Part 4

Marketing Implementation Case Examples

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* Names have been disguised to maintain anonymity. There is no connection between these organizations and any other using a similar name.

All interviews conducted by the authors between September 2011 and March 2012.

Austro: Accelerated implementation

Charles Jacobs, CEO and Peter Ivanoff, National Marketing Manager, Austro Group Limited

Background

Austro entered the South African woodworking market as an agent/distributor of European sourced equipment in 1980. Some ten years later it commenced with the distribution of tooling and invested in equipment to sharpen such tooling on behalf of its customers.

During the first two decades of trading the company grew in line with the general expansion of the South African economy at that time. However, with the economic boom of the early 2000s the company flourished.

The company developed into the largest distributor in South Africa which was attributable to:

- The drive and energy of its founder.
- The company's range of products included most of the leading brands at that time.
- The value proposition of the business which was to provide superior after-sales service. Amazingly it was the only distributor to offer such after-sales care.

The company listed in 2007 on the Johannesburg Stock Exchange (JSE), at which time the founder retired from the business. He was succeeded by a sales orientated CEO with limited management experience. Not surprisingly, during the highly optimistic period which prevailed at the time, overheads became bloated with crony appointments earning extravagant salaries and asset management was totally neglected. As the business previously focused primarily on equipment sales, it considered its service department to be a cost center and as a consequence of not having profit responsibility, the service department was staffed with overpaid technicians.

Subsequently to the economic crash in 2008, management was unable to cope with the changed environment and the Board was compelled to intervene with the appointment of a temporary CEO tasked with bringing overheads in line with the new levels of economic activity.

The management baton was subsequently passed to the manager of a small subsidiary who continued to focus on cost cutting and accounting controls. The company's technical service was consequently drastically pruned during this period. Unfortunately, as the after-sales service was a key element in the value proposition, the baby was proverbially thrown out with the bath water.

With the focus on cost cutting, sales continued its downward trend.

Environmental scan and development of a revised business model

On New Year's Day 2011 a new CEO, Charles Jacobs, was appointed to turn around the company's fortunes. A task force was assembled to undertake a strategic marketing review for the first time in the company's history. The review included an external audit of the company's customers utilizing the Malcolm MacDonald template.

Some of the more important issues revealed by the audit were:

The business had not segmented its market and had a 'one-size fits all' value proposition. Because the business considered its service department to be a cost center, which incurred significant losses, the value offered was not recovered in the selling price of the products.

The business had previously targeted only one segment of the market and had no defined value proposition to enter other segments of the market. The business was growing well at the time. It was able to report significant sales growth during the boom period in the early 2000s but this disguised the fact that sales were simply rising with demand and that sales personnel were not equipped to pro-actively pursue sales. Moreover, sales were conducted on a transactional basis with no attempt made to negotiate sustainable long-term customer value through integrated solution offerings.

In summary:

- In line with many companies at the time, the company's sales force had become order takers whose skills were primarily product orientated.
- Sales were transactional in nature which consequently resulted in the company's customers buying their products from competitors of the company as well.
- The company had lost its most profitable product agency and there were signs that some of its other key agencies were in jeopardy.