



Indian Institute of Technology, Delhi

## Winstock: Losing the Battle

This case was written by Aman Jain, Kartik Chouhan and Arpit Jain under the supervision of Dr. Mahim Sagar, Department of Management Studies, Indian Institute of Technology, Delhi. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

The case was compiled from published sources.

© 2014, Aman Jain, Kartik Chouhan, Arpit Jain and Dr. Mahim Sagar.

No part of this publication may be copied, stored, transmitted, reproduced or distributed in any form or medium whatsoever without the permission of the copyright owner.

## Winstock: Losing the Battle

### INTRODUCTION

With a hefty increase in the number of online trading account holders, from 20 million in 2012 to nearly 24 million in 2014, the IT sector has realized the potential that is available to exploit. Also, with internet continuously reaching sky-high numbers in terms of consumers, the nature of the financial services has dramatically changed. Online trading accounts removed the need for maintaining the necessary trading documents and certificates as an alternate trouble-free path via the internet.

But the users were still unaware of what to buy, when to buy, what to sell and when to sell. The people needed a trustworthy source that could offer them the information on trading and profitability of their transactions. The financial portals became this source as they offer the users with recent trends in the stock market, real-time data and a number of other tools and facilities that help users in making a better decision in terms of profitability. The data available on financial portals gave the users an insight into the trading practices. Some portals provided online advisory, which supported the facts and figures while some enabled the user tools to conclude his own trading market research and end the results from now on. Some went a step ahead and provided an avenue where trading problems could be dealt – be it information, research, advice or trading. The number of online trading account holders increased even further after the advent of financial portals, attracting even those people who had never heard of online trading accounts. The financial landscape has been completely transformed by online brokerage services and trading systems. All kinds of financial information are just a few clicks of the mouse away from the user. This is a growing market and will keep growing as the number of internet users continuously increases. New portals are emerging within and across countries which offer similar services and allow e-trading at lower costs.

**Pinaculo Tech.** launched **Winstock** – a financial portal to exploit this opportunity in the growing market. This portal provided users with information on the financials of the industry and trade-related data. The company has hugely invested in this portal and is looking to cater to the huge demands and needs of the market. The company wants to prove its investment in the portal that whether the investment made is correct on the part of the company or is it a waste considering the ever-increasing competition in the industry leading to lower profit margins. The company wants to figure out if it should continue pumping its money in Winstock or allow it to run its course with the current resources.

### COMPANY OVERVIEW

Pinaculo Tech. is a private company which deals with the development of software products and Research and Development for other companies. It was founded by Daniel Gilberto da Silva, who is the incumbent CEO of the company, in 1991 in Manaus, Brazil. The basic idea of the company is to offer technology and software services to companies who wanted to outsource their company software. Cloud computing infrastructure and enterprise mobility management are supposed to be the key company aspects.

The first industry served by Pinaculo Tech. was the newspaper industry, where they developed a product to mechanize the process of news acquisition, saving time and staff for the newspaper companies. The fact that the product was used by more than 300 publication houses across Brazil single-handedly emphasizes the success of their first product.

\*The case has been camouflaged but it helps us to understand the emerging market scenario in countries like India, Brazil, China and other developing countries.

Many more such products were created by Pinaculo Tech., resulting in major financial achievements such as breaking through in the first year itself, even though it was a completely self-funded start-up. The first major breakthrough for the Pinaculo Tech. came in 1994, when it landed the services of companies as big as 3M. The global technical giant is still associated with the company.

This was surely just a baby step, though a significant one, towards going international, and Daniel moved the company's base to Los Gatos, California in 1996, probably realizing the potential for growth that international companies offered. Presently, the company's headquarters are situated in Silicon Valley, Northern California, with offices in Washington DC, Boston, New Jersey and Richmond. Nevertheless, still it has developed a strong base in Brazil with development centers in Sao Paulo, Rio de Janeiro, Brasilia and Fortaleza.

The company has grown in ever since and with more than 2000 employees most of whom are engineers. Its core competence is a technology based on innovative services. And just as with any other major software company, the major services that Pinaculo Tech. offers are in a variety of areas such as digital media, mobile, and wireless, network security, finance, healthcare, CRM etc., delivering services product architecture, design & testing, technical consultancy, software R&D, quality assurance, supports services, etc. With continual development in technology, company has been now focused on Lucene, SOA based Platforms, EC2, Amazon Web Services, OpenSocial, RIA, Shindig etc.

The company has seen excellent progress over the past few years, boasting a long list of ever-increasing associations and partners, namely, Oracle, Greenplum, and Datastax among others. More recently, software giants such as Google, Microsoft, Samsung, and Nokia have also come to associate with Pinaculo Tech. The goal of the company is still focused on continuing being a robust, outsourced product research and development and services company while providing benefits to the associated partners and associations.

## CONCEPTUALIZATION OF THE PRODUCT

Winstock was launched keeping in mind the opportunity it provided for the company to grow. Also it empowers the user by introducing him to new tools that helped the user in making a wise decision regarding financial trading and markets. Winstock allows the users to create and keep up their portfolios via their logins. Winstock also allows investors and the public to post their queries through internet and their queries are responded to by experts in the concerned field. If a company specific query is received, then the query is routed to the company secretary of the concerned company which was already on the same platform, and the query answered by him to the investor. A flurry of further changes was then introduced in what the portal had to offer. Industry analysis, industry trends, the current market situation, analysis reports, expert views, grievances redressed etc. were introduced on the portal that further enhanced the service of the web portal and helped in further educating and informing the investor.

All important financial information on Brazil and the world is made available on the homepage of the portal so that the user has quick access to this information and quick links of **BVRJ (Bolsa de Valores do Rio de Janeiro)**, Bovespa data, corporate news and announcements, annual reports of companies, market reports from the data analysis etc.

A two member team of highly qualified subject matter experts was finalized to study the concepts and market feasibility of the product and after extensive research by these experts, the company decided to work on the core concept along with a technical team of eight engineers who were specialized in coding and User Interface Testing. Some CFA data analysts and other professionals were recruited to speed up the process and to bring in more business-centric ideas in the portal.

## **PRODUCT OVERVIEW**

Winstock is one of the financial portals in the Brazilian financial market, which helps in providing critical investment information according to the needs of investors. The product is known to use the currently available technology in the market to provide valuable financial judgments to its customers in a very simple and interactive manner. In the emerging market, Winstock would act as a single, concentrated unit, which would store all the data and information related to companies' financial statements, IPO offers, documents related to the mutual funds, equity funds, current stock market and other important financial news. The usual investors or customers of the portal generally include public, corporate people and the financial institutions. Even some educational institutions use it for financial purposes.

Pinaculo Tech. has been working on creating new technologies, which would provide out of the box solution in the future and would be scalable. One of their current focus areas is SaaS, which means Software as a Service. It is a service delivery model, a kind of application/software, where the information and the data are collected on one cloud and it is controlled by the ISVs (Independent software vendors). The information stored in that cloud is accessible on demand. Usually, it is accessed by users on a website after agreeing to certain terms and conditions. Numerous companies are working on improving the quality of their SaaS delivery model, which would greatly support their business' enterprise resource planning, customer resource management, management information systems, accounting, human resource management, service desk management and logistics. SaaS is very beneficial for those companies (ISVs) which make and sell software for a particular segment (mass or niche). Typically, ISVs target market segments like real estate brokers, healthcare personnel, stock management, child care management etc. Google, IBM, Oracle, Apple, Microsoft are just some of the examples of ISVs.

Winstock is one of the examples of SaaS. Pinaculo Tech. has created Winstock as an innovative SaaS model to target the stock management market, aiming for investment communication. Winstock is a kind of SaaS architecture, aiming for the better and effective communication of the investors in the current market. Winstock has been able to attract many investors, advisors and financial institutions to use it. It is intended to act as a single channel between the investors and the companies, financial experts, real estate and mutual and the equity funds. It has been started with a goal of changing the contemporary investor communication system and is a web-based communication system. It wants to help the investors and deliver them with 24X7 access to the financial information in a simplified and user-friendly way. The system would be customizable according to the user's interests and needs. It also provides shareholders the information and financial data about the emerging scenario in the financial service sector.

Winstock is also known to have good financial widget galleries in Brazil, which greatly improves the user experience on the site while comparing and analyzing different companies in the market.

Pinaculo Tech. is investing heavily in its research and development in-order to deliver better and efficient financial services. These services would be more data based oriented, so that they meet the user's or a client's business requirements.

Winstock would help investors to post or register their issues and queries on its platform for a company, mutual fund or a brokerage houses and concerned authority of that organization would directly answer to the query without any intermediaries. This would allow the investor to have a better communication level with the company.

If an investor is struggling to take a suitable financial decision in his/her investment career, Winstock also provides such investors relevant and priceless reports and data so that they take the right decision.

Winstock also collects and uses the personal information of the user to provide more effective customer services and improve its site operation. It has developed various models, products and services depending on the needs of its clients. Primarily, Winstock focuses on the following fundamental points:

1. **Research Instruments** – As discussed earlier, Pinaculo Tech. has invested heavily on the research part so that it is able to extract the most out of the data available and relate to the various parameters. In this approach, it is able to do a thorough investigation of the market and the stocks. This practice would help an investor to take correct decisions while choosing the investment companies. Also it is working on extending its database to include more companies under one roof.
2. **Applications** – Pinaculo Tech. is also working on creating a more interactive set of application for the users. Applications are one of the methods used by many SaaS models in order to attract, engage and increase the basic understanding about the financial matters of the users of the sites. This practice generally leads to better awareness among the mass about the financial portal.
3. **Accurate, time-effective calculation methods** – This tool is more customer-oriented and caters to personal financial needs of the client. This tool helps the investor in taking efficient and effective decisions over a long-span.
4. **Services to financial institutions** – This kind of service is targeted towards the financial institutions by providing them with an advanced level of financial research.

## PRODUCT DEVELOPMENT

The first version of Winstock was realized and launched in the year 2008 which comprised of the basic facilities of investor forum, an investor dashboard which was capable of customization, bookmarking a company for alerts, choice of data between Bovespa/BVRJ or both, IPO data, widgets, and company microsities. This comprised the first phase of development.

In the second phase analysis of data, development of tools and utilities and user interface were given more emphasis. BVRJ and Bovespa data powered widgets featured on the portal and further research tools were developed for an in-depth analysis of the market. The efforts were directed so that the data on the portal are not static and attract users with its dynamic interface. The working of the site was also kept simple and user-friendly.

The second phase had emphasized primarily on the following product features –

- a) **Market:** This section features the current market trends, market snapshot, top gainers/losers, Bovespa today, Bovespa heavyweights, Price shocker, daily and weekly wraps, market indices and compare indices.
- b) **Companies:** This section has documents of all the listed companies, their micro sites, announcements and comparisons between different companies.
- c) **Industries:** This section has all the industry data at Bovespa and BVRJ. It also provides information about the indices.
- d) **Mutual Funds:** It includes the financial data on mutual funds, AMC micro sites, comparison of funds and quarterly data overview.
- e) **IPO:** This section has all the news of the various IPOs raised in Brazil and the world which includes current and forthcoming IPOs.

- f) **Research Tools:** This section has various research tools that allow the users to conduct their research using different parameters like indices, financial ratios etc. on companies and industries.

## **BUSINESS MODEL OF ORGANIZATION**

Pinaculo Tech. has invested over **50 million real\*** so far in Winstock. It also to pay an annual fee of 200 thousand real (approx.) for Bovespa and BVRJ Live Feeds. The portal is going berserk in terms of increasing expenditure.

Winstock was launched keeping in mind the huge market potential of financial data, reports and feeds. It was assumed that the market will continue to grow with increasing internet penetration and Winstock will be able to attract major chunk of these online trading account holders and investors which are the major chunk of the market. The revenue model of Winstock is built on the same assumption. It is intended to earn its revenues primarily by the selling of raw and processed observations to companies and investors. The diverse sources of revenue for Winstock are:

1. Financial Portals/Brokers
2. Listed Companies
3. Institutional Sales
4. Advertisements.

The foremost part of the revenue is generated from financial portals/brokers, listed companies and institutional sales. Financial Portals and brokers needed data so that they could feed it to their end consumers since it neither can be done, nor is possible for a portal to gather and analyze all the data. Winstock also serves as a data hub for various institutions that use it for educational and professional purposes. It serves as a tool for the listed companies to make their investors aware of all financial information which is mandatory as per the CVM guidelines. Winstock has been continuously trying to increase its revenue through online advertisements but has not been able to attract willing advertisers.

## **EMERGING SCENARIO**

In the year 2000, with the global markets rising and the economies of Latin America in full swing, many financial institutions started offering online trading. High consumer confidence and increasing Internet usage suggested a growing demand for online trading services among Latin American countries.

Most of financial portals run on following major delivery points:

- Live market data.
- Live market and global news.
- Announcements.
- Impact on stocks, indices.
- Commodity data.
- Research.
- Advisory.
- Financial reports and statements of public and private companies.

- High Tech. Widgets and Applications.

Pinaculo Tech. has a tough task in front of them to keep Winstock alive in the market. The current scenario in this sector of finance is controlled by the giants like Google, Yahoo, Rediff's financial portal, the Economist, Wall Street Journal, the financial times and the Barron's. These companies' financial portals like yahoofinance.com (by Yahoo), google.com/finance (by Google), economist.com (by The Economist), ft.com (by The Financial times), bloomberg.com/markets/ (by Bloomberg), online.wsj.com (by The Wall Street Journal) and money.msn.com/ (by MSN Money group) have created a very competitive and tough environment, for Winstock to compete and survive. These companies are well-known for their extensive research and promotion strategies. The kind of services offered by these products varies in nature but all these products have a live market coverage, commodity data, great user interface and engagement, attractive look and feel. Each has fantastic web penetration, and is supported by investors and market-friendly activities like expert advice, webinars, and educational activities. Apart from these, Winstock is also facing stiff competition from regional players who offer the financial information in regional languages. Social media has also played a key role in increasing the growth rate of these products. All the listed products have high market penetration and brand awareness because each have invested heavily in social media also. Companies having such financial portal have diffusion on social sites like Twitter, Facebook, Orkut, Gmail and other blogs because they are being used by a large share of the population.

Most of the Brazilian financial portals run with the licensed data feed from commonly available sources such as BVRJ, Bovespa data for market data, announcements, PR Newswire, business standard for market news, CVM. Most of the financial portals are given access to this data and ability to build complex utilities based on these data in a short-span of time. A key differentiator and relevant market penetration are necessary for the success.

IR services are part of the derived data services for companies listed on BVRJ and Bovespa. CVM guideline bounds a listed company to have a live and updated website for their investors, but no further guidelines or instructions for companies, which make no compulsion to a company to show livestock related data on their IR page. It's at the discretion of Company secretary and corporate communication manager or management to select such services.

Other services which can be packaged for Brokerage Houses, sub brokers, IT companies, bloggers, information portals are raw data feed, which can be customized as per the need.

Some of the offerings or services need a decisive ground check. IR related activities enable corporates to inform and communicate effectively with their investors. These portals are licensed by Bovespa and BVRJ for posting their data feeds so the information can be considered to be credible.

Data/info feed services are the extended and customized part of licensed data which may be used on websites, tools, blogs, portals, tickers. Retailing of data with customized feeds and solutions require a lot of back end support and team and again, it is required that the retail customers are enough in number and ready to pay enough for capital extensive business.

## CURRENT MARKET SCENARIO

Leading Financial Portals:

1. **Bloomberg:** It is one of the leading financial portals in the market. This portal was started in 1981 by Michael Bloomberg. Bloomberg is able to link the decision makers with a dynamic network of information, ideas and people. Their core strength is the ability to provide data and information to its users quickly and accurately with the help of modern innovative technology. They are intended to deliver financial and business information and news across the globe with approximately 15,000 employees in 192 locations.
2. **MSN Money:** MSN Money is launched by MSN, in association with CNBC. It provides the business news, the prices on the stock exchange and the financial market. Its real-time market news which provides real time index values, live expert, user discussion about the stock market, World market coverage, promotion strategies etc. ensures that it is different from other financial websites.
3. **Yahoo! Finance:** It is a website sponsored by Yahoo!. Its distinctive features such as a good user interface, online tools for personal finance management, research & financial reports, promotion strategies, original programming video clips, similar features for international markets etc. makes it competitive from other websites.
4. **Wall Street Journal:** This portal was launched owned by News Corp (via Dow Jones and Company). Its main features include research & financial reports on mutual funds, live market update, expert speak, Fund Manager Tracker etc.
5. **Financial Times:** It is a British portal and is available in three languages (English, German and Chinese). It serves as a financial services provider which deals in realty & wealth management, capital market advisory, real estate advisory, investment banking, asset management. The site provides comprehensive and real time information on Brazilian corporates, sectors, financial markets & economy, features industry & political leaders, entrepreneurs and trend setters. All these factors make it look different from others.

Brazil is considered as the most attractive Latin American market for investors and can offer direct online futures trading. Just like the Chinese and Indian markets, Brazilian market is a highly regulated market and is not a free economy. Hence, there are not a lot of established local players to compete with, which makes the field that much more rewarding. With the internet using population continually increasing, a lot of local players are trying to establish a foothold in the Brazilian market. Pinaculo Tech. took a major step by launching its product, Winstock for online and direct trading, which would track the Bovespa Index and BVRJ data.

Winstock, as stated earlier would act as a single, concentrated unit, and would store all the data and information related to companies' financial statements, IPO offers, documents related to the mutual funds, equity funds, current stock market and other important financial news. Pinaculo Tech. ensured that their product i.e. Winstock was able to cross the barriers obstructing its entry to the market. It also made sure that the Winstock offered all kinds of services and products in order to attract different segments of the population with a high value proposition. The company predicted a steady increase in the number of users and subscribers annually to the portal by looking at the market scenario when the product was launched.

Even though, there are few well established players in this growing market with a high entry barrier, Winstock must be performing well but the results contradict the company's estimation. Winstock is assumed to be a decent product in the market, but the returns on it are not good. It appears nowhere in the Google results and according to surveys taken globally to rank the various financial portals used across the globe, Winstock ranks 5,552,495 in the United States, 3,130,316 in the United



Kingdom and around 8,235,263 worldwide. The estimated visits to the portal are around 10K per month with a bounce rate of 65%. Even though, it is of Brazilian origin, yet its rank in Brazil is in the thousands – which represents poor penetration in such a profitable market. Daniel Gilberto da Silva, the incumbent CEO of the company is finding hard to find plausible reasons for the failure of his company's product in such a good, high yielding market.