

THE CHALLENGE

What's got rubber tracks and doesn't cost \$20,000 an hour to rent?

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Special to The Globe and Mail

Published Wednesday, Apr. 09 2014, 5:00 AM EDT

Last updated Tuesday, Apr. 08 2014, 4:23 PM EDT

Each week, we seek expert advice to help a small or medium-sized business overcome a key issue.

In remote regions where mineral exploration companies go, roads might be non-existent. Equipment is usually moved around by helicopter, a very expensive proposition.

That's where Sky Track comes in. The system, designed and made by [Vic Progressive Diamond Drilling Inc.](http://www.progressivedrilling.com/), [http://www.progressivedrilling.com/] of Sussex, N.B., takes portable drills and other equipment and moves it on rubber tracks over rough terrain. Picture a little tank.

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Sky Track was developed to save its clients money, says Laura Araneda, president of Vic Progressive, which provides exploration and water control services to mining clients searching mainly for iron ore, gold and potash in places such as Northern Quebec and Northern Ontario.

"You may be drilling down 200 metres and stopping and then moving on to the next area. It could be a couple hundred metres away, but you've got to bring the helicopter in to move all the gear," Ms. Araneda says. "It's massive amounts of money." Helicopters cost about \$20,000 an hour to rent.

Sky Track doesn't replace the need for helicopters altogether – machinery, people and supplies still have to be flown to remote sites. But it can reduce helicopter use within drilling sites.

The problem is that low commodity prices and uncertain markets have led companies to slash exploration budgets. They are hanging on to their cash, reluctant to invest in equipment even if it will bring savings down the road.

"We've had units out onsite for testing, and the clients were happy with what they saw," she says. "But how do you get them comfortable in this market with taking a chance on a new concept?"

In 2005, Ms. Araneda took over the company her father Vic Fournier founded in 1987. It employs just shy of 100 people and has annual revenue of about \$10-million. Ms. Araneda is keen on developing new products, and the company has a loyal customer base.

Sky Track sells for between \$225,000 and \$325,000. Vic Progressive is experimenting with a leasing program for about \$20,000 a month, but the work, by definition, is tough on machinery, and it's hard to go after clients who don't return things in proper shape.

Ms. Araneda wonders whether the company should continue leasing or sell the product outright, accepting fewer sales in the short term but avoiding the problem of wear and tear on its equipment.

"I see great potential for large cost savings for mining clients," she says. "I'm comfortable with the product, but I'm not sure how to market and sell it." She wonders whether she should stick with traditional advertising or branch out more into the Internet and social media.

The company is not strapped for cash and has some time to woo customers. "I want to keep up the momentum," Ms. Areneda says.

The Challenge: How can Vic Progressive persuade mining companies to invest in Sky Track?

THE EXPERTS WEIGH IN

Theo Peridis, professor of strategic management and international business at the [Schulich School of Business](http://www.schulich.yorku.ca/client/schulich/schulich_lp4w_lnd_webstation.nsf/index.html?Readform) [http://www.schulich.yorku.ca/client/schulich/schulich_lp4w_lnd_webstation.nsf/index.html?Readform], York University, Toronto

Mining companies tend to be conservative, and there's no question they're cutting back right now. Ms. Areneda needs to be out there doing test-run installations with big miners to demonstrate the savings, because they are not going to spend the money unless they can get a quick payback.

She could have the miners pay based on the demonstrated savings as opposed to a flat rate. Then they will tell others they are using the product and that they are saving money.

Leasing is a good idea, but she should be looking at a leasing model along the lines of car leasing, where the ownership and the responsibility is with the mining exploration companies. They would have to pay extra at the end of a lease to fix things, and there is insurance for that.

She should also be going to trade shows and pitching her story to the editors of trade publications.

Kersi Antia, associate professor of marketing at the [Ivey Business School](http://www.ivey.uwo.ca/), [<http://www.ivey.uwo.ca/>] University of Western Ontario, London

Document the value offered by the Sky Track relative to the helicopter option. The most critical aspect is to put that in concrete monetary terms. You didn't specifically mention the anticipated life of the Sky Track; I'd use the data obtained from on-site testing to estimate low, average and high life expectancy in terms of usage occasions, and then provide estimates to your potential clients of the cost-per-usage across the three conditions.

My next task would be to remove financial impediments to its adoption. My sense is that leasing is the means of having potential adopters try the Sky Track with very little risk. The issue is to price the lease appropriately, so as to account for the excessive wear and tear. Another option is to arrange for direct or third-party financing.

With respect to promotion, my suggestion in this regard is to target both the traditionalists and the emerging, more social-media-savvy managers with a combination of traditional promotion and social media. You could, for example, share clips of the Sky Track being used onsite, and adopter testimonials for little cost on YouTube.

Jon Baird, managing director, [Canadian Association of Mining Equipment and Services for Export](http://www.camese.org/) [<http://www.camese.org/>], Markham, Ont.

Marketing a new type of product to a new set of clients is not easy, particularly when the price tag is in the quarter-million-dollar range.

If the company does not have people knowledgeable and experienced in marketing and selling such a product, a considerable investment in new employees may be required. Companies not used to this type of challenge may be surprised at the investment required for things such as advertising, trade shows, brochures, website development, etc. It might be that such marketing costs may well exceed the cost of developing the product before enough units are sold to be profitable.

If Ms. Areneda is lacking the appropriate staff, I would suggest that her best strategy would be to search for a partner company that does have the appropriate marketing and selling strengths in the diamond drilling business. This would be the best way to minimize risk and maximize returns.

THREE THINGS THE COMPANY COULD DO NOW

Leasing alternatives

Look into financing and leasing options where the client has responsibility to fix damaged equipment.

Compile data

Document savings experienced by companies trying out the equipment.

Look for marketing help

Consider partnering with a company in your area of business that has strengths in marketing and selling.

Interviews have been edited and condensed.

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