

UNIVERSITY OF BRADFORD
MSc Marketing Planning & Strategy
MAN4146M

January 2014

1.5 hr

This is a **CLOSED BOOK** examination

Smith's Engineering Case

Candidates should read the attached case study carefully.

Candidates are not permitted to bring any documents into the exam and will be provided with a fresh copy of the case study with the examination paper.

Question 1 is **COMPULSORY** and must be attempted

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1. As an external Marketing Consultant, John Smith has commissioned you to propose a marketing plan (Marketing audit and analysis, Marketing Objectives, Marketing Strategy, Implementation, Control; all 5 sections carry equal marks) for Smith's Engineering Services new manufactured product/components as a new product offering.

(100% of marks)

Clearly indicate any assumptions you make to supplement the case material where necessary.

(Please turn overleaf for Smith's Engineering Case)

SMITH'S ENGINEERING CASE STUDY

Smith's Engineering Services (SES) is a small Bradford company providing a range of subcontract metalwork and engineering services including welding, profile cutting, flamecutting, grinding and fabricating. It also undertakes intermittent contract fabrication of a range of trolleys; an outwork arrangement made ten years ago with the trolley manufacturer, a Leeds based company specialising in palletisation and materials-handling systems. This work, never particularly amounted to no more than an occasional batch order from the Leeds Company, which is itself now troubled by recessionary difficulties.

In 2010 SES had a monthly turnover of approximately £60,000 and had 22 employees. However, since that date it has suffered severely from the effects of the growing worldwide recession, and competition from foreign manufacturers. It now has thirteen employees and turnover has fallen to £38,000 per month. However, it has recorded a small loss in each of the last three years.

SES's Performance over the last 3 years (£,000)

	2010	2011	2012
Sales Revenue	720	399	464
Cost of Goods Sold	325	154	188
Fixed Costs	253	105	110
Advertising/Promotional Spend	152	157	152
Net Loss	10	17	14

There are some 1,100 accounts in the sales ledger but only 120 have been active during the last twelve months. Of these, ten accounts produce 70% of the company's sales. Order sizes vary from "one-off" jobs costing £1,000 to a long-standing contract worth £10,000 per month. Profit per job are known to vary somewhat, though the company has not succeeded in its periodic attempts to plan profits or purposefully provide for future growth. The very nature of the one-off tendered jobs is creating a feast and famine cycle and making production planning very difficult

The Managing Director, John Smith, currently handles sales contracts backed up by a small team of 2 salesmen. The Marketing activity whilst fairly flat over the last 3 years has been controlled by a marketing manager and amounts to the following activities:

Promotional Activity

The last three years spending has been split as follows: (£,000)

Activity	2010	2011	2012
Exhibitions	20	21	20
Trade Advertising	60	62	62
PR Activity	15	17	14
Customer Entertainment	4	3	2
Direct marketing	40	43	44
Sales Promotion	13	11	10

The company has a works accountant who costs all jobs and prepares estimates and quotations. As there are no 'off the shelf' products currently produced SES are not able to

produce a standard prices list or catalogue of products and relies greatly upon individual pricing for the tendering for one off jobs. In the past many of these were turned into regular monthly contracts but this is not so today.

In recent months John Smith has been giving serious thought to the strategic avenues open to the company, and especially to the possibilities that might exist in new fields and markets. He believes that, if only for survival purposes, the company needs to move away from dependence on the depressed subcontract sector, and the “metal-bashing” image that sticks to it. In particular, he feels that opportunities lie in the development and commercialisation of a credible range of company-manufactured products, supplied to the open market. In this way, he reasons, the company would be in more direct control of its own destiny.

John has spent some time researching the market place and has developed a small range of products for the consumer market to be promoted direct to the consumer by way of a new e-commerce website which has recently been designed for the company by a new consumer marketing agency. The consumer products are such things as metal garden furniture, metal garden gates and metal drive gates etc, all of which utilise current equipment and personnel skills.

His research to date and John has identified a route to market by supplying high quality Garden centres and small independent DIY shops as the most likely to be interested in these new product ranges. He has also identified that the British consumer, at least the wealthier ones not effected too much by the current recession, are beginning to express a preference for locally made produce similar to the trend towards locally grown vegetables rather than a preference for imported cheaper products.

Competitors within the local vicinity are high for the ‘metal bashing’ type contracts but with regards the consumer product range; the main competitors are the big DIY warehouses (B&Q) which sell a cheap foreign imported product in the main. At the other end of the scale, there are a few one or two man outfits which do a bespoke design and manufacture offering but the price premium for such an individual service gives SES a clear space in the market between these two providers. It is anticipated that this consumer market will show a seasonable purchasing pattern and spring and the summer are expected to be the peak times. This works well in that the traditional metal bashing market showed a winter/autumn bias.

The new marketing agency, who designed the e-commerce website, have made some initial enquiries and have identified that a mailing list of 500,000 names, addresses and email addresses is available for the type of distributors identified and they estimate that a mailing piece would cost in the region of 70p and an email equivalent 7p. From their experience, they would estimate a response rate of 7% to each mailing and 3% from each email campaign. They have also suggested going direct to the consumer utilising the e-commerce website and a small mail order catalogue distributed through the weekend press.

Flamecutting: is the use of an oxyacetylene blow touch to cut through sheet metal
Palletisation: is the use of wooden or metal pallets within the transportation and stock handling areas to transfer components easily from one point to another by use of a Forklift truck or hand held pneumatic lifters.