AMOFHIT) – Strengths and Weaknesses

The AMOFHIT is an internal analysis tool to better understand the company's strengths and weaknesses in all of its functional areas and operational activities (D'Alessio, 2013). These areas are considered to be: (a) Administration & Management (A); (b) Marketing & Sales (M); (c) Operations & Logistics (O); (d) Finance & Accounting (F); (e) Human Resources (H); (f) Information Systems (I); (g) and Technology, and research (T) (D'Alessio, 2013).

1.4.1. Administration and management (A)

The administration and management of an organization is the functional area in charge of managing all operational and strategic activities of the company, as well as to decide the future of the organization and what strategies have to be adapted to achieve its objectives. The organizational chart can be found in Appendix A. First to notice, it can be seen that Toulouse Lautrec's structure is organized in a functional way, divided by line of specialization: communication, design, business (Figure A1). Later on, Figures A2 and A3 show the organizational structure of the Direction of Continuous Education within the Direction of Innovation and Development. This type of organizational structure also displays a great number of management layers, as a hierarchical, function-oriented structure, it may indicate many bureaucratic barriers when trying to implement something new and innovate, which is the strictly the opposite of what the Toulouse Lautrec brand intends to represent.

Additionally, Figure A4 shows the organization of Educa, the educational portfolio of Enfoca, which is the holding company of Toulouse Lautrec, along with other institutions: UCAL and Certus. Besides the three operating companies, Educa has an Office of Support and Service, which contains the departments of infrastructure, finance, accounting, legal, IT, and others that support the three institutions. Thus, the Continuous Education is a very small unit within a big operational framework, which makes un-evident its strategic importance to

Toulouse Lautrec's operations but also generates a series of problems in regards of information transfer. Upon requesting information from the company, it was apparent that information differed many times, it also takes long to be delivered and is not reported in a useful way for decision-making for the Continuous Education direction. Thus, there seems to be a lack of coherent information. This leads to the assumption that there might be miscommunication between departments.

As explained previously during the introduction of the company, Toulouse Lautrec is currently undergoing a general restructuration, in search of increasing their competitiveness in an increasingly challenging market. To achieve so, they have created a Department of Institutional relationships. At the moment, Toulouse Lautrec does not have any international relationships, which decreases the value of its programs as students do not have the opportunity to participate in exchanges abroad as they would in a university, or an organization possessing these relationships. However, it is this openness to change that has been identified as Toulouse Lautrec's one of main strengths along with its very self-critical position. The management knows that there is room for improvement even amidst its success. Moreover, Toulouse Lautrec management showed to be very open to change and actively, which can be reflected in their openness to seek for external opinion through consultancy and the current reform Toulouse Lautrec is undergoing.

1.4.2. Marketing and sales (M)

The marketing and sales area of an organization is focused on understanding the market for its products and services and on making sure potential consumers understand why its services are better and appropriate for them, and consequently attracting customers and increasing sales. As for the strengths of Toulouse Lautrec's marketing and sales area, one can say that the area has done a great job in developing as a brand reputation known as prestigious regarding its creativity courses. Moreover, its brand is seen as a pioneer as a

creative brand image. Toulouse Lautrec has promoted design and creativity as a way of life while incentivizing its students to pursue to follow their passions. Recently, Toulouse Lautrec was Licensed by the Ministry of Education as Escuela Superior through Ministry Resolution 365-2019. This constitutes currently one of Toulouse Lautrec's main competitive advantages, as it is the first, and at the moment only, institution to achieve such recognition. Along with these changes, Toulouse Lautrec is preparing a brand relaunch in the next months, supporting also its new line of specialization in Business and Management which is expected to allow the company capture a wider scope of students and move towards more "traditional" careers. This represents the first incursion of the company beyond the segment of creative careers, and the way it is going to be developed is still unknown, however, the Toulouse Lautrec brand has always promoted and encouraged a spirit of entrepreneurship among its graduates, reflected also in their Continuous Education specialization courses, and Startup workshops.

According to Arellano Marketing's Market Research (Figure 14), the trait that makes an institute be most perceived as prestigious is the quality of their professors and that they are recognized professionals within their own industry fields. Toulouse currently employs some of the best professionals in the areas of Design and Communications, for which its customers are highly satisfied. Secondly, Toulouse Lautrec also has its own teaching methodology (Proceso creativo), which is the second most important trait in the market research; not to mention that it is one of the institutes with the most time within the industry, and for so it has graduates well positioned in some of the most important companies in the country. However, we can see that international relationships also plays an important role for the perceived prestige of the institutions: Accreditations, Double – Certifications and International Components are also some of the most demanded qualities by the customers of post-graduate education. Currently, Toulouse Lautrec do not have any strategic alliance or agreement with foreign institutions; nevertheless, current projects to achieve them are already undergoing.

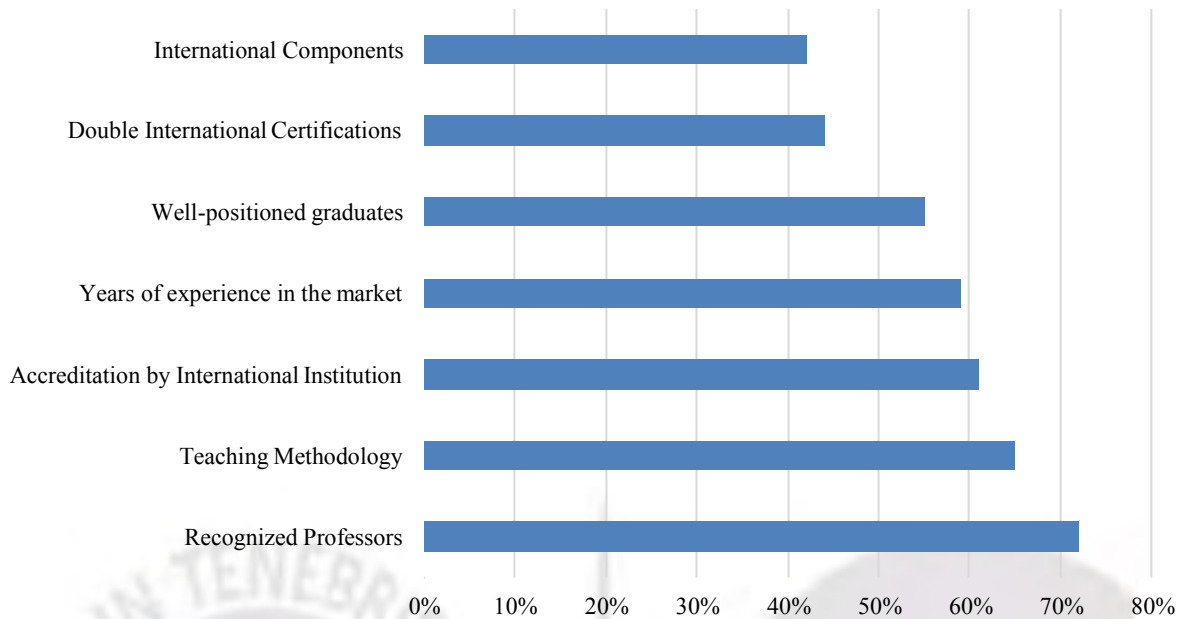


Figure 14. Traits that make an institution be perceived as prestigious.

Retrieved from “Estudio de Mercado para Posgrado by “Arellano Marketing”

(https://www.arellano.pe/wp-content/uploads/2018/10/gestion_pdf-2018-09_04-merged.pdf)

Similarly, upon market research executed by Arellano Marketing (“Crece demanda,” 2018), the following results came up: despite being recognized as prestigious, overall there is a low top of mind of the brand (2%), few people say to have a spontaneous recalling of Toulouse Lautrec (5%), there is a low rate in people saying to have taken Toulouse Lautrec into consideration (8%) and the low rate of people admitting to have Toulouse Lautrec as a preference (4%). These factors contribute to Toulouse Lautrec quality of education and professor be perceived as very good, which justifies that they are fast growing in sales however prices are perceived as high compared to other higher-education institutions that are not university level (Toulouse Lautrec, *personal communication*, June 19, 2019). Despite these considerations, Toulouse Lautrec is still perceived as the most prominent institution in the segment of creative careers, as other institutions providing these courses have a different orientation, either more technical, or corporate-business oriented. In this regard, Toulouse Lautrec remains the main option for student with creative aspirations who want to make use of their talents in a practical way to create economic value.

Currently, Toulouse Lautrec Continuous Education offer courses in six areas of specialization, which are Interior Design, Design, Communications, Fashion, Digital, Marketing and Advertising. The current offer of courses sums up to 54 divided between all the lines of specializations, plus the courses opened during the summer to serve the youngest customer segment, the Teens, and the courses of Titration that the institution offers to their graduates. Not many years ago, however, the number of courses offered were over 100, which were reduced after a self-critical assessment by the Continuous Education management. This number of courses however is expected to grow in the next months, when the new line of specialization in Business and Management is launched. Table 04 shows the courses that were provided in 2018, the number of students per course, and the amount of sales that correspond to each. It can be noticed, that the specialization of Interior Design is the one with the most offering, followed by Marketing and Design. Communications and the Teen segment present a smaller share, however, not as small as Fashion and Digital Design, which only opened one course in 2018.

As explained by the Continuous Education Management (Toulouse Lautrec, *personal communication*, July 11, 2019) these courses were not opened based on market research, but rather by the managers experiences and observations, which is not ideal, and one could argue that they are providing too many courses instead of having a clear focus on their strengths and most profitable ones, as certain courses open even with only 7 students. Thus, courses that seem to be feasible are opened and tested in the operations, if they can reach the breakeven point. According to demand historical data, they are later reopened until they are proven unprofitable. The reason behind this is a lack of proper market research regarding the Continuous Education customer and course demand, as this business unit is seen as much smaller against Antegrado, for which small financial resources are assigned. It also evidences its lack of customer and market orientation.

Table 4

Program Offer and Number of Students in 2019

Specialization	Course type	Program	Students	Sales
Communications	02 month	Photography Express	230	57,693
	05 months	Basic Integral Photography	6	13,244
	05 months	Audiovisual Post-Production	38	83,878
	10 months	Integral Photography	109	500,079
	10 months	Professional Photography	110	504,667
	Diploma	Art Direction for Photography	7	35,595
Design	02 month	Lettering	7	1,756
	03 month	Website Design	23	32,752
	03 month	UX Design	72	102,528
	03 month	Digital Graphic Design	501	713,424
	03 month	Digital Graphic Communication	459	653,616
	10 months	Graphic Advertising	55	252,334
	10 months	Advertising Graphic Design	69	316,564
	Diploma	Corporate Image & Branding	13	66,105
Diploma	Advertising and Digital Content	11	55,935	
Digital	05 months	Digital Animation Fundamentals	19	41,939
Fashion	10 months	Fashion Project Development	14	64,230
Interior	02 month	Revit	6	1,505
	02 month	Technical Drawing	8	2,007
	02 month	Kitchen and Bathroom Design	26	6,522
	02 month	AutoCAD	96	24,081
	02 month	3D Max	22	5,518
	02 month	Event Organization	382	95,821
	05 months	Event Organization	29	64,012
	05 months	Sustainable Architecture	8	17,659
	05 months	Window Dressing Design	10	22,073
	05 months	Construction Management	38	83,878
	10 months	Professional Interior Design	41	188,103
	10 months	Residential Interior Decoration	181	830,407
	10 months	Residential Interior Design	81	371,619
	Diploma	Event Management and Design	12	61,020
	Diploma	Retail Design and Management	35	177,976
Diploma	Furniture Design	11	55,935	
Diploma	Landscape Design	32	162,721	
Marketing	02 month	Creativity Management for Marketing	15	3,763
	02 month	Social Network Management	18	4,515
	05 months	Community Management	87	192,036
	05 months	Marketing Digital	241	531,963
	10 months	Strategic Marketing	28	128,461
	Diploma	Community Management	6	30,510
	Diploma	Digital Advertising	13	66,105
	Diploma	Creative Marketing	17	86,446
Teens	Teens	Impro	15	6,488
	Teens	Digital Flash	48	20,763
	Teens	Video Edition	50	21,628
	Teens	Video Game Development	69	29,847
	Teens	Manga animation	110	47,582
	Teens	Graphic Design for Teens	133	57,531
	Teens	Décor Art	24	10,382
Titration	Titration	Startup Toulouse - Beca 18	7	21,264
	Titration	Startup Toulouse	345	1,048,019

Adapted from proprietary information by Toulouse Lautrec

The following table summarized the main points regarding the marketing strategy of Toulouse Lautrec, detailed in 4 axes: Product, Price, Place, and Promotion.

Table 5

Analysis of the 4P's of Marketing Mix of Toulouse Lautrec

Product	Price
Extensive offer of continuous education courses.	Prices of courses in Toulouse Lautrec are perceived by the general consumer as high.
Products created based on observation and experience and not on market research.	Consumers from Lima Norte willing to pay 3 times more of what they currently pay for the informal education available to them there, if Toulouse Lautrec would open a <i>sede</i> there.
Products considered to be of one of the best in the market.	
Place	Promotion
Currently there are 4 Locations: Chacarilla, San Miguel, Lima Norte and Javier Prado.	Promotion is done online.
New location outside of the Mega Plaza opening soon, which will be able to also teach Antegrado.	No clear customer knowledge or target for continuous education.
Infrastructure not reflective of a superior creative institution in some locations.	First institution accredited as <i>Escuela Superior</i> by the MINEDU.

1.4.3. Operations and logistics (O)

Operations and logistics infrastructure are a functional area that focuses on making sure that daily operations and resources are allocated as efficiently as possible. This includes the allocation of courses to available classrooms, ensuring the necessary material for the courses is available and the campuses are correctly located to better reach the ideal customers and provide the service. In this line of thought, one can think that the many campuses of Toulouse Lautrec spread throughout Lima is one of the organization's strengths. This is especially true given the poor infrastructure and transportation systems in the city of Lima, which make it harder for people to travel long distances every day.

However, once again, there are many weaknesses apparent concerning this functional area. Processes are not consumer-oriented and too short-term profit-oriented. Moreover, the infrastructure for the target customers (Continuous Education courses) is unsuitable, especially when we are talking about older students as they do not feel like sharing the learning space with the very young students, which is currently the case. Regarding the teaching methodology, Toulouse Lautrec benefits of having an own teaching methodology (Pro-seso creativo) which contributes to having regularity and standardization in the course design despite the wide portfolio of courses offered. Lastly, the operational cycle of the company is another important factor to look at. It represents the time required for a company's cash to be put into its operations and essentially return. Unfortunately, we do not have enough information available to know the exact time and believe it varies with the different courses provided and payment methods possible by students. However, bellow (Figure 15) one can see the flow of the money in the education industry:

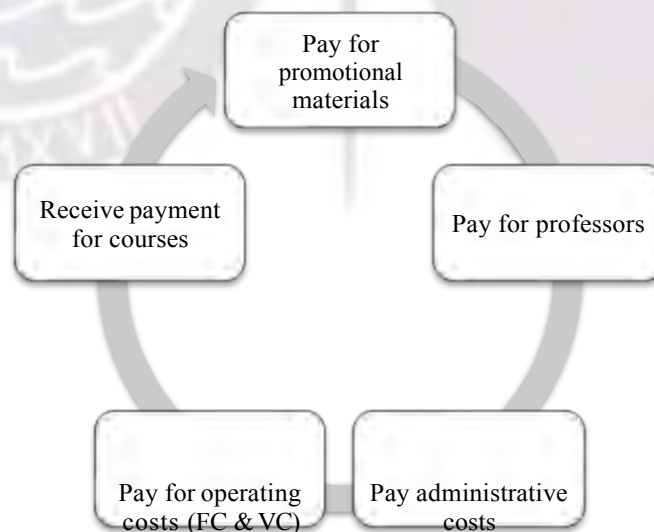


Figure 15. Flowchart of Toulouse Lautrec's operational cycle.

Currently, Toulouse Lautrec has four campuses. These campuses are spread throughout the city of Lima (Fig. 3) and the locations include Chacarilla, Javier Prado, Lima Norte and San Miguel. The Lima Sur campus, a fifth campus, was closed in 2019 given that it

was unprofitable. This is believed to have happened, mostly because of the demographics characterizing that region. The districts in this area display some of the lowest purchasing power in the metropolitan area of Lima. As part of their transformation process, the organization is currently exploring the possibility of moving their existing campus in Lima Norte, which is within the Mega Plaza, to an own independent and bigger location outside of the mall but remaining in the Lima Norte area. This option arose with the objective of trying to serve more people, claiming that upon some market research done, potential customers in the area would be willing to pay as much as three times of what they are paying or have paid for their high-school education (Toulouse Lautrec, *personal communication*, June 19, 2019). Moreover, Toulouse Lautrec fears that a location in a mall might not portray the institutional image they intend.

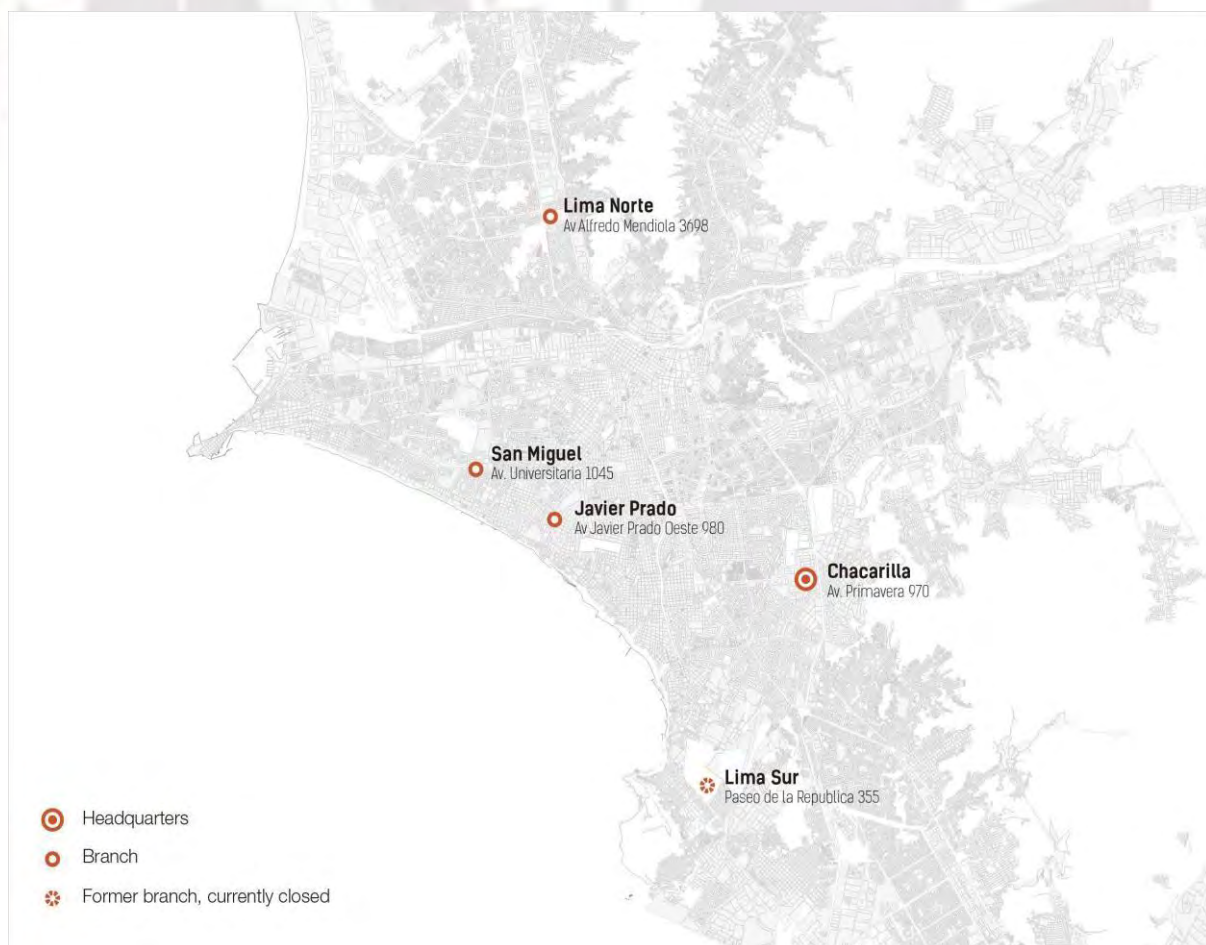


Figure 16. Toulouse Lautrec locations.

Based on data from Google Maps and <https://www.tls.edu.pe/>

It is important to notice that Toulouse Lautrec uses a differentiation among their operations, dividing them between *Sedes* and *Campuses*. While *Campuses* are company's owned facilities, where both Antegrado and Continuous Education courses are offered, *Sedes* are rented buildings where Continuous Education courses are exclusively provided. In the case of *Campuses*, 10% of the installed capacity is offered to Continuous Education during Premium Schedule (Weekdays, after 18:00h, and weekends). This also results in different behavior in regards of its operational efficiency, as *Campuses* operate over 80% to full utilized capacity, while *Sedes* only at 20% due to lack of students during non-premium hours.

1.4.4. Finance and accounting (F)

The finance and accounting functional area of a company is the one in charge of managing the company's money. The finance side includes planning, organizing and auditing the company's revenues and expenses, and accounting and controlling for it after. Currently, no specific strengths were found for Toulouse Lautrec. The weakness found includes the limited budget allocated to the various areas in the institution. As can be observed in the table 6 below, only the Antegrado education seems to be profitable, with Continuous Education incurring big losses. While both units are fast growing, 16.7% growth for Antegrado and 46% growth for Continuous Education, and both having good over 80% Gross Margins, Operational Margin is very low, specially in the case of Continuous Education, this due to high Cost and Expenses that undermine the earning. We can notice that Sale Expenses are currently very high, this due to an intense marketing campaign followed to promote the business, but also, facility and rent expenses consume a big part of the Continuous Education sales. As a result, this business unit is resulting in losses, and its operations have been subsidized by the Antegrado Unit. However, the great market growth still remains a important opportunity for Toulouse Lautrec, if operations are run more effectively to result in consistent profits.

Table 6

Operating Costs and Revenues per Business Unit of Toulouse Lautrec

	Antegrado		Continuous Education	
	2018	2017	2018	2017
Sales	74,685	63,673	11,145	7,629
Cost of Sales	-12,408	-10,076	-1,866	-1,694
Depreciation	-4,281	-6,276	-639	-752
<i>Gross Profit</i>	<i>57,996</i>	<i>47,321</i>	<i>8,640</i>	<i>5,183</i>
Sales Expenses	-5,835	-4,241	-2,794	-3,176
Facility Expenses	-8,477	-6,619	-2,568	-2,501
Provisions	-1,663	-1,350	-248	-162
Rent	-4,849	-4,463	-1,845	-535
Core Administrative Expenses	-6,991	-6,996	-2,546	-729
Corporate Administrative Expenses	-8,153	-7,930	-1,262	-1,017
New Projects	-635	-215	-95	-24
Depreciation	-1,070	-1,569	-160	-188
<i>Operational Profit</i>	<i>20,323</i>	<i>13,938</i>	<i>-2,878</i>	<i>-3,149</i>
Gross Margin (w/o Depreciation)	83.4%	84.2%	83.3%	77.8%
Operative Margin (w/o Depreciation)	34.4%	34.2%	-18.7%	-29.0%

Retrieved from "Costos," by Toulouse Lautrec, 2019 [Unpublished proprietary information].

As the current evaluation corresponds to the Continuous Education unit, for which further information regarding financial expenses, taxation, profit, or balance sheets were not provided, financial ratios as ROA, ROE or ROI cannot be provided. For this, the current report will continue to analyze and evaluate financial performance in terms of Operational Profit at the level of Continuous Education and its operating facilities.

1.4.5.Human resources (H)

The role of the human resources management department goes beyond the hiring and orientation of new employees. Human resources (HR) must pay attention to current employee satisfaction and productivity and ensure that the workplace is running efficiently. It can also be used strategically by implementing a culture in the company among its employees that will align with the company's visions and goals and by managing the employees' knowledge.

Toulouse Lautrec claims to have passionate and involved professors, which is a sign of strength in terms of the HR department as it shows they are indeed keeping their employees satisfied and engaged. According to Toulouse Lautrec management team, students

also identify with the institution, and feel embedded within a “clan”. This may be attributed to the fact that while Toulouse Lautrec operates within a well-defined segment, the one of creative careers, students and professors share values such as the openness to experiences, and an enthusiasm for creativity and innovation. Thus, students can feel identified with professors and with their peers. However, unfortunately, there is a very little budget in the department to allow for the hiring of well-qualified personnel, meaning that most professors probably do not feel compensated enough in monetary terms. Moreover, it seems that a formal and written company identity culture is lacking among employees who are needed to support the strategic vision of the company. This is a weakness the HR department has to work on if Toulouse Lautrec wants to reach its long-term goals, as people make the company.

1.4.6. Information systems (I)

Information systems are very important in any organization, as they aim to support operations, management, and decision making. An information system is essentially the information and communication technology (ICT) which an organization uses as well as how people interact with the technology in support of the daily business processes. By improving the execution of business processes and effectively organizing data one can improve the productivity of the company dramatically.

In this line of thought, no particular strengths were found in TLS for information systems. As for weaknesses, it seems that the website used to communicate with the public and to provide information has a very ineffective design, as the usage of the website is considered low, meaning that information is not being communicated very effectively to the public. Moreover, there is no, as well as the intranet was also said to be very limited in its usage ability. This generates miscommunication problems within the company and a lack of a coherent message spread throughout its company about the company’s goals and current situation. Consequently, this will affect the information received by customers.

1.4.7. Technology (T)

Technology is a crucial factor in companies these days due to the digital age. Besides the obvious technology equipment necessary for providing various of the creative courses offered in Toulouse Lautrec, technology also includes Customer Relationship Management [CRM] software, modern accounting software among others. Technology allows a business to improve both its performance and overall effectiveness when providing, in this case, the services. This, in turn, can enable a company to expand and grow faster. Concerning this functional area, there is a limited amount of information given. Toulouse Lautrec claims to have all the available technology necessary for students needed to learn and even to practice after contact hours. This can be seen as a strength, as it requires a lot of investment. However, information on technology regarding the back-of-the-house operations and administrations of the company has not yet been provided.

1.5. Conclusions

Toulouse Lautrec, the company this consultancy report is targeting, is an institute of communications and design in the city of Lima, Peru, founded in 1983. Currently, Toulouse Lautrec has four campuses throughout the city of Lima. Since its opening, Toulouse Lautrec remains as the only institute to offer programs exclusively focused on communications and design through to paths of educational services: non-degree undergraduate courses and lifelong education courses with different timelines. The analysis in this report will focus on the lifelong education path and how Toulouse Lautrec can improve it to achieve its long-term goals. The organization is now exploring new strategies to evolve and enable the further growth of the institute.

When analyzing the competitive rivalry in the industry that Toulouse Lautrec is included in Porter's five forces where analyzed. One of the main conclusions of this analysis was that professors have the highest bargaining power in terms of suppliers, due to its

scarcity, and that accrediting institutions rank medium to high in supplier power. In terms of customers, customers for life-long education, both individuals and companies, also possess a high bargaining power because there are many available substitutes. The number of available institutes is considered to be particularly high for short-term courses (2, 3, 4, 5, and 6 months). Entry barriers for new organizations are, however, quite high when taking into consideration only formal education. This happens mostly because of the high investments required to open such a business, and all the regulations it would have to go through. As such, overall competitive rivalry ranked rather high for CE courses, more so for the ones we designated as short-term.

Thereafter, the analysis of the external environment (PESTE) brought about opportunities and threats for Toulouse Lautrec. The most important political threat is the ongoing corruption crisis and instability, as all firms can be heavily impacted by political events in Peru. However, it is in current reform, and in particular, education is receiving new regulations and heavier control to fight informal businesses that offer poor education services. This increases the barriers to new entrants and decreases competition. From an economic perspective, a slowing economic growth was recently reported for the year of 2018. This is a threat to the creative careers sector, as it needs sustained growth of 4% in GDP for the next few years if it is to grow by 8%. Lastly, there is an opportunity in the social environment to shift the mindset of Peruvians to accept creative programs.

Lastly, an internal analysis of the company's strengths and weaknesses was made with the AMOFHIT framework. From this analysis, one was able to identify that the company has a lot of internal weaknesses. Among them the main seems to be that management and administration do not have a single source of information and communication, causing misunderstandings and misalignments along with the organization. Consequently, the message that is passed on to the public ends up being confusing and incoherent. Moreover,

the current business model of the company does not support sustainable business growth. Nevertheless, Toulouse Lautrec shows to have a good brand reputation and passionate professors, which is essential to differentiate itself as a premium education institute amongst the competition.

In conclusion, even though one could consider that Toulouse Lautrec has been overall successful throughout the last 36 years, as things evolve and the external environments change, so much the organization. Therefore, it will be important to take the findings of the current competitive rivalry, the external environment opportunities and threats and the internal weaknesses and strengths of Toulouse Lautrec as we try to find a key problem that will help the company to achieve its long-term goals when solved.

Table 7

SWOT Analysis

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Licensed <i>Escuela de Educación Superior</i>. Currently, the first and only in Peru. 2. Good Professors and quality of education as perceived by their students. 3. Recognized and prestigious brand. 4. Industry knowledge by 36 years of history. 5. Four facilities strategically located, spread in Metropolitan Lima. 6. Own teaching methodology and standardized programs' contents. 7. Strong organizational culture and identity within students and professors. 8. Management is open to change and self-critical, constantly looking for improvement. 9. Brand relaunch and addition of new Business line of specialization 	<ol style="list-style-type: none"> 1. Low "Top of Mind" (2%), Spontaneous recall (5%), consideration by customers (8%), and preference (4%). 2. Prices perceived high relative to other institutes. Price comparable to those of the universities. 3. No market research to support service mix. 4. Too wide portfolio of courses. 5. Unclear target customers and unknown segment of customers ("Ninis"). 6. Low capacity utilization in "sedes". 7. Customer's complaints about customer service and infrastructure. 8. Low retention rate in long courses. 9. No international relations or alliances.
Opportunities	Threats
<ol style="list-style-type: none"> 1. Sound macro-economic environment relative to other countries in the region. 2. Economy maintaining sustained growth (between 2% and 4%). 3. Creative careers market in sustained growth (around 8%) 4. Growing middle class in emerging districts of Lima and regions of Peru. 5. Increasing access to internet. 6. Improving regulations for entrepreneurship and ease for opening new businesses. 	<ol style="list-style-type: none"> 1. Political crisis and instability. 2. Regulatory reform in the Education sector. 3. Economy growth slowing down. 4. Growth of online courses (MOOCs). 5. Fragmented market. Too many competitors with low-quality, low-price offer. 6. R&D increasing investment in Peru do not concern the creative specializations segment. 7. Deficient intellectual property protection in Peru.

Chapter II: Key Problem

In chapter two, the process into identifying the key problem will be described and a potential key problem to be solved in this report will be given. The chapter will start by discussing the identified problems (section 2.1), both by the company and by the consulting team. Finally, after having explored and analyzed these, the key problem (section 2.2) to be solved in this report will be proposed. This will include various characteristics about the key problem such as substance, location, ownership, magnitude and time perspective. As this report focuses on the Continuous Education branch of Toulouse Lautrec, all content below does only account for this branch, unless stated differently. This also means that whenever the term “Toulouse Lautrec” or “institution” is used, it is solely referred to the CE branch.

2.1. Identified Problems

2.1.1. Problems identified by the company

During the first meeting with Toulouse Lautrec, the consulting team was informed about the challenge statement that the company would have liked face. It was phrased as follows: “Identify a business model that allows a constant growth with time while growing 265% in 7 years, including growth from S/9.6 to S/35 million income”.

Next, to this, it was communicated that the institute wanted to decrease the number of Continuous Education courses offered. Currently, Toulouse Lautrec offers 54 Continuous Education courses, a number that has already decreased from over 100 courses in the past recent years. Nevertheless, a further decrease is desirable given that some courses are still found to be unprofitable while exploring the possibility to enter the market for more traditional business courses. It was also communicated that the Continuous Education direction of the institution wants to further differentiate through exclusivity. In later meetings, the need to make more efficient use of the available buildings of Continuous Education was clarified. In sum, the client wants to grow by 265% in sales in by 2025, which averages in

20.32% annual growth for the next seven years. This is to be obtained by further differentiating the brand to become a market leader in creative programs, resulting by 2025 in obtaining almost three times the amount of sales they are currently obtaining. However ambitious the goal is, the management staff and the consulting team consider that it is achievable. Conscious that it requires many improvement and changes in different areas of the business, the current report seeks to identify the main issues that may withhold the company from achieving this objective.

2.1.2. Problems identified by the consulting team

The first question raised by the consultancy team was whether growing at 20% annually was too ambitious or not. However, when taking into account the Continuous Education financial information previously reviewed in the AMOHFIT, we can notice that sales are high and growing. As explained financial analysis, from 2017 to 2018 Toulouse Lautrec grew at a pace of 20.4%, and the Continuous Education alone at 46%. Considering these big numbers, a growth of 20.3% in the next years seems feasible considering that the Education market is in constant and sustained growth. Similarly, gross margins are high over 80% but the real reason of business unprofitability is the Operating margin. Then, the first conclusion is that the Continuous Education direction should not be observing at sales, but rather to increase Operating Profit as main objective. By 2018, cost and expenses accounted for S/13'224,000, while sales, summed S/11'145,000. Maintaining such cost structure would make unsuccessful any growth in sales, as operations are ineffective to render profit. When referring to Operating Profit then, a new approach is necessary.

$$OP = P \times Q - (C + E)$$

To understand where the problem of the Continuous Education business is located, we refer to the equation of operating profit (OP), as it is the result of the price of the products (P) multiplied by the number of students (Q) which results in sales. However, sales are just half

of the equation, as to result in profit, costs (C) and expenses (E) have to be subtracted. This elemental by useful way of understanding the cost structure allows to evidence two ways in which Continuous Education direction could increase their profit: (a) changing the service mix by decreasing prices and/or increasing the number of students, or (b) diminishing the cost and expenses.

2.1.3. Changing the service mix

In changing the service mix, the following questions need to be taken into account: which specialization areas are more profitable? Which length-of-course offer a better appeal to the customers? Why? Additionally, the service mix includes critically analyzing the prices demanded by the institute (pricing strategy). How does Continuous Education perform compared to its direct competitors? What courses do the customers prefer? What is the price elasticity for the offered services? Most importantly, who is the actual and the desired customer for each current course and each potentially new course? Revising the service mix would imply redefining the marketing strategy and revising the product design. This can include reducing or eliminating the services/courses offered, restructuring processes, among other things. These changes, however, will involve considerable amounts of time given the huge portfolio of services offered and that there is no data on the target customers for each course. Also, as explained in the previous chapter, the prices of Toulouse Lautrec are already perceived as high, relative to other non-university higher-education institutions. Finally, the implementation of such changes would request addition of several weeks to the time-line of this project, which is not possible. Also, the management staff explained that among the higher-education institute competition field, there a price-war, as many competitors keep lowering their prices to remain in the game. For these reasons, price was considered fixed, and discarded as option to increase profit. Thus, changing the service mix was not considered an alternative at first glance.

2.1.4. Reducing cost and expenses

Some of the questions raised were: What is the cost per student per course? How many students can subscribe per course? What is the break-even point per course? Are courses providing enough income to cover fixed and variable costs? By how much could profits be increased when ensuring a better use of a course's capacity? Questions raised to tackle the revenue point of the revenue - costs balance are: what exactly would increase the customer perception of the services provided? What are expected products that are provided by CE's competition? What are potential augmented products that are not yet found by CE's competition and that could lead to a competitive advantage? How can the available capacity used in order to improve the expected and augmented product? Once the service perception is increased, by how much can sales be expected to rise? What are the costs of such potential implementations and changes? To find a solution to this potential key problem information regarding the courses, number of students, variable and fixed costs per course, etc. is needed. This information that is, although time consuming to gather, available.

Following the previous evaluation of Toulouse Lautrec's financial information, the consulting team determined that the main issue of the Continuous Education unit is cost and expenses. For which it was offered to the management staff that the Consulting Report would focus on a Cost Analysis of the current operations to provide useful decision-making information and advice on more suitable costing methods for their current operations. Some of the possibilities of the Consulting Team were that there might be too many unprofitable courses being subsidized by more profitable ones, or that courses might be opening with too few students due to incorrect allocation of cost and miscalculations of breakeven point. These concerns were increasingly taking importance as the management staff explained they considered some fixed costs as infrastructure as Sunk Costs, and that they would start a new course if the number of students could cover the Direct Costs, which is the professor's salary,

and the materials needed for the course. Finally, due to the fragmentation of the Corporate Structure, many costs were covered and managed by the Office of Support and Service of Educa, which did not help at providing a total view of the Continuous Education's cost structure. For this reason, the Cost Analysis proposed would intend to organize, allocate and provide a clearer understanding of the costs and expenses incurred by the operations. However, when introduced to the management staff, they were reluctant as they did not see the value of regarding over historical data and accounting could provide benefit to achieve their objective of growing in sales.

Then, considering again that achieving 20% average growth in the next years might not be the biggest issue, but rather rendering profit from those sales, the consulting team went over again to the financial information. This time, the results from Campuses and Sedes were disaggregated. The results (Table 8) show that campuses actually have a profit of 25%, however, Sedes are incurring in big losses of over 80 % the amount of sales, which is almost as much as the profits generated by the campus operations. Then, not only Antegrado is subsidizing Continuous Education operations, but the Continuous Education's Campuses operations are also subsidizing the Sedes' operations.

Table 8

Campus' and Sedes' Results of 2018 (in thousands of PEN)

	Consolidated	Campus	Sedes
Sales	9,692	7,494	2,198
Cost of Sales	-1,661	-1,260	-400
Gross Profit	8,031	6,234	1,798
Expenses	-7,995	-4,905	-3,784
Sales expenses	-2,869	-1,900	-969
Facility expenses	-1,135	-202	-933
Provisions	-590	-437	-153
Rent	-1,035	0	-1,035
CORE expenses	-2,366	-1,830	-537
<i>Direct</i>	-1,883	-1,456	-427
<i>Distributed</i>	-483	-374	-110
Operating Profit	37	1,865	-1,828

Note. Adapted from proprietary information by Toulouse Lautrec

2.2. Key Problem

After this discovery, the problem statement was refocused to strictly address the issue of Toulouse Lautrec's Sedes, in order to increase its Operational Efficiency. It can be noticed that the unprofitability of these locations is explained by the high cost and expenses that double the Gross Profit of the operations. The key problem will be explained next, analyzing its substance, location, ownership, magnitude and time perspective.

2.2.1. Substance

As explained in the AMOHFIT, it is important to notice the distinction between Sedes and Campus. Campuses are company's owned facilities, where the 10% of the capacity installation is provided to the Continuous Education direction for its operation. As such, there are no costs of Rent, and facility expenses are only 10% of the whole cost of maintenance and services, as the rest is covered by Antegrado. On the other hand, Sedes are rented facilities providing only Continuous Education courses. For this reason, the Continuous Education unit has to cover all rent and facility costs, even for the unutilized hours, which in the cases of Campus would be covered by placing Antegrado courses. No different arrangement is possible in the cases of Sedes, as the classrooms are not suited to host Antegrado courses due to the requirements of the Ministry of Education for such activities. Then we could determine that the key problem of Toulouse Lautrec's Continuous Education is the underutilized capacity in the Sedes. These high costs render operations unprofitable and are the main problem withholding Toulouse Lautrec to obtain its goal of maximizing sales and profits.

2.2.2. Location

The problem of operational unprofitability is only found among the Sedes due to underutilized capacity utilization, which as explained by Toulouse Lautrec management staff can be as low as 20%, due to lack of students during non-premium hours. The Sedes or Toulouse Lautrec are located in Plaza Norte, Independencia; and San Miguel. It is important

also to notice that a third Sede operated until last year, but was closed because it was not sustaining enough profit to keep operating. Additionally, the Sede of Lima Norte is expected to be replaced in the next months. Toulouse Lautrec's management explained that the sede, currently operating inside a mall (Plaza Norte), is going to be moved to a company's owned building next year which can host both Antegrado and Continuous Education activities. For this reason, the only location left with the capacity underutilization would be the case of San Miguel, which was recently opened few years ago, but hasn't yet provided profits to the Continuous Education department.

2.2.3. Ownership

The responsibility of the issue being addressed is shared among many parties, but mostly the Continuous Education department. Until recently, the Continuous Education Direction, previously Academic Direction, would only oversee educational program offered. This means that they would not have responsibility over the operations, or the strategy of the department as a business unit. This however changed in July 2019, after the restructuring of several areas of Toulouse Lautrec, giving more responsibility and power to the Continuous Education Director. However, everything regarding infrastructure, and financial budgeting and investing has to be provided by the Office of Support and Service of Educa. In order to solve the issue of underutilized capacity, the Consulting Team considers that the Continuous Education Direction will have to work along with these areas of Educa's Office of Support and Service.

2.2.4. Magnitude

The issue is considered to be of a major severity, as if to continue, most probably all sedes will have to be closed due to unprofitability. Considering that Toulouse Lautrec Lima Sur located in Chorrillos, opened with an investment of nearly S/3 million, closed after less than two years of operations, closing also San Miguel would be a major strike to Toulouse

Lautrec. Also, considering that Toulouse Lautrec is undergoing rapid growth as the higher-education market is experiencing an important growth, it is of vital importance to find ways in which services can reach the customers in a profitable way, assuring this way that Toulouse Lautrec can keep capturing market share and keeping its position as market leader for the next years. For this, finding a way to solve the underutilization of its sedes, or as the staff management would say, finding a business model that assures sustained growth, is considered to be of high importance.

2.2.5. Time perspective

As the Toulouse Lautrec San Miguel has been providing losses for the past two years, it is urgent that the issue is addressed in the shortest time possible. However, finding a sustainable solution that will assure revenues for the next 7 years is the main goal, such an objective demands more structural reforms that take longer to be effective. For this reason, any proposed solution will be assessed in terms on how long will they take to show results, prioritizing the ones that could provide the most returns in the shortest amount of time. The management staff of Toulouse Lautrec expects that some results can be evident as fast as by the end of next year, and that these results can be sustained until 2025.

In summary, the key problem identified was the underutilization of the installed capacity in the sedes of Toulouse Lautrec. Then, the current Consulting Report will essay to find the way to “*Optimize the Operational Profit of Toulouse Lautrec’s Continuous Education, by maximizing the use of its Installed Capacity*”. Considering the previous assessed problems: changing the service mix, and reducing cost and expenses. Maximizing capacity utilization will affect both. First, when increasing the installed capacity, the balance between revenues and cost and expenses will vary, resulting in increased operational profit. But also, this may imply that new products are offered or that the product is modified to better serve the customer. For this both issues will be covered in the next chapters.

Chapter III: Literature Review

Having understood the organization internal strengths and issues, the environment it is operating in, and the industry within it is framed; it was possible to identify a key problem to tackle in this consulting report. The key problem identified was the optimization of Toulouse Lautrec's operating profit by maximizing the buildings' capacity utilization. With this comes the necessary research and literature review presented in Chapter 3. As previously mentioned, there are two sides, that the literature will have to focus on. On the one hand, there is the operational side, where correct measurement is necessary to assure efficient operations, and costing methods will be reviewed to assure that the information collected is the most useful to decision-making. On the other hand, finding a way to improve capacity utilization may include the proposal of new services, or the redesign of the current ones, for which it is necessary to review strategic management and marketing theory that may help to better define what is needed for the specific market and customer segment that Toulouse Lautrec intends to serve.

The present chapter will start with an introduction and key information regarding the Consulting Management and its importance, as a frame for the current consultancy report. Then, the role of the consultant will be described and the consulting process will be presented with its respective phases. Right after, this chapter will deep into the literature review concerning the specific key problem: the maximization of capacity utilization. For this, this section will start presenting a literature map (section 3.1), which is essentially a brainstorming and concept map that summarized the main topics to be discussed. Later, the findings of the literature review (section 3.2.) will be presented, as previously described, starting from the broader topic, Strategic Management, and following the Marketing and Operational Management literature. Finally, some conclusions will be drawn (Section 3.3.) derived from the review.

Management consulting. The consultancy can be seen as a professional service or a method to give advice and help to an entity, which can be a company; likewise, it is the responsibility of the consultant to deliver a quality work, since they are not responsible for the actions taken within the company, but the company will base these actions on the consultant's work (Kubr, 2002). In that sense, Kubr (2002) defines consulting management as “an independent professional advisory service assisting managers and organizations to achieve organizational purposes and objectives by solving management and business problems, identifying and seizing new opportunities, enhancing learning and implementing changes” (p. 10).

The consultant role. The clients, in many cases the managers of the companies look for the consultants hoping that it is a reliable source with the objective to propose solutions for their company, and for this, the consultants have five main purposes (Kubr, 2002):

- Achieving organizational purposes and objectives: The client is expected to have their objectives defined, however, sometimes this is unclear and the consultant can help the client establish his vision, set realistic goals and define the strategy with the aim of adding value to the organization.
- Solving management and business problems: It implies implementing corrective measures that produce the benefits needed by the company and for this the causes must be identified to the problems.
- Identifying and seizing new opportunities: The client finds in the consultants a valuable source that can promote initiatives, innovations and improvements in any area of the company, over the years it has been shown that the most valuable innovation and improvement proposals have been developed with the help of consultants.

- **Enhancing learning:** The consulting process is a cooperation between consultant and client but also a mutual learning process, since the company learns new skills and the consultants enriches their experience, this is known as learning organizations.
- **Implementing changes:** One of the main tasks of the consultants is to teach the client that change is the only constant to develop improvements, and for this it is important to communicate the change and make sure that all the actors involved are able to adapt.

The consulting processes. Set of activities undertaken by the consultant and client that are required for achieving the desired purposes and changes. According to Kubr (2002), the consulting process is composed of five phases:

- **Entry:** Is the first contact with the client and includes clarification of roles, preparation of the assignment based on the problem analysis, in this phase is also common that more than one consultant presents their proposal to the client and only one is selected.
- **Diagnosis:** In this phase the consultant and the company work together in order to identify the change required, this involves the kind of problem to focus (organizational, informational, technological, etc.) and if it is necessary to change people.
- **Action planning:** The consultant needs to work on more than one proposal (evaluation, preparation, and plan for implementation) for the client, it is also important to deal with human factors in this phase.
- **Implementation:** Provides a test for the feasibility and proposals given by the consultant, the original plan may suffer changes so it is important the consultant stay involved with the client in the implementation.

- Termination: It is the final phase and the consultant should present the final report, it is also time for evaluating the results obtained for both parties (consultant and client). Finally, the company decided if they are continuing working with the consultants, if not both decide to finalize the project.

In summary, Consulting Management is a process of mutual learning between the customer and the consultant, where the consultant is the expert but mostly the facilitator of the process, who closes the gaps of capabilities the customer may not have. It starts by identifying a key problem, and progressively looking for a solution to the root of such problem, which will be implemented in time, with or without the assistance of the consultant.

3.1. Literature Mapping

The problem boarded in this consultancy report corresponds to maximize capacity utilization in one of the business units of Toulouse Lautrec, Continuous Education. To achieve this, both marketing and operational information will have to be reviewed. All of it framed by the wider topic of Strategic Management, which is the one that will give direction to any action taken from here on. From the marketing side, the map present data on competitive positioning, segmentation and product design, thus it is possible to analyze alternative and a clear path to obtain a competitive advantage for Toulouse Lautrec and to offer the customer a product that exceed customer expectations. On the other hand, the focus on operation will provide valuable information on how to monetize the spaces available in the building and to go deeper in a solution. And will provide tools to better decision-making with the available information. Additionally, within the operational part, facility management will also be reviewed, to understand the conditions under which facilities are designed, and how they can be used strategically, from a location and design point of view. All of this information will later on provide a frame of reference for the development of alternative solutions to the key problem.

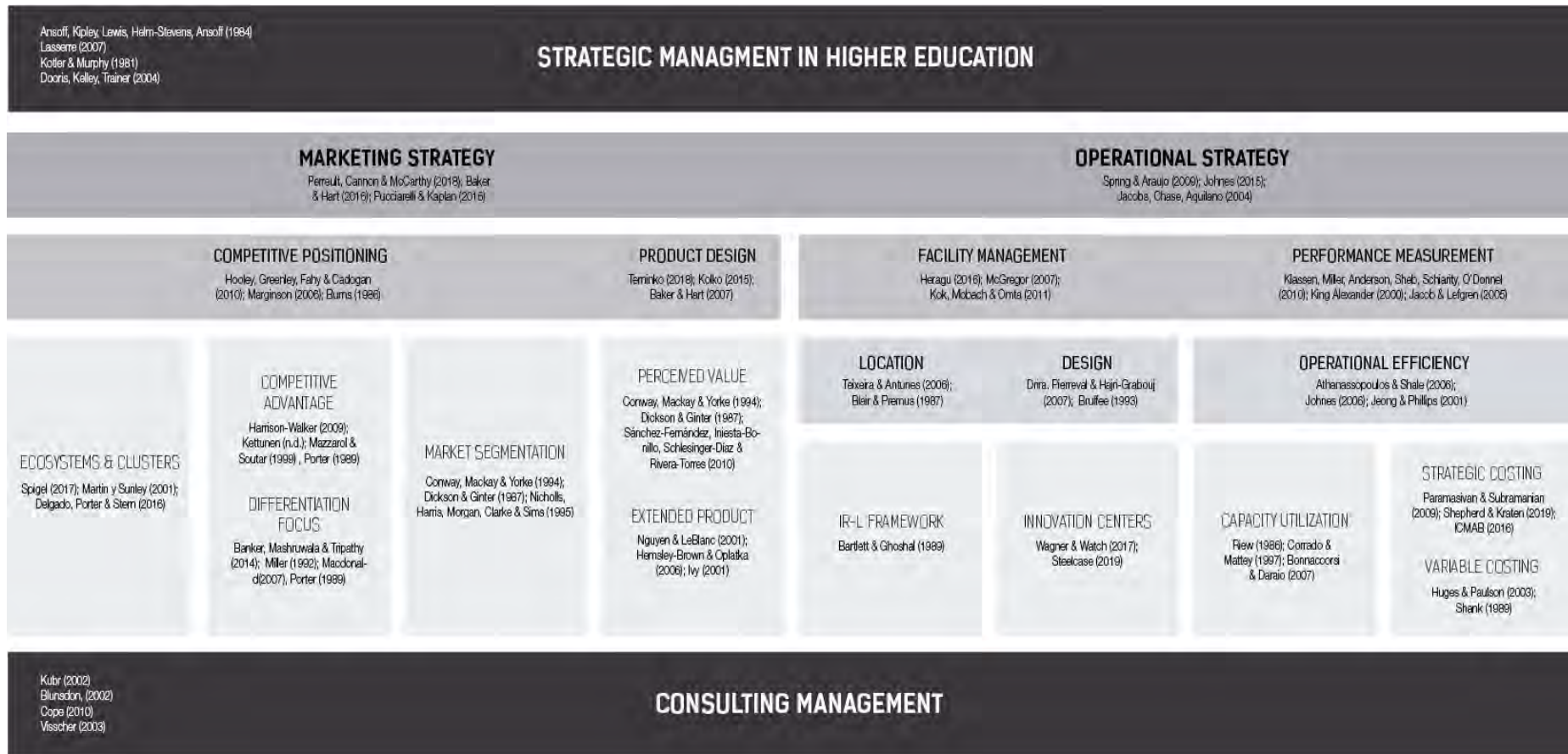


Figure 17. Literature map

3.2. Literature Review

3.2.1. Strategic Management for Higher-Education Institutions

The concept of strategy has changed along the time, in 1965 it was defined by Ansoff as the ways that an organization has in terms of its reach and product-market. It involves a pattern of objectives, purposes and goals, general policies, and plants to achieve these goals which are formulated by defining in which business is the organization involved (Andrews, 1969). It is a process of constant adaptation (Mintzberg, 1990) in which the company decides the activities with which they want to distinguish (Porter, 1990). The essence of strategy relies on choosing the execution of activities in a different way as the competitors to offer a unique value proposition (D'Alessio, 2013) The strategies are potential actions that result from the decision of the management and require opportune assignment of resources from the organization for its execution. Strategies constitute ways that lead to the organizational vision, and courses of action to convert the organization in what it intends to be in the long term. They can be generic, alternative or specific. Then, D'Alessio (2013) explains that the Strategic Management is the process that aligns the Organization's internal capacities with the environment's external demands, defining and applying strategies that will conduct it to achieve the Vision of the future that is propelling it, supported by the Mission, the Organizational Interests and the Organizational Values, creating sustained superior value over time.

The strategic process in higher education institutions is different from those in business. While business strategy starts with the analysis of internal and external environment, higher education institutions start with the vision and mission statement after which the internal and external analysis is performed; also, higher-education institutions could be considered multi-unit systems as academic departments work together for mutual benefits in alignment with the mission and vision; however due to different nature of each

department, a certain degree of difference is present. The main differences between business and higher education strategic processes are: (a) Timeframe, (b) sequence of events, (c) elite planning, (d) value system, (e) stakeholders, (f) change, (g) reward system, and (h) a “loosely coupled system” (Hassanien, 2017).

3.2.2. Marketing Strategy

Marketing has existed since time immemorial. It has been the oldest of business practices, but the newest of business disciplines. It is the activity, set of institutions and processes for creating communicating, delivering and exchanging offerings that have value for the customers, partners and society at large. Marketing is a concept about the way organizations should interact with their customers, it can be seen as the business perceived from the point of view of its final result, the customer’s point of view. (Baker & Hart, 2016). As higher-education market becomes more competitive, it becomes increasingly necessary for higher-education institutions to engage in Strategic Marketing. According to Kotler (1997), Marketing Strategy is the way in which the marketing function organizes its activities to achieve a profitable growth in sales at a marketing mix level, including the market segmentation and selection of the target market, positioning, marketing mix and marketing expenditure levels. It is a plan to achieve the organization’s objectives by specifying what resources should be allocated to marketing and specifying how these resources should be used to take advantage of opportunities which are expected to arise in the future.

Table 9

Marketing Strategies per Source of Competitive Advantage

	Cost leadership	Differentiation	Focus
Product	Standardized	Different for each market segment	Customized
Price	Low	What the market will bear	Premium
Distribution	Intensive	Extensive	Highly selective
Promotion	Mass	Targeted by segment	Direct

Retrieved from “Product Strategy and Management,” by J. Baker & S. Hart, 2016. New York, NY. Routledge

3.2.3. Positioning

Institutional positioning is the process through which higher education institutions locate themselves in specific niches within the higher education system and these niches (sets of relations) are expected to contribute to institutional functioning and performance. The imperatives for institutional positioning come from an increasing market orientation in higher education implies increasing competition among higher education institutions for scarce resources, such as academic talent and funding (Pitchard, Pausits, & Williams, 2015).

Positioning is designing an organization's offering and image to occupy a distinctive place in the target market's mind (Kotler, 2000), has been acknowledged as a core branding activity for long. Positioning strategy is used as a focus to develop the marketing program, a clear positioning strategy ensures that all the elements of the marketing program: the organization's product, promotion, distribution and pricing strategies, known as the 4P's of marketing, are consistent, supportive, and communicate the brand's unique position (Aaker & Shansby, 1982). By directing all efforts towards a desired position, higher-education institutions maintain coherence and unity in its activities and establishes a specific image, focusing in what the target market perceives is important and not necessarily what the administrators of the institution believe as significant (Lowry & Owens, 2001).

Positioning is often misused interchangeably with the constructs of image and reputation. While all of them are formed through continuous multifaceted process and are products of multiple-variable impression formation process located at the interaction among an institution's issued signals, contextual and personal factors, images concern immediate impressions while reputations are more enduring over time. Corporate image is a immediate mental picture of the organization, while reputation is subject of collective representation of past images of the institution established over time. A brand position is similar to reputation as both are enduring overtime and difficult to change, however, a position implies a frame of

reference, it is relative to the competitors. To be successful, it is not enough to have a positive image or reputation, it has to be perceived as more favorably than the competition (Harrison-Walker, 2009). Then, to develop a positioning strategy, institutions must determine what key attributes students use in comparing institutions and which attributes are most important, and identify the relative positions of the institution and its competitors on the important attributes (Kotler & Fox, 1994). Finally, according to Aaker (1991), the characteristics of a good brand position are: (a) perceived uniqueness, (b) prevalence, as how many customers are aware of it, and (c) strength.

3.2.4. Competitive Advantage in Higher-Education

A competitive advantage is a visible, highly appreciated by its clients and consumers trait created by the company, which characterizes the organization as a whole. It is the main sources of the company's growth and profits. And is associated with the Company's core competencies (D'Alessio, 2013). Competitive strategies, can be successfully used in higher education institutions, particularly in continuing education centers, which operate in market-led environment (Kettunen, 2003). The generic competitive advantages, as described by Porter (1990) are the following:

Differentiation. Differentiation is a viable strategy for earning above-average returns, because it creates a defensible position for coping with competitive forces. Since brand-loyal buyers lack comparable alternatives, they are less price sensitive, thus differentiation yields higher margins. Differentiation is a viable strategy in educational markets as the goal of many institutions is brand loyalty by the customers. Differentiation requires a perception of exclusivity, which is achieved by carefully selecting the participants or using world-famous academics and other outstanding persons within the field. Differentiated education is based on extensive research, educational planning, high quality teaching and intensive student support.

Cost Leadership. The general objective of a higher education institution is to promote its students' learning within a curriculum, which is suitable to the environment, feasible to the organization and acceptable to its stakeholders. A low cost-education does not mean providing high-quality programs, but to provide low-cost products with sufficient quality.

Focus. The focus strategy allows the company to be better able to meet the specialized needs of the particular customer. It implies limitations on the overall—market share achievable because it involves a trade-off between profitability and sales volume. Focus strategy is applied as a natural choice to serve specific occupations.

3.2.5. Segmentation

The premise behind segmentation is that while some prospective students may share similar characteristics, not all students with similar characteristics share expectations, goals, and prospects for the future. Various variables are taken into account by prospective students when choosing a higher-education institution. These can be rational, which has been the most studied, but also emotional. As Angulo, Pergelova & Rialp (2010) explain, rational attributes are based on objective criteria such as price or technical features, and the most common rational attributes taken into consideration are (a) academic excellence and subsequent career opportunities, (b) quality of education that include teaching courses and high standards of the higher-education institutions, (c) reputation and social activities, (d) infrastructure and physical facilities, (e) cost and tuition fees, (f) availability of scholarships, and (g) distance from home. However, the rational perspective represents only the tip of the mental iceberg while the emotional symbolizes the unsuspected depth, which can be grouped within intrinsic (personal values, wishes, expectations) and sociocultural influence.

Based on this premise, Angulo et al. (2010) performed a study in the Peru, to find emergent attributes that prospective students' value when selecting a university. As Peru is considered highly emotional compared to western countries (Hofstede, 1991), personal

wishes and expectations are the most important factors that influence career decisions. The study resulted in the identification of six segments. Each one characterized by specific rational and emotional factors and some of them having distinct emotional goals. It is important to notice that three of the six segments were comprised by factors that can be characterized as familiar and expected at both rational and emotional level (rational, independent, and hard worker), and driven by commonplace factors as being independent and improving economic welfare. While the other three segments are highly singular. From these other three, entrepreneurs can be highlighted, with a focus on their development and look for university as means of professional network formation and links with local entrepreneurs (Angulo et al., 2010). This becomes further important as, according to the General Entrepreneurship Monitor (2019), Peru is considered to be the fifth country with the highest level of entrepreneurial activity in the world.

Table 10

Market Segments Among Peruvian Higher-Education Students

Segment/Cluster	Rational Factors	Emotional Factors	Emotional Goals
The independent	Strategic alliances Image	Independent Be able to manage on one's own Enjoy oneself	Self-confident
The entrepreneur	Strategic alliances Academic and career opportunities	Enhance economic status and welfare	Entrepreneur Focused on self-development
The rational	Quality and high standard	Be great professional Improve quality of life	-
The dreamer	Image quality and high standard cost	Long for improving oneself Least focused on being able to manage on one's own	-
The hard worker	Infrastructure and physical facilities/cost Infrastructure and physical facilities	Improve economic welfare Achieve personal goals	Professional
The emotional	Academic and career opportunities Image	Help parents out Achieve personal goals	Recognized

Retrieved from "A market segmentation approach for higher education based on rational and emotional factors", by F. Angulo, A. Pergelova, & J. Rialp, 2010, *Journal of Education, Society and Behavioral science*, 23(2), 2-11.

3.2.6. Product Management

A product is basically the object of the exchange process, the thing offered by the producer or supplier to potential customers in exchange for something, which the supplier perceives as of equivalent or greater value. Within an everyday more competitive world, competitive advantage of any company is eroded by organizations which seek new and improved ways of satisfying the customers' needs. To avoid this, they must continuously develop new products and processes. Companies develop these new products usually because of one of the following six factors: (a) survival, (b) stability, (c) productive utilization of resources, (d) adaptation to changing customer needs, (e) growth, (f) miscellaneous (Baker & Hart, 2007). To be valued, products are evaluated over objective and subjective selection criteria. Objective factors, tangible or not, are present in the object itself and must be quantifiable and measurable, while subjective factors are intangible and influenced by attitudes, belief, experience and associations which the decision maker holds towards the object and feels relevant in forming a judgement about the level of satisfaction to be gained from its consumption (Baker & Hart, 2007).

Most often, products are understood as goods, however, services are also products. However, the distinctive nature of services calls for an extended marketing mix comprising seven elements, the familiar 4Ps of Product, Price, Place and Promotion, and the added three Process, Physical evidence and People. While usually the nature and performance of goods is described using objective criteria, it is only possible to a limited extent in the case of services (Baker, 2006). That's why, as producers invest some goods with subjective factors to help consumers distinguish them in an attempt to differentiate, some aspects of the service can also be made tangible such as building infrastructure to express the values that the brand intends to represent (Baker & Hart, 2007). Then, we can conclude that products are a combination of both tangible and intangible products and services, which can be understood

also in the concept of augmented product, where the heart or core product, the physical entity's distinctiveness depends very much on the layer of subjective and service factors surrounding it (Kotler, 1997).

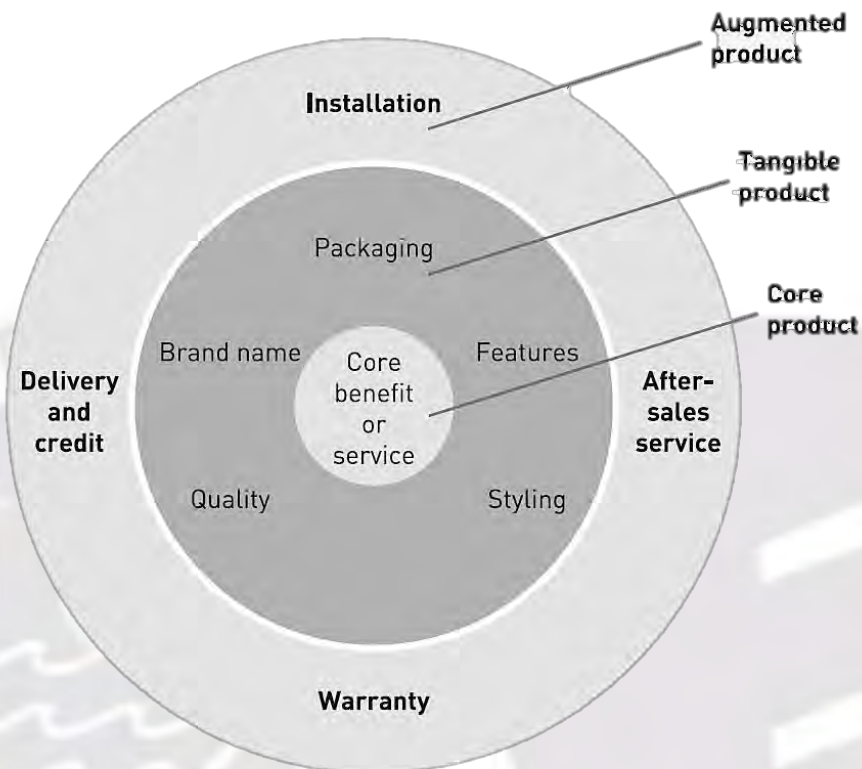


Figure 18. Augmented product.

Retrieved from "Product Strategy and Management," by J. Baker & S. Hart, 2016. New York, NY. Routledge

3.2.7. Facility Management

Efficiency of any organization is linked to the physical environment in which it operates and that the environment can be improved to increase efficiency (Grimshaw and Keeffe, 1993). In these sense, facilities management is responsible for coordinating all efforts related to planning, designing and managing buildings and their systems, equipment and furniture to enhance organization's ability to compete successfully in a rapidly changing world (Becker, 1990). However, the aim of Facilities Management should not be just to optimize running costs but to raise efficiency of the management of the space and related

assets or people and processes, so that the goals of the organization may be achieved at the best combination of efficiency and cost (Spedding and Holmes, 1994)

In the higher education industry, while properties can contribute to high quality education, it is the interrelationship within the organizational context which provides the catalyst for improved performance (Moohan, 1993, in Vidalakis, Sun and Papa, 2013). For this, over the last decades, facility management has grown in strategic importance as a mean to develop competitive advantage (Amaratunga & Baldry, 2000). According to Vidalakis, Sun and Papa (2013), the importance of learning spaces in teaching and learning is located in the link between the quality of school facilities and student achievement. Higher-Education Institutions' facilities and learning spaces are not as important as the courses itself, but certainly one of the main aspects that students consider when deciding to join a university, as shown in the following table.

Table 11

Students' Main Considerations When Choosing a University

Item	Average score	Ranking
Had the course you wanted	4.80	1
Availability of computers	4.41	2
Quality of library facilities	4.41	3
Good teaching reputation	4.29	4
Availability of "quiet" areas	4.22	5
Availability of areas for self-study	4.21	6
Quality of public transport in the city/town	4.13	7
A friendly attitude towards students	4.04	8
Quality of lecture theatre facilities	4.03	9
Diversity/range of shops at the university	4.01	10
Quality of bars on campus	4.01	11
Union social facilities	4.01	12
Prices at the catering outlets	4.00	13
Availability of university-owned accommodation	4.00	14
Quality of the university grounds	3.94	15
Cleanliness of the accommodation	3.92	16

Retrieved from "The impact of facilities on student choice", by I.F. Price, F. Matzdorf, I. Smith, & H. Aghai, 2003, *Facilities*, 21(10), 212-230.

3.2.8. Facility Design

While higher-education is becoming a dynamic, global enterprise, the strategic management of higher education facilities is becoming increasingly complex. For this, Peter Ducker (1997) declared that today's higher-education institutions won't survive as their buildings are hopelessly unsuited and totally unneeded. Some of the issues associated to the management of these facilities are the aging and expanding of the infrastructure, insufficient financial resources, technological change and changing student demographics (Marmolejo, Gonzalez, Gersberg, Nenonen, Campos, 2007). These changes have led to new ways of interacting, learning and living, which is reflected in all aspects of life. However, infrastructure, as fixed as it is have not changed much along the time. It is necessary then, to reflect on how new ways of learning translate in new shapes of infrastructure.

Marmolejo et al. (2007), explain that as new ways to learn and work are developed, new kinds of environments for individual and collaborative learning and work as well as for formal and informal activities which can be obtained by combining different sectors of society: education, research and practice. In projects of infrastructure development, currently a linear model of professional activities in architecture is currently followed, starting with programming and continuing with various phases of design, construction and post-occupancy, after which it could and is usually altered and renovated to respond to changing functional and economic conditions and trends, and to conform the new regulations that may emerge (Haviland, 1994). Nevertheless, Erdener (2003) considers that the process of facility development is rather a circular process where testing and evaluation results generated by post-occupancy provide feedback and accumulate expertise to be used in fine tuning the facility performance. Most of the facility failures, in general, are attributable to the gap between expectation and the level of realization, which can be best minimized during the early stage of the facility project, in the programming stage.

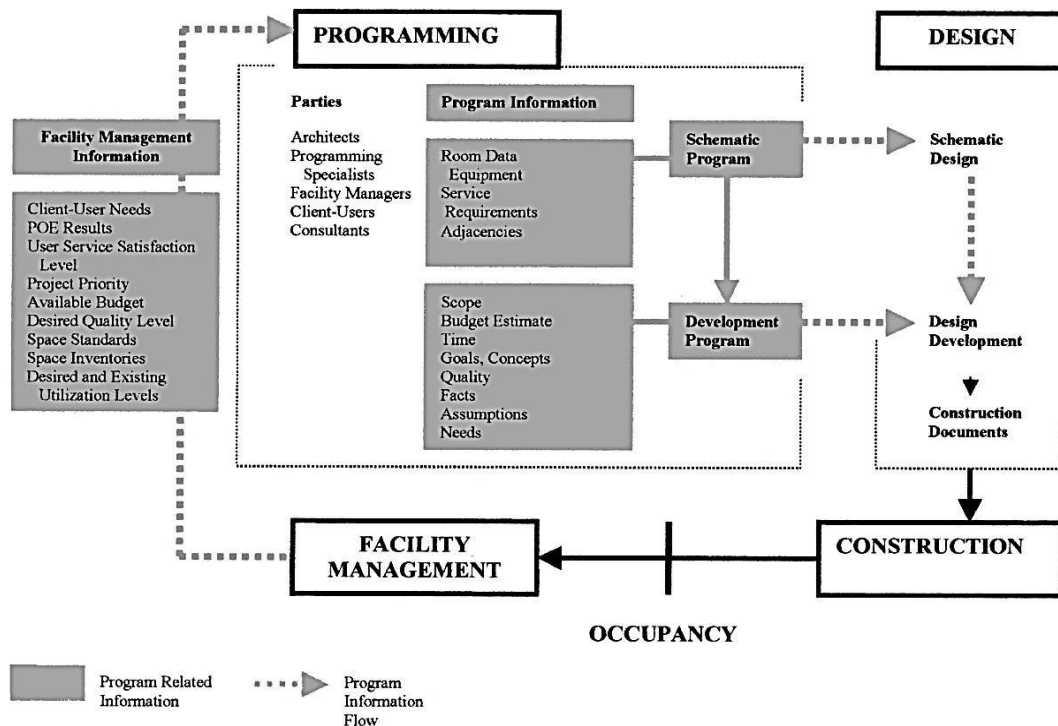


Figure 19. Facility management framework.

Retrieved from "Linking Programming and Design with Facilities Management," by E. Erdener, 2003, *Journal of Performance of Constructed Facilities*. 17(1), 4-8.

Programming, or problem definition is a controlled process to identify and communicate complex facility requirements that lead to satisfactory solutions to address the and solve the identified issue through the design process. The problem identification includes factual information, series of assumptions and specific facility requirements that are crucial input in design. For this, Facility management combines skills from design disciplines, business fields and behavioral sciences, and identifies facilities as resources like any other organizational resources to be managed to advance the organization's ability in attaining long- and short-term goals (Erdener 2013). The process of programming has a series of steps. First, the programmer identifies the goals as individual, group or corporation level originating from the business plan. These goals give rise to facility related goals that link the client organization to facility needs (Cherry, 1999). The goals are desired ends that define the promise of certain level of quality, for which the programmer should identify ways, means, methods, and techniques to attain them. Competition of concept statements lead to the

definition and magnitude estimation of needs each, where the amount, quality, location, time and space are the main components. These data are later on translated into desired attributes of the physical environment to be designed from which a number of space-cost alternatives are generated. The problem statement, then, explain and prioritize the functional formal, economic and organizational issues that are likely to influence the solution (Erdener, 2003).

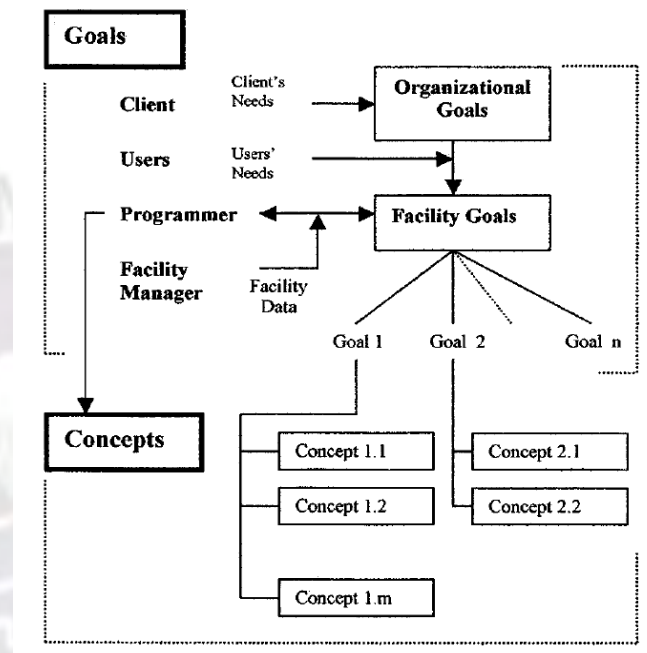


Figure 20. Goals and concepts in facility programming.

Retrieved from “Linking Programming and Design with Facilities Management,” by E. Erdener, 2003, *Journal of Performance of Constructed Facilities*. 17(1), 4-8.

The relationship between design and education has been widely studied, and its influence extensively proven. David y Weinstein (1987, cited in Tanner, 2000: 313) explained that built environments have a direct and symbolic impact in the students. The experience of such spaces continues to influence young students through all of their lives. Then, the way institutions are built and designed may influence the learning of the students. For example, Getzels (1974, cited in Gislason, 2007:7), explains that a rectangular design favours strongly a pedagogy centered in the professor, where all the student’s attention is firmly fixed in the figure of authority embodied by the professor, who occupies the central position of command, both in spatial and pedagogical sense. In this way, architecture and

design favors of withholds certain methodologies of teaching. Tanner (2000: 312), continues by explaining that the relationship between educational environment and education is the following: “The first line of thinking is that educational environment influences behavior and attitude. Then, behavior and attitude influence learning. Thus, the physical environment must affect learning”. Uptis (2004) explains that the current education model, and its facilities, have been built over an industrial model of teaching, where an homogeneous group of students is put into a confined space or container of learning, processed for a year, tested based on stablished standards and then moved to the next processing container. For this, Tanner (2000) argues that unsuitable educational buildings are silent killers of learning and knowledge.

Finally, Gislason (2007) explains that architecture influences education in two levels: social, and phenomenological. From a social dimension, buildings are charged with messages that communicate ideas about norms of culture and behavior through spatial and visual conventions. The phenomenological dimension refers to how individuals negotiate personally their place and build individual meanings. It is related to the construction of identity by how students experience the space and relate to it.

3.2.9. Learning Environment

Marmolejo et al. (2007), explain that learning environment is composed of physical and virtual, as well as social environments, facilitating both interaction and individual privacy and learning processes. Physical learning environments are places needed for learning, discussion and group work, which should be provided in different sizes and shapes. They should be furnished with comfortable and pleasant furniture that enables versatile use. While traditional furnishing for schools have consisted of desks and chairs, this concept is poorly suited for the modern way of working at education-places. Office-type furniture with tables that can be grouped in various ways is better suited as informal work environments increase

the sharing of tacit knowledge. On the other hand, Virtual learning environments can break physical borders, although they may present certain disadvantages as the lack of face-to-face interaction and direct social contact among the students and teachers which conventional education context provide. Finally, Social learning environment provides students places to meet, and associate with each other. Academic communities are complex networks of human relations, for which the building constitutes a physical environment with its own material flows and internal requirements.

3.2.10. Innovation centers

Innovation centers are public or private spaces with the state of the art designed to develop ideas and products, its focus can vary from economical, target audience, and integration of other activities. In addition, there are three lessons that must be taken into account: the first is that in the innovation processes it is common for more than two people to participate and this implies that the design of the space must allow this to happen; the second is personal communication, that allows to develop better the ideas and clearly, in that sense it is important that the design of spaces also allows for this type of more intimate communication; finally, technology must be included in these spaces and determine how, when and where people communicate and connect (Wagner & Watch, 2017).

The design of the innovative spaces must be adequate for the type of work that will be developed, for this there are different types of distribution of the spaces such as those mentioned below: in-house market place model, in-house shared model, in-house center model, offsite model, partnership model, consultancy model, network model, and community model (Steelcase, 2019).

3.2.11. Integration, Responsiveness and Learning

The Integration vs Responsiveness & Learning Framework (IR-L) is a theoretical approach developed by Bartlett & Ghoshal (1989) to deal with the conflicts demanded by the

increasing globalization advance and external demands of the modern global business environment. While the case of Toulouse Lautrec is not one of global competition, but happens in the Peruvian local market, the consulting team considers that the strategies of integration, responsiveness and learning can be adapted to any geographical scope where a company has set multiple operations. And that it is important to review as the takeaways of this framework may allow a more strategical utilization of Toulouse Lautrec's locations. The framework explains that there is a trade-off between integration of resources to serve a global market, and the responsiveness to adapt to each of the operation's local environments. Additionally, a third strategy: Learning, is a tool that allows companies to go beyond the efficiency frontier to achieve a position that maximizes the results. Table 12 summarizes how the different strategies deal with the main demands of global competition:

Global Integration and Coordination (I). Integration allows more control over operations and standardization to take advantage of economies of scale or economies of scope by centralizing their operations. Current liberalization of world trade, and free-trade agreements ease centralization than rather building operations in every country. And technological and competitive disruptions allow the exploitation of such advantages.

Local Differentiation and Responsiveness (R). Cultural, administrative, and economic differences among markets, or in the infrastructure of such locations require certain firms to adapt to specific contexts. Responsiveness is more necessary when there are big gaps of difference between the places of operations.

Worldwide Innovation and Learning (L). As environment becomes increasingly competitive in many industries, victory often goes to the firm that can most effectively harness its access to worldwide information and expertise to develop diffuse innovative products and processes on a worldwide basis. The shortening product life-cycles, increased

cost of R&D and competitors' ability to develop and diffuse innovation globally demand for improved ways of capturing information that allow development of new innovative products.

Table 12

Forces and Strategies of Global Competition

	Efficiency in operations (Integration)	Managing risk through multinational flexibility (Responsiveness)	Innovation, learning, and adaptation (Learning)
National Differences	Benefiting from factor costs	Managing different kind of risks by profiting from comparative advantage of different countries	Learning from societal differences in organizational and managerial processes and systems.
Scale Economies	Expanding and exploiting scale economies	Balancing scale with strategic and operational flexibility	Benefiting from experience – cost reduction and innovation
Scope Economies	Sharing of investments and costs across markets and businesses	Portfolio diversification of risks and creation of options and side bets	Shared learning across organizational components in different products, markets or businesses.

Retrieved from "Managing Across Borders: The Transnational Solution", by C. Bartlett, & S. Ghoshal, 1989.

According to how companies manage integration, responsiveness and learning, Bartlett & Ghoshal (1989) classify them within a type of company. As previously mentioned, the consulting team consider the classification names not to be as important, as the strategic approaches each of them takes. In this understanding it is important to notice the parallels between these strategies and the sources of generic competitive advantage as described by Porter (1990). As such, Integration strategy, focuses on Cost-Leadership, while Responsiveness will approach the market through Differentiation. What is more relevant, is how these strategies are boosted by Learning to achieve new positions.

Global industries. Global industries focus on a standardization strategy. As such, they pursue economies of scale with large centralized operation. Standardization opposes to responsiveness for which this companies are not focused of diversification. To this companies, the world is one big market, where the intention is to compete on cost.

Multinational industries. Multinational companies pursue a localization-specific strategy (Branded). They adapt their product and services accordingly with local consumers preferences, and see overseas markets as portfolios of local opportunities. In this type of strategy, companies customize product or services to match taste preferences of national markets. Operations within this kind of business are described as strong, resourceful and entrepreneurial national operations. The subsidiaries are decentralized and self-sufficient.

International industries. These types of companies characterize for replicating their home strategy and leveraging the innovation they have developed within the home country. They export such technology without much change. Exploiting parent-company knowledge and capabilities through worldwide diffusion and fine adaptation. The main objective is to leverage domestic capabilities worldwide, not focusing on adapting products widely, nor focused on economies of scale. But on quickly leveraging domestic capabilities. These companies characterize for having their sources of core competencies centralized (R&D), while other assets and capabilities are decentralized.

Transnational industries. Transnational companies try to respond to local needs and global demands, and cross border learning opportunities managed as an integrated network. Three of them at once: Local responsiveness + Global integration + worldwide learning and innovation. As such, they have dispersed and specialized assets and capabilities but interdependent by a two-way flow of information. Each subsidiary is the center of excellence in a certain line of business and so on for the rest subsidiaries. The dispersion allows better learn and innovation, responsiveness, creating a network of work rather than a hierarchy. In this way, operations are more than distribution centers, but strategic points of customer information and engagement.

These strategies have been summarized in the following graph which intends to adapt the IR-L framework to a higher-education situation, where many operations are deployed within a geographically broad market.

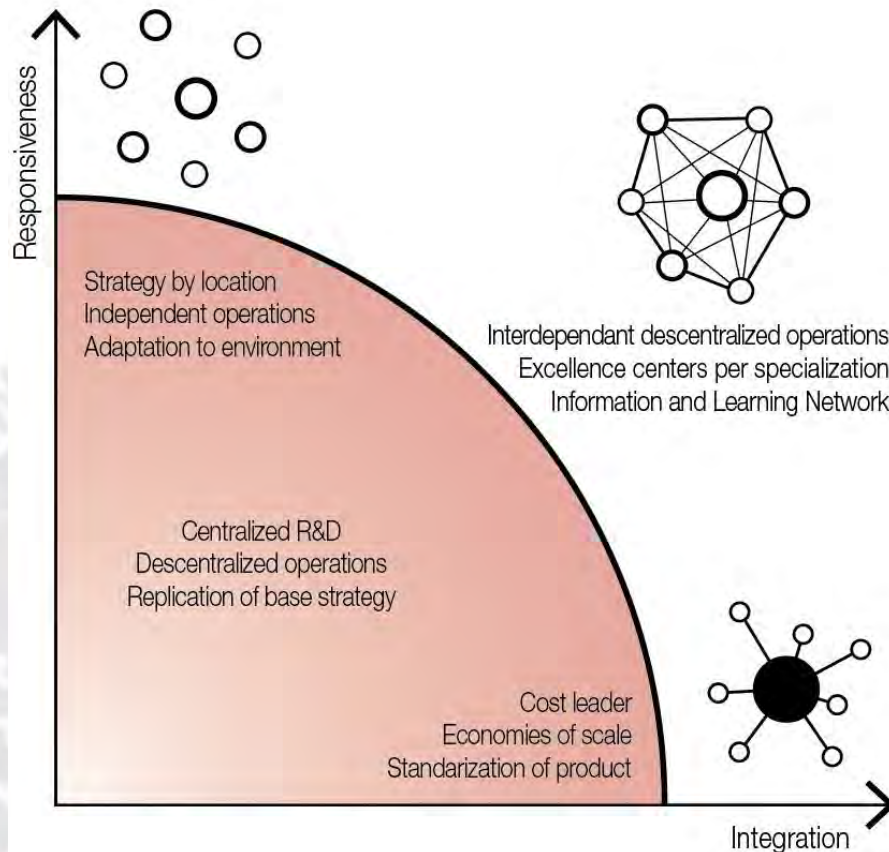


Figure 21. Integration, Responsiveness and Learning
Adapted from “Managing Across Borders: The Transnational Solution”, by C. Bartlett, & S. Ghoshal, 1989.

3.2.12. Measurement

Facilities represent a substantial percentage of the organization’s assets and their operating costs, so measurement of performance is one of the most essential issues for the effective implementation of a facilities strategy (Alexander, 1996). With the increasing size of facilities in institutional and corporate world, issues of facility management are becoming highly complex. According to Erdener (2003), facilities occupy a range between 24-45% in the net-worth of an organization. Then, defining performance measures enables organizations to establish position, communicate direction, stimulate action facilitate learning and influence behavior. However, traditional management control has been increasingly criticized as it has

seemed to furnish misleading information for decision making, cost allocation, and control of investment. It has also been said to furnish abstract information about the employees, and pay little information about the business environment. Finally, it fails to consider requirements of today's organization and strategy, encouraging short-term thinking and sub optimization. Moreover, higher-education institutions' quality of output is difficult to assess against the actual performance. However, sensitively developed models of facility performance evaluation are useful not only to inform resource allocation but also to lead to development of new resource-based approaches for commercial competitive advantage (Amaratunga & Baldry, 2000). For this, the authors recommend the use of a balanced scorecard for assessment of performance in facility management. The Balanced scorecard provides an instrumentation to navigate future competitive success and address serious deficiency in traditional management systems, which is their inability to link a company's long-term strategy with short-term actions. Balanced scorecard considers four perspectives to link short-term operational control to the long-term vision and strategy of the business: Financial, perspective, Customer perspective, Internal business processes perspective and learning and growth perspective.

3.2.13. Strategic cost management

In the contemporary business environment, cost management has become a critical survival skill for many organizations. Cost management does not simply equal-cost reduction, costs have to be managed strategically, meaning that it must improve the strategic position of the firm while reducing cost (ICAI, 2013). As Shepherd and Kraten (2019), enterprise sustainability might improve by continually improving short-term financial performance, but in most cases, the underlying impact is a weakening of the foundational drivers of value creation which will eventually reveal itself in loss of intangible assets that are strategically critical. As only 20% of an organization's value comes from financial capital,

while 80% comes from intangibles as brand and reputation, knowledge, supply chains, and leadership and workforce, making capital decisions solely on financial ROI criteria can result in minimal compliance rather than leading practice, where the outcome may deliver financial benefits but damage reputation.

According to Shank (1989), one of the important roles of internal accounting, information is to facilitate the development and implementation of business strategies. Strategic Cost Management is the managerial use of cost information explicitly directed at one or more of the four stages of strategic management cycle:

- Formulating strategies,
- Communicating strategies throughout the organization,
- Developing and carrying out tactics to implement the strategies,
- Developing and implementing controls to monitor the success of the implementation steps and the meeting of strategic objectives.

Strategic Cost Management (SCM), then, can be defined as the set of activities that deal with measuring and managing costs and aligning them to the business strategy to develop superior strategies regarding gaining sustainable competitive advantage. It is the process of identifying, accumulating, measuring, analyzing, interpreting, and reporting cost information useful to both internal and external groups concerned with how an organization uses its resources to meet its objectives (ICMAB, 2016).

Shank (1989) states that traditionally costing relies on unit cost per output volume in the short term, however, this approach does not provide much relevant information for strategic management, whereas how cost position is influenced by the firm's comparative position on the various drivers that are relevant in its competitive situation; in other words, explaining cost position in terms of structural choices and executional skills that shape the

firm's competitive position is much more useful to explain cost behavior. Additionally, he explains that the Emergence of SCM results from a blending of three underlying themes:

- Value Chain Analysis. Value Chain is the linked set of value-creating activities from basic raw material sources to the ultimate end-use product delivered into the final consumers' hands. This focus is external to the firm, who is only a part of the chain of value-creating activities. Focusing solely on the value-added (starting cost analysis with purchases and ending with sales) misses all the opportunities for exploiting linkages with the firm's suppliers and customers.
- Strategic Positioning Analysis. The role of cost analysis differs in important ways depending on how the firm is choosing to compete for cost leader, product differentiation, etc. Following Porter's (1980) delineation of basic strategic choices, a business can compete either by having lower costs (cost leadership) or by offering a superior product (product differentiation). These two approaches demand very different conceptual frameworks regarding strategy and thus for strategic costing (ICAI, 2013).
- Cost Driver Analysis. Nowadays, the cost is a function of primarily only one cost driver: output volume. In Strategic Cost Management, output volume is seen to capture very little of the richness of cost "behavior". Riley breaks cost drivers into two categories: Structural Drivers, involve choices by the firm that drive product cost. These drivers are not monotonically scaled with performance -more is not always better. They include: scale, scope, experience, technology, and complexity; Executional Drivers, determine the firm's cost position which hinges on its ability to execute successfully. More is always better. They include workforce involvement, total quality management, capacity utilization, plant layout

efficiency, product configuration, and exploiting linkages with suppliers and/or customers.

3.2.14. Costing methods

For each cost driver, there is a particular cost analysis framework which is critical to understanding the positioning of a firm (Shank, 1989). Internal reporting allows the company to add to or strip away information following the situation's requirements. To achieve this, a range of cost analysis methodologies are available such as Direct Costing, Absorption costing, Activity-Based Costing, Job costing, Process Costing or Standard Costing (Bragg, 2016). The ideal approach to capturing costs are dependent on what is being produced (Walther & Skousen, 2009).

Activity-Based Costing. Methodology for precisely allocating overhead to items that use it. It is designed to give better information about how to allocate these costs and works best in complex environments where there are many machines and products, and tangled processes that are not easy to sort out (Bragg, 2016). This term is also defined as follows:

An approach to the costing and monitoring of activities that involves tracing resource consumption and costing final outputs. Resources are assigned to activities, and activities to cost objects based on consumption estimates. The latter utilizes cost drivers to attach activity costs to outputs. (CIMA, 2008, p. 3)

Variable costing. It includes the costs of material and labor related to a certain product, in this case the fixed costs are treated in a global manner and must be covered by the contribution margin, since in this type of method it is not necessary to assign the indirect costs and fixed to each particular product, it is presented as a better alternative compared to traditional costing and ABC. Variable costing, despite not being a popular tool as those mentioned above, about 20% of companies report that this costing system is better for pricing decisions (Huges & Paulson, 2003).

3.3. Conclusions

The focus of this consultancy is based on increasing the capacity utilization in the buildings and as a consequence increase profits in the Continuous Education business unit. In order to optimize the capacity of the buildings, for this, several topics were reviewed, ranging from strategic management, to focus in Differentiation Focus, which is the most suited for the Toulouse Lautrec case. Then, product design was studied to understand how better improve the current service mix of the Continuous Education business. Findings regarding extended product, and how services relate to physical environment were useful for later development. Following, facility management and design allowed to better understand the process and needs of the current location of Toulouse Lautrec San Miguel, which resulted in the exploration of the concept of innovation centers, as a new type of environment for professional development, interaction and learning.

Also, operational efficiency measurement information was reviewed. In order to provide better decision-making information, a different way of evaluating the results of operation is needed for which different costs methods were explored, the best alternative to present the results of this consulting report is variable costing since it allows assigning the overhead and indirect costs as a general expense and not as detail than in ABC, which means a longer path to reach the same result. This will allow determining the profitability of the business unit and from these results, to develop strategies that generate competitive advantage and assure the best position for Toulouse Lautrec. All of these topics will be used again for the development of solution proposals in Chapter VI, after the problem analysis is executed and root-causes are found.

Chapter IV: Qualitative/Quantitative Analysis

Chapter IV will focus on the methods used to analyze the key problem as a means to better understand its root causes and as a way to come up with alternative innovative solutions to approach it. First, a qualitative analysis (section 4.1) was done. Including surveys of students with related study fields, the review of online feedback to Toulouse Lautrec, and the assessment of the current facility located in San Miguel. Second, a quantitative analysis of the data on various matters, using primary data provided by Toulouse Lautrec, was conducted (section 4.2.), including the interpretation of the key performance indicators the company currently uses, student demographics, number and profitability per line of specialization.

4.1. Qualitative Analysis

Qualitative analysis attempts to address information gathering through soft data and other type of evaluations. The current section will present three sources of information. First, student surveys were conducted, to identify what are the needs of students and what are their current perception of Toulouse Lautrec. Then, online feedback was retrieved, mainly to understand the complaints that surround Toulouse Lautrec's operations. Finally, a qualitative assessment of the current facilities of Toulouse Lautrec's Continuous Education exclusive *sede* will be provided.

4.1.1. Students surveys

To identify the students' motivations and perceived image of Toulouse Lautrec, a brief questionnaire was elaborated to be used as the interview script for the surveys. This questionnaire and the answers achieved can be found in Appendix E. The team decided to interview students around the PUCP campus, with an effort to focus on students engaged with creative subjects. These were identified as potential target customers for Toulouse Lautrec available study spaces. It is important to mention that as the holiday time started already, finding students, especially the targeted creative career students, was not particularly

easy. However, some general conclusions could be drawn. Most students pointed to the fact of a lack of study/working spaces at the university, especially in exam periods. They also confirmed a potential interest in using Toulouse Lautrec facilities during these periods, to study or work on their projects. A particular type of room that seemed to be lacking in PUCP were group study rooms. Moreover, other opportunities that were mentioned by students in regards to Toulouse Lautrec, were the potential of partnerships between Toulouse Lautrec and PUCP in order to allow the students from PUCP to take advantage of the material available in Toulouse Lautrec and not PUCP for creative courses. Moreover, business education applied to creative careers and networking events or opportunities would also be of interest to some. One of the things the students mentioned to like the most about the PUCP campus where the green areas available.

4.1.2. Online customer feedback

As a next step in the qualitative analysis of the key problem, the consulting agreed that it would be relevant to look into what the public opinion about the institution currently is. Overall, there seem to be some recurring issues. While positive comments reinforced the education quality, mostly due to the quality of the professors available, poor and delayed customer service and critics on the infrastructure were common problems found in most of the reviews (see Appendix G). For the premium price customers have to pay to Toulouse Lautrec, they expect to have helpful and efficient customer service. However, several people report that there are often delays and many times no one is even available to help them. Many of them report a feeling that the company's customer service is there only to pursue the monthly payment from students, instead of being a helpful platform to provide solutions to their issues. Lastly, opinions regarding the infrastructure were mixed between people not seen it as premium either and embodying a creative institution such as Toulouse Lautrec wants to be perceived as; and some who enjoy the creative atmosphere of the facilities.

4.1.3. Assessment of current facilities

Following Gislason (2007) classification of how architecture impacts education, from a phenomenological point of view, it could be argued that the impression of inhabiting the current Toulouse Lautrec *sede* is not one communicating creativity, or innovation. It does not reflect the cheerful personality that the brand intends to embody. Images of these spaces can be found in Appendix F. As it can be seen in graph F1, the classrooms are completely painted in white, and the distribution of furniture follows the most traditional way of teaching, as described by Upitis (2004:20). From a social frame of reference, the current spaces do not promote any sort of collaboration or relationship between the students, or between the person and its environment. The classrooms are completely cloistered, denying any type of interaction with its context. It can be argued that this type of space reflects the most transactional type of relationship, where the student exchanges its monthly payment for the transmission of knowledge from the professor, and goes to class merely for this end. They do not spend one extra minute in the facilities, since the place does not offer any type of additional, complementary space for such situations. Following Baker & Hart (2016) explanation of extended product. Currently Toulouse Lautrec is only offering the hardest core product available, which is not consistent with the Differentiation Focus they intend.

4.2. Quantitative Analysis

A quantitative analysis is a technique that seeks to comprehend behavior through numerical values. It, therefore, includes measurements, performance evaluation and the valuation of financial instruments (Kenton, 2019). As such, the tools of quantitative analysis this report will include will be a customer satisfaction survey results, an analysis of the company's current key performance indicators and an analysis on the operational efficiency of Toulouse Lautrec. The last analysis will look into costs and expenses and try to understand

whether these have appropriately allocated and if all courses being provided are profitable for the company.

4.2.1. Company's key performance indicators

The key performance indicators provided by the company were the Economic Default, Student Dropout, the direct costs and the Classroom Occupation (Table 13). The Economic Default information has not been provided to the consulting team during the development of the current consultancy report. In regard to the Student Dropout, there is a reported rate of 9.02% in average for the Continuous Education courses. The level of student dropout increases with longer courses, While the 2-month courses and the Teen's courses that are also 2-month long have dropout rates of 7.13% and 0.78% rate of dropout, the 10-month course accounting for a worrying 31% dropout. The main reasons for this dropout, according to a survey's data are work (24%), travel (9%) and family (7.5%). Moreover, the direct costs reported at rate of 14% of the cost of each course provided. These direct costs however only consider the salaries of the Professors in charge of each course and the cost of any material that could be needed to provide them. Having a 14% direct cost may sound like a good indicator, however it also implies that 86% of costs are not traceable neither are they allocated to the company's products which may make difficult to have insightful information about the efficiency of the operations. In regard to the capacity utilization, it is measured in terms of number of classrooms used over total number of classrooms. As explained by Toulouse Lautrec Continuous Education team this rate varies between 20% and 80% depending on the type of building (*Sede* or *Campus*), showing a clear misuse of the facilities working on a capacity closer to 20%. It is important to notice though that, as it will be explained later in the course performance section, it might be better to measure capacity utilization by number of students over total student capacity; as some of the courses occupy

only a small part of its total capacity. This means that a capacity utilization of 80% or 10% in terms of classroom might be even smaller in terms of students.

Table 13

Key Performance Metrics

Metric	Rate
Economic Default	Not provided
Student Dropout	9.02
2 months	7.13
3 months	14.08
5 months	0.00
10 months	30.68
Diploma	11.11
Teens	0.78
Direct Cost	14.00
Classroom occupation	Variable
Campus	Over 80
Sedes	Around 20

Retrieved from proprietary information by Toulouse Lautrec

4.2.2. Financial Performance

The financial results of the Continuous Education Direction for 2018 are provided in the following chart (Table 14). We can notice that even though income for sales were high, the operating profit is almost none (0%). This could be explained by the underperforming results that the *Sedes* have been providing. Out of the five sites that Toulouse Lautrec uses for its Continuous Education operations, Javier Prado (JP) is the one providing the higher profit (50% of Operating Margin). While Chacarilla (CH) is the site with the highest volume in sales (54%), it also has intensive expenses for almost double the amount in Javier Prado, this results in an Operative Margin of only 14%. The sedes have shown a poor performance in 2018, all while Lima Norte (LN) and San Miguel (SM) suffered losses of over 70% the amount of sales, and Lima Sur (LS) is the one with the toughest issues, with losses over 110% of its amount in sales.

Table 14

Financial Information of 2018 by Location (in Thousands of PEN)

	Consolidated	Campus			Sedes	
		CH	JP	LN	LS	SM
Sales	9,692	5,200	2,294	877	638	683
Cost of Sales	-1,661	-909	-351	-190	-132	-78
Gross Profit	8,031	4,291	1,943	686	506	605
Expenses	-7,995	-3,566	-803	-1,316	-1,228	-1,082
Sales expenses	-2,869	-1,808	-92	-360	-292	-317
Facility expenses	-1,135	-192	-10	-316	-354	-263
Provisions	-590	-297	-140	-66	-48	-39
Rent	-1,035	0	0	-361	-377	-296
CORE expenses	-2,366	-1,269	-560	-214	-156	-167
<i>Direct</i>	-1,883	-1,010	-446	-170	-124	-133
<i>Distributed</i>	-483	-259	-114	-44	-32	-34
Operating Profit	37	725	1,140	-630	-722	-477
Operating Margin	0%	14%	50%	-72%	-113%	-70%

Note. Adapter from proprietary information by Toulouse Lautrec

Thus, we could conclude from this information that currently, the operations in all of the *Sedes* are being subsidized by the revenues in the *Campuses* of Chacarilla and Javier Prado (Table 15). Due to the size of its operations, 25% of *Campuses* sales subsidizes for 83% of loss from *Sedes* sales, resulting in 0% Operating Profit for the Continuous Education Department. By aggregating the information in terms of *Campuses* and *Sedes* we can see that each type of facility has different cost structures. While the Cost of Sales is almost the same in both cases (17%), *Campuses* major expense are Sales expenses and Core expenses (personnel salaries, administrative expenses and supplies); at the same time *Sedes* have also high costs of Sales expenses, but particularly infrastructure related expenses (Maintenance, services) and rent, which sum up to 90% of the total amount of sales and 23% of the total amount of Sales. Figure 22 illustrates the cost and expense structure (C+E) against the amount of sales (S). It can be seen that, while Sales in *Sedes* account for almost one third of the Sales in *Campuses*. Its expenses are as much as two thirds of the costs in the *Campuses*.

Moreover, when discounting Core expenses and Provisions, it can be noticed that both type of facilities has similar costs while having too different results in terms of sales.

Table 15

Financial Information of 2018 in Campus and Sedes (in Thousands of PEN)

	Consolidated		Campus		Sedes	
	Amount	%	Amount	%	Amount	%
Sales	9,692	100	7,494	100	2,198	100
Cost of Sales	-1,661	-17	-1,260	-17	-400	-18
Gross Profit	8,031	83	6,234	83	1,798	82
Expenses	-7,995	-82	-4,905	-65	-3,784	-172
Sales expenses	-2,869	-30	-1,900	-25	-969	-44
Facility expenses	-1,135	-12	-202	-3	-933	-42
Provisions	-590	-6	-437	-6	-153	-7
Rent	-1,035	-11	0	0	-1,035	-47
CORE expenses	-2,366	-24	-1,830	-32	-537	-32
<i>Direct</i>	-1,883	-19	-1,456	-25	-427	-25
<i>Distributed</i>	-483	-5	-374	-6	-110	-6
Operating Profit	37	0	1,865	25	-1,828	-83

Note. Adapted from proprietary information by Toulouse Lautrec

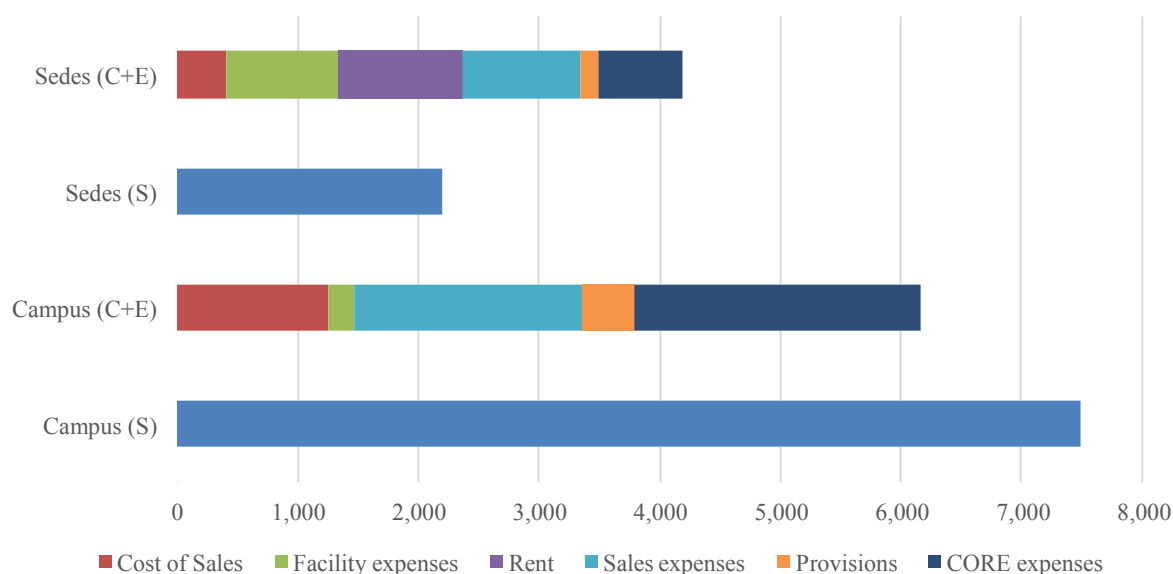


Figure 22. Sales (S) versus cost and expenses (C+E) in thousands of PEN

Retrieved from "Dirección de Educación Continua. Cierre de 2018 y Presupuesto 2019" by Toulouse Lautrec (Proprietary unpublished file).

When analyzing the financial performance of the *Sedes*, we can see that expenses are more concerning than it seemed, as Lima Sur has had lost for almost twice the amount of sales it had produced. This is the reason why the site was closed at the beginning of the current year. We can notice that for this particular case, rent plus facility expenses account for more than 115% the amount of sales, while for the case of Lima Sur and San Miguel, they account for 77% and 81% respectively. The reasons behind this financial underperformance are many, and will be explained more in dept in the next chapter, however, infrastructure expenses in the education sector are due to infrastructure rent and maintenance, and also because the facilities remain open during the whole day, having to pay, services and the personnel that works there, indifferently if there are classes during all day, or if classes happen only during the late afternoon and night, which is the case of Toulouse Lautrec's *Sedes*. Thus, the reason behind the poor performance is mainly the underutilization of the installed capacity, which was explained in the *Key Performance Indicators* section (4.2.1) to be around 20% for the *Sedes*.

Table 16

Financial Information of 2018 in Sedes in Thousands of PEN

	Lima Norte		Lima Sur		San Miguel	
	Amount	%	Amount	%	Amount	%
Sales	877	100	638	100	683	100
Cost of Sales	-190	-22	-132	-21	-78	-11
Gross Profit	686	78	506	79	605	89
Expenses	-1,316	-150	-1,228	-192	-1,082	-158
Sales expenses	-360	-41	-292	-46	-317	-46
Facility expenses	-316	-36	-354	-56	-263	-38
Provisions	-66	-7	-48	-8	-39	-6
Rent	-361	-41	-377	-59	-296	-43
CORE expenses	-214	-24	-156	-24	-167	-24
<i>Direct</i>	-170	-19	-124	-19	-133	-19
<i>Distributed</i>	-44	-5	-32	-5	-34	-5
Operating Profit	-630	-72	-722	-113	-477	-70

Note. Own elaboration based on proprietary information by Toulouse Lautrec

Finally, the following chart displays the relation between the Cost and Expense structure and the Sales per location. Currently, the amount of revenues per sales barely covers the Fixed Costs (Facility Expenses and Rent), meaning that the company is currently working over its breakeven point. Actually, as previous mentioned, Lima Sur *Sede*'s revenues are even smaller than the expenses it affords in terms of infrastructure; while San Miguel and Lima Norte just afford to cover those plus Cost of Sales (Direct costs of Professors' salaries and materials). This result can also be justified by the way that the company decides when to open a course. Currently, courses are opened if the number of students is enough to cover the direct costs of the course, which as it was previously explained, is barely 14% of the total cost structure. Increasing the price, however, is not an alternative to increase revenues, as the elasticity on price for the Continuous Education is rather high; and Toulouse Lautrec prices are already perceived to be on their limit. Therefore, it is imperative to optimize the capacity utilization of the *Sedes*, if the department is to survive long-term.

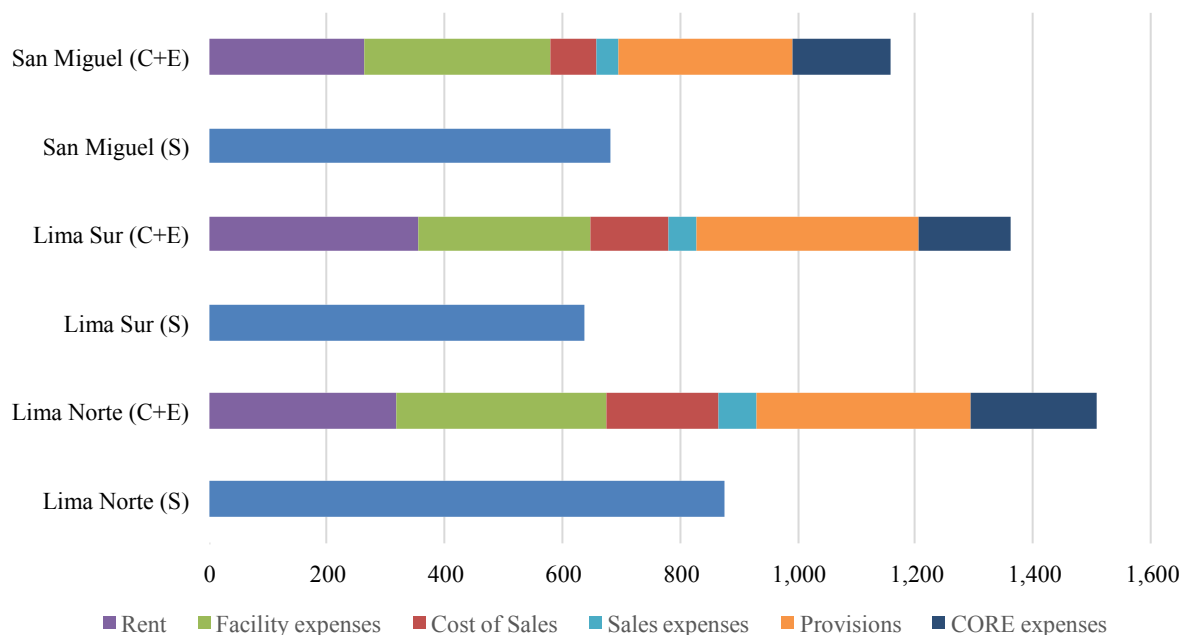


Figure 23. Sales (S) versus cost (C) and expenses (E) in Sedes
Retrieved from “Dirección de Educación Continua. Cierre de 2018 y Presupuesto 2019” by Toulouse Lautrec (Proprietary unpublished file).

4.2.3. Target Customer Definition

Toulouse Lautrec Continuous Education programs have a very wide audience. While *Section 4.1.* in the qualitative analysis intended to understand the motivations and main traits of Toulouse Lautrec's main customers, the current analysis will try to provide a clearer segmentation of the most current students by age to obtain a portrait of which are or should be the target customers. *Figure 24* provides the information regarding the student distribution by age and per type of program. Students from 21 to 35 years old account for 60% to 80% of total students, according to the type of program. Considering the age range and following Toulouse Lautrec's archetypes of students: (a) Students, (b) Entrepreneurs, Professionals, (c) Teenagers, (d) Adults, and (e) "NiNis"; it could be deduced that Entrepreneurs and Professionals are the most common type of profile for this group. However, when considering the age range between 16% and 25%, which accounts for 20% to 45% of all students, one can also argue that a big amount of them are students of other institutes or universities complementing their program studies with small courses in Toulouse Lautrec.

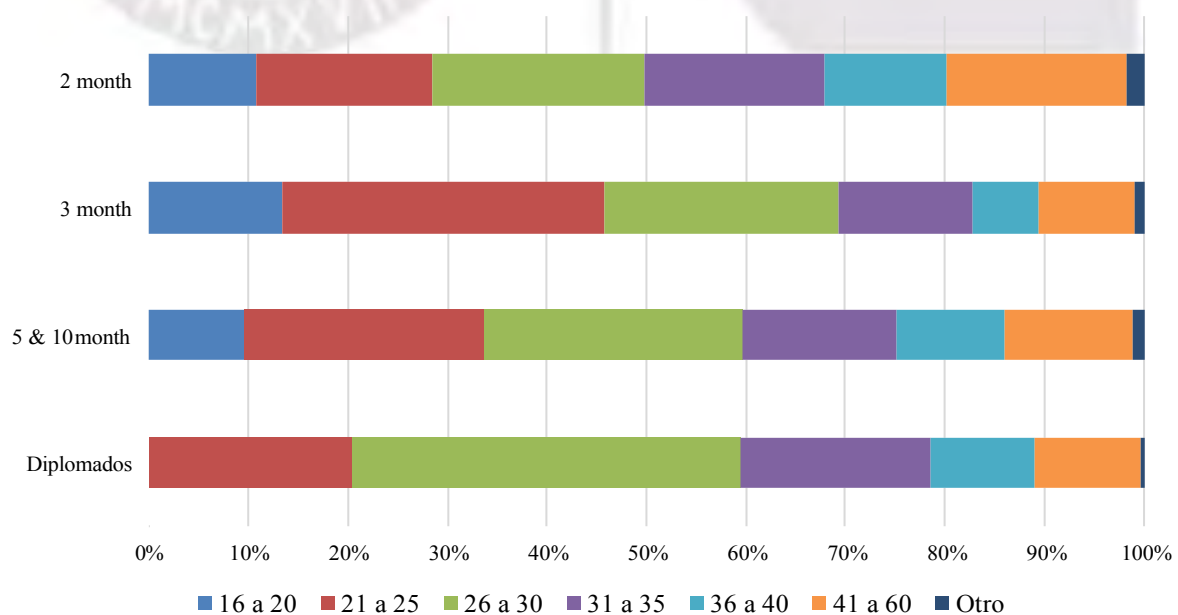


Figure 24. Student distribution by age
Retrieved from "EC_Toulouse Lautrec_CENTRUM" by Toulouse Lautrec (Proprietary unpublished presentation).

4.2.4. Service Mix and Performance of Courses

Toulouse Lautrec offers a wide variety of courses distributed between 6 specialization areas with different course lengths. The following chart (*Figure 25*) shows the percentage of students per type of course, and the percentage of sales each type of course contributes to the total revenues of the Continuous Education Direction. In the case of the 2-month courses, including the courses for Teens which are also 2-month long but only offered in summer, it can be noticed that while account the 35% of the company's operations, they contribute barely in 6% to the total sales. On the contrary, the longer courses such as the Diplomas (6-month) and 10-month courses have lower participation in the number of students but more than twice its share in terms of percentage of Sales. In the case of the Diplomas, it accounts for 6% of students and 14% of the total sales, while the 10-month courses have 19% of the total students but contribute to 44% of the total sales. It is necessary to point that both courses have different strategies, as two-month courses are more general and address a bigger scope of customers, they have a smaller margin and have a high rotation during the year; while the longer courses are specializations and professional courses that address mainly executives and entrepreneurs and have a much higher margin, although much higher dropout rate.

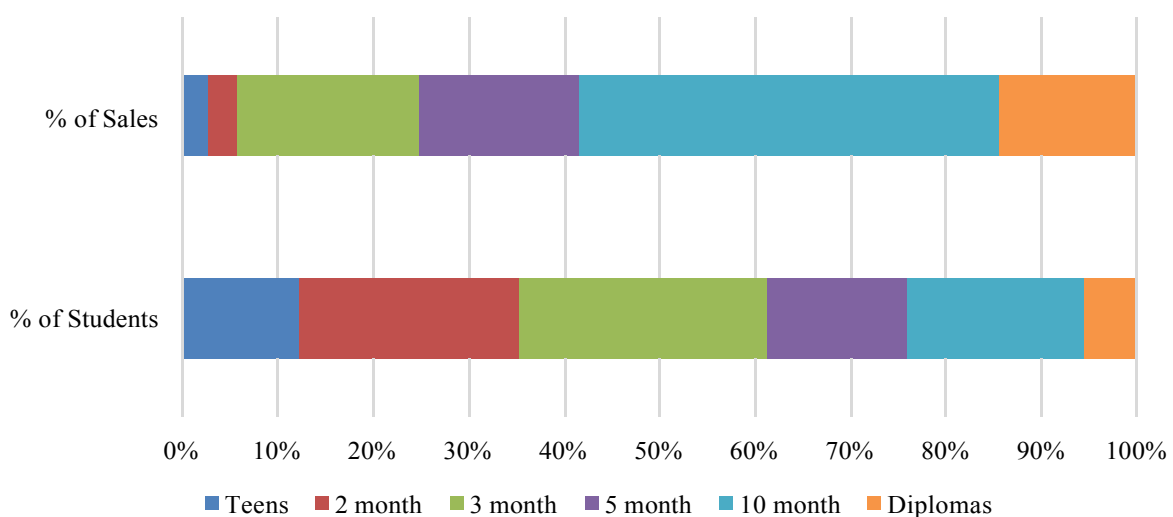


Figure 25. Sales per type of program

In regard to its specialization areas, *Figure 26* shows the distribution of students in the different specialization areas, and the distribution of course types each have. In the case of Communications and Interior Design, the offer of courses is mainly in either the format of 2-month quick courses or 10-month specializations. In the case of Marketing, most of the courses are 5-month long, and in Design over two thirds are 3-month courses and the left third long-format specializations. The specializations of Digital and Fashion have only had 1 course in the sample for which it is not representative for the segment.

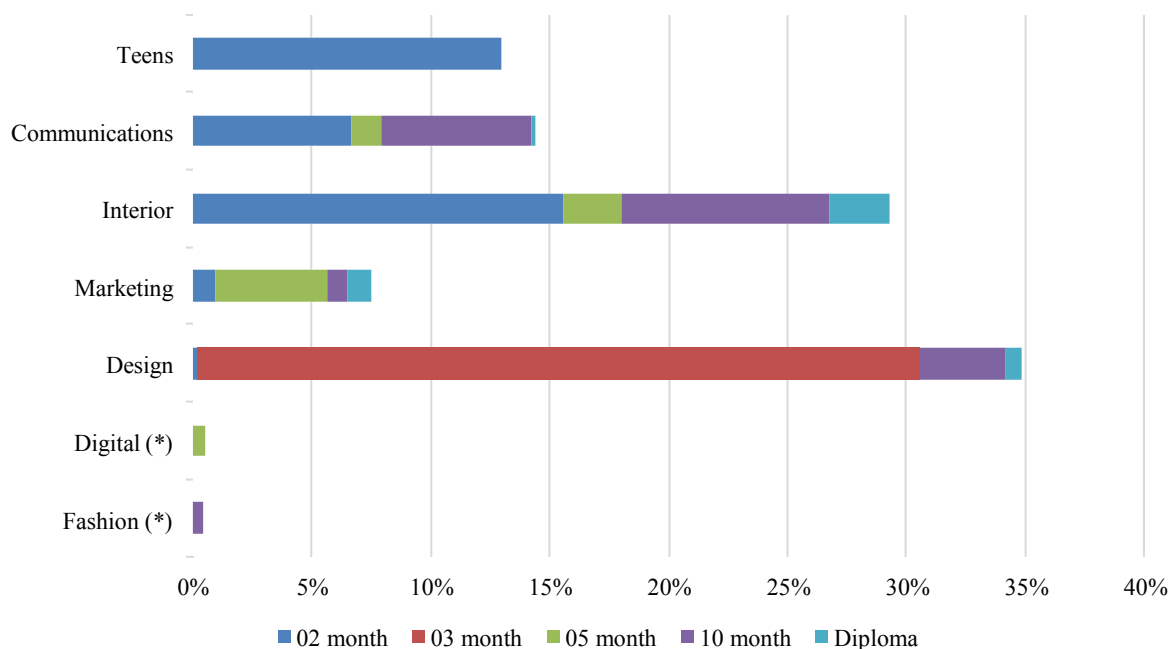


Figure 26. Distribution of students per specialization and type of program

In regard to the number of students per area of specialization we can see that the ones that have a bigger share are the courses of design and interior design. It is important to clarify however that these numbers correspond to the historical data of Toulouse Lautrec courses and do not reflect the demand of courses by the customers. In contrast, *Figure 27* displays a market research performed by Arellano Marketing (2018), which says that Marketing, Digital Marketing, and Marketing Digital Content are three of the 5 most demanded lines of study for people considering post-graduate courses. This however is not reflected in the course supply

by Toulouse Lautrec, as the marketing courses only account for 12% of the students and 13% of the total number of courses. This indicates that the offer mix of Continuous Education courses is not decided through a pull strategy, determined by the customers' demands and based on a market research, but rather proposed by the institution on a push strategy which, as the Continuous Education team explained, is based on an office market research by comparing the service mix of different competitors.

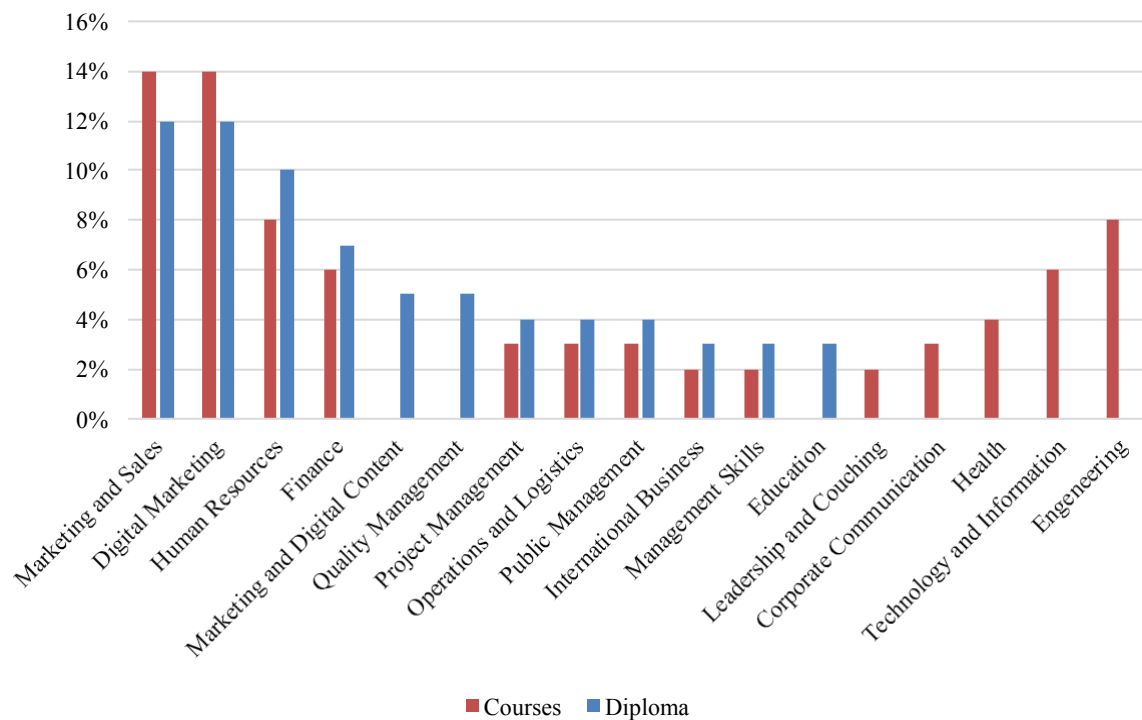


Figure 27. Demand of courses and diplomas in the continuous education segment
Retrieved from “Estudio de Mercado para Posgrado by “Arellano Marketing”
(https://www.arellano.pe/wp-content/uploads/2018/10/gestion_pdf-2018-09_04-merged.pdf)

When looking into the sales per different course lengths on Figure 28, two problems come to our awareness: teens and 2-month courses. Teen courses are essentially 2-month courses during the summer. The problem with this course length, is that given that courses are so short, the topics remain relatively general and can't be explored deeper, giving the courses little to no added value and therefore also lowering their price. However, because many people are attracted to its short duration and compromise, they are also the courses with the highest number of students. This is especially alarming, because it seems that TLS is

providing courses based on the demand, as they together represent 35% of all students enrolled in EC courses, when in reality many of these are actually costing the company money to facilitate. They represent as little as 6% of sales and the lowest income per student of all (from 125 soles to 200 soles per month). However, one could think, that the teen courses, even though unprofitable, are using otherwise unutilized capacity over the summer season any way, and can be used as a way of securing future longer-term students once they are out of high school.

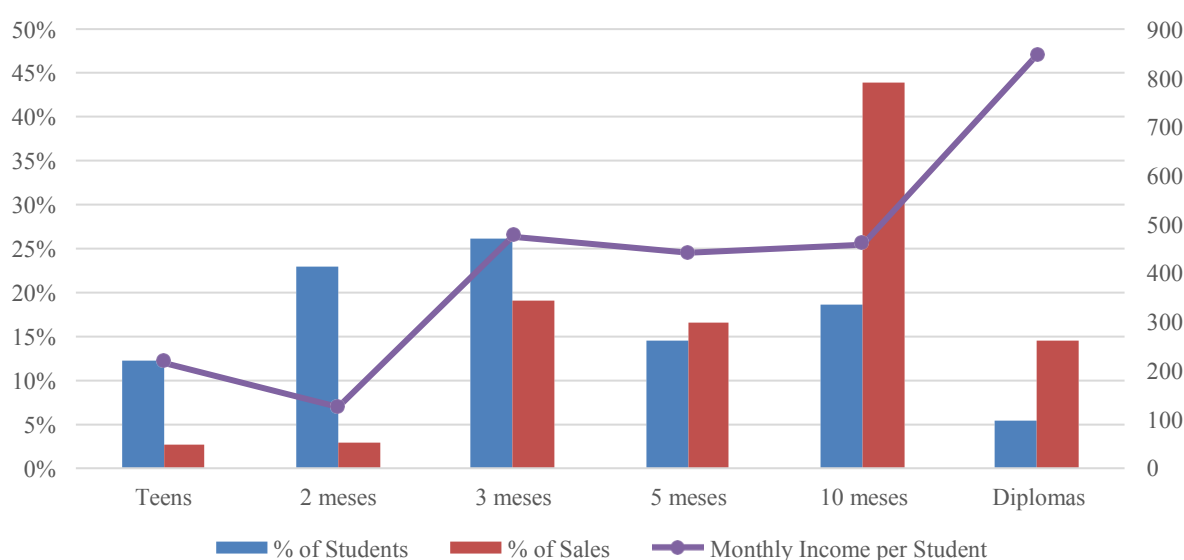


Figure 28. Sales per type of program

Comparatively, courses of 3, 5, 10 and 6 (diplomas) months are yielding a much higher contribution to sales. This comes from the fact that the longer the courses, the more specific it can be and the more value it is creating for the consumer, therefore also allowing for much higher prices. The 10-month courses are in fact the most profitable for Toulouse Lautrec with 19% of its Continuous Education students, they contribute to a massive 44% of the sales of the whole department, as monthly income per student is around 459 soles per month. The diplomas are in fact counting with the highest profitability per student as the income per month is close to 850 soles, however it only accounts for 6% of the total student body. This is due to their high value, as they are considered short-professional- programs and

are targeted to professionals seeking to further their skill knowledge in a topic, therefore we're talking about people with more disposable incomes and looking for something of more value and specific.

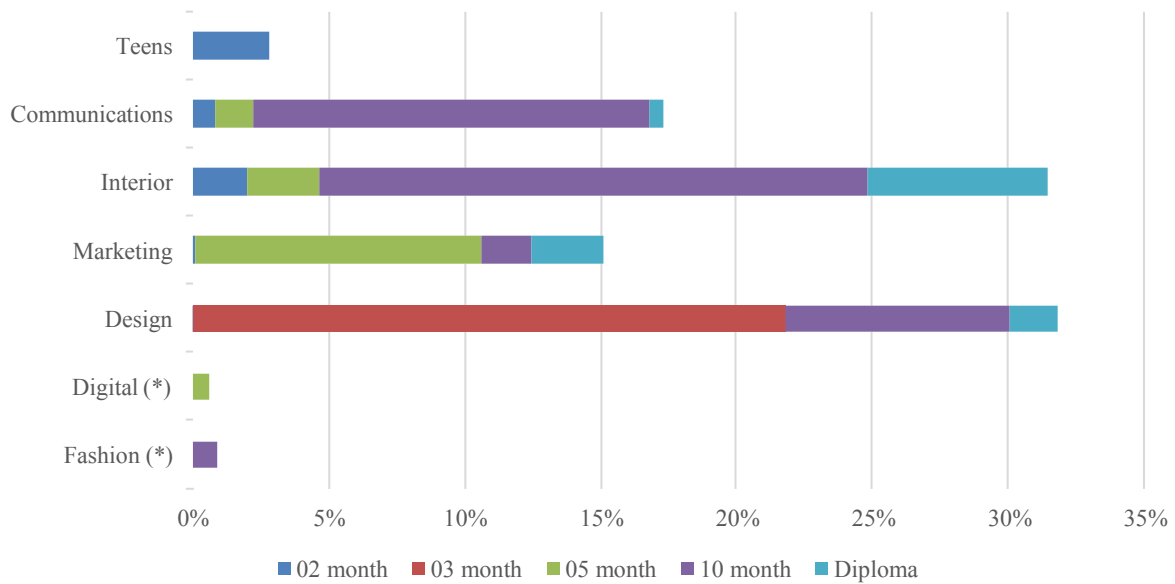


Figure 29. Distribution of sales per specialization and type of program

In Figure 30, the detail of the specializations offered in all different types of program lengths can be seen. The specializations that are offered the most are Design and Interior, followed directly by communications. The most profitable program length of 10-month is predominant in the communications, interior and design specialization too. Important to notice is that design does not entail the 2-month unprofitable courses, and is composed mostly by 3-month and 10-month length courses. Moreover, diplomas are especially focused on interior design and marketing. Digital and Fashion specialization courses have an almost negligible contribution to sales as digital is only for 5m long courses and fashion for 10-month long courses. Even though they are program types that are overall profitable, especially the 10-month courses, it is important to ensure these courses are not opening with too little students. The last graph for this section (Figure 31) shows average course performance, with once again, Interior and Communications performing the lowest, however

with the highest percentage of courses. Fashion and Digital perform very well but have almost no courses and Design performed the best out of all when it comes to percentage of courses, sale and average course monthly income.

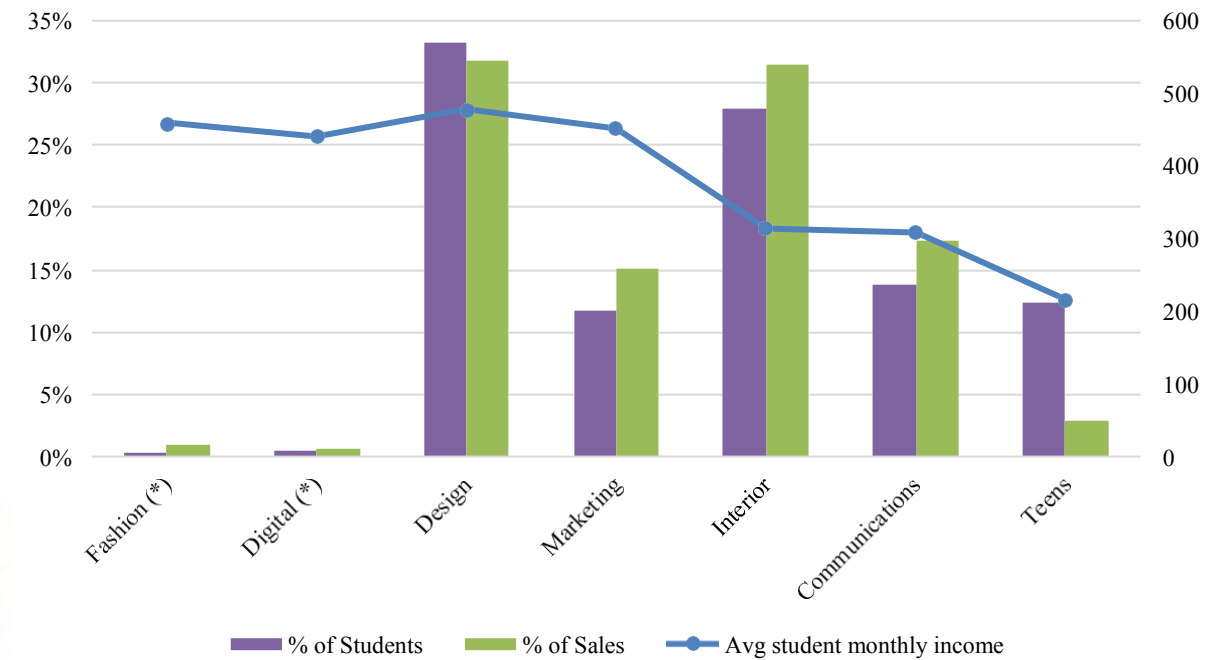


Figure 30. Sales per line of specialization

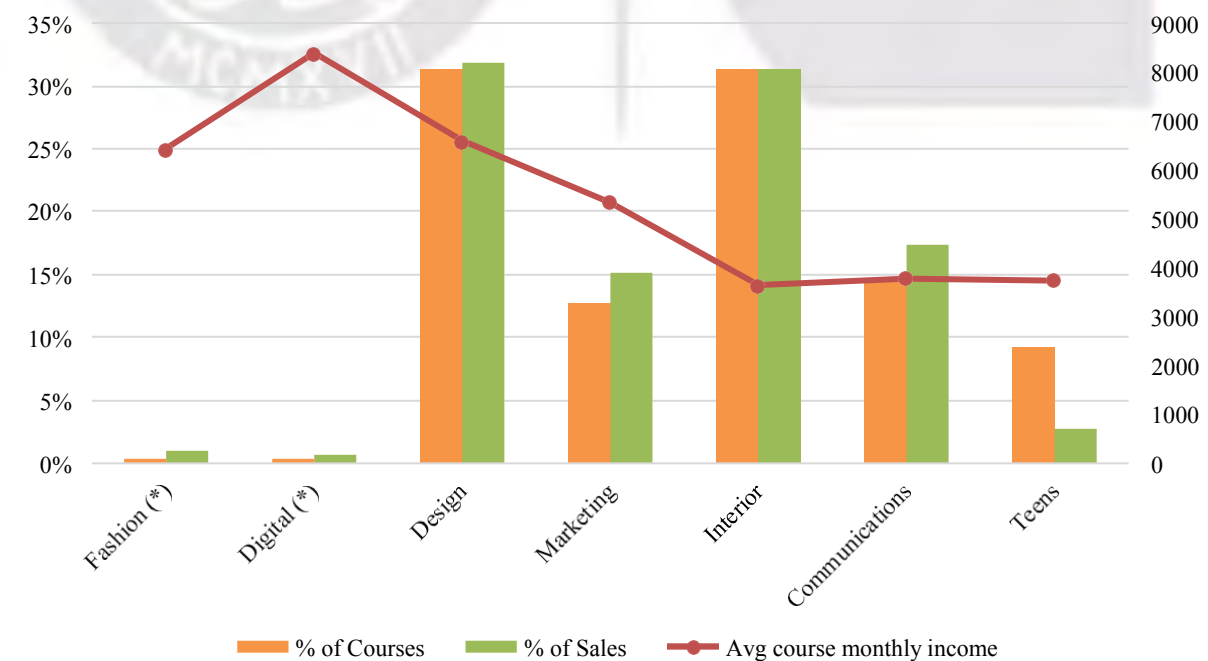


Figure 31. Average course performance

In sum, 2-month courses and Teen summer courses are the least profitable of all while accounting for the greatest number of students. In these courses Interior, Communications and the general summer Teen courses are included. These should probably be downsized while ensuring that the only courses kept are the ones that are being profitable. The truth is that these courses might be even more unprofitable than they appear, as we believe Toulouse Lautrec to not be accounting for all costs that it should, as currently only direct costs are considered (professors and equipment). Nevertheless, the case with the Teens might need a more flexible approach can be taken as they can provide long-term relationships and returns. New courses should be opened based on proper market research focuses on the 10-month and diplomas product types, as they represent the highest return on investments for the company.

4.2.5. Survey on customer satisfaction

The company collected itself a customer satisfaction survey which, whose results were provided to us. As it was a scaled survey, it belongs to the quantitative analysis, see Table 2. This report will pay special attention to the lowest-rated questions. Only 71% of the students said they would recommend their Toulouse Lautrec course to a friend. This is a relatively low score, as can be quite worrying given that Toulouse Lautrec promotes itself as the best institution for creative endeavors. Thereafter, 22% of the respondents did not feel that the information provided by the institution was clear and useful and 21% felt like customer service was not fast at all. Overall, 5.92% of answers classified customer service as poor. Lastly, 21% of the customers also do not seem to be overall satisfied with the teaching infrastructure, in fact, it ranks the highest in the percentage of answers classifying it as “poor” (6.15%). In terms of the teachers’ quality, only 2.44% rated it as poor. These are not alarming results, but it definitely gives the company some insights on what it should be working on given it less than 80% of answers ranking infrastructure and customer service as good.

Table 17

Survey on Customer Satisfaction

Evaluation Group	% Efficient	% Regular	% Deficient
Course	81,26%	15,27%	3,47%
Professor	87,83%	9,73%	2,44%
Infrastructure	79,14%	14,71%	6,15%
Attention Service	78,66%	15,42%	5,92%

4.3. Conclusions

In sum, the qualitative analysis provided some insightful information about the customer of Toulouse Lautrec and how do they perceive their service offer. Moreover, customer reviews provided information on how customer service needs to have some attention paid to as it might be costing the company potential customers and customer satisfaction that is unnecessary. Finally, the assessment of current Toulouse Lautrec allowed to identified some inconsistencies between the design of the current San Miguel *sede* and the company's values and personality with should be reflected in the service Toulouse Lautrec wants to provide to their customers.

In terms of the qualitative analysis a lot of things could be observed. Starting with the key performance indicators, the most worrying were the close to 10% utilization rate of the *sedes*, the 31% drop-out rate for the 10-month Continuous Education courses, 24% claiming it was for work reasons. Moreover, reported direct costs were at a 14% rate for each course provided. This is worrisome as it means that 86% of costs are not traceable nor allocated to the company's products, making it difficult to have insightful information on its operational efficiency. In regard to the Financial Performance, an operating profit of close to 0% for Continuous Education was what called for more attention. What was observed through the analysis is that the Campuses are currently subsidizing the *sedes* which are running at a loss. This happens mainly due to the high facility and maintenance costs paired to the

underutilization of these buildings (close to 20%). Moreover, students between 21- and 35-years old account for 60 to 80% of the total student body, depending on the type of program. Following our previous analysis of types of customers, we therefore identify Entrepreneurs and Professionals to be the main target customer of Continuous Education. In regard to the service mix and performance of courses, it became clear that Toulouse Lautrec is choosing its offer mix for Continuous Education through a push-strategy based on a market research which focuses on the offer of competitors, which is not very customer centric. Moreover, 2-month and Teens courses show to be extremely unprofitable, even though they count on the majority of the students enrolled. Conversely 10-month courses and diplomas are the most profitable, while having less students and the highest dropout rate as they require time commitment and deliver a higher value. Finally, the customer survey conducted by the company revealed once again the infrastructure problem, as well as the customer service deficiency.

Chapter V: Root-Cause Analysis of the Problem

The current chapter will analyze and discuss the root-cause of Toulouse Lautrec's problems. By breaking down the issues into the elemental factors leading to those problems. For this evaluation, first, the root-causes have been separated into 6 categories: (a) Infrastructure, (b) Personnel, (c) Marketing, (d) Measurement, (e) Strategy. Then, the main causes will be developed and studied in deeper detail.

5.1. Identified Causes

Though the Quantitative and Qualitative analysis of the company, a variety of causes were identified regarding the unutilized capacity of Toulouse Lautrec's infrastructure. In order to determine the root causes, all problems will be placed in Ichikawa's fishbone diagram, organized in six topics: (a) Infrastructure, (b) Personnel, (c) Marketing, (d) Measurement, (e) Strategy, see Figure 32.

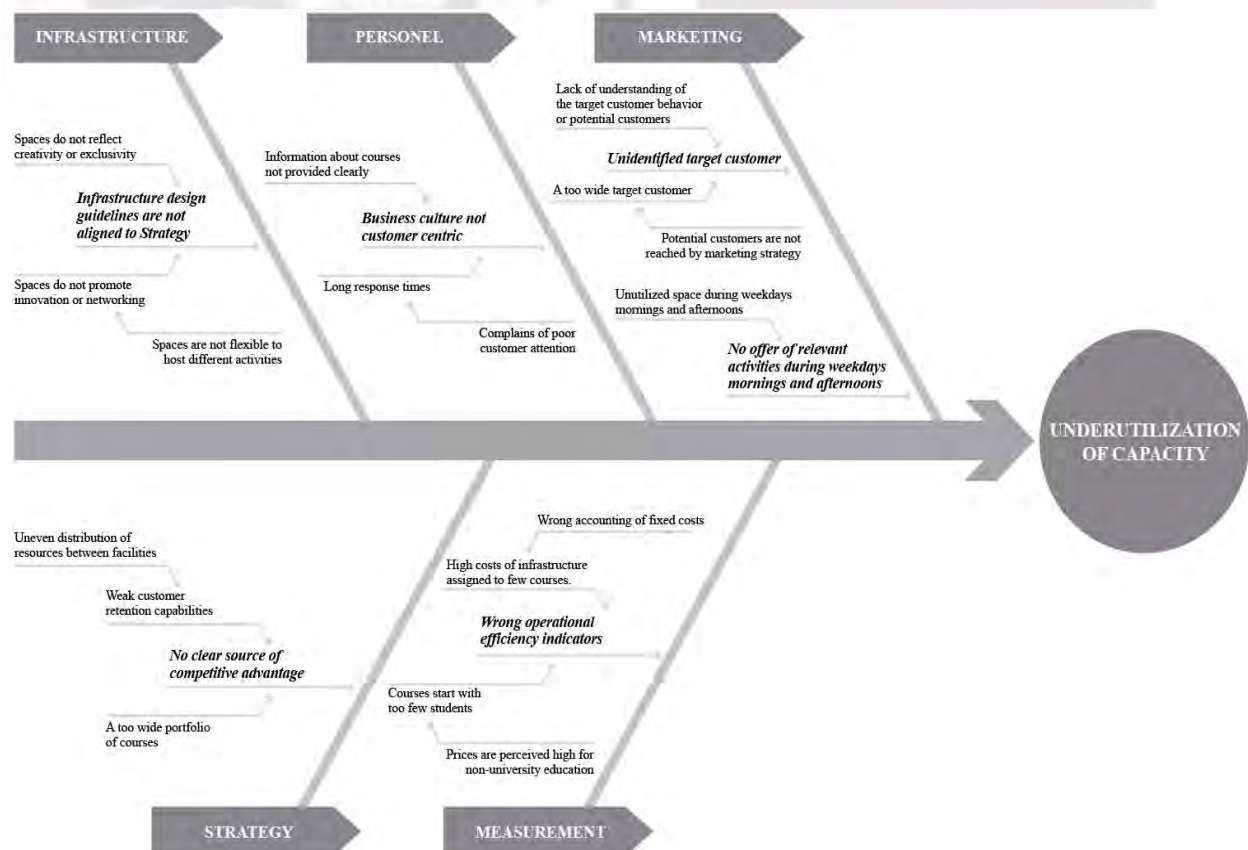


Figure 32. Fish-bone analysis of Toulouse Lautrec main problem

5.2. Main Causes of the Problem

5.2.1. No clear source of competitive advantage

Porter (1985) explains that the fundamental basis of above-average profitability, in the long run, is a sustainable competitive advantage. There are two generic types of competitive advantage: either cost leadership or differentiation. Additionally, each of these strategic positions varies if the company's scope is broad or narrow. In the case of Toulouse Lautrec, the company intends to take a differentiation strategy, and since the creative careers' market is a niche in the educational industry, the Competitive Strategy would be the one of Differentiation focus. However, while trying to pursue differentiation, Toulouse Lautrec bases many of their strategic decisions to compete in cost with other institutes and universities, cutting costs in the services they provide to the customers and the infrastructure of their facilities. As a result of this, the company has a high level of student drop-out in the longer courses (5 months, 10 months) as customers in the long-run do not perceive to receive the value they expected for the price they are paying and complain about the services and infrastructure provided by the institution. Additionally, the company overextends out of the limits of their target segment, resulting in a portfolio of courses too wide and diversified that in some cases do not relate directly to the educational tracks the company provides.

5.2.2. Unidentified target customer

Toulouse Lautrec categorizes its customers in 6 archetypes: (a) Students, (b) Entrepreneurs, (c) Professionals, (d) Teenagers, (e) Adults, and (f) "NiNis" (Customers neither working, or neither studying). However, this classification has almost no discrimination covering the very wide age-range from 15-65 years old in a wide variety of occupations. The lack of focus in this selection criteria renders advertising ineffective as there's no clear understanding of the main customer needs and behaviour. Also, as the customer is not specific enough, it makes the product and brand development more difficult

as interests between target groups may vary a lot. For example, a corporative image, services and infrastructure designed to suit the teenagers' needs may is not perceived as "professional" by the executive customer. As the company intends to pursue a Focus-Differentiation Strategy, it needs to delineate their target scope in a clearer way so that the product offered is specific for the niche.

5.2.3. No offer of relevant activities during weekday's morning and afternoons

Toulouse Lautrec main issue is the lack of utilization of its facilities during the mornings and afternoons. This is the result of the company trying to provide its products to fit a certain type of customer: Classes in "premium schedule" are to fit the work schedule of "Professional" archetype which is the most profitable customer type. While the company has tried to offer courses in the non-premium schedules, they have not been successful in attracting a sufficient number of students. While the company attributes this to the lack of availability of time from their Professional clients, this customer type only represent a portion of their market. Then, the reason they are not being able to fulfill these time zones is because the proposed courses are not attractive enough to draw the attention of the customers that have a more flexible schedule such as entrepreneurs and students. The real problem then is not the schedules or the customer, but the relevance of the offered courses.

5.2.4. Infrastructure design unaligned to strategy

As previously stated, Toulouse Lautrec as a brand is associated with creativity, spontaneity and innovation; however, the current facilities do not reflect these qualities, on the contrary, the classrooms are designed to host the most traditional way of education, with rows of desks aligned pointing at the instructor in the front. Additionally, the proportions and dimensions of the classrooms do not allow different activities, ways of teaching or group organizations. The lack of flexibility associated with the physical characteristics of the classrooms is incongruous with the traits of creativity which requires that the facilities allow

the unique ways of thinking and working of their students. It also implies some other issues. Since the classrooms do not allow other activities than very specific ways of teaching, there are limited possibilities in regard of what products, workshops, uses can be offered to those spaces. Finally, the facilities do not have differentiating qualities that reflect their differentiation strategy as the interior design is mostly plain white with some detail painted in the institutional colors; however, fundamentally there is no variance between the institute for creative careers and other generic educational facilities.

5.2.5. Wrong operational efficiency indicators

In general terms, the company measures their performance by referring to the amount of sales they achieve, reflecting that selling more is considered improvement, rather than selling better. By focusing on sales instead of profit, the company reflects an unclear strategy as the goal is to grow on sales regardless of the means on how they do it, which explains that they had such a variety of courses and targeted customers which do not allow a more customer-oriented, tailor-made, unique value proposition. In regard of their Key Performance Indicators, the Business Unit of Continuous Education measures its performance with four metrics: (a) Student Turnover, (b) Student Economic Default, (c) Direct Costs, (d) Capacity Utilization. While capacity utilization gives insights on how efficiently is being used the infrastructure, the current indicator focuses on the number of classrooms used which may be misleading as some of the classrooms do not operate at full capacity. Similarly, Continuous Education measures their cost efficiency by addressing the Direct Costs only, which is also misleading as many fixed costs are not assigned to the operations, providing unclear information about the rentability of the courses. Moreover, assessing their operation's efficiency by Direct Costs only (materials and professors' salaries), means that if they want to perform better, they have to reduce the cost of their materials, or pay less to the professors, which is not coherent with a differentiation strategy but all the contrary might undermine the

company's reputation is lowering cost at expense of quality. Student turnover and economic default are rather customer retention indicators and may give some insight on the demand of satisfaction of the students with the courses, however, as they are not related to the cost of the operations, they do not give information about the profitability of the offered programs. Due to the high costs of infrastructure, maintenance and services, and the complexity of the wide portfolio of courses Toulouse Lautrec offers, if the company wants to determine the profitability of their operations, other ways of cost accounting and KPIs should be considered.

5.2.6. Business culture is not customer-centric

Most of the complaints surrounding Toulouse Lautrec refer to the customer service. Some of the lowest scores in the satisfaction survey correspond to the clarity in the information provided from the personnel and the response time. Similarly, many of the reviews available on social media complain about the response of the customer attention personnel. In terms of strategy, if Toulouse Lautrec intends to focus on differentiation rather than costs, then it must be able to provide a good customer service. While the company's educational proposal is good, the services and extended products that the company provides are not sufficient to fulfill the customer's expectations. Some other complaints also regard to the organization of courses and schedules, as they are not organized to fit the customer needs but in terms of doing operations more efficient or cost-saving. In regard to the facility locations, the company explained that the main characteristics they take into consideration when deciding where to open a new branch are more related to market share and economic variables than addressing an understanding of the customer and the environment. All these issues evidence the main problem, that the business culture in Toulouse Lautrec is not customer-centric but cost-effective, which is not aligned to the strategy that the company intends to pursue in the long term.

5.3. Conclusion

In order to develop a comprehensive analysis and therefore propose appropriate solutions for the company's problem, it is necessary to breakdown the issue to understand its main causation factors. This chapter described the root-causes leading to Toulouse Lautrec issue of underutilization of capacity. By analyzing them in 5 categories: (a) Infrastructure, (b) Personnel, (c) Marketing, (d) Strategy, and (e) Measurement. This allowed a holistic understanding of the situation is achieved that will allow a more specific and effective response to the deficiencies in the company's strategy and how it reflects in the product and brand development. Among the main takeaways, it can be argued that the has been deploying tactics unaligned to the strategic position they intend to sustain, which is the one of differentiation. This can be caused by a lack of market knowledge, as the target customer is not clearly defined, and neither the needs and trends of the market. As these are not determined, the customer service and infrastructure do not achieve the exigences of the customers, rendering customer satisfaction and customer retention low in some cases. Finally, the way of accounting for sales, cost and expenses is not favoring the operations as they do not provide valuable information of decision-making. As this information are not taken into consideration, some of the provided courses, and customers served are very unprofitable, while the company should be focusing on other segments and investing more resources to the best performing programs. These issues will be addressed next, when reviewing alternatives of solution for Toulouse Lautrec underperforming due to underutilized capacity.

Chapter VI: Assessed Solution Alternatives

This chapter assesses the different proposed solutions that could be implemented to solve Toulouse Lautrec's current internal issues and provide the necessary tools to deal with the external challenges the company faces. First, the alternative solutions will be briefly introduced and described (section 6.1). Second, the impact of each proposal will be evaluated concerning the cost or investment required, the possible returns over those investments, and the risks implied (section 6.2). However, as determined during the previous chapter, Toulouse Lautrec's Continuous Education has not yet a clearly identified customer, which renders difficult design solutions that addresses specific needs. For this, before any solution is assessed, the information obtained in the literature review (Angulo, Pergelova, & Rialp, 2010) and later validated in the analysis chapter will be used to narrow the scope of customers to serve.

Definition of personas. After gather all relevant information, the team proceeded to create three different personas that embody the main consumers of Toulouse Lautrec Continuous Education courses. The three personas can be seen in full in Appendix F and will be briefly described in this section. The first persona identified is the Student with an age between 17 and 25 years old. He/she does not like to be confused with everybody else, therefore appreciates it is fashion style to be trendy and belongs to the middle-upper class. The persona dislikes routine and traditional jobs and wishes to be its own boss in the future, and on average just likes to keep learning new things. The second persona is the Entrepreneur with an age between 25 and 40 years old. The persona is professional, proactive and has already some work experience. He/she wishes to keep educating him/herself and thoroughly enjoys working. He/she wishes to open its own business and become more competitive with the added education. The third persona and last is the Executive. The Executive has an age between 35 and 50 years old, currently a middle to high position manager in a company. This

persona has a lot of professional and leadership experience, has a family and is seen as resistant to change. Finally, he/she enjoys to be recognized for its reputation and therefore likes to receive a more exclusive education service. At the same time, the persona fears to be outperformed and so is seeking education in order to remain competitive in the labor market.

6.1. Alternatives to Solve the Problem

The alternatives proposed to solve the key problem that was earlier identified in Chapter II are differentiated from high to low investment. This section will go over the three different alternatives, with the first being the Innovation Center, the second the Specialized Ecosystems and the third the Customized Services.

6.1.1. Innovation Center

The innovation center is the highest investment alternative to try and solve the key problem. As the company tries to move from an image of just creativity to include also innovation, the consulting team couldn't help but notice that the infrastructure of Toulouse Lautrec, especially the *sede* in San Miguel is not aligned with that at all. The building was essentially composed of classrooms with different purposes, with white walls and basic furniture that tries to sit as many students as possible in a given classroom. In the quantitative analysis, previously done, it is possible to see that the survey on customer satisfaction is also overall unhappy with the infrastructure provided by the institution that is supposed to deliver a premium education service. This happens in part because Toulouse Lautrec is not yet sure where it wants to position itself. At the same time that the company wants to be perceived as different and premium, it also wants to lower costs and try to somehow become a price leader in the market. Well, this seems to be counterproductive to the consulting team. Moreover, price wars are usually more destructive than anything, leading to believe that a differentiation strategy with a good value proposition would be the most productive for the company.

Therefore, what the consulting team is proposing is a total redesign of the *sede* in San Miguel. What would be desired is big rooms in the format of start-up innovation centers and incubation facilities. Rooms that are flexible and adaptable to serve different purposes throughout the day and that inspire creativity and innovation. These rooms would layouts similar to co-working spaces too. This would broaden the monetizing opportunities in this facility immensely, which is completely empty every day from 8 am until 6pm (Monday to Friday). Moreover, this supports the company's desire to move more into business courses related to entrepreneurship in a building that is only dedicated to Continuous Education, and therefore already has its own "premium" and professional image attached to it . These rooms would be able to be monetized as co-working spaces, used for administrative purposes and for punctual meeting events while at the same time, improving the brand image of Toulouse Lautrec with an augmented product rather than just the real product.

6.1.2. Specialized Ecosystems

Currently, Toulouse Lautrec has been trying to increase its presence all over the city of Lima to be closer to customers and consequently improve its revenues. The consulting team questions if this is the right strategy to grow and differentiator. The truth is that this is might not be the best way to grow sustainably, as its buildings offer a mix of unrelated Continuous Education courses in the creative field, which come from a feeling of what the management believes the closest customers to the building would be interested in taking. Besides the obvious fact, that the selection of courses offered by location should be supported by market research, what the consulting team wants to suggest is that Toulouse Lautrec reorganizes the courses offered by topic according to the locations. This would essentially cluster inter-related creative courses in the same building, opening up the opportunity for a ripple effect of networking and other benefits of gathering people with similar or complementary interests in the same learning space.

What is being essentially proposed is the creation of different ecosystems across all locations available to Toulouse Lautrec. As defined by Spigel (2017), ecosystems are a union of localized cultural outlooks, social networks, investment capital, universities, and active economic policies that create environments supportive of innovation-based companies. Successful ecosystems are defined mostly by how all these attributes interact, rather than by high rates of entrepreneurship (Spigel, 2017). This is a definition that encompasses the entrepreneurial ecosystem at a larger scale, but that can however be adapted to what we want to achieve. This also based on the premise that if an institution is differentiated enough, students will go there to get an education regardless if it is the closest location or not. The students would benefit from more meaningful daily interaction with people who are somehow interested in similar topics. Moreover, opportunities for strategic alliances with companies, other institutions and universities.

6.1.3. Customized Services

The final suggestion and the most economical enables Toulouse Lautrec to use its current resources and not much more to monetize its idle classroom spaces. Currently, Toulouse Lautrec offers a wide range of courses that do not necessarily attract customers. In addition, this offer is aimed especially for professionals and in the premium hours during the week (Monday to Friday from 6 pm to 10:30 pm). In that sense, to cover those schedules, Toulouse Lautrec does not offer programs that could satisfy customers who can take those courses in the morning and afternoon (mostly students and entrepreneurs). There are two ways that the company could give use to its idle spaces. The first is partnering up with universities, to allow its students to take complementary courses that would interest them and add value to their education. When interviewing students in PUCP some mentioned they would enjoy taking outside courses. Moreover, many mentioned that they felt as if their university did not have enough material to work on their creative projects that they were

aware Toulouse Lautrec did have. As such, either as while this material is not is just resting in the unutilized facilities of Toulouse Lautrec, there could be a partnership with the university or a small fee would be charged to students to be able to go to Toulouse Lautrec to use these materials when they are not being used. Moreover, in exam period in the universities, when libraries become too small for the number of students who need to use them, the unutilized class rooms of Toulouse Lautrec would serve perfectly as study/working spaces for these students.

The second is using companies as clients. Toulouse Lautrec could focus on creating personalized courses tailored to the needs of companies. These could be on topics of design thinking, brainstorming and others. These would naturally be punctual and occur during the day at the most appropriate Toulouse Lautrec facility. Rooms could also just be rented out for meetings and other specific events in the need of a classroom style room. The options are not mutually exclusive and could be used at the same time with the appropriate logistics planning and management.

6.2. Assessment of Alternatives

In the assessment of alternatives, the report will try to assess the impact of each alternative. The impact should be measured on the investment necessary and on how the future cash flows will change when the solution is implemented. In other words, what is the investment and what are the predicted returns on investment. Moreover, it is important to assess the pros and cons of each proposed to solution to be able to choose the best one. Hopefully, this analysis will allow the consulting team to make an informed decision.

6.2.1. Innovation center

Pros:

- Create a professional network for Toulouse Lautrec' clients.

- Offer flexible workspaces for different activities (administrative, workshops or classes).
- Improve the institutional prestige of the Toulouse Lautrec brand by offering a product with high quality service.
- Improve the customer experience (student, entrepreneur or professional) by providing not only a course, but also an innovative environment that is aligned with the values of Toulouse Lautrec.
- Establish an optimal workspace model that can be replicated in other *sedes* and *campus*.
- The Toulouse Lautrec innovation center will be an attractive proposal for companies to send their executives to take the courses.

Cons:

- Developing this alternative implies a high investment cost and it may take some years to recover the investment.
- Offering a product with these characteristics may mean establishing a higher price for the customer.
- There is already a similar workspace to the proposal of the innovation center, very close to *sede* San Miguel, this mean high competition for Toulouse Lautrec.

6.2.2. Specialized Ecosystems

Pros:

- This alternative allows Toulouse Lautrec to offer inter-related creative courses in each *sede*, this being attractive to clients with similar preferences.
- By offering courses and an environment related to specific topics for each building, it allows the approach of companies with the students in this space and the possibility of creating networks.

Cons:

- The equipment, materials, and design of the classrooms in each building, represents an extra investment and can increase fixed costs.

6.2.3. Customized Services

Pros:

- Allows Toulouse Lautrec to cover the free hours of its classrooms during the morning and afternoon.
- Attracts students from educational centers close to the *sedes* with complementary courses tailored to their needs.
- The implementation of this proposal is at a low cost since Toulouse Lautrec will offer the courses to the students of the other educational center in the existing rooms.

Cons:

- By offering specialized courses for companies, Toulouse Lautrec compete with private consultants (persons) who offer similar products at a lower price, making this (price) more attractive for companies.
- The limited spaces of classrooms and capacity of these in some *sedes*, may not be enough to cover the existing demand.

After having presented the three alternatives and showing the main advantages and disadvantages of each one, it is necessary to compare the proposals. For this, the consulting team will use four evaluation criteria, assigning the highest weight to the most relevant one, as well; a score will be given to the proposals in each criterion. The first criteria are the amount the company will invest (20%) and the time (20%) to implement the proposal, this being very important in terms of feasibility for their interests. The third criteria is the commitment and acceptance of the proposal by the company (25%), this is very relevant

since there was a meeting with Toulouse Lautrec to present the three alternatives and receive their appreciations and satisfaction regarding them. Finally, the impact on the quality of the service (35%) will be evaluated, being the most important factor because it is the weakest point in the programs offered in the Continuous Education unit, it is also one of the main problems to solve with this consulting report.

The results of the evaluation of the alternatives are shown below, see Table 18. Regarding the investment and implementation time, the highest score is assigned to the alternatives that represent lower cost and time.

Table 18

Evaluation of Solution Alternatives

Solution Alternatives	Investment (20%)	Time (20%)	Company commitment (25%)	Impact in service quality (35%)	Total Score
1. Innovation Center	2	2	5	5	3.8
2. Specialized Ecosystems	4	3	4	3	3.5
3. Customized Services	5	4	2	2	3.0

Note. 1-5 scale, 5 = highest score.

Finally, the results show that the innovation center proposal has the highest score, very close to the specialized ecosystems. This means that they are the alternatives that will bring the most benefit to the company. In terms of investment, Toulouse Lautrec plans to allocate resources to Continuous Education to achieve the objective of growth in sales in the next years. Likewise, the evaluation carried out coincides with the interests of the company. During the meeting at which the three proposals were presented, members of the Continuing Education unit expressed concern about the third option. This is because offering courses to companies, such as one of their clients, can lead to high fixed costs. On the other hand, some independent consultants offer a very similar service at a lower price since their fixed costs are lower, this being a disadvantage for Toulouse.

In regard to the first proposal, the innovation center, Toulouse Lautrec management staff received the idea optimistically and considered it was closely aligned with the interests of the Continuous Education direction, and the company in general. The idea of making San Miguel a building more attractive to customers provides new opportunities for the Continuous Education business unit. Also, it can serve as a replicable model for their other buildings. In that sense, the proposal is feasible and there is interest to implement them. In the next section, the innovation center alternative will be developed in detail.

6.3. Proposed Solution

Like many companies, the main goal of Toulouse Lautrec is to maintain sustained growth in profits for their business unit, Continuous Education. In this case, to boost their revenues by 300% until 2025. One of the major problems to this objective and the one concerning this report is the low level of utilized capacities in their Continuous Education exclusive branches. In the previous chapters, the main causes of this problem were identified, involving issues of infrastructure design, customer service, strategic planning, and marketing. In response to it, some solutions that intend to cover these topics were proposed and discussed with the customer. In consideration of the time-lapse available for the consultancy report and the preferences and interests of Toulouse Lautrec's representatives, the current chapter elaborates on the proposed solution to be further developed in the following chapters.

6.3.1. Overview

A company needs to clearly define its strategic source of competitive advantage to sustain above-average growth in the long-term, exploit through the development of its products to better serve their target customer. As explained in the previous chapter, the main issue concerning Toulouse Lautrec is the unclear source of competitive advantage that results in unclear marketing and product development strategies that do not succeed in capturing the number of clients they intend and need to monetize their assets, currently under operating.

The previous assessed solutions intended to orientate the company's efforts and exploit the differentiating traits to boost the company's reputation and increase customer satisfaction. After evaluating each of the proposals, and based on the interest of the customer and the constraints of the consultancy project, it was decided that the path of development would be the innovation center, but that it would focus solely on *sede* San Miguel.

6.3.2. Facility development

The proposed solution will consist on the construction of co-working spaces in the building; this will allow flexibility in the work area and offer differentiated services. In the case of San Miguel, considering that it is the only branch exclusive to the Continuous Education unit, the company could have the opportunity to satisfy its most exigent clients who demand a premium product and expect for a different service than the one offered to the *Antegrado* students. As the branch is to focus on the business and entrepreneurship side, that proposal contemplates to make Toulouse Lautrec - San Miguel an Innovation Center, a collaborative working space that could gather independent professionals in the areas of Marketing, Design, Communication, and related segments.

When evaluating the current facilities, it can be seen that Toulouse Lautrec does not currently have any distinguishing factors that characterize it as a design-focused institution. Neither has it any trait that makes it different to the rest of Toulouse Lautrec campus, on the contrary, it looks like a smaller replication of the main campuses they have in Santiago de Surco and Magdalena del Mar. In terms of design, the current spaces are not very attractive for a creative and entrepreneurial customer. The distribution and organization of classrooms are too specific and are not able to host any different activity. The interior design is minimal, and too fixed, resulting in narrow white corridors and small white classrooms that do not resemble a space for creation and networking.

Currently, the building located in San Miguel has two floors built and space to build two additional floors. On the first floor, there is an area of 270.6 m² dedicated to classrooms, besides there are the reception and an administrative office. On the second floor, there are only classrooms, located in a space of 541.2 m². The advantage of these rooms is that the walls are drywall and allow undergoing remodeling. The space available for the construction of the third and fourth floor is similar to the second floor. The innovation center project proposes to establish co-working spaces on the second floor.

When asked, the company's representatives expressed that Toulouse Lautrec does not have a corporative Design Guidelines Manual, but that infrastructure design derives from a Corporate Brand Image Manual. The proposed solution, then, is the development of design guidelines that convert Toulouse Lautrec "classrooms" into a collaborative, flexible and professional environment of learning and innovation. The guidelines that are general to any infrastructure design will be further developed in specifics for the case of the San Miguel branch, including an approximation of the investment cost. This part will be developed in the next chapter.

6.4. Conclusion

The previous chapters explained how many of the causes leading to Toulouse Lautrec's main problems come to a lack of Strategic clarity and lack of information to make such decisions. As a result, the proposed solution to face the underperformance of the Toulouse Lautrec Continuous Education facility consists of two parts. First, specific information to the location of *sede* San Miguel will be researched to seek for opportunities of potential differentiating and competitive advantages sources. Departing from there, suggestions regarding the product differentiation in terms of service and infrastructure will be developed, resulting in clear guidelines of design and a proposed implementation schedule in phases for Toulouse Lautrec - SanMiguel.

Chapter VII: Implementation Plan & Key Success Factors

This chapter will discuss the action plan to implement the proposed solution. To this end, it will start by explaining the scope of intervention to the current infrastructure of Toulouse Lautrec San Miguel. Then, it will be explained in further detail the sequence of activities that have to be performed to successfully implement the plan. After this, the activities will be placed in a Gantt Chart, to provide a clearer understanding of the sequence of activities and the duration of each. Finally, some Key Success Factors will be discussed that could serve to measure the achievement of the desired goals.

The current proposal consists of the remodeling and future extension of Toulouse Lautrec San Miguel. However, Toulouse Lautrec organization does not contemplate a department that concerns infrastructure (Figure A1). For these matters, Educa, the holding company has an Office of Support and Service (Figure A4) which oversees the three institutions composing its portfolio. This business unit is composed of areas such as Legal, Planning, Technology, and Information, and of course, infrastructure which supports all the institutions transversally and is parallel to them in organizational terms. For this project to be achieved, Toulouse will have to coordinate particularly with the Infrastructure department, but also with the Legal Department, and the Finance and Planning department. The detailed activities will be developed in the next section.

7.1. Activities

The implementation of the project will be divided into two sections. First, Preliminary planning and development, which includes all the coordination and agreements concerning the project design and pre-construction plans. Then, it concludes with the obtain of the construction license and implementation of the infrastructure, which includes all the purchases, construction work and regulatory process that finishes when the project is handed from Infrastructure department to Toulouse Lautrec as the facility is ready to operate. The

total duration of the project is estimated to be 4 months and three weeks (Table 19), starting at the beginning of September and ending the third week of January 2020. In the first phase, preliminary works are expected to start on September 2nd and last 10 weeks until November 11th. The second phase regarding the concrete implementation of the infrastructure will overlap a couple of weeks, starting on October 28th and ending on January 14th, with the inauguration of the new facility. The following sections will explain the role of the involved parties and develop in detail each activity. Finally, Table 20 summarizes the list of activities indicating the responsible for every step and the duration each activity is expected to last.

Table 19

Implementation Phases

	Start date	End date	Duration
Total implementation	02/09/19	14/01/20	4 months and 3 weeks
Preliminary planning and development	02/09/19	11/11/20	2 months and 2 weeks
Implementation of the infrastructure	28/10/19	14/01/20	2 months and 3 weeks

Table 20

Implementation Activities

Activity	Responsible	Duration
<i>Preliminary planning and development</i>		
1. Budget development and approval	Toulouse Lautrec & Finance Department	2 weeks
2. Kick-off meeting	Toulouse Lautrec & Infrastructure Department	1 day
3. Layout Design	Infrastructure Department	2 weeks
4. The hiring of supervision and specialists	Infrastructure Department	1 week
5. Development of blueprints	Architects & Engineers	2 weeks
6. Construction quotation and contest	Infrastructure Department	3 weeks
7. Obtain of Construction License	Infrastructure Department	3 weeks
<i>Implementation of the infrastructure</i>		
1. Procurement of equipment and furniture	Infrastructure Department	2 weeks
2. Construction	Contractors	5 weeks
3. Post-Construction update of blueprints	Infrastructure Department	2 weeks
4. INDECI inspection	Infrastructure Department	2 weeks
5. Operating License	Infrastructure Department	1 week
6. Completion and transfer of the project	Infrastructure Department & Toulouse Lautrec	1 day

7.1.1. Preliminary planning and development

The first phase includes all the coordination necessary before the obtainment of the construction license. It includes the administrative procedure for the approval of the project within Educa, the parent company of Toulouse Lautrec; the hiring of the specialist to design the architecture and engineer blueprints and the administrative procedures to obtain the construction permit. It starts with the request by Toulouse Lautrec representative to the financial department of Educa to develop and approve a project budget, tentatively in September the 2nd and ends when the construction license is provided, which is expected to happen by November the 11th.

Budget development and approval. Toulouse Lautrec's representative has to request a meeting with the Finance and Planning department to develop a base budget for the project. Within the next two weeks, the financial department will define the source of investment and approve the budget to allow the infrastructure department the financial resources needed.

Kick-off meeting. After approval by the Financial and Planning department, the Toulouse Lautrec representative will meet a manager in the Infrastructure department to explain the needs for the project, time-lapses and deadlines, and the assigned budget.

Layout Design. The project manager in the infrastructure department will develop a distribution layout to estimate the capacity of the spaces and assign the utilization of these areas. A first draft will be presented during the first week to Toulouse Lautrec manager and will be improved following its feedback until the achievement of a final version by the end of the second week.

The hiring of supervisors and Specialists. Infrastructure managers normally deal with many projects at the same time, back up to oversee the process full-time is needed. The project manager will hire a supervisor and will quote the layout with some experienced designers and engineers for the development of the construction blueprints.

Development of blueprints. Blueprints are needed for two purposes. First, a set of architecture and engineering blueprints have to be presented to the Municipality of San Miguel to obtain a construction license, and then, a set of construction details, mechanical, electrical, and sanitary blueprints have to be completed for the constructor.

Construction quotation and contest. Once the blueprints are completed, the project manager will arrange the bases for a contest of contractors. Three companies will be allowed to participate and the project manager will decide who the construction will be assigned. It will be followed by a report summarizing the proposals and an explanation of the terms by which the winner was selected.

Obtain of Construction License. After completing the development of the blueprint, it will be delivered to the Municipality of San Miguel for approval. If there exist any observations, the designer and specialist will correct them and the project manager will deliver it again until the Construction License is conceded.

7.1.2. Implementation of the infrastructure

Once the construction license is obtained, construction can be started and purchases have to be managed by the Infrastructure Department. This phase starts a couple of weeks before the end of the first phase with the procurement of equipment and furniture on October 28th and finishes after the operating license is granted by the Municipality of San Miguel and the project is transferred to Toulouse Lautrec to start operations. This is expected to happen during the second week of January, on the 14th.

Procurement of equipment and furniture. The project manager will start to search, quote and order the furniture (tables, chairs, cabinets, shelves), and the equipment (laptops, projectors, and other electronics) necessary for the implementation of the project as some may take time to be delivered, especially if there's any imported component.

Construction. When the license is provided and with the constructor selected, the construction can finally take place. The construction is expected to last 5 weeks, plus 2 weeks of commissioning stage.

Post-Construction update of blueprints. By the end of the construction process, construction plans will be updated to correct any change that may have occurred during the construction. The time-lapse for this is two weeks, starting the last week of construction and ending the following week.

INDECI inspection. The final version of the architecture plans will be delivered to a security specialist to develop the security and evacuation blueprints. Also, an inspection of "Instituto Nacional de Defensa Civil" [INDECI] will be requested, which is expected to happen during the following two weeks.

Operating License. With the approval of INDECI and the security and evacuation plans completed, these will be presented to the Municipality of San Miguel to request the operating license.

Completion and transfer of the project. Once the operating license is obtained, the infrastructure is ready to operate and will be transferred to the Toulouse Lautrec's administration. This is expected to happen by January 14th.

7.1.3. Estimated Investment

The total cost of the implementation is expected to be S/608,600 (Table 21). This includes the Preliminary Planning phase where technical professionals will have to be hired for the development of blueprints and supervision. Also, the administrative costs of obtaining construction and operating licenses. The construction of the innovation center will take place on the second floor of the building, which comprises a total area of 541.2 m². However, the proposal contemplates a built area of 400 m²; the rest of the space must also be built but does

not represent a significant expense. Administrative expenses will be incurred before each construction stage.

Table 21

Budget

Description	Quantity	Unit	Unitary price	Subtotal
Supervision and specialists				S/ 41,600
Supervision	10	weeks	S/ 1,200	S/ 12,000
Architecture	400	m ²	S/ 40	S/ 16,000
Mechanic Engineering	400	m ²	S/ 6	S/ 2,400
Electric Engineering	400	m ²	S/ 6	S/ 2,400
Sanitary Engineering	400	m ²	S/ 6	S/ 2,400
Fire water design	400	m ²	S/ 6	S/ 2,400
Fire detection and alarm	400	m ²	S/ 4	S/ 1,600
Lighting project	400	m ²	S/ 6	S/ 2,400
Administrative expenses				S/ 13,000
Construction license				S/ 5,000
Revision and inspection				S/ 5,000
Operating license				S/ 3,000
Construction				S/ 554,000
Preliminary works	400	m ²	S/ 10	S/ 4,000
Furniture	400	m ²	S/ 1,000	S/ 400,000
Electric and Communication installations	400	m ²	S/ 300	S/ 120,000
Sanitary Installations	400	m ²	S/ 25	S/ 10,000
Specialties	400	m ²	S/ 50	S/ 20,000
				S/ 608,600

7.1.4. Responsible Participants

Toulouse Lautrec Manager. Personnel from the Continuous Education of Toulouse Lautrec (it could be the current *Sede* Manager) responsible for the coordination with the different departments in the Office of Support and Services of Educa. It also has to coordinate within the Continuous Education Direction to receive feedback and approval for the design proposal of the facility by the Infrastructure Department of Educa.

Infrastructure's Department Project Manager. Personnel from Educa's Infrastructure Department, in charge of proposing and designing the layout until approval by Toulouse Lautrec representative. It must also coordinate with the supervisor, architect, and engineers during the process of the construction file before the obtain of the Construction License.

Project Supervisor. As project managers in Educa normally oversee many projects, a supervisor who can dedicate to the project fulltime is needed. It is an independent architect of civil engineer with prior experience in construction supervision and knowledge of project management. It should report to the Project Manager in the Infrastructure Department, supervise the construction process and coordinate with the Contractors and Suppliers.

Finance and Planning Department. In charge of developing the final budget for the project, it also has to determine how it will be founded and finally approve the budget before the Infrastructure Department starts operating.

Legal Department. Responsible for supporting the infrastructure department in the legal and administrative procedures needed with the contractors, municipalities and so on.

Architect. Specialist in office and institutional design projects, preferably with prior projects in co-working offices and innovation centers. It is responsible for the development of the constructive details of the interior architecture of the project and compatibilization of the architecture project with the technical engineer specialties.

Specialists. Set of professionals to develop the technical blueprints. It includes electrical, sanitary, mechanical, and security (INDECI) experts. If the project were to include structural design, a civil engineer might be needed.

Contractors. Coordinate with the builders and supervise the construction work. There might be more than one contractor if the project manager finds it appropriate.

7.2. Implementation Gantt Chart

This section presents the work-flow approximation for the process of implementation. Also, Table 22 presents each activity's duration, and the expected start and end date. Finally, Figure 33 displays the Gantt Diagram of the whole process. The whole project is expected to be completed in a lapse of 4 months and 3 weeks, starting the first week of September and ending the third week of January.

Table 22

Activity Planification

Activity	Start date	End date	Duration (days)
1. Budget development and approval	02/09/19	16/09/19	14
2. Kick-off meeting	16/09/19	17/09/19	1
3. Layout Design	16/09/19	30/09/19	14
4. The hiring of supervision and specialists	30/09/19	07/10/19	7
5. Development of blueprints	07/10/19	21/10/19	14
6. Construction quotation and contest	21/10/19	11/11/19	21
7. Obtain of Construction License	21/10/19	11/11/19	21
8. Procurement of equipment and furniture	28/10/19	11/11/19	14
9. Construction	11/11/19	16/12/19	35
10. Post-Construction update of blueprints	09/12/19	23/12/19	14
11. INDECI inspection	23/12/19	06/01/20	14
12. Operating License	06/01/20	13/01/20	7
13. Completion and transfer of the project	13/01/20	14/01/20	1

The proposed solution only contemplates the construction of the innovation center on the second floor of the building. The medium-term objective is that the first floor can be redesigned as well. In that sense, after the meetings with the client (Toulouse Lautrec), it was agreed that after analyzing the results and benefits of the redesign of the second floor, the decision would be made to remodel the first. Beyond this, the long-term goal is to achieve the integral redesign of the entire building. This includes the construction of more co-working spaces on the third and fourth floors. To achieve this, *sede* San Miguel must have sustainable growth and that with the income obtained it can finance part of this project in the long term.

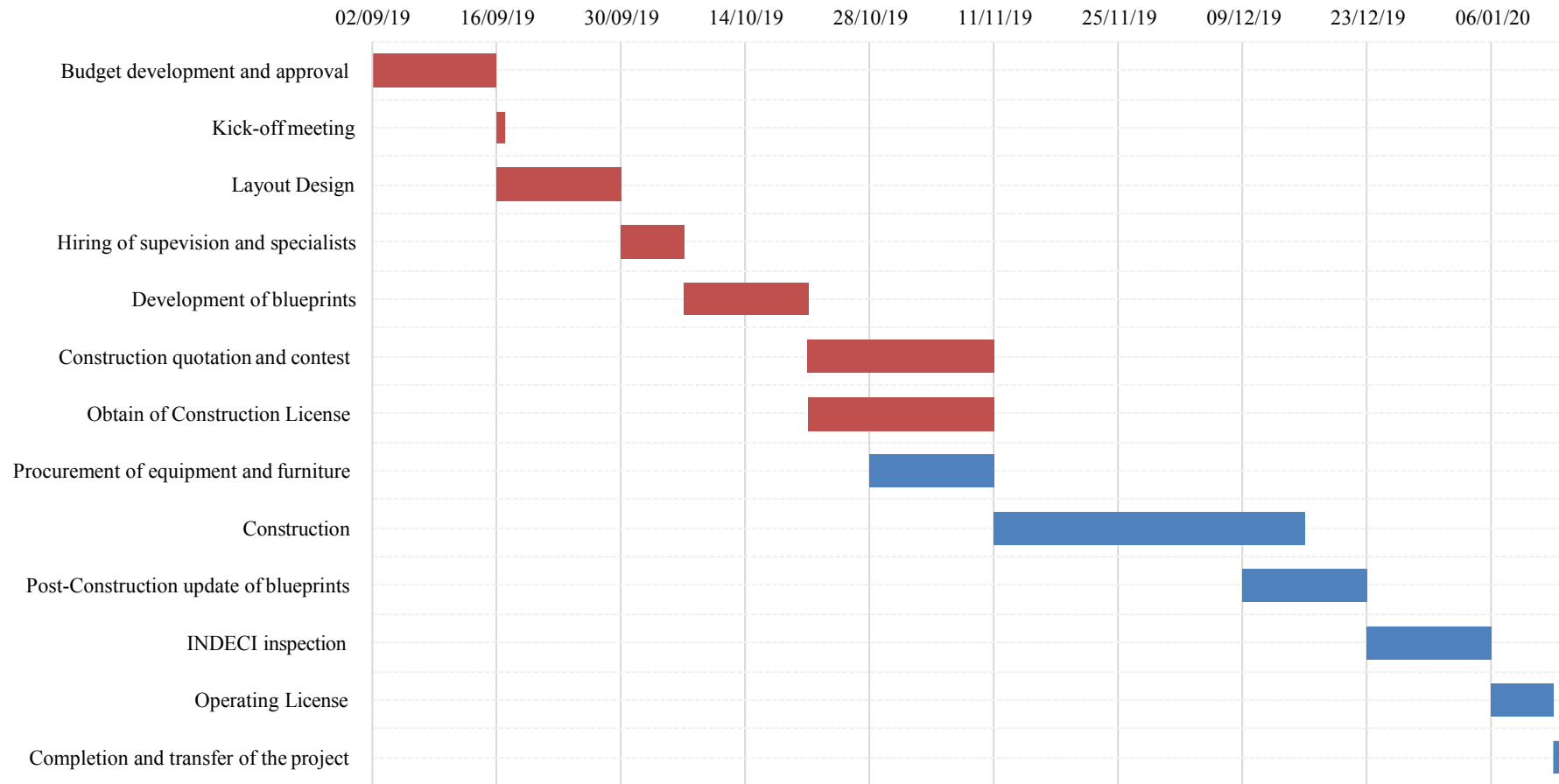


Figure 33. Gantt diagram of the project process

7.3. Key Success Factors

In order to implement the proposed solution, several critical success factors need to be considered. The most important enablers and how to ensure them are listed in the table below. Also, the table mentions five critical risks that should absolutely be avoided in order to let this project be successful. Ways to avoid these risks are given as well.

Table 23

Critical Success Factors: Enablers and Risks.

Enablers	How to ensure it
1. Client's commitment	Signed contract, relationship building, involvement, clear communication.
2. Financial means	Signed bank loan.
3. Municipality project license	Consult with the municipality while creating blueprints, ensure accounting for all essential details and requirements before submitting request.
4. Adherence to activity planning	Strictly sticking to Gantt chart, ensuring all parties are informed about their activities and time frames, signed contracts with contractors.
5. Responsibility distribution	Clear and written responsibility distribution to take charge of all the activities in a timely manner.
6. Dedicated constructor	Signed contract to finish on time and to deliver high quality output. Mutually agreed terms and conditions (including sanctions) if expectations are not met.
Risks	How to avoid them
1. Cost underestimation	Make a small overestimation of costs, recalculate estimated costs, generate second opinion about estimated costs.
2. Project duration underestimation	Ensure clear dedication towards the project from all parties involved via signed contracts with strict terms and conditions (including sanctions).
3. Corruption	Employ a trusted person to control for accurate, transparent and honest work.
4. Managers not sticking to the plan and the activities	Train the managers for accurate implementation, weekly meetings to discuss progress, issues and suggestions.
5. Municipality delaying the licensing	Ensure clear relationship with municipality, consult municipality representative when creating blueprints, strictly follow the guidelines given by the municipality.

Chapter VIII: Expected Outcomes

This chapter will present the expected results that will be obtained for Toulouse Lautrec, after having implemented the innovation center proposal. This solution will only be implemented at the *sede* San Miguel, as mentioned in previous chapters since with the company's expansion plan towards a new campus in Lima Norte; San Miguel will be the only *sede*, that is, the only one building operating 100% for the Continuous Education unit. Therefore, this *sede* represents the best alternative for the proposal. Also, an opportunity to be the starting point to implement this solution in other Toulouse Lautrec buildings.

The expected results of the proposal need to be calculated using preliminary information and some data based on market growth and customer expectations. The first data is that the demand for studies in technological institutes has increased from 21% to 40% in 2018, these mainly in the NSE B and C (“Crece demanda por estudiar,” 2018). Given that the *sede* is in San Miguel, it is important to mention that in this district predominates the NSE B, according to APEIM (2018). This shows the great growth potential towards the institutes, especially in certain areas of Lima. In addition to this, Toulouse Lautrec became the first *Escuela de Educación Superior* in Peru in 2019, this being a milestone in the educational sector and an increase in the prestige of this educational center (Semana Económica, 2019). This growth information in the sector is favorable to the interests of TLS but does not provide a specific ratio to use in the forecast of sales in the coming years, because it covers all institutes but not creative careers in particular. However, it is important as it is evidence of growth in the sector and that the prestige of Toulouse Lautrec, now as *Escuela Superior*, can help increase sales.

The important fact is that the growth in creative careers is 16% per year, according to TLS's market research. Now, it is known that the company's growth expectations are 20% for the Continuous Education unit in the coming years, this figure was mentioned in chapter II.

The unit currently operates in the four TLS buildings, but taking into account that the buildings in Santiago de Surco and Magdalena are campuses and the one in Lima Norte will also be a campus in the next year, the only building operating entirely for continuous education is located in San Miguel, as mentioned in the previous section.

In that sense, and knowing that the proposal will be in the building in San Miguel, the following section will show the cash flow corresponding to that building. It is important to indicate that the investment to implement the innovation center will be made in the year 2019, which will allow the *sede* to obtain the expected benefits from 2020 to the coming years. Currently, utilization of 20% of the installed capacity in the building is reported and the objective is that after having implemented the innovation center on the second floor, the utilization can increase to a value between 60% and 80%. This will happen because the redesign of the classrooms and the installation of the new co-working spaces will allow the *sede* to be more attractive to customers; therefore, the utilization of available spaces will increase.

8.1. Cash flow

In this section, the expected results are presented after implementing the proposal. The cash flow is shown in Table 24, to perform the calculations it was necessary to use the information provided by the company corresponding to the year 2018. Regarding the value of depreciation, Table 24 shows information of the company corresponding to the business units, the numbers represent thousands of *soles*. For the calculations, only the 2018 data in Continuous Education is considered and 60% of that value is assigned to San Miguel. This percentage is assigned to the building in San Miguel, since of the four buildings in which Continuous Education operates; Santiago de Surco and Magdalena share the assets with *Antegrado*, the other business unit of Toulouse Lautrec. On the other hand, Lima Norte is a building that does not have much infrastructure or equipment since they will move to another

location, and San Miguel is the building with more assets and plans to expand in the same place.

Table 24

Operating Costs and Revenues per Business Unit of Toulouse Lautrec

	Antegrado		Continuous Education	
	2018	2017	2018	2017
Sales	74,685	63,673	11,145	7,629
Cost of Sales	-12,408	-10,076	-1,866	-1,694
Depreciation	-4,281	-6,276	-639	-752
<i>Gross Profit</i>	<i>57,996</i>	<i>47,321</i>	<i>8,640</i>	<i>5,183</i>
Sales Expenses	-5,835	-4,241	-2,794	-3,176
Facility Expenses	-8,477	-6,619	-2,568	-2,501
Provisions	-1,663	-1,350	-248	-162
Rent	-4,849	-4,463	-1,845	-535
Core Administrative Expenses	-6,991	-6,996	-2,546	-729
Corporate Administrative Expenses	-8,153	-7,930	-1,262	-1,017
New Projects	-635	-215	-95	-24
Depreciation	-1,070	-1,569	-160	-188
<i>Operational Profit</i>	<i>20,323</i>	<i>13,938</i>	<i>-2,878</i>	<i>-3,149</i>
Gross Margin (w/o Depreciation)	83.4%	84.2%	83.3%	77.8%
Operative Margin (w/o Depreciation)	34.4%	34.2%	-18.7%	-29.0%

Retrieved from "Costos," by Toulouse Lautrec, 2019c [Unpublished proprietary information].

As previously mentioned, the year 2018 is information provided by the company. For the year 2019, complete information is not available because the year it is still ongoing. Then, the corresponding sales and expenses had to be projected to have the information for this year. To project sales, it was used the market growth rate of 16%, data obtained from the market research of Toulouse Lautrec. The cost of sales represents 11% of sales in the year 2018 and the same percentage was used for the year 2019. The sales expenses remain at 46% respect to sales, the same level observed in the year 2018. Fixed expenses keep at the same level as in 2018; these are facility expenses, provisions, rent, and core expenses. Finally, depreciation does not vary since the company does not acquire new assets to depreciate. In general, the behavior of the year 2019 is very similar to last year, because the changes have not yet been implemented. However, the calculation of the structure for that year is important, as it will serve as a reference to make the projections for the next six years.

Table 25

Operating Profit

	2018		2019		2020		2021		2022		2023		2024		2025	
Sales	S/	683	S/	792	S/	2,337	S/	2,804	S/	3,309	S/	3,905	S/	4,607	S/	5,437
Cost of sales	S/	-78	S/	-90	S/	-351	S/	-421	S/	-496	S/	-586	S/	-691	S/	-816
Gross Profit	S/	605	S/	702	S/	1,986	S/	2,384	S/	2,813	S/	3,319	S/	3,916	S/	4,621
Expenses	S/	-1,082	S/	-1,132	S/	-1,699	S/	-1,886	S/	-1,923	S/	-2,131	S/	-2,147	S/	-2,396
Sales expenses	S/	-317	S/	-368	S/	-935	S/	-1,122	S/	-1,158	S/	-1,367	S/	-1,382	S/	-1,631
Facility expenses	S/	-263	S/	-263	S/	-263	S/	-263	S/	-263	S/	-263	S/	-263	S/	-263
Provisions	S/	-39	S/	-39	S/	-39	S/	-39	S/	-39	S/	-39	S/	-39	S/	-39
Rent	S/	-296	S/	-296	S/	-296	S/	-296	S/	-296	S/	-296	S/	-296	S/	-296
CORE expenses	S/	-167	S/	-167	S/	-167	S/	-167	S/	-167	S/	-167	S/	-167	S/	-167
EBITDA	S/	-477	S/	-431	S/	287	S/	497	S/	890	S/	1,188	S/	1,769	S/	2,226
Less: Depreciation	S/	-96	S/	-96	S/	-144	S/	-144	S/	-144	S/	-144	S/	-144	S/	-144
EBIT	S/	-573	S/	-527	S/	143	S/	353	S/	746	S/	1,044	S/	1,625	S/	2,082
Taxes (29.5%)	S/	-	S/	-	S/	-42	S/	-104	S/	-220	S/	-308	S/	-480	S/	-614
NOPAT	S/	-573	S/	-527	S/	101	S/	249	S/	526	S/	736	S/	1,146	S/	1,468
Plus: Depreciation	S/	96	S/	96	S/	144	S/	144	S/	144	S/	144	S/	144	S/	144
Free Cash Flow	S/	-477	S/	-431	S/	245	S/	393	S/	670	S/	880	S/	1,290	S/	1,612

Note. The numbers in the table represents thousands of *soles*.

Sales. From 2020, a significant increase in sales can be observed. This occurs after the innovation center has been implemented and an increase in the percentage of utilization of the building is expected. This increase will be gradual, and it is expected that from the 20% reported, the increase will be to 50% by the year 2020. This implies a similar behavior in sales, that is, an increase in sales 2.5 times compared to 2019. Added to this, is expected that the annual sales growth rate will be higher than the market that is 16%. In that sense, annual growth might be at 18%; this new growth rate should be from 2020. In 2021, the second year of operation with the innovation center, utilization should increase to 60%, compared to 20% of the year 2019, which means three times more than the level of sales in 2019. In the following years, it is expected to maintain a 60% utilization percentage but with an annual growth of 18%, as mentioned before.

Cost of sales. The cost of sales is at a level of 11% respect the sales in the years 2018 and 2019. However, since 2020 this percentage will increase to 15%, a number similar to the ones reported on campuses. Besides, this represents the increased costs of materials and equipment necessary to operate and offer the services with the innovation center.

Sales expenses. This expense represents 46% of sales in the current situation. It can be noted that the number is very high because *sede* San Miguel started operations in 2018 and it was necessary to carry out marketing campaigns to promote the new building. However, another reason why this number is high is due to a bad allocation of expenses in the structure. It is expected to reduce this percentage gradually since the levels reported on campus are approximately 25%. To achieve this, in the years 2020 and 2021, the percentage will be 40%; in 2022 and 2023, it will be 35%. Finally, in the years 2024 and 2025, the level will reach 30%. The objective is that in the coming years, this percentage assigned to sales expenses should be similar to the 25% reported on campuses.

Fixed expenses. Fixed expenses represent facility expenses, provisions, rent, and core expenses. These should not suffer large variations over the years, so it is assumed constant for this analysis.

Depreciation. Depreciation was determined using information from the company shown in Table 24. During 2019, there is no variation and it remains constant because the company did not acquire any assets. From 2020, this value increases by 50% for the assets and equipment purchased for the implementation of the innovation center. A linear annual depreciation is assumed.

Taxes. In 2018 and 2019 there is no tax payment because the operating margin is negative, from 2020 the company must assume payment obligations because it is generating profits. The tax rate in Peru is set at 29.5% for companies (SUNAT, 2019).

8.2. Net Present Value

In this section, the initial investment and the flows that will be obtained in the coming years are shown in Table 26. The detailed cost of investment was presented in the previous chapter. This information is necessary to determine the net present value and analyze the project, to decide if it is beneficial for the company.

Table 26

Net Present Value

	2019	2020	2021	2022	2023	2024	2025
FCF	S/ -608,600	S/ 244,771	S/ 393,044	S/ 669,820	S/ 879,774	S/ 1,289,932	S/ 1,611,506
NPV	S/ 495,538						

Note. The numbers are taken from Table 16

To determine this value, it is necessary to use a discount rate that is the approximate weighted average cost of capital (WACC) or a value established by the company to analyze their projects, the latter is called the hurdle rate (Kalyebara & Ahmed, 2011). However, this is valuable and confidential information for the company, so there was no access. Similarly, the company's financial statements are managed at the corporate level, that is, for the Educa

group. This group is the holding company of Toulouse Lautrec, to which “Universidad de Ciencias y Artes de America Latina” [UCAL] and CERTUS Institute also belong. Because the details of the information necessary to calculate the WACC and the hurdle rate are not available, a value must be assumed to calculate the net present value. It is known that the WACC is an approximate value that is calculated using the opportunity cost of investors (COK) and the cost of acquiring debt from a third party (interest rate), besides, the WACC is a value greater than the interest rate and less than COK (Wang, 1994).

Discount rate. There is no information on the COK but there is data of interest rates on local banks. In this case, it will be taken as a reference, the interest rates offered by “Banco de Crédito del Perú” [BCP] and “Banco Bilbao Vizcaya Argentaria” [BBVA] that are between 31% and 32% (BBVA, 2019; BCP, 2019). Then, the discount rate should not be lower than those values, but a few points above those levels to reduce the risk of the company and reduce the uncertainty of not having data of the COK. Finally, the discount rate will be set at 40% to calculate the net present value.

Finally, after performing the calculations, the company obtains a net present value of S/495,538. This number greater than zero indicates that the project satisfies the interests of TLS since it generates profits. Despite having used a high discount rate, the project is still attractive and this is a positive indicator. Also, it is important to mention that the annual income obtained at the end of each year will be used to make continuous improvement in the building. This information responds to the plans in Continuous Education for *sede* San Miguel. In that sense, one of the main objectives of the company is that this project could generate sustained and sustainable growth in the coming years.

Chapter IX: Conclusions and Recommendations

The current chapter will summarize and highlight the main key learnings from this consultancy report, and provide concrete recommendations, according to the collected and analyzed data, for the company's improvement and development. The first section of this chapter will be based on the elements identified in the root-cause analysis, and which will allow the company to focus its strategic planning. Then, some recommendations regarding these topics will be developed to allow the firm improve their current identified situation.

9.1. Conclusions

First, the company is currently undergoing a process of strategic change. In the next month, the company, which is known and valued for its experience in creative fields of career, will open a new line of specialization in the area of Business as a way to capture a bigger segment of customers. This new strategic positioning comes along with the development and renewal of its vision, mission and values. Its new vision emphasizes the importance of entrepreneurship among its graduates, and the development of a strategic thinking that allows them add value to society. This mix between creativity freedom and business orientation can result in a unique value proposition that should be leveraged by the company. Additionally, the strategies developed from Toulouse Lautrec have to consider that as they offer products oriented to a narrower segment of customers (creative career), and taking advantage of their reputation, they compete based on a focus differentiation strategy that has to be reflected in all the decisions of the company.

Then, following the line of thinking of the differentiation source of strategic competitive advantage, the company should provide an outstanding customer service, and products that offer unique traits and are specific for their target customer. However, the company's culture has not proven to be customer-oriented. In regard of its customer service, the company reports many complains in the social medias, and some cases in printed press.

Some reports imply that the company seems more concerned about the collection of its payments than in offering solutions to its customers, others emphasize the delays, miscommunications or the provider of poor or misleading information in regard of the courses Toulouse Lautrec offers or its processes. Additionally, course offering neither does follow a customer or market orientation, as they are provided by trying out what previous courses have been successful and what other competitors offer, rather than what the market demands. Another aspect that has been identified regarding the service proposal of Toulouse Lautrec concerns its infrastructure. As professionals studying diplomas and professional specializations pay a much higher price for their courses, they are not satisfied to be provided with the same infrastructure or share spaces with the undergraduate students and public that may take other less-valued courses. In general, customers claim a better service and an environment of exclusivity, as found in the service satisfaction surveys.

As result of these unclear strategic positioning and lack of market and customer information, the company has resulted to have a very wide portfolio of products, searching to serve a very wide audience. The different courses do not only correspond to the six, and soon seven, specialization paths, but is more diversified due to over five different type of products (that differ in time-lengths). As such, different products have different strategies. The shorter courses intend to capture a more general audience and profit on rotation, providing as much courses the most possible times a year. While the longer courses reflect better the differentiation strategy that the company is intending to focus on, providing professional and semi-professional studies that have a bigger profit margin and yield more revenues to the company, although have a smaller number of students and higher dropout rates. By having too different products and too different customers, the marketing and advertising campaigns are not being very effective in capture potential students for the Continuous Education programs. This results in an underutilization of the *sedes*, as the courses are mainly provided

for executive customers and professionals who follow a weekly work schedule, but underestimating the potential of Entrepreneurs and University Students who may cover the non-premium hours under which the *sedes* are not currently operating.

Finally, in regard of its financial records and key performance metrics, the use of metrics such as Direct Cost to assess its efficiency do not contribute to the company strategy. By intending to increase their profit by only reducing Direct Cost (Salaries of Professors and Materials for the courses) the company could be undermining its own value proposition. Additionally, the business unit measures its growth and profitability in terms of sales, while as shown in the financial analysis hide a more serious problem derived of the high costs of infrastructure, that result in the case of *sedes* in negative operative profit, representing losses for the company's unit. While the cause of this may be that, some costs of infrastructure are assigned to Toulouse Lautrec's holding company, Educa; also, to the fact that there is more communication needed between the financial area and the operational area of Continuous Education, it is important to rethink how performance can be measured.

9.2. Recommendations

To ensure the expected results from the implementation, the company needs to align all its efforts and overcome the issues previously described, the following section presents some recommendations that intend to help the company improve its provided service, value proposition design, and strategic positioning. These changes, along with the implementation of the innovation center will contribute to ensure results that are more satisfying.

Reduce the complexity of the course offering. The offering of products that are different, but at the same time very alike (two and three months courses, five and six-months courses) do not allow to draw clear strategies for each case, weakening the potential of the product. Toulouse Lautrec should reduce this variety of course formats and keep up to three with clear definitions and customer segments. Besides, as previously explained, the course

offering is not market-oriented, but rather based on historical information of the company, thus, the company cannot respond really to the market demand or market changes that are undergoing. It is important that the company perform a market-research that could provide them real insight on what type of courses are really under demand, which would result in increased classroom capacity utilization and less losses due to unsuccessful trials of courses.

Narrow and dimension the target customers. Toulouse Lautrec customer study is based on its historical information of customers. However, as they also provide a wide variety of courses, some of them offering a very general product and appealing to a too wide audience, this historical information does not provide specific information about the customer, resulting in identified six archetypes, described in the previous chapters. Just as it is suggested with the courses, Toulouse Lautrec should know its customer in the market. Defining clearly what segment they want to serve will be helpful to developed a more customized service proposition, plus, by dimensioning its market they could have a more accurate estimations of growth and performance of future projects.

Improve Costing Methods and Key Performance Indicators. Toulouse Lautrec should implement new performance indicators that consider the Indirect Costs of its operation, as currently they account for 85% of their expenses. Current indicators as Capacity Utilization should be evaluated in more detail, considering the number of students they have rather than the number of classrooms occupied, and it should be contrasted against the profitability of its specialization paths and course types. This would provide information of course performance that could allow better decision-taking in regard of the service mix.

Develop an institutional design guide for infrastructure. The physical infrastructure, the design or architecture of the spaces allow or not the development of certain activities, and the way that people perceived the institution they belong. While this consultancy report concerns a proposal for one of Toulouse Lautrec's *sedes*, the company should develop an

institutional document that helps to align the infrastructure design to Toulouse Lautrec value's and personality. This guide should provide a set of tools and enough flexibility that could allow future projects, but guaranteeing that all of the projects maintain an identical essence. Additionally, having a pre-defined idea of what Toulouse Lautrec spaces should look like will ease the development of future projects and could reduce costs associated to the planification period.

Consider environment potentials when planning site locations. While exploring one of the proposed solutions, Toulouse Lautrec team explained that the evaluation of their site locations is based solely on economic factors such as potential growth in market share, consumer spending in the area, and costs related to the location. However, opening a new location is not a matter of only shortening distances between the company and their clients, as in the education business, distance and time transportation is not perceived as a main issue by students when the prestige of the institution compensates these costs. Then, the aperture of a new location should be seen rather as a possibility for providing even more unique services. By considering the related institutions, companies and players in the immediate surrounding of the sites, many opportunities for synergies and new types of services and products may emerge. In this way, the opening of new facilities should not only be a result of growth, but a strategic decision that adds to the value proposition of Toulouse Lautrec each time.

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Appendices

Appendix A: Structure of Toulouse Lautrec

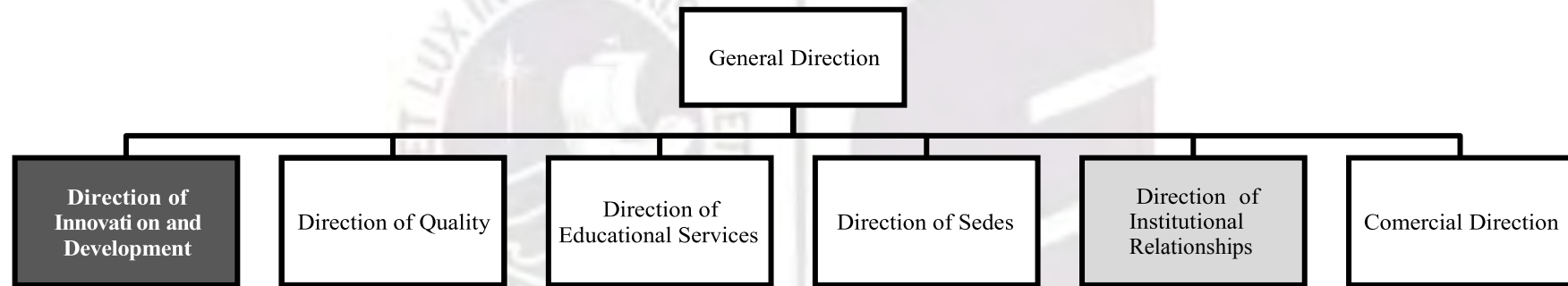


Figure A1. Organogram of Toulouse Lautrec.

Retrieved from *Estructura Académica Junio 2019* [PowerPoint slides], by Toulouse Lautrec.

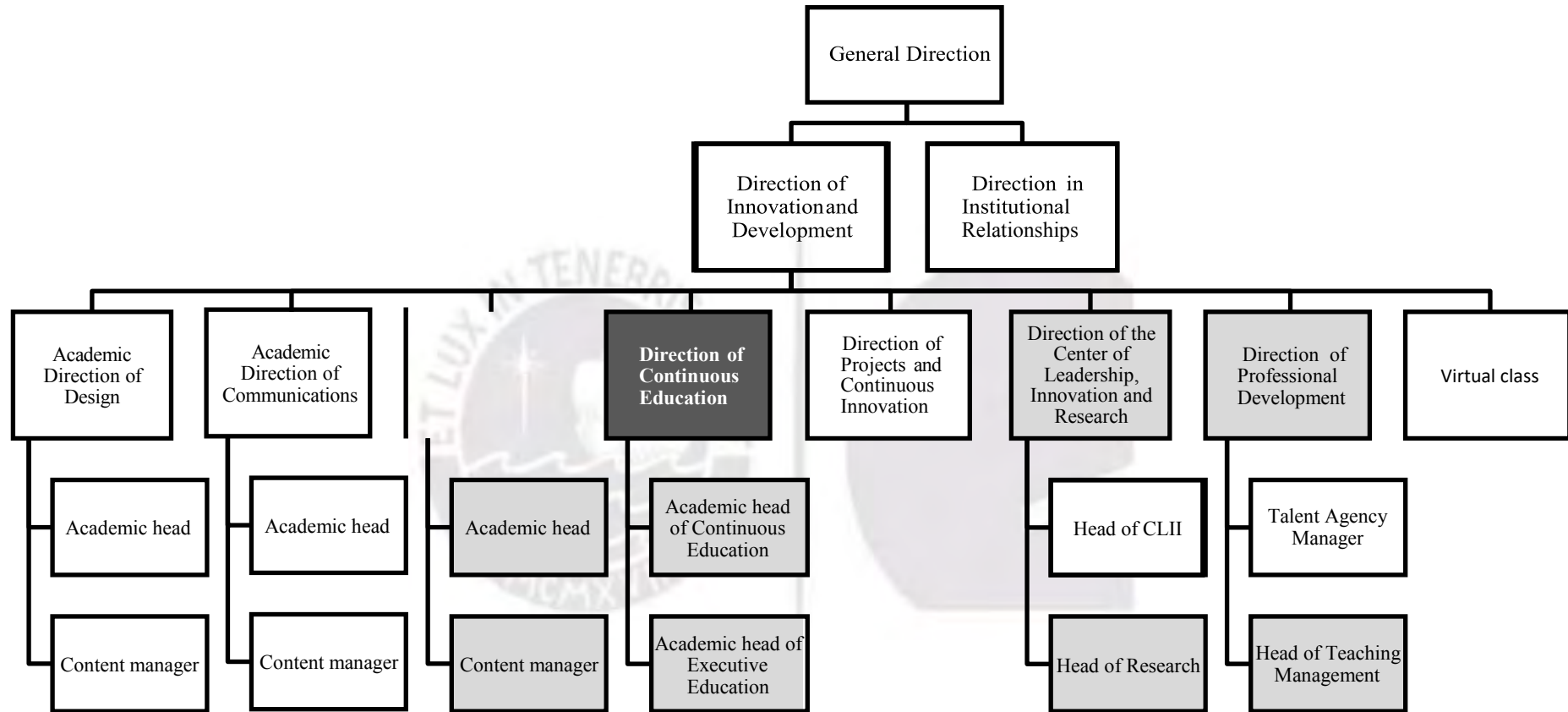


Figure A2. Organogram of the Direction of Innovation and Development department.
Retrieved from *Estructura Académica Junio 2019* [PowerPoint slides], by Toulouse Lautrec.

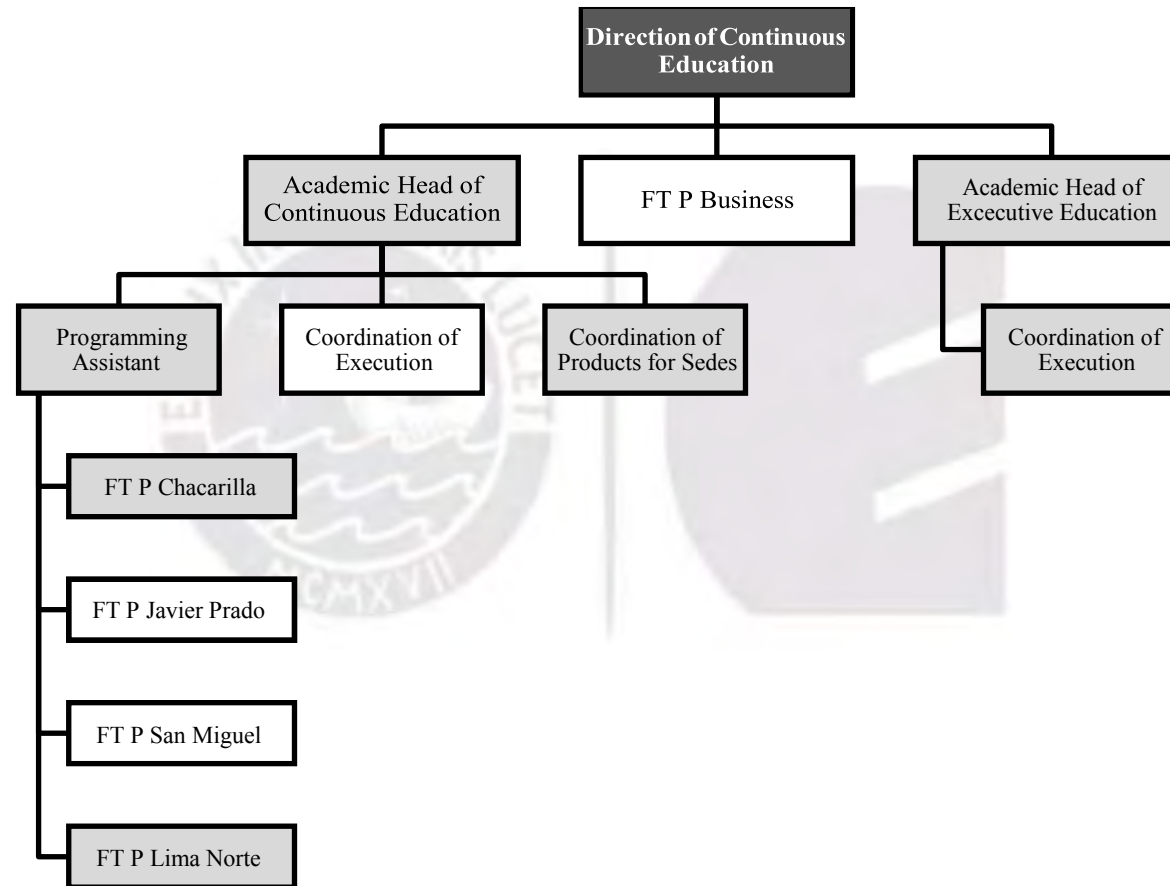


Figure A3. Organogram of the Direction of Continuous Education business unit
 Retrieved from *Estructura Académica Junio 2019* [PowerPoint slides], by Toulouse Lautrec.

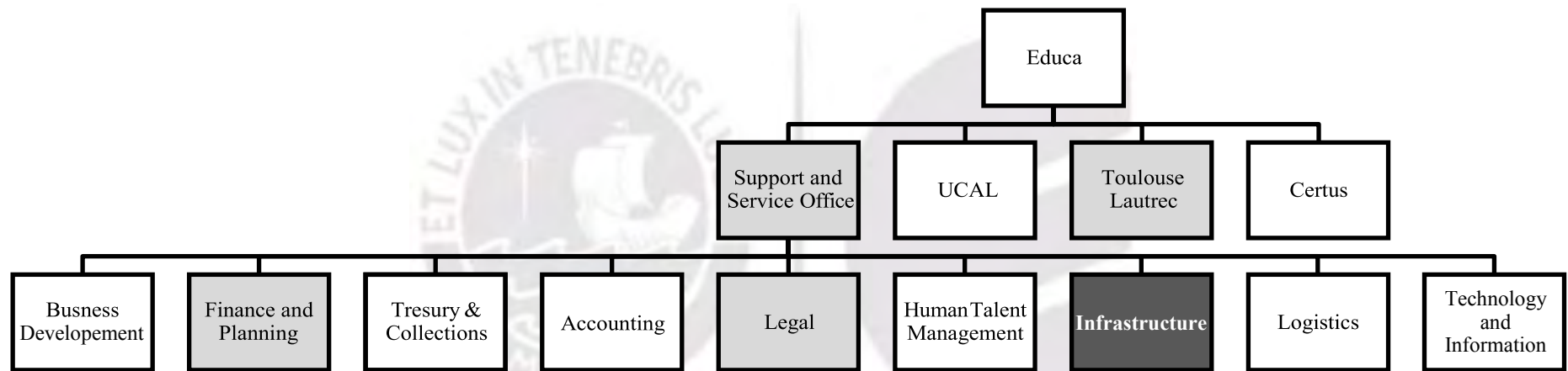


Figure A4. Organogram of Educa's Support and Service Office.

Appendix B: List of Competitors

Table B1

List of Competitors

Specialization Areas	Courses	Competitors
Design	Advertising Graphic Design	UTP
	Digital Graphic Design	IPAD
	Packaging Management and Design	IDAT
	UX & UI Design	INFOPUCP
	Website design	TELESUP
	Lettering	AVANSYS
		POUSSIN
Marketing and Advertising	Marketing Management	Escuela Nacional de Artes Gráficas
	Digital Marketing	IPAD
	Community Management	MOTT
	Strategic Marketing	Cámara Peruana de Comercio Exterior
	Social Network Management	Instituto Peruano de Marketing
	Inbound Marketing	
Communications	Photography	IPAD
	Audiovisual Post-production	Centro de la Imagen
	Cinematography and Art Direction	MOTT
	Photography Retouching	IPF Instituto Peruano de Fotografía
		SENATI
		Poussin
Digital	Fundamentals of Digital Animation	Escuela Nacional de Artes Gráficas
	Video Game Development	TFP Taller de Fotografía Profesional
	Youtuber for Adults	Club de Fotografía Perú
		Museo de Arte de Lima
Interior Design	Residential Interior Design	IPAD
	Event Organization	CIBERTEC
	Event Planification	ISIL
	Window Dressing Design	SENCICO
	Construction Management for Interior Designers	SENATI
	Garden and Terrace Design	ORVAL
		IDAT
		MAD
	Poussin	
	Escuela Asociación Peruano Japonés	

	Bathroom and Kitchen Design	Museo de Arte de Lima
	Technical Drawing	<i>SEMCO</i>
	<i>AutoCAD</i>	<i>InfoPUC</i>
	<i>3D Max</i>	<i>Sistemas UNI</i>
	<i>Revit Architecture</i>	<i>CAPECO</i>
		<i>TECSUP</i>
		<i>MACROTEC</i>
		MAD
		Mod'art Peru
		Escuela Latinoamericana de Moda
Fashion	Fashion Project Development	Chio Lecca Fashion School
		Instituto de Diseño de Modas Art
		Nouveau
		CEAM
		Poussin
		EdX
Online-course Platforms		Coursera
		Crehana
		Domestika
		Udemy
		Khan Academy

Appendix C: PUCP Interviews

Table C1

PUCP Interviews

Age	Course	What do you like in PUCP?	Is there something that would enhance your student life?	Does PUCP give you enough networking opportunities?	Other suggestions?
22	Audiovisual Communication		<ul style="list-style-type: none"> - more spaces to work on (salas de edicion) - calm, quiet and private places to work in 	<ul style="list-style-type: none"> - doesn't apply to their courses, they have to do freelancing 	<ul style="list-style-type: none"> - they would be willing to pay Toulouse Lautrec to use these spaces
21	Letters & Sculpture; working as a freelancer	<ul style="list-style-type: none"> - a lot of green in the campus - newly available building with macbooks 	<ul style="list-style-type: none"> - too old fashioned; - more contact with real-life work context - lack of networking opportunities - a more private space to nap - a stress releasing room 	/	<ul style="list-style-type: none"> - would consider taking EC course business applied to art students in the future
20	Law	<ul style="list-style-type: none"> - green areas; - big campus; - a lot of spaces to study 	<ul style="list-style-type: none"> - more resting rooms 	/	/
22	Advertising	<ul style="list-style-type: none"> - green spaces 	<ul style="list-style-type: none"> - more meeting rooms (open space) - no like the library where you can't talk 	/	/
22	Audiovisual Communication	<ul style="list-style-type: none"> - green spaces 	<ul style="list-style-type: none"> - study room with big screens 	<ul style="list-style-type: none"> - she would enjoy having meetings with business people; - she would 	/

				eventually pay for that if people were interested enough	
22	Teatro	- everything	- not enough places to study, especially in rush hours and before final exams	- they need more opportunities to network	/
18	Engineering	- green spaces	- they need more group study rooms	- have more contact with companies	- they would enjoy having more classes outside of PUCP >> leave the campus
17	History	- likes being part of the student union - likes the cushions in the library	- more group working spaces with a lot of boards to write - no necessary to be private	/	/
20	Economics		- resting room (napping)		

Appendix D: Personas

Table D1

Personas

Type	Students	Entrepreneur	Executive
Name	Elling	Khilo	Yang-sue
Age	17 - 25	25 - 40	35 - 50
Job	no job	nini / office monkey	middle - high manager
Motto	I set my own standards	I want to build my own dream	Can't let the young ones pass me
Background	<ul style="list-style-type: none"> * University Student * Creative field * Middle - class to upper - class * "daddy pays everything" * never worked 	<ul style="list-style-type: none"> * Professional * some working experience • middle class * pay their own education * decided * let's do it attitude 	<ul style="list-style-type: none"> * Educated * a lot of work experience * leadership experience * has a family struggle with change * more traditional * proud but full of themselves
Personality	<ul style="list-style-type: none"> Openness: ++ Conscientiousness: + - Extroverted: + - Agreeableness: + Neuroticism: - - 	<ul style="list-style-type: none"> Openness: ++ C: + - E: + A: - N: - 	<ul style="list-style-type: none"> O: + - C: ++ E: + A: - N: -
Likes	<ul style="list-style-type: none"> * hipsters * music * fashion * to be unique 	<ul style="list-style-type: none"> * to continuously educate themselves * to be motivated * work-o-holic 	<ul style="list-style-type: none"> * exclusiveness and reputation * being recognized * to win
Dislikes	<ul style="list-style-type: none"> - routine - traditional jobs - being judged 	<ul style="list-style-type: none"> - wasting time - passive people - rules 	<ul style="list-style-type: none"> - being outperformed - not getting what he wants
Wishes	<ul style="list-style-type: none"> * be their own boss * be more competitive * good quality of life: high standards * acquire passion skills * learning something new 	<ul style="list-style-type: none"> * fulfill its dreams * To be more competitive * to be recognized * to open their own business 	<ul style="list-style-type: none"> * remain competitive in the labor market * keep learning new things * to be recognized * to increase wage

Appendix E: Online Customer Feedback

Table E1

Customer Feedback

Complain	Source
Customer attention personel refused to take a student complain. Despite there was a protocol established to respond to such situations, they were not communicated quick enough.	https://elcomercio.pe/redes-sociales/facebook/facebook-instituto-disculpo-alumno-afectado-chosica-346854
Estudiantes e ingresantes en este instituto indignados por la falta de organización para las matrículas y entrega de horarios el día de ayer, uno de los supuestos mejores institutos en diseño de Lima... ¿Que les cuesta distribuir a mejor a los que van a recoger sus horarios o matricularse por código, apellidos, en fin, opciones de distribución hay muchas, imagínense que solo atendía unas personas, si una sola persona atendió a todos? Fallas en el sistema informático ocasionan demoras	https://www.forosperu.net/temas/toulouse-lautrec-profesionales-en-desorganizacion.180405/
Quisiera pertenecer a TL matriculandome de una vez, pero me da recelo que casi todos los comentarios hacia el servicio del alumno no es prioridad y ni tan eficiente como parece, pero si me importan mucho sus carreras estan cheberes	Google reviews
La peor experiencia de pago. Me indicó que daría la respuesta por correo, pero nunca me llegó a dar. Hoy tuve que llamar para que me dé la respuesta, pero nunca contestó. Llamé al número general para que me puedan dar una solución y lo que encuentro son cortes de llamada, transferencia a distintos números y distintas áreas, ninguna solución a la mano.	Google reviews
Es un buen lugar para estudiar, más que la infraestructura son los profes y la gente.	Google reviews
Los precios son de acorde al mercado y puedes convalidar la carrera técnica en la universidad Orval	Google reviews

Los profesores son buenos, sin embargo, la sede es terrible. Los salones son muy improvisados, las computadoras de los laboratorios son lentísimos, los baños del pabellón A y D son completamente inadecuados para la capacidad de alumnos que hay.

Google reviews

Buena institución, pero muy desorganizados y la atención es lenta

Google reviews

Dan pésima información, las señoritas Estefany Plesly de la Sede Salaverry y Claudia Moscol, son personal no capacitado para dar los informes, por culpa de ellas mi hijo perdió una clase

Google reviews

Desfasado para ser caro

Google reviews

Instituto de nivel internacional con convenios con Australia, España, Argentina, Estados Unidos, México y Costa Rica. El campus de estudio, es una moderna estructura. Las carreras son un 70% prácticas, por lo que hace que al salir al campo laboral ya sale con suficiente experiencia y prácticamente un empleo seguro. Los profesores son de altísima calidad y la atención de todo el personal es muy buena.

Google reviews

Excelente institución, buenos cursos y bonitas y equipadas instalaciones (San Miguel).

Google reviews

(Javier prado) Edificio en buenas condiciones, con lugares de escape fáciles de identificar, una escalera de Emergencias amplia, ascensores rápidos, una cafetería confortable en el último piso.

Google reviews

Appendix F: San Miguel current facilities

Figure F1. Classroom of Toulouse Lautrec San Miguel



Figure F2. Distribution Hall of Toulouse Lautrec San Miguel

Appendix G: Innovation Center



Figure G1. Innovation Center by Communal Co-working