



Introduction

Objective

The objective of this course is to introduce the basic concepts of marketing to students undertaking an MSc in Transportation and Logistics. This module will take a strategic view of marketing in that it will develop ideas for achieving sustainable competitive advantage.

Reading

A core text is recommended for this course: *Marketing: An Introduction* by Martin Christopher and Malcolm McDonald. Publisher, Pan Books, Price; £6.99. The appropriate chapters in the book are identified in the programme outline.

Learning Approach

A key part of the programme will be the use of case study material. This will be either through the use of written case studies or video shown in the session. It is essential that students read the appropriate case studies **before** the session. Time will be allocated, where appropriate, for group work to prepare a response to the issues raised in the case studies.

Above all the programme is intended to be enjoyable and participative.

Programme outline

Sessions	Topic	Preparation	Background
10.40-12.55 3rd October	The marketing concept Marketing in the organisation	Read Summertown Containers	Christopher & McDonald chapters 1 & 2
10.40-12.55 5th October	Marketing strategies and analysis	Read Multielectronique	Christopher & McDonald chapter 4
10.40-12.55 10th October	Buyer behaviour	Read Mediquip	Christopher & McDonald chapter 6
10.40-12.55 12th October	Market segmentation & product positioning	Read Land Rover Discovery	Christopher & McDonald chapter 7 & 8
10.40-12.55 17th October	Marketing Planning	Read Ballygowan Spring Water	Christopher & McDonald chapters 5 & 17

Assessment

Market Report

Undertake a marketing audit of any organisation within the logistics and transportation sectors. Your audit should identify the sources of information you have used (for example, published sources or interviews with employees or experts). Your audit should conclude with an individual SWOT analysis and a discussion on this with regard to the future success of the organisation.

Group & Individual basis

Your market audit will be completed and assessed as a group project (50%), but with an individual swot analysis and discussion (50%). These groups will be established at the start of the programme and will be used for all the case studies as well as the assessment.

Deadline

The report must be submitted to the administration office by 5.00pm on Friday 4th November. If any report is late an automatic deduction of 15% will be made. If the project is submitted later than 25th November it will not be marked.

Case studies

Contents

1. Summertown Containers
2. Multielectronique et cie
3. Mediquip
4. Land Rover Discovery
5. Ballygown Spring Water

SUMMERTOWN CONTAINERS LIMITED (EUROPE)

INTRODUCTION

This case was prepared as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation. Financial and Operational data has been disguised to protect commercial interests.

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Summertown Containers Limited is the Engineering Division of Marsden Agricultural Producers Limited, one of the largest companies of its type in the United Kingdom. The Division was specifically formed in 1960 to service the stainless steel tanks and containers used in handling milk and milk products. In 1970 it began to develop and fabricate stainless steel containers for use in agriculture and related activities and then, on request, to custom build for other users of this type of equipment. By 1975 it was selling stainless steel containers throughout the United Kingdom as well as exporting into continental Europe. Ten years later it had developed so rapidly that a full field sales force was established, covering most of Western Europe. The industry consisted of about ten major producers and a number of smaller ones.

According to the sales manager, Summertown Containers had grown to be one of the market leaders, mainly due to its highly competitive pricing policy. However, the competition has become extremely vigorous of late, especially in product innovation, although the Summertown engineers have so far been able to place a close substitute on the market soon after each competitive innovation.

Summertown has always placed great emphasis on technical service. Their origins were as a service organisation and they believe that their success in the market place has been based upon their reputation for giving customers individual attention. Indeed, many of Summertown's sales staff have been with the company from its early days and were originally service engineers.

SALES PROCEDURES

The Summertown Sales Division is regionally organised with sales offices in London, Birmingham, Glasgow, Lyon, Munich and Milan. The field salespeople are extremely active and effective in terms of sales contacts, customer relations, dispersion of product information and obtaining sales. Whenever a need arises for a new type of container or a modification to an existing model, the sales staff contact the design engineers at the manufacturing plant in London. The design engineers supply a preliminary design and cost estimates for the sales staff, so that specific details on capacity, size, cost and so on may be shown to a potential customer. The Design Engineering Department is manned by a staff of very competent engineers, versed in the various technical areas needed to design stainless steel containers.

THE PRESENT SITUATION

Recently there have been a number of complaints from the Engineering Department about the sales staff. The problem arose when the sales staff returned with a large order for a radically new type of container. The Engineering Department had previously provided preliminary designs and cost estimates to the sales staff, but the sales staff announced that what they had sold had little relation to the preliminary designs. Indeed, it was completely different from such designs!

The complaints of the Engineering Department were summarised by the Chief Engineer, as follows:

"The sales staff come in here and ask us for a preliminary design for a new container and we break our backs to provide them with all the information they need at very short notice. Then they have the gall to come back and tell us that they have sold a completely different container, for which we have done no work! It seems to me that they will sell anything the market wants, instead of what we design for them."

Another point of irritation to the engineers is the salesmen's habit of bargaining on the prices of containers with each customer. The Chief Engineer's comment on this practice was: "Hasn't anyone around here ever heard of a standard price?" Finally, the Chief Engineer observed:

"They seem to sell just whatever they please. Some months we stand idle waiting for business to come in and at other times they rush us off our feet. We go into excessive overtime and even then let down half the customers who've been given impossible promises. They all come on the 'phone to us and we end up as a damned PR department. It's time someone sorted them all out."

MULTI-ELECTRONIQUE ET CIE

This case was prepared by Professor Gordon Wills as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation. Financial and Operational data has been disguised to protect commercial interests. The case was revised by Mike Meldrum of the Marketing and Logistics Group in August 1992.

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After two and a half years as Chief Executive, Michel Jané felt satisfied that he had begun to get to grips with his marketing organisation problems at Multi-Electronique (M-E). He had started working on these problems two years ago and had made a series of changes in an effort to secure the future growth of the business into the 1990s. His re-organisation had been undertaken in the context of the total group operation. He described the situation in the Belgian and French market sector as follows:

THE COMPANY BACKGROUND

M-E is the Belgian-French subsidiary of an international organisation and although the parent company does not necessarily like the word conglomerate, that's what it probably is. The parent has some unique factors about it. One has been its performance over the past 10 years. Until recently it had grown net income consistently (i.e. its profit after tax) by 15% per annum, despite many difficult situations which had been experienced. As a result, 15% annual net income growth has become a requirement placed on to every operating division and subsidiary in the entire international operation.

The parent is a multi-company organisation. It is strong in automotive components, timber and pulp and has an interest in telecommunications. The parent is also very large in electronic components, of which M-E is a part. It is also well represented in the service industries, owning a major car hire company, an international hotel group, and a number of life and fire insurance companies.

M-E itself is headquartered in Namur, Belgium. It has a manufacturing and marketing operation in Britain at Basingstoke, in Italy at Naples and in Germany near Stuttgart. It has solely marketing operations in Denmark and Holland, and the rest of Europe is covered by a long established variety of representatives selling M-E products.

The greatest strength of the Belgian-French operation has recently been its ability to manufacture special types of electrical connectors sold into aircraft and aircraft engines. The connectors range in price from as little as Fr(Bel)500 to as much as Fr(Bel)5,000-7,500. These range in type from a high performance, high temperature, multi-pin connector, maybe having 10 connections, to the very expensive ones used for very bad environments such as flameproof bulkheads connectors. Such equipment connects through the engine via bulkheads which have to withstand fire in the engine compartment without transmitting it back through the rest of the wing cell or whatever it may be.

In common with other major suppliers of connectors to the aerospace and defence industries M-E had suffered from the major cutbacks in purchases that had taken place in the last seven or eight years due to world wide recession and defence programme reductions. After a decade of growth in the seventies, the more difficult trading environment of the eighties had presented M-E with severe problems in relation to the achievement of the wider corporate goals.

Most projections for the immediate future of the aerospace and defence industries were gloomy and the best that could be hoped for was a static volume requirement for connectors.

SALES ORGANISATION

This brings us to a point one and a half years ago when Michel Jané had cause to take a close look at the type of sales force that he had and the method of marketing that M-E was adopting. The sales force at that time consisted of some 20 people selling in the field with a home-based support staff approaching 75. The large inside staff was required because of the technical nature of the product and the fact that customers require a lot of technical support. There are a myriad of queries to be answered by letter and telephone and a host of quotations to be given because it was not normal M-E practice to issue price lists. Quotes were issued against all enquiries and there was a considerable volume of customer orders to be progressed bearing in mind that all orders were not necessarily executed at Namur. Some products might have to be made at any of the other European plants or even in America. When Jané took a closer look at the type of sales and the type of sales force he had in terms of the problems that faced him, it was apparent that technically the field sales force was superbly well qualified. The field sales force was organised through a Field Sales Manager who reported directly to the Sales Manager. Under the Field Sales Manager were a number of Area Managers responsible for different geographical points in Belgium and France and under the Area Managers, the individual Sales Representatives.

The real weakness seemed to emerge when one examined the call rates that the representatives were making in the field - call frequencies were less than one call per day. Perhaps the problem should be put into the context of a policy decision taken by Jané earlier in his tenure as Chief Executive to enter the commercial and industrial type of connector market very vigorously. This 'new' market is characterised by connectors which are sold to computing companies, to companies which manufacture automation equipment, process control equipment and consumer durables - such as washing machines, refrigerators and televisions. M-E was also interested in other types of consumer durables such as the automobile market; but this required a very different type of electrical connector from those that M-E had skilfully produced and used in aircraft in the past.

The first place where M-E began to change its company structure was Engineering. Jané

engaged new types of project and design engineers, knowledgeable in commercial connectors. Subsequent to that he made plans to change the manufacturing operation to produce these new connectors which resulted in the construction of a new building to house the manufacturing plant for all M-E's commercial connectors. The time then came to take account of the wish to penetrate these new commercial/industrial markets, and this brought Jané back again to the call rate. It was very apparent that if one was trying to sell, not a connector that costs say Fr(Bel) 2,500 but one that costs as little as Fr(Bel)75-150, then to achieve real volume the sales task is distinctly different from selling into the aviation business. One thing that M-E had to do was call on a much wider range, and a larger number of customers. Aviation and engine customers are limited in number in comparison with those who could use a commercial or industrial connector. So without increasing the sales force out of all recognition, M-E had to increase the call rate. Jané felt that this needed to be stepped up to somewhere between 3 as a minimum and perhaps 5 as a maximum number of calls per day.

The other problem he had was a matter of the psychology of the M-E salesman himself. The people who sold into the military markets knew those markets very well; they knew the people concerned. They had built up an affinity over the years and were used to selling at a highly technical level. It was very different from the type of selling done every day in commercial and industrial sectors; M-E's salesmen were neither able, prepared nor particularly willing to move into commercial and industrial selling. It was very difficult to expect a man to sell to an aircraft engine builder with all of the problems attached to that type of sale before lunch, and then in the afternoon to switch to making 3 or 4 calls to commercial customers. There was also a certain degree of apathy as to why M-E needed to go into the commercial and industrial sectors at all when in the past the company had done so well with its military and aviation business. The realisation that these markets had changed meant that the best solution would be to split the sales force into 2 parts. He made the split complete in that he appointed a second Field Sales Manager. M-E now had one Field Sales Manager responsible for commercial and industrial sales and a second for Military/Aviation.

The Field Sales Manager (Military/Aviation) was the same man who had previously handled those markets. It was made plain to him that he had a new set of challenges and equally a new set of opportunities to succeed with his sales force in the military and aviation field. Whereas previously there had been some 20 men employed on the Military and Aviation side, that number was now reduced to 6. At the same time the Field Sales Manager (Commercial and Industrial) was a man who had exhibited a good understanding of the needs of selling into that type of market and he was promoted to the position of Field Sales Manager from Area Sales Manager. With some new recruits he commanded a field force of 24 in all. His problem was that the market into which he was now selling was relatively unknown to M-E et cie. There were very few customers that M-E had identified for this type of product. The company had, as yet, a very limited list of commercial and industrial customers quite apart from which there were relatively few products available to him to sell, and quite a number of them came from other factories, particularly from one of M-E's sister companies based in Germany. It was an interesting example of the NIH factor (the not-invented-here factor) that because these connectors were not invented locally, the Belgium-France sales people were not particularly enthused about selling them. The charitable rationale was perhaps twofold: firstly, that there was a lack of local engineering knowledge regarding them or a lack of sales knowledge; secondly, there was the problem as to who should take the profit on this type of sale. The latter problem was eventually overcome by a policy decision on transfer pricing which made it equitable to both companies, the one to produce and the other to sell. That then left M-E in Belgium-France with the problem of technical knowledge of the products - how they should be sold, where

they could be sold, and what the competitive factors were.

The new Field Sales Manager was given extremely clear objectives. He was told the amount of penetration that had to be secured for the 'German type' commercial connector and the volume of sales that he had to make. The Field Sales Manager was sent to Germany for an indoctrination period, both in the German factory and with the sales people in the German market. He then returned to train and motivate his own sales people in the field. A good 50% of the sales people that he controlled have come from the military environment and it remains to be seen whether they can re-orient themselves and actively sell in a commercial type of operation. Other people have been recruited afresh from a more commercial, low cost/high volume type of environment.

It was felt that the Market Research activity must be extended very considerably because M-E were now looking at a very wide range of possible applications, as opposed to the very limited and relatively more predictable Government sector of the market. M-E were now in a field where they were dealing with users in say, machine tools and other aspects of automated work where all sorts of cyclical patterns are present. M-E now had a completely different order of problems in relation to sales forecasting.

Sales forecasting is crucially important for commercial connectors where one is building for extremely high volumes. If one misses a trend, or does not see the sign that shows a market is slowing down or even beginning to disappear, one can finish up in a very heavily over-stocked position. What M-E, therefore, try to do is to use a type of sales forecast based firstly on historical usage; but secondly on input from the field, in which any changes that are known or any large deviations from the normal are discussed; but M-E also modify forecasts by research work to help be yet more accurate in the months ahead. Jané always tries to look at least 4 months and sometimes 6 months ahead.

Such forecasting is implicit in M-E's new style of business. The company is now manufacturing for stock in a way it did not in the original governmental market. It now had a price list. As Jané explained; it's simply a question of customer's need. In the aviation business the customer normally knows a year ahead of time what his requirements are and his delivery programmes, and M-E builds more or less to order. A delivery time of 8 weeks is quite acceptable, and price is something which is negotiated contract to contract. In the commercial sector the customer need is very frequently for as short as 48 hours delivery. He will not normally declare his requirements very far ahead of time since it is obviously impossible to know every requirement, and he does need up-to-date price lists.

This revolution has also taken place in the field of promotional activity - in personal promotion, advertising and so on. Indeed, what is now being considered is to standardise M-E's advertising quality throughout Europe. There is of course a problem which had not occurred before, and that is that the company's image needs to be re-established, even amended. The company image is extremely strong as the manufacturer of highly sophisticated, high performance, high quality electric connectors produced in a very wide range of types and sizes. M-E now has to establish an image proclaiming its ability to produce highly competitive, very low cost, apparently very simple types of connectors in extremely large volumes.

Nevertheless, it is too early to say that a separate promotional budget has emerged. Jané is of course trying to determine if the dollars or francs spent on advertising budgets as a function of sales should be increased or decreased. For some products there is some reason to think that it might be reduced even in the commercial sector. The kind of promotional

activity such as technical back-up, specification writing, test reports, etcetera, that has to be produced for a military connector is very large indeed. So although the mix is often different in the commercial sector, it may necessarily not be more costly in total terms.

The final element of the market mix - the distribution activity - has also undergone detailed evaluation. M-E has looked at the possibility of perhaps using agents in a way that was obviously not possible in the military sector.

Jané has used distributors on some of M-E's military lines in the past where there was reasonable volume and stock required, but the commercial lines will all need to go through distributors, certainly for small volumes. Larger orders will be taken directly through the factory perhaps. So far no major problems like warehousing have arisen as a result of the commercial market development undertaken. At this point in time M-E can deal fairly well with all its distribution problems. But there may well be some in the future.

What has happened, as Michel Jané perceives it, is that by moving out of a relatively compact market M-E has been confronted with a totally different order of marketing tasks, some of which he has rapidly come face to face with in the sales situation. Others such as distribution and advertising are further along the chain and as yet M-E has not experienced any massive impact, but they will have to be kept under continuous consideration because of the general re-orientation of markets.

MEDIQUIP, SA

On 18 January 1981, Kurt Thaldorf, a sales engineer for the German sales subsidiary of Mediquip, SA, was informed by Lohmann University Hospital in Stuttgart that it had decided to place an order with Sigma, a Dutch competitor, for a CT scanner. The hospital's decision came as disappointing news to Thaldorf, who had worked for nearly eight months on the account. The order, if obtained, would have meant a sale of DM 1,580,000 for the sales engineer. He was convinced that Mediquip's CT scanner was technologically superior to Sigma's and overall a better product.

Thaldorf began a review of his call reports in order to better understand the factors that led to Lohmann University Hospital's decision. He wanted to apply the lessons from this case to future sales situations.

Background

The computer tomography (CT) scanner was a relatively recent product in the field of diagnostic imaging. The medical device, used for diagnostic purposes, allowed examination of cross-sections of the human body through display images. CT scanners combined sophisticated X-ray equipment with a computer to collect the necessary data and translate them into visual images.

When computer tomography was first introduced in the late 1960s, radiologists hailed it as a major technological breakthrough. Commenting on the advantages of CT scanners, a product specialist with Mediquip said, "The end product looks very much like an X-ray image. The only difference is that with scanners you can see sections of a body that were never seen before on a screen - like the pancreas. A radiologist, for example, can diagnose the cancer of pancreas less than two weeks after it develops. This was not possible before the CT scanners."

Mediquip was a subsidiary of Technologie Universelle, a French conglomerate. The company's product line included, in addition to CT scanners, X-ray, ultrasonic and nuclear diagnostic equipment. Mediquip enjoyed worldwide a reputation for advanced technology and competent after-sales service.

"Our competitors are mostly from other European countries," commented Mediquip's Sales Director for Europe. "In some markets they have been there longer than we have and they know the decision makers better than we do. But we are learning fast." Sigma, the subsidiary of a diversified Dutch company under the same name, was the company's most serious competitor. Other major contenders in the CT scanner market were FNC, Eldora, Magna and Piper.

This case was prepared by Professor Kamran Kashani as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Mediquip executives estimated the European market for CT scanners to be in the neighbourhood of 200 units per year. They pointed out that prices ranged between DM 1-2 million per unit. The company's CT scanner sold in the upper end of the price range. "Our equipment is at least two years ahead of our most advanced competition", explained a sales executive. "And our price reflects this technological superiority."

Mediquip's sales organisation in Europe included eight country sales subsidiaries, each headed by a managing director. Within each country, sales engineers reported to regional sales managers who themselves reported to the managing director. Product specialists provided technical support to the sales force in each country.

Buyers of CT Scanners

A sales executive at Mediquip described the buyers of CT scanners as follows:

Most of our sales are to what we call the public sector, the health agencies that are either government-owned or belong to non-profit support organisations such as universities and philanthropic institutions. They are the sort of buyers who buy through formal tenders and who have to budget their purchases at least one year in advance. Once the budget is allocated it must then be spent before the end of the year. Only a minor share of our CT scanner sales goes to the private sector, the profit-oriented organisations such as private hospitals or private radiologists.

Between the two markets, the public sector is much more complex. Typically, there are at least four groups who get involved in the purchase decision: the radiologists, the physicists, the administrators and the people from the supporting agency - usually those who approve the budget for purchase of a CT scanner.

Radiologists are users of the equipment. They are doctors whose diagnostic services are sought by other doctors in the hospital or clinic. Patients remember their doctors, but not the radiologists. They never receive flowers from the patients! A CT scanner could really enhance their professional image among their colleagues.

Physicists are the scientists in residence. They write the technical specifications which competing CT scanners must meet. The physicists should know the state of the art in X-ray technology. Their primary concern is the patient's safety.

The administrators are, well, administrators. They have the financial responsibility for their organisation. They are concerned with the cost of CT scanners and also with what revenues they can generate. Administrators are extremely wary of purchasing an expensive technological toy that becomes obsolete in a few years time.

The people from the supporting agency are usually not directly involved with decisions as to which product to purchase. But since they must approve the expenditures, they do play an indirect role. Their influence is mostly felt by the administrators.

The interplay among the four groups, as you can imagine, is quite complex. The powers of each group in relationship to the others vary from organisation to organisation. The administrator, for example, is the top decision maker in certain hospitals. In others, he is only a Buyer. One of the key tasks of our sales engineers is to define for each potential account the relative powers of the players. Only then can they set priorities and formulate selling strategies.

The European sales organisation at Mediquip had recently put into use a series of forms designed to help sales engineers in their account analysis and strategy formulation. A sample of the forms, called Account Management Analysis, is reproduced in Exhibit 1.

Lohmann University Hospital

Lohmann University Hospital (LUH) was a large general hospital serving Stuttgart, a city of one million residents. The hospital was part of the university's medical school. The university was a leading teaching centre and enjoyed an excellent reputation. LUH's radiology department had a variety of X-ray equipment from a number of European manufactures, including Sigma and FNC. Five radiologists staffed the department, which was headed by a senior and nationally known radiologist, Professor Steinborn.

Thaldorf's Sales Activities

From the records he had kept of his sales calls, Thaldorf reviewed the events for the period between 5 June 1980, when he learned of LUH's interest in purchasing a CT scanner, and 18 January 1981, when he was informed that Mediquip had lost the order.

5 June 1980

Office received a call from a Professor Steinborn from Lohmann University Hospital regarding a CT scanner. I was assigned to make the call on the Professor. Looked through our files to find out if we had sold anything to the hospital before. We had not. Made an appointment to see the Professor on 9 June.

9 June 1980

Called on Professor Steinborn who informed me of a recent decision by university directors to set aside funds next year for the purchase of the hospital's first scanner. The Professor wanted to know what we had to offer. Told him the general features of our CT system. Gave him some brochures. Asked a few questions which led me to believe other companies had come to see him before I did. Told me to check with Dr Rufer, the hospital's physicist, regarding the specs. Made an appointment to see him again in 10 days time. Called on Dr Rufer who was not there. His secretary gave me a lengthy document on the scanner specs.

10 June 1980

Read the specs last night. Looked like they had been copied straight from somebody's technical manual. Showed them to our Product Specialist who confirmed my own hunch that our system met and exceeded the specs. Made an appointment to see Dr Rufer next week.

15 June 1980

Called on Dr Rufer. Told him about our system's features and the fact that we met all the specs set down on the document. He looked somewhat unimpressed. Left him with technical documents on our system.

19 June 1980

Called on Professor Steinborn. Had read the material I had left with him. Looked sort of pleased with the features. Asked about our upgrading scheme. Told him we would undertake to upgrade the system as new features became available. Unlike other systems, Mediquip can be made to accommodate the latest technology. There will be no risk of obsolescence for a long time. He was quite impressed. Also answered his questions regarding image manipulation, image processing speed and our service capability. Just before I left he enquired about our price. Told him I would have an informative quote for him at our next meeting. Made an appointment to see him on 23 July after he returned from his vacation. Told me to get in touch with Carl Hartmann, the hospital's general director, in the interim.

1 July 1980

Called on Hartmann. It was difficult to get an appointment with him. Told him about our interest in supplying his hospital with our CT scanner which met all the specs as defined by Dr Rufer. Also informed him of our excellent service capability. He wanted to know which other hospitals in the country had purchased our system. Told him I would drop him a list of buyers in a few days time. Asked about the price. Gave him an informative quote of DM 1,900,000 - a price we had arrived at with my boss since my visit to Professor Steinborn. He shook his head saying, "Other scanners are cheaper by a wide margin." I explained that our price reflected the latest technology which was incorporated in it. Also mentioned that the price differential was an investment that could pay for itself several times over through faster speed of operation. He was non-committal. Before leaving his office he instructed me not to talk to anybody else about the price. Asked him specifically if it included Professor Steinborn. He said it did. Left him with a lot of material on our system.

3 July 1980

Took a list of three other hospitals of a similar size that had installed our system to Hartmann's office. He was out. Left it with his secretary who recognised me. Learned from her that at least two other firms, Sigma and FNC, were competing for the order. She also volunteered the information that "prices are so different, Mr Hartmann is confused". She added that the final decision will be made by a committee made up of Hartmann, Professor Steinborn and one other person whom she could not recall.

20 July 1980

Called on Dr Rufer. Asked him if he had read the material on our system. He had. But did not have much to say. Repeated some of the key operational advantages our product enjoyed over those produced by others, including Sigma and FNC. Left him some more technical documents.

On the way out, stopped by Hartmann's office. His secretary told me that we had received favourable comments from the hospitals using our system.

23 July 1980

Professor Steinborn was flabbergasted to hear that I could not discuss our price with him. Told him of the hospital administration's instructions to this effect. He was not convinced, especially when Sigma had already revealed to him their quote of DM 1,400,000. When he calmed down he wanted to know if we were going to be at least competitive with the others. Told him our system was more advanced than Sigma's. Promised him we would do our best to come up with an attractive offer. Then we talked about his vacation and sailing experience in the Aegean Sea. He said he loved the Greek food.

15 August 1980

Called to see if Hartmann had returned from his vacation. He had. While checking his calendar, his secretary told me that our system seemed to be the 'radiologists' choice, but that Hartmann had not yet made up his mind.

30 August 1980

Visited Hartmann, accompanied by the regional manager. Hartmann seemed bent on the price. He said, "All companies claim they have the latest technology." So he could not understand why our offer was "so much above the rest." He concluded that only a "very attractive price" could tip the balance in our favour. After repeating the operational advantages our system enjoyed over others, including those produced by Sigma and FNC,

my boss indicated that we were willing to lower our price to DM 1,740,000 if the equipment was ordered before the end of the current year. Hartmann said he would consider the offer and seek "objective" expert opinion. He also said a decision would be made before Christmas.

15 September 1980

Called on Professor Steinborn who was too busy to see me for more than ten minutes. He wanted to know if we had lowered our price since the last meeting with him. I said we had. He shook his head saying laughingly, "Maybe that was not your best offer." He then wanted to know how fast we could make deliveries. Told him within six months. He did not say anything.

2 October 1980

Discussed with our regional manager the desirability of inviting one or more people from the LUH to visit the Mediquip headquarters operations near Paris. The three-day trip would have given the participants a chance to see the scope of the facilities and become better acquainted with the CT scanner applications. The idea was finally rejected as inappropriate.

3 October 1980

Dropped in to see Hartmann. He was busy but had the time to ask for a formal "final offer" from us by 1 November. On the way out, his secretary told me of "a lot of heated discussions" around which scanner seemed best suited for the hospital. She would not say more.

25 October 1980

The question of price was raised in a meeting between the regional manager and the managing director. I had recommended a sizeable cut in our price to win the order. The regional manager seemed to agree with me. But the managing director was reluctant. His concern was that too much of a drop in price looked "unhealthy". They finally agreed to a final offer of DM 1,580,000.

Made an appointment to see Hartmann later that week.

29 October 1980

Took our offer of DM 1,580,000 in a sealed envelope to Hartmann. He did not open it, but commented he hoped the scanner question would be resolved soon to the "satisfaction of all concerned". Asked him how the decision was going to be made. He evaded the question but said he would notify us as soon as a decision was reached. Left his office feeling that our price had a good chance of being accepted.

20 November 1980

Called on Professor Steinborn. He had nothing to tell me, but "the CT scanner is the last thing I like to talk about." Felt he was unhappy with the way things were going.

Tried to make an appointment with Hartmann in November, but he was too busy.

5 December 1980

Called on Hartmann who told me that a decision would probably not be reached before next January. He indicated that our price was "within the range", but that all the competing systems were being evaluated to see which seemed most appropriate for the hospital. He repeated that he would call us when a decision was reached.

18 January 1981

Received a brief letter from Hartmann thanking Mediquip for participating in the bid for the CT scanner and informing it of the decision to place the order with Sigma.

Exhibit 1 Mediquip SA Account Management Analysis Forms

Key Account: _____

ACCOUNT MANAGEMENT ANALYSIS

The enclosed forms are designed to facilitate your management of:

- 1 A key sales account
- 2 The Mediquip resources that can be applied to this key account

Completing the enclosed forms, you will:

- Identify installed equipment, and planned or potential new equipment
- Analyse purchase decision process and influence patterns, including:
 - Identify and prioritise all major sources of influence
 - Project probable sequence of events and timing of decision process
 - Assess position/interest of each major influence source
 - Identify major competition and probable strategies
 - Identify needed information/support
- Establish an account development strategy, including:
 - Select key contacts
 - Establish strategy and tactics for each contact, identify appropriate Mediquip personnel
 - Assess plans for the most effective use for local team and headquarters resources

KEY ACCOUNT DATA

■ Original (Date: _____) Account No: _____ Type of Institute: _____
■ Revision (Date: _____) Sales Specialist: _____ Bed Size: _____
Country/Region/District: _____ Telephone: _____

1 CUSTOMER (HOSPITAL, CLINIC, PRIVATE INSTITUTE)

Name: _____
Street Address: _____
City, State: _____

2 DECISION MAKERS - IMPORTANT CONTACTS

INDIVIDUALS	NAME	SPECIALITY	REMARKS
Medical Staff			
Administration			
Local Government			
State Government			

This exhibit presents a condensed version of the forms, which comprised eight 8¹/₂ x 11 inch sheets for entry of relevant information.

3 INSTALLED EQUIPMENT

TYPE	DESCRIPTION	SUPPLIED BY	INSTALLATION DATE	YEAR TO REPLACE	VALUE OF POTENTIAL ORDER
X-ray Nuclear Ultrasound RTP CT					

4 PLANNED NEW EQUIPMENT

TYPE	QUOTE		% CHANCE	EST ORDER DATE		EST DELIVERY		QUOTED PRICE
	NO	DATE		1980	1981	1980	1981	

5 COMPETITION

COMPANY/PRODUCT	STRATEGY/TACTICS	% CHANCE	STRENGTH	WEAKNESS

6 SALES PLAN

Product: _____ Quote No: _____ Quoted Price: _____

KEY ISSUES	MEDIQUIP'S PLAN	SUPPORT NEEDED FROM	DATE OF FOLLOW-UP/REMARKS

7 ACTIONS - IN SUPPORT OF PLAN

SPECIFIC ACTION	RESPONSIBILITY	DUE DATES			RESULTS/REMARKS
		ORIGINAL	REVISED	COMPLETED	

8 ORDER STATUS REPORT

REVISION DATE	ACCOUNT NAME AND LOCATION	ISSUES/COMPETITIVE STRATEGY	ACTIONS/STRATEGY	RESPONSIBILITY	% CHANCE	EXPECTED ORDER TIMING	WIN/LOSE

LAND ROVER DISCOVERY - A

This case was prepared as a basis for class discussion and not as an illustration of good or bad management practices. It was written by Helen Peck of the Marketing & Logistics Group, Cranfield School of Management, Cranfield University, Cranfield, Bedford, MK43 0AL, with the co-operation of senior management and staff of Land Rover.

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of Management,
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INTRODUCTION

In November 1989 Frank and Denise Nicholls were looking for a replacement for their faithful but aged Range Rover. The Range Rover had proved to be an ideal alternative to a family saloon, providing spacious and comfortable family transport. It had coped admirably when pulling the horse box while fully loaded with family, dogs and sports gear. To such active participants in field sports four wheel drive was invaluable; on-road too, it was an important safety feature. The couple had hoped to replace the Range Rover with a new one, but the price of a luxurious new vehicle had soared over the past three years. At almost £24,000 for the most 'basic' model, a new Range Rover was well and truly out of the family's price range. While the Nicholls' mulled over the prospect of buying second hand or "going Japanese", a third alternative arrived in the showrooms, Land Rover's first new vehicle for nearly twenty years - the Discovery.

They examined a Discovery in their local dealer's showroom and were impressed. The Discovery combined Land Rover performance with contemporary fashion and design, and was even more spacious than the Range Rover. It was exactly right for their needs and at £15,750 the price was right too. But deciding to buy a Discovery was one thing, finding one was quite another. Their local dealer could supply one - in twelve months time. He explained that the waiting lists did not reflect a sudden rise in the popularity of country pursuits, but rather the explosive demand for the vehicle amongst young, well heeled, fashion conscious drivers. Undaunted, the Nicholls' contacted dealers up and down the country, but the story was pretty much the same. The shortest waiting list was in Aberdeen, but at ten months it was still too long. In disappointment, they looked again at the Japanese 4x4s.

Frank explained, "The three-door diesel Shogun was probably the best alternative; it was priced slightly above the Discovery, but came with many features as standard and its three year warranty was very impressive. Similar features on the Discovery are optional extras; these and other accessories are very expensive - and Land Rover charge around £500 to extend the Discovery's one year warranty to cover the same three year period. But despite their other advantages, none of the Japanese 4x4s had permanent four wheel drive, so we went back to looking for a second hand Range Rover."

HISTORY OF THE LAND ROVER MARQUE

The Land Rover name dates back to the late 1940s, when Maurice and Spencer Wilks ran the original Rover company. Prompted by the demise of an old American army surplus jeep used by the brothers on their Welsh farm, the Wilkses decided to build their own four wheel drive replacement. The result, the Land Rover, was launched at the 1948 Amsterdam Motor Show. Sales were slow at first, but within a few years the Land Rover had become the most popular vehicle on the farm and was adopted by military forces throughout the world. Over twenty years later, in 1970, Land Rover created the luxury 4x4 sector with the introduction of the Range Rover, which was quickly taken up by the British country set.

WORSENING PROSPECTS

The Land Rover remained a steady seller throughout the world for many years. By the mid 1970s however, the picture was starting to look less rosy. A combination of market trends, Far Eastern competition and new legislation governing vehicle exhaust emissions meant that the original Land Rover was no longer saleable on the American market. Land Rover took the decision to withdraw.

By the early 1980s Middle Eastern markets were collapsing and there was mounting uncertainty over future Land Rover sales to increasingly impoverished Third World countries. In 1983, when Tony Gilroy was appointed managing director, 70% of Land Rover's sales were dependent on these endangered markets. Even in the UK problems were emerging; Range Rover sales were coming under attack, undermined by the cheaper Japanese 4x4s - designed as much for style as strength.

Faced with shrinking markets both at home and abroad, Gilroy decided that the way forward was to force Land Rover's products upmarket. This was to push the Range Rover into a completely new realm. All of the features offered on the highest quality cars were to be available on the Range Rover, together with a new high performance V8 engine. Prices rose accordingly. In 1985 a top-of-the range model sold for £16,200. Five years later the price tag was around £32,000, putting the Range Rover in direct competition with the big BMWs and Mercedes. Armed with the luxuriously revamped Range Rover, Land Rover returned to the US.

REORGANISATION OF UK OUTLETS

Back in the UK, a rationalisation of dealerships was also under way. In 1985 all Land Rover franchises were "put on terminate" and the Business Builder dealer control programme was introduced. The programme set certain standards which all dealerships would be expected to meet. These standards would then be reviewed and raised annually. The programme concentrated initially on the upgrading of facilities - buildings and displays - then moved on to address training and the provision of dedicated personnel. Franchise renewal depended on whether dealers were willing to undertake this long-term commitment to quality and investment (approximately £1m per outlet). There was no pre-determined number of franchise renewals, but care was taken to ensure that as a result of the rationalisation no customer was left without relatively local service facilities. The aim was to create a network of the highest quality dealerships and, in-line with new European Community regulations, each dealership was given its own defined sales territory.

Over the five years to 1990 the network was reduced from over 500 to 131 highly prized and profitable outlets, 30 of which were sole franchises, the remainder being multi-franchise operations with other Land Rover approved quality car manufacturers (such as Volvo, BMW or Mercedes). As a result of the rationalisation, throughput per outlet more than doubled and dealers' profit per unit became the highest in Europe.

THE RISE OF THE 4X4 PERSONAL TRANSPORT SECTOR

An opportunity spotted and developed by the Japanese, the four wheel drive leisure/utility sector, enjoyed unparalleled growth in the world vehicle market throughout the 1980s. Initially marketed as second, or fun cars to be used at weekends for recreational purposes, the 4x4 leisure/utilities have progressively moved upmarket, the spartan lightweights gradually giving way to larger, more comfortable, higher performance 4x4s. These larger 4x4s, referred to by Land Rover as 'personal transport' vehicles, were bought increasingly as car replacements. Between 1983 and 1988 European sales in the personal transport sector rose from 25,000 to 100,000 units per year, representing almost half of total 4x4 industry volume. The dramatic sector growth reflected a change in customer perceptions; 4x4s were no longer seen as vehicles exclusively for agricultural or military use, or for expeditions through inhospitable terrain. They had become widely recognised as flexible multi-purpose load carriers, which combine the practical advantages of four wheel drive with attractive car-like styling and performance. Consumers had also become far more aware of the on-road safety benefits of four wheel drive. Audi had done much to promote this in Europe with its advertising for the Quattro, a campaign from which all four wheel drive manufacturers benefited. Predictions are that growth in the personal transport sector will continue, with European sales expected to reach 200,000 by 1993.

In 1986 concern overcame conservatism. Land Rover was convinced that this was a market it could no longer afford to ignore; indeed it offered salvation. The repositioning of the Range Rover had left a gaping void in the company's two product range. To bridge the gap, the concept of a third vehicle, a head-on competitor to sector leaders - the Mitsubishi Shogun and Isuzu Trooper - was approved in December that year. Meanwhile a respecified version of the Land Rover 90/110, the 'County', was offered as a temporary stopgap as the company engaged in a headlong dash to get its new product - later named the 'Discovery' - onto the market.

DEVELOPMENT OF THE NEW MODEL

The Discovery was to be the first completely new Land Rover product for 19 years so initially a massive pan-European market research programme was undertaken. The Japanese 4x4s were designed predominantly with the US market in mind; Land Rover wanted to offer a European alternative, designed for European tastes.

Gradually, through its market research programme, the company was able to put together a detailed profile of the sort of customer who would buy a premium European 4x4. He/she was likely to be aged between 25 and 45, in a professional/managerial occupation or possibly self employed. At least a third were in occupations where four wheel drive could be particularly beneficial (architects, engineers, surveyors, sportsmen etc). Household income was expected to be between £25,000 and £35,000. He/she was probably married, with children in their early teens, and the family was likely to be leisure orientated and fashion conscious.

Perceived use of a personal transport 4x4 was examined, and research revealed that the majority of customers would be buying a multi-purpose vehicle for on-road use. More specifically:

- * 59% anticipated use for both business and pleasure
- * 25% exclusively for pleasure
- * 17% required a vehicle for towing
- * 16% exclusively for business purposes
- * 16% for off-road use
- * 14% for load carrying for business or pleasure

Women in particular were likely to use them as car substitutes.

Overall, several key factors influencing customer purchase emerged. First was safety, related to which were strength, construction and an elevated driving position. Multi-use versatility, performance and handling, were all deemed important, as were durability and depreciation - the vehicle should hold its value. Towing ability was of greater interest than off-road use. Driveability and car-like comfort were also important considerations. Not to be underestimated was the appeal of the image that these vehicles conveyed - a statement of individuality.

The research also looked at the vehicles these potential customers currently drove, which in turn shaped their expectations:

One third were replacing mainstream personal transport vehicles like the Shogun, Landcruiser, Trooper, Cherokee, Patrol or Fourtrak. Research indicated that although these customers were strongly loyal to the 4x4 concept, product loyalty was untested - the sector was too new - and no single leader had yet emerged. The key factors influencing purchase for this group were likely to be value for money, interior styling and comfort, performance and fuel economy. Diesel engines were strongly preferred.

Another third were drivers of volume manufacturers' 4x2 saloon or estate cars. They had no experience of four wheel drive, and were likely when choosing a 4x4 to apply similar buying criteria to those which had influenced earlier vehicle purchases; namely, aesthetics, ride, handling, acceleration and high speed performance. Ergonomics and utilisation of space were other important factors, as was dealer service.

A further quarter of potential customers were currently driving lightweight utility 4x4s, usually bought as weekend or fun cars. The study revealed that over 50% of owners wished to trade up to the higher performance, multi-purpose mainstream personal transport sector.

The final 9% of customers for this premium European 4x4 were identified as being leisure orientated families who were adding a 4x4 to the household as an incremental purchase. With this information to hand, the Discovery was developed specifically to appeal to a modern consumer lifestyle. This meant the use of state-of-the-art design and technology.

For the vehicle's interior, Land Rover chose to use a team with retail design experience alongside its own designers. The Conran Design Group (CDG) was appointed to develop "an integrated design concept" for the Discovery's interior. CDG were able to draw on talents from across the Group, including product, fashion, textile and furniture design specialists. It was the first time that CDG had worked on such a large project for a car manufacturer, and the team took a totally unorthodox approach. Avoiding the usual starting point of the driver's seat, they approached the interior environment as a whole. A

blue-grey colour scheme was selected, using man-made materials throughout, and careful design and planning produced plenty of extra storage space. The aim was to create a "stylish but rugged interior". The brief also included a reduction in the number of components to be used, which would in turn lead to a reduction in manufacturing costs. The CDG team continued to work alongside Land Rover's own designers from the concept stage right through to final manufacture.

The Discovery's body work, like the other Land Rover products, was constructed from aluminium instead of the rust-prone steel used by rival manufacturers. Again the company used outside help in the design and development. Design engineers from the Coventry-based firm Motor Panels worked alongside Land Rover engineers. By using this approach - known as simultaneous engineering - the development process was accelerated, at the same time reducing the strain on Land Rover's own resources. Existing Range Rover running gear and the proven V8 petrol engine were also used on the Discovery. In addition, a new direct injection turbo-charged diesel engine was developed to provide a high performance diesel alternative. At launch only a three-door version of the Discovery would be available, partly due to engineering complications in the development of a five-door model, but also because the company was anxious that the new vehicle should not be viewed as a cut-price version of the Range Rover.

Within a year prototypes and early production vehicles were being put through their paces; monitored by computer under laboratory conditions that simulated 15 years of demanding use, driven two million miles on and off-road, and tested at temperatures from -30 to +40 degrees C. The vehicle was examined by several thousand potential customers across ten key markets. Research and test results indicated that the Discovery was a class leader in all key dimensions: performance, style and comfort. Land Rover had thrown a large proportion of its total resources into the development of the Discovery. The programme had cost around £40m, but in September 1989, less than three years after the concept approval, the Discovery was publicly unveiled at the Frankfurt Motor Show.

PROMOTION AND LAUNCH

The development of any new motor vehicle is always shrouded in secrecy; the Discovery was no exception. A small group of motor magazine photographers is known to frequent America's Death Valley, in the hope of catching a first glimpse of one of the many new vehicles tested in the area. They were thought to be responsible for early inaccurate press rumours that Land Rover was testing a new vehicle, a smaller version of the Range Rover. They had in fact spotted a disguised Discovery, but had been unable to judge the size at long distance. By June 1989 the rumours were developing into something more concrete, and in early July the first official photograph of the Discovery was issued. Over the next two and a half months a steady trickle of accurate information was 'leaked' to the press. At Frankfurt the Discovery was received enthusiastically, and Land Rover basked in a blaze of media attention. The Discovery was easily the most photographed car of the show, frequently by Land Rover's competitors. The information carefully drip fed to the motoring press over the preceding months had already caused alarm in the camps of the Japanese manufacturers.

Management of the media was part of a planned launch strategy. The positioning of the Discovery was designed to achieve three clear objectives:

1. To launch the new vehicle into the European personal transport sector in such a way that it would automatically be considered against key competitors.

2. To establish the Discovery as a Land Rover product, but with its own personality, quite distinct from those of the Range Rover and the 90/110.
3. To communicate aspects of the Discovery's appeal to differing types of customer identified within the personal transport sector.

There was no formal pre-launch advertising of any kind, but from September through to November, Land Rover was able to maintain and increase the level of selective press coverage. Countless interviews focused on the Discovery's design, development and target market.

On November 16th, the Discovery's official launch day, a two and a half week burst of national television advertising began. Costing over £1m, it was the most expensive campaign ever undertaken by Land Rover. The sixty second 'Antarcticar' commercial aimed to demonstrate Discovery's capabilities without sidestepping the fact that the Japanese currently occupy this sector. A second burst of television advertising was planned for early in the New Year, to be supported by a press campaign. In the press two advertisements were to run simultaneously. The first, mindful of the leisure applications of the vehicle, emphasised its looks, design and performance. It showed the Discovery's high quality interior, but challenged the reader to test its performance and capability with the caption "Go on - treat it with disrespect". The second drew on the Land Rover name and reputation, and aimed to build awareness that the Discovery was a Land Rover product. The picture showed the exterior finish shining through the after effects of a cross country drive, supported by the headline "This vehicle has Land Rover written all over it". By December though, demand for the Discovery was so strong that Land Rover decided not to readvertise and the campaigns were cancelled. Waiting lists were already twelve months long despite increased production, so the decision was taken not to stimulate the market further.

Editorial coverage did continue; *What Car*, *GQ*, and *Horse and Hound* were among many motoring, lifestyle and sporting magazines to carry highly complimentary feature articles on the Discovery, the first real challenge to Japanese domination of the European personal transport sector. The carefully orchestrated press coverage and advertising campaign raised public awareness of Land Rover's new product. Equal effort and attention went into Land Rover's own dealer launch. Over a six week period just before the Discovery's launch, dealers from Land Rover franchises all over Europe attended the biggest event ever organised by the company's marketing group. Over 4,000 people were familiarised with the product and, equally importantly, were presented with an identikit picture of the new breed of Land Rover customers. All dealerships were then revisited before being allowed to sell this important new product. In addition a handful of new dealers with experience and knowledge of the 4x4 leisure market were appointed.

The Discovery went on sale in the UK and Italy in November 1989, then gradually throughout the rest of Europe during 1990. To meet demand, production of the vehicle was increased from 200 to 630 units per week by July 1990, and waiting lists were reduced to six months.

The Nicholls' abandoned their attempts to find a Discovery after five months, but in the quest for a two year old Range Rover they stumbled on a dealer who was willing to sell his demonstration model of the Discovery, fitted with the full range of accessories, for the list price of the basic model. As Denise explained (several months later) "To get a Discovery with this specification in normal circumstances would have cost more than a Shogun or Trooper, but neither matched the Discovery's looks or spaciousness. We're glad that we

stayed with Land Rover - it's the name we know - we were happy with our old Range Rover and we're delighted with the Discovery."

TABLES:**PRICING IN UK PERSONAL TRANSPORT SECTOR AT TIME OF
DISCOVERY LAUNCH****1. LAND ROVER PRODUCTS - UK RETAIL PRICES 30th October 1989**

	£		£
Range Rover	23,784	-	31,949
County	15,336	-	16,059
90/110	10,010	-	13,372

Source: Land Rover

**2. UK RETAIL PRICE RANGES FOR THE PERSONAL TRANSPORT SECTOR
February 1990**

	£		£
Toyota Landcruiser	15,976	-	18,816
Land Rover Discovery		15,750	
Mitsubishi Shogun*	13,659	-	19,439
Nissan Patrol	13,069	-	16,166
Isuzu Trooper	11,998	-	17,998
Daihatsu Fourtrack	11,990	-	14,400

* Market leader before introduction of Discovery.

Source: Horse and Hound

LAND ROVER DISCOVERY - UK UNIT SALES November 1989 - August 1991

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1989	-	-	-	-	-	-	-	-	-	-	634	286
1990	446	491	596	566	624	450	93	1407	271	792	601	311
1991	1098	779	977	560	523	384	100	1742				

The dip in Discovery market share in September 1990 is attributable to a hold off in anticipation of the launch of the five door derivative. Similarly the steep rise in Shogun sales in May-June 1991 is attributed to the introduction of a new range.

Source: Land Rover 1991.



BALLYGOWAN SPRING WATER

*This case was prepared
by Barra O Cinneide,
University of Limerick, as
a basis for class
discussion rather than to
illustrate either effective
or ineffective handling of
a management situation.
The case was compiled
from published sources
and was made possible by
the co-operation of
Ballygowan*



BALLYGOWAN SPRING WATER

Introduction

In 1979, aged twenty four, Geoffrey D Read returned to Ireland from the UK where over a period of five years he had been, in turn, an electronics technician, male model, landscape gardener, and shoe salesman.

"When working as a door-to-door salesperson in the UK I first conceived the idea of selling Ballygowan. I was attempting to sell a pair of shoes, to a lady in a place called Little Wapping. She was enjoying a bottle of French mineral water at the time and I thought that if they can sell that with little imagery and lack of proper presentation, there must be a great opportunity for marketing one of Ireland's most natural resources - pure water."

He had no idea how to set up a business, let alone an enterprise centred on bottled water. He went to FAS, (the Industrial Training Authority), which was running a "Start Your Own Business" course with the Irish Productivity Centre. He was accepted on the basis that he had two projects, one a study of bottled water and, the other, publishing. His acceptance on the course was justified on the basis of the latter but his heart lay in the bottled water project. He took the opportunity to undertake a comprehensive study of the market over five months, in the course of which he got a lot of assistance from the market research department of CTT (Irish Export Board). However, the bottled water explosion didn't really happen until 1979, so up-to-date data wasn't available. However, he became enthused by the trends. Cyril Kerr, who later established Data Controls, attended the same course.

Geoffrey Read summarises the outcome as follows:

"So I left this FAS course with a promising concept and some ideas how to go about it. From then the story of Ballygowan is one of energy, commitment and ignorance. I think that ignorance was the most beneficial part of it!"

Ballygowan

If he had not gone on to establish Ballygowan, Geoff Read feels he would have developed some other enterprise. His UK experience in selling shoes gave him a unique insight into how consumer markets operate and a desire to develop his own business project some day. He has an interesting philosophy on the potential for developing Irish marketing:

This case study was prepared by Barra O Cinneide, College of Business, University of Limerick, Ireland with the intention of providing a basis for class discussion rather than illustrating either good or bad management practices. ©Copyright 1993.

"There is so much about Ireland that is marketable and underutilised. The Irish within themselves have perhaps the best basis for marketing in the world. This is probably a reflection of the old "Blarney" characteristic. Because we are less disciplined than say the US and Germany, where it is all formula marketing, we have a particular kind of innovative ability that I think doesn't exist anywhere else. If we could just direct it into appropriate business projects we could do extremely well".

Source of Supply

His early analyses of the potential for a bottled water product convinced him that what was really required was a superb source of spring water located near a bottling plant with spare capacity. He set out in search of this unlikely combination.

Geoffrey Read reminisces about these events as follows:

"Around this time I heard of a guy in Newcastle West, Co Limerick whose ancestors had bottled pure spring water for pilgrims on their way to Mecca. So I thought it must be worth a look if it was good enough for these pilgrims. I contacted the person concerned, Richard Nash. As a result, Dick and I became partners and friends, eventually trading together as Ballygowan. Against a lot of odds Ballygowan was born."

Spring Water Source - History

The Ballygowan water source is situated upstream of the town of Newcastle West in County Limerick, Ireland. The spring source was originally known as St David's Well and was given its name upon discovery by the Knights Templar in 1184 A.D. These Knights Templar received the lands from the Church in return for fighting in the Christian Crusades and they built a fine castle at the Ballygowan spring source, named Castle-Roe. After the suppression of the order of Knights Templar in 1314 A.D., the castle and lands around it lapsed to the Crown and later became the property of the Fitzgeralds of Desmond - the Earls of Desmond as they were known.

The Earls of Desmond owned and lived there until the death of the fifteenth Earl of the Castle when the lands were escheated to the Queen who by patent, dated 1591 A.D., granted them to Sir William Courteray with instructions to plant English settlers on it. In 1875 the segment of the castle including the Ballygowan source was bought by the Nash family who used the spring water in the manufacture of their high quality soft drinks until 1986 when the land and source became the exclusive property of Ballygowan Spring Co. Ltd.

Speaking at the launch of the Marketing Centre for Small Business at the University of Limerick campus in May 1986, Geoff Read commented on the historical connections of the Newcastle West resource and referred to its relevance to the Marketing Centre's core theme - "Enterprise".

"Today, more than 800 years after the discovery, it is fitting that recent development of this indigenous resource, Ballygowan Spring Water, is enjoyed by many people in different parts of the world and is the same excellent quality as noted throughout history in 'Lewis's Topographical Directory of Ireland' and 'The Holy Wells of Co. Limerick'".

Catchment Area and Product Protection

The surface water and groundwater catchment contributing to the Ballygowan source is an area of 18.6 square kilometres, rising up 250 metres into the hills to the west of the source. The high rainfall in this part of Ireland provides a potential groundwater yield of some 5,000 million litres of water per year. However, as it is technically impossible to remove all this water from the limestone aquifer, the catchment easily accommodates the extensive production level envisaged from the new Ballygowan bottling facility.

A very detailed field by field, farm by farm, land use survey has been made of the catchment area to ensure protection of this natural resource. Over 83% of the area is good quality grassland used as grazing for dairy cattle. The remaining land is lower quality rough grassland and woods. No herbicides or pesticides are applied to the land and the catchment area is totally free of industry and intensive farming.

Another attractive feature of the Ballygowan source is its geographical location in the south west corner of Ireland. The strong prevailing winds off the Atlantic ensure the area is completely free of acid rain pollution, which is currently destroying much of mainland Europe. Happily, the region was also favourably positioned in relation to the radioactive fallout from the nuclear accident at Chernobyl in the Soviet Union which, in May 1986, so dramatically affected the rest of Europe, especially Scandinavia, and caused high radioactivity levels in water sources on mainland Europe.

Spring Water Characteristics

The geological structure of the aquifer from which the Ballygowan source draws its spring water is unique, almost exclusively limestone. The high calcium, magnesium and bicarbonate concentrations mean that the water is hard. The hardness gives the water its attractive taste, and, being low in sodium, it means the water is useful in combatting the incidence of heart disease.

TABLE 1:

ANALYSIS OF "BALLYGOWAN NATURAL IRISH SPRING WATER"

	<i>Parts per million</i>
Calcium	132
Iron	0
Magnesium	6
Potassium	3
Silica	1
Sodium	13
Fluoride	0
Chloride	29
Nitrite	0
Nitrate (NO ₃)	5.1
Phosphate	0
Sulphate	9.4
pH	7.41
Hardness (CaCO ₃)	335

Market Trends

On meeting Dick Nash for the first time, Geoff Read was able to put the results of some test marketing that he had completed with Irish spring water. It was enough to make both of them enthused about the potential for the future. Some of the items of interest that came out of the research were the reasons why people were buying bottled water. Health freaks and fitness fanatics were emerging in significant numbers and demanding purer more natural products. Traditional 3 - and 4 - course lunches were becoming a thing of the past and "the JWT set" (the sunbound Irish tourists) were flying off to Costa Del Sol bringing back many habits, some good some bad. Among these habits was the practice of drinking mineral water. Also, people were becoming concerned about chlorination and fluoridation of tap water supplies.

These considerations weren't unique to Ireland. The growth of sales of bottled water worldwide has been the fastest growing sector for over six or seven years. In 1976 sales of bottled water in the US were approximately 200 million gallons. By the turn of the century, sales are expected to be in excess of 4 billion gallons. Similar growth trends have emerged in the UK. So substantial growth was happening in many markets.

The Role of Market Research

How much of Ballygowan's progress to date has been due to market research or to following an innate "gut feeling"?

Geoff Read did a fair amount of market research when on the FAS training programme. This, basically, was a five month planning period during the course of which he was paid IR£40 per week. It incorporated a two-month taught course which concerned itself with the "dos and don'ts" of establishing your own enterprise. For the three months that were confined to project investigation Geoff Read spent most of his time at a desk - using the telephone placed at his disposal, generating a file of correspondence with prospective suppliers and customers, and pestering CTT looking for information on overseas markets. Read explains as follows:

"Market research was very important because I had to determine what the trends were in the market, generally, and to compare our proposed position vis-a-vis likely market developments, in particular. The trends I found were very encouraging since even in mature markets there were significant upsurges in sales of bottled water. There was a very evident cyclical element in the drinks industry".

Soft drinks started off as water. Then manufacturers added some gas, (carbon dioxide), then some sugar, caffeine and assorted flavourings. Subsequently, ingredients were eliminated one by one to give "sugar-free", "diet/one cal", "caffeine free" products. So that the cycle is nearly now complete with spring/mineral water coming back into fashion.

"To a certain extent I think you have to be able to see these underlying long term trends, but also not to be over-reliant on the scientific approach to market analysis. If you have a strong 'gut reaction' to a market opportunity you should be prepared to go along with your own instincts," Geoff Read believes.

The Ballygowan Name

When asked how he selected the name of his enterprise, Geoff Read explains that he first went to a number of friends in the advertising field:

"They came up with ridiculous names like 'Rinks' simply because it rhymed with 'Drinks'. Other product names were equally absurd - so much so that they wouldn't help to sell even a washing powder".

So he decided to compose a name off his own bat. After several false starts "Ballygowan" seemed to fit the bill, being a name that rolled off the tongue easily. It was only, subsequently, when registering it as a trade name that he discovered that there were places called Ballygowan - insignificant townlands, except one that was an identifiable crossroads village in Northern Ireland.

Read admits to minimising on his research into the name's suitability. He merely checked out its acceptance by members of his family and a handful of friends. The main rationale behind choosing such a name was its connection with Ireland and the need to create an image of the rural origins of the product. He freely admits that, even at an early stage, such a name was considered important if exports were to be a prime consideration, especially in "ethnic" markets such as the US:

"Irrespective of what name we would choose, I wished to identify the product as being an obviously Irish one, while avoiding the leprechaun and stage Irish imagery. What we are trying to sell is a sophisticated Ireland, one that has a great history and culture, yet with the ability to produce a high quality product from a renowned natural resource."

Geoff Read believes that the above image can be successfully created by a determined planned marketing approach so that promotion packaging and distribution are in tune with the product. This will entail gaining access to sophisticated outlets like up-market hotels, restaurants and bars. He believes that in most parts of the world there is a fount of goodwill towards Ireland that has yet to be tapped by Irish business.

The Role of Packaging

The next step was to develop a product which would be sold. Geoff Read believed the key to success related to packaging.

"The world wasn't out there waiting for Irish spring water. We had to develop a particular product that had the imagery and appeal that people would relate to, not only in Ireland, but overseas. I worked very closely with a designer, Noel Hayes of Aston and Hayes, from our very early test marketing stage. We developed a type of plastic packaging for our bottled water. We feel we have been innovative within the bottled water market."

Becoming unique, even for a short period, can give an enterprise a valuable headstart but it must work hard at keeping ahead of the posse. With the smaller glass bottle, Ballygowan was the first product in Ireland with this type of packaging.

Geoff Read explains the significance of this:

"We believe we are ahead of places like the United States in developing a see-through film for use as a wrap-around label. I have always believed that packaging has been the least important concern of Irish manufacturers and I think that this has been proven over a number of years, but to us it was a most important consideration."

Contact with Retailers

Having developed packaging, the product was allowed to filter on to the market. Geoff Read maintained contact with the major forces in Irish retailing since the early test market days and had kept them fully informed of progress. He explains the benefits of liaising closely with retailers, particularly multiple store buyers:

"It is important to remember that these particular people, like Damien Carolan of Superquinn, Tom Nolan of Quinnsnorth, Kevin Flynn and Vincent Kenny of H Williams, are very critical in the new product planning process. They are aware of what is happening elsewhere and can be far more discerning than your consumers. We have had, and continue to receive, great support from retailers. At the end of the day their support relates to how quickly you move the product off the shelves and how profitable your product is to them. It is very encouraging that they are prepared to take risks in this area."

Product Range

Initially, Ballygowan produced two main lines, sparkling and still spring water, responsible for 88 percent and 12 percent of sales, respectively. Geoff Read expects still water will generate a larger share of the enterprise's turnover, over a period of time. Synergy can arise from promoting one product which can rebound to the benefit of the other.

The public's palates change and also there is a generation phenomenon where above a certain age, the gaseous element of drink affects the digestive system more harshly. Ballygowan has a high profile among the over-65 age group. This is considered to be an interesting feature in itself since it probably reflects the rural roots of the older urban population, with a sentimental attachment to "natural water" which they remember drinking in the old days from the parish pump!

Geoff Read believes that a generation of consumers has now emerged with loyalty to vintage water just as wine aficionados have developed special taste preferences. He believes that future growth will arise through the public becoming more discerning about what they drink. Ballygowan feels it offers a unique product. The firm has conducted a number of taste testing studies and Geoff Read claims his product comes out number one every time.

In 1987 Ballygowan undertook test marketing of sparkling spring water with the addition of natural fruit essences (extracts). These are now available in orange, lemon and lime. Ballygowan products are now available in a range of convenient packages suitable for both on-premises and off-premise consumption.

EXHIBIT 1:
BALLYGOWAN PRODUCT RANGE, MAY 1987

1 SPARKLING

<i>Pack Size (litre)</i>	<i>Case Size</i>	<i>Cases per Pallet</i>
* 0.15 can	24	150
0.20 glass	24	96
0.25 glass	24	96
0.75 glass	12	70
1.50 PET	12	52

2 NATURAL

<i>Pack Size (litre)</i>	<i>Case Size</i>	<i>Cases per Pallet</i>
0.25 glass	24	96
1.50 PVC	12	40

3 FLAVOURS

<i>Pack Size (litre)</i>	<i>Case Size</i>	<i>Cases per Pallet</i>
** 0.20 glass	24	96
** 0.75 glass	12	70

* Cans were developed for airlines and promotional use.

** Orange, lemon and lime flavoured.

Publicity

Geoff Read is thankful for the many column inches written about bottled water and the phenomenon of a small Irish company taking on the might of Perrier, the world leader in the field. He himself has been to the fore in promoting Ballygowan:

"We have produced a product which is superior to the largest selling bottled water brand in the world and have been unique in actually taking them on in an immature market. We have reduced their market share from 80% to approximately 30%, while ours stands around 60% at the moment, (March 1986). To get back to the journalist role element, we spent just under IR£1,000 on advertising before we became brand leader in the supermarkets."

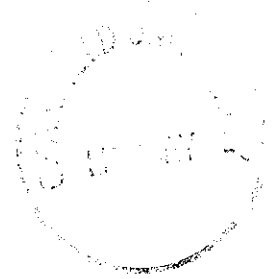
Publicity is a very important aspect of marketing, and is often the key to success for the launch of a new product, particularly a consumer one. Journalists need something to write about so Geoff Read was not slow in providing the media with storyline material.

"They need to write about you as much as you need them to write about you. In fact, this is worth far more than advertising: it is also free, or reasonably costless."

Advertising

In Autumn 1985 Ballygowan won the National Newspapers Award which gave the enterprise IR£100,000 worth of free advertising. For a small company like this, this sort of recognition was significant. In March 1986 they launched a national advertising campaign funded through the award scheme.

The 'Table Water for Two' ad was the brainchild of the media buyer in McConnell



Advertising, Dublin. Ballygowan had identified that there was considerable underperformance in sales to restaurants and bars. The enterprise was looking for a medium that would get to the restaurant owner/manager. Up to then, "Perrier" was the generic for mineral water and customers would order the French mineral water without thinking.

Therefore the "Table for Two" eating out column in the Saturday edition of The Irish Times became the focus for Ballygowan's advertising effort. With agency help from McConnells they parodied the style of the regular restaurant column winning several advertising awards in the process. More importantly this particular promotional initiative was very effective in achieving its objective, directing the attention of restaurateurs to the product. However, an early colour ad. campaign proved unsuccessful in business terms, while earning many advertising accolades and even several more awards. A later colour campaign was to prove most effective.

Distribution

Simultaneously to generating publicity it was important to get distribution moving and this was achieved by a lucky stroke. Ballygowan had become associated with the Canada Dry group, in that Nashs are the franchise element of Canada Dry, which has national distribution. They have no relationships other than an arm's length arrangement through shareholding with Nashs, but the trade connection meant that Ballygowan had an inside track in many centres throughout Ireland. However, it didn't cover effectively the key area which was Dublin. They had to get the product into the outlets where the consumer was demanding it because of publicity and the product's visibility in the larger stores. This was done by a combination of persistent badgering, and the offer of respectable margins. Eventually wholesalers and distributors found out that it was an easy product to sell. Geoff Read claims:

"It was perceived to be a better product than the competition, and people wanted it. I would like to think that a combination of efforts on both the public relations and the distribution fronts paid off."

Sales

Sales of Ballygowan on the Irish market have grown rapidly but there is a lot of dispute about market shares. Ballygowan insists that its information is much more accurate than its foreign competitors:

"Because they cannot monitor our sales but we can monitor their import statistics."

TABLE 2:
IRISH TRADE IN SPA & AERATED WATERS, VALUE, (IR£000)

IMPORTS

Source: Trade Statistics of Ireland (CSO)

	1980	1981	1982	1983	1984	1985	1986	1987
France	121	143	158	212	307	348	246	224
Other countries	4	80	75	25	147	62	106	146
of which:								
Britain	na	na	na	na	*119	na	na	na
N Ireland	na	na	na	na	*16	na	na	na
Total	125	233	233	237	*454	410	352	370

EXPORTS

	1980	1981	1982	1983	1984	1985	1986	1987
EC	na	na	na	na	na	na	41	111
US	na	na	na	na	na	na	60	224
Total	0	*77	3	21	5	27	101	344

Note: Industrial representatives, including Ballygowan, believe that some miscategorisation may have occurred in the compilation of trade statistics.

(*) It is suspected that lemonade and other soft drinks, often called "minerals", have been included in the data, especially those relating to Britain and Northern Ireland.

Ballygowan has undertaken independent market research through the Lansdowne omnibus survey and through the Nielsen audit which confirmed that the brand had a 70% share and was growing at the expense of all others.

Ballygowan launched into Northern Ireland in February 1986 and received an extremely positive early response in spite of abnormal political conditions there. Geoff Read summarises his international experiences as follows:

"Northern Ireland is a very interesting market and one that hasn't been exploited fully to any degree. We feel that while Ballygowan is an all Irish product, it is international in appeal. The current per capita consumption, for the domestic Irish market is about one litre per head. It is going to take some time before we get close to the 56 and 51 litres per head consumed by the French and Germans, respectively. We may never get to that level but we will certainly grow from where we are now. We have exported to a number of countries including the UK, Belgium, Germany, Australia and the United States, but we are taking a cautious approach. It is very easy to dump a product into a market and achieve early recognition but if one cannot service that market effectively then alternative efforts will come to nought, particularly, in the United States. So we have been spending a lot of time in preparing for market launches abroad. We have initiated market research programmes of which I think CTT would be proud. We are undertaking detailed quantitative analysis to determine what our production requirements are going to be."

It is a quantum leap to take a product from the Irish market to more mature ones with the potential of the US, the UK or Germany. Until mid-1986, Ballygowan only employed three people directly, a girl in Germany, a girl in Ireland and Geoff Read himself. Although a young management team, they have shown their ability to sell the product, believing it is the best available. They are anxious to establish their name as being a credible organisation.

"It is very easy to be Irish and not to be taken seriously in the international market, because there are very few Irish products that make it overseas. We feel that to be successful overseas requires a lot of investment not only in marketing but in new facilities while monitoring and maintaining quality control at all times. One of the greatest kicks I have had is sitting in a restaurant in the States and seeing people order Ballygowan at US\$2.75 a bottle. In New York they have experienced consecutive droughts which meant that the tap water supplies have been diluted with water from the Hudson river. So, not unexpectedly, New Yorkers have been buying bottled water in increasing numbers."

The US Market

Up to 1987, Ballygowan, had limited distribution in the US. Originally it had a deliberate policy of not getting too locked into distribution deals until it was satisfied it is serving the market in the way that best suited Ballygowan's long term interests. The temptation was to do otherwise, but Read warns against the attraction of short term strategies:

"It is very easy to sell products on a once-off basis in the US, because it is a consumer society. You must provide continuous service to your accounts. You need to back up customers with deliveries, as required, and have financial resources for marketing support to justify your shelf-space. You certainly can't dump product on the market and run. Traditionally, people go to the States about six weeks before St Patrick's Day, get their orders in and they aren't be seen again until the following year, thus antagonising the US buyer".

Ballygowan is now distributed by Anheuser-Busch who have in excess of 960 wholesalers covering the entire US. Anheuser Busch brew Budweiser, etc, and have 38% of the US beer market, with a turnover of \$7,500 million.

Future Potential

Ballygowan has been receiving significant support from semi-State bodies, particularly CTT, in terms of marketing assistance. Initially it was hard to be taken seriously but Geoff Read feels that the new enterprise has established its credibility generally, which will make it easier to find support for future development plans. CTT, has recognised this and Shannon Development has been highly supportive of Ballygowan's targetting on the US market.

In the early days the venture capitalists reacted fairly negatively. It is a high risk venture based not on any asset base, because everything is contracted initially. Geoff Read explains:

"Financial investors are becoming more supportive of our ability to market and sell a product for which there was virtually no home market before. It is still difficult for us to present the complete profile of Ballygowan and its future because we have hardly got past the first couple of pages in the storyline, to date."

In 1987 Geoff Read stated that Ballygowan expected to sell in excess of nearly six million bottles at home. That was miniscule in relation to the soft drinks market or the bottled water market worldwide. It is very much a high volume, low margin product and, consequently, the enterprise needs substantial volumes if it is to thrive.

New Product Opportunities

Perhaps the prospects for tapping the goodwill and favourable image of indigenous products that exists abroad is best as summarised in Geoff Read's own philosophy:

"The future I see is rich in potential. It poses both opportunities and challenges for Irish food and drink products. On the positive side there is enormous goodwill to things Irish. The first-time entrepreneur welcomes such a 'plus' factor since it is difficult to generate the same amount of energy consistently to a project as it grows. One's concentrations get diverted into so many different areas, new product development and new markets. In Ballygowan I see a situation where we don't need an infrastructure that is overburdened with people. We need quality rather than quantity, and that is our intention for the future. We believe that Ballygowan is set on the correct course and that any future investment in the product will be well rewarded."

Geoff Read seems to have a restless spirit which urges him to be on the look-out for new product opportunities. So far, new concepts must remain unexploited, since the firm does not wish to spread its resources too thinly and Ballygowan remains the product on which it intends to concentrate its efforts. The firm's approach to diversification can be summarised as follows:

"We feel that Ballygowan sells the image of Ireland like no other product we can put on the market at this point of time, and we are devoting all our time and effort to ensuring its success".

"Sails" Promotion for Ballygowan!

Local oceangoing grandfather, Pat Lawless, set sail from Limerick docks, on 29 May 1986, in his 8.5 metre boat, "*Iniscealtra*", to cross the Atlantic single-handed. He successfully completed the journey 57 days later when effecting his landfall in Newport, Rhode Island.

Although he admits to not being a big eater, Pat Lawless carefully planned sufficient provisions for the crossing. He recounts taking liberal quantities of water on board, 48 gallons of fresh water and several dozen litre bottles of Ballygowan Spring Water.

Unfortunately, at mid-point of the voyage his main water supply had deteriorated to such an extent that almost all of it had to be dumped overboard, whereas Ballygowan remained in perfect condition throughout the entire voyage.

Ballygowan Spring Water Co Ltd

Ballygowan Spring Water Co Ltd was founded in 1981 by Geoff D Read. The company was restructured in March 1984 as part of a joint venture agreement between Geoff Read and Richard Nash of Richard Nash & Company Ltd. In September 1986 a majority stake in the enterprise was acquired by Anheuser-Busch Beverage Group Inc, a wholly owned subsidiary of Anheuser-Busch, Inc., of St Louis Missouri, the world's largest brewer. The group owners of the Budweiser brand, the world's best selling beer, purchased 50.1 percent of the equity of Ballygowan Spring Water Co Ltd, together with the trademark and distribution rights for Ballygowan products in the United States.

Bottling Facility

In Spring 1987, Ballygowan completed construction of bottling and warehousing facilities at their source in Newcastle West, Co Limerick. This state-of-the-art, custom-built water bottling facility is the most modern in either Britain or Ireland and incorporates a modern design into a rural environment. The bottling line operates a speed of up to 600 bottles per minute and is fully automatic.

EXHIBIT 2:

BALLYGOWAN AWARDS

- 1985 National Newspaper of Ireland
Best Consumer Product Advertising Value IR£100,000
- 1986 Royal Dublin Society - Allied Irish Banks New Ventures Award
- 1986 Advertising (International) at A.B.W.A. 1986 Aqua Award
Runner-up (best international advertising category)
- 1986 Todays Grocer - Aida Sial Award
Best beverage product in Ireland since 1984
- 1986 Aida Sial International Grocery Oscar
Best non-alcoholic and soft drink beverage in Europe since 1984
- 1987 Irish Times - PA Management Award
Runner-up Best Management of a company in Ireland in 1986

Conclusion

Asked to identify the most important ingredient for success in establishing an enterprise, Geoff Read commented as follows:

"Commitment is the single biggest factor. If you're not committed how can you expect people to back you. If you have faith in something, then keep plugging away because if you drop it in the middle you'll spend the rest of your life wondering what it would have been like to be successful. But, to be honest, you must be prepared to go through a hell of a lot of rubbish; people saying that you're nuts or crazy. But in the end you've got to satisfy yourself. You'll be proved right or wrong, quickly enough".

"Success" Magazine, April 1987