

# Irish Business Journal

## Case Study Edition

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# Editorial

Welcome to this special Case Study Edition of Irish Business Journal. As editors we are delighted to provide the opportunity for authors to present Irish case study material. Case studies are a powerful learning tool and are particularly useful for illustrating the applications of academic theories and concepts in “real world” situations. Case studies on Irish companies are relatively scarce and we believe that the cases contained in this edition will provide valuable material for classroom discussions.

We thank those authors who responded to this call for cases and particularly congratulate first-time authors. We are grateful for the goodwill and timely, constructive and helpful reports from our expert reviewers. We also thank our editorial advisory board for their interest and look forward to working with them for future editions of the *Irish Business Journal*.

*Rose Leahy, Dr Margaret Linehan, Editors Irish Business Journal, School of Business, Cork Institute of Technology*



# Supreme Seafoods<sup>1</sup>

Thomas M. Cooney & Roger Mumby-Croft

## Introduction

Fintan Barrett's four year old daughter would often turn to him while playing and exclaim "what to do, Daddy?" Indeed, this very question of what to do next had frequently swirled around his own head as he considered the options that were now available to him and his business *Supreme Seafoods*. Some commentators had described the recent economic crisis as 'a perfect storm' and that analogy was particularly apt for someone operating in the fish industry. Although Fintan's family had worked in the fishing industry for many generations, whether out at sea or processing and selling fish on land, the older surviving members could not recall such a gathering of negative economic happenings ever previously coming together in such proximity. While salt water might flow through his veins, Fintan was also a pragmatist and recognised the enormous challenges that he and his business faced. He still found it difficult to believe that just twelve months earlier, the business was in excellent health and prospects for him and his family had never looked better. Now, he had too many staff (all of whom were well paid), he had lost some of his largest customers, he was stretched because of the diversified strategy that he had pursued over the past five years, a major processor was squeezing him so hard on margins that there were no profits left on the deal, the currency crisis was hitting his limited international activity, and the bank manager was making demands upon his loan repayments that he simply could not meet. What to do indeed?

## Family Business Background

Fintan Barrett grew up in the fishing port of Killybegs in County Donegal in the north-western corner of Ireland. His father ran a fish merchant business there and it was always taken for granted that his elder brother Justin and himself would go into the local 'fish trade'. In 1990, Justin took over the business from his father and two years later, Fintan became a Director of the business. Although both were in their twenties, together they built a profitable business in a very challenging industry.

Five years later, in 1997, Justin was approached by a local entrepreneur who was interested in buying the business, and as Justin had identified an attractive personal opportunity in the USA, he decided to sell. Fintan received some money from the sale and also stayed on as Retail Sales Director with the new organisation, but as often happens after such takeovers, it was clear within twelve months that the customer-care policies of the new owners did not align with the philosophy of the original owners. Fintan was becoming increasingly frustrated with his role in the new organisation and he knew that he had to move away. He also felt that the new owners were not responding quickly enough to the changing industry trends and that they were in danger of being left behind (the business subsequently collapsed in 2005).

The 1990s was a period of dramatic change for the Irish fishing industry, primarily due to the introduction of the Common Fisheries Policy by the European Commission in 1983 which resulted in the introduction of fish quotas that boats could land. The restrictions regarding what fish could be caught and the limits on the amount that could be landed were providing increased difficulties for those trying to make a basic livelihood from the industry. The number of Irish fishing boats unloading in ports fell, while numerous boat owners went into arrears as they could no longer make the repayments on their boats (indeed many trawlers were repossessed). Irish fishermen frequently highlighted their plight and the fact that there was minimal supervision of European fishing boats off the Irish coast, but little actually changed during this time as the European Commission continued to dictate terms. Additionally, the boom in the Irish economy in the late 1990s meant that many of the younger people were no longer willing to endure the difficult lifestyle that is involved in going to sea and so manning the boats had also become a significant challenge.

<sup>1</sup> Thanks to Sarah Cleary who undertook the initial research on this case study which is loosely based not on a real company but on a concept by Roger Mumby-Croft and Tim Cracknell in the case 'Seaking'.

Despite the difficult trading environment in the Irish fishing industry, Fintan decided that the time had arrived for him to go out on his own and so he established his own fish processing business in early 1999. In truth he did not have to think too much about the decision itself - although he thought very hard about how he should organise *Supreme Seafoods*. The fish business was his life; he had, and still has, a passion for trading. He believed that dealing in perishable products had to be immediate, as there was no second chance. He found that nothing matched the adrenalin surge of pulling off a good deal, or the cut and thrust and the camaraderie of the market. This was his life; it was all that he knew!

## The Business Start-Up

The basic business concept was that Fintan would be a primary processor which meant that once he had purchased the fish on the quaysides, he would then bring them back to his premises where a proportion would be gutted, filleted, and possibly frozen for onward distribution and sales, while the remainder would be sold in their natural state. Because of the challenging environment of the fishing industry at that time, Fintan decided that the best way to build a profitable business was to be a specialist in a number of market niches rather than being 'all things to all people'. Additionally, because there was increasing competition from large secondary processing firms that were delivering frozen fish products to retail consumers who were increasingly seeking convenience products, Fintan chose to concentrate on two areas where he had strong contacts, the delicatessen business and the wet fish market trade. The only packaging involved for these target markets was plastic bags as he did not need to put them into the more formal packaging that was required for supermarkets. He also did not need to build a brand identity as such a matter was irrelevant in delicatessens and wet fish shops.

Having registered the business as a limited company, Fintan felt that the first thing he needed to organise was an overdraft facility. This was essential for a fish merchant because of fluctuating cash requirements due to boat owners having to be paid weekly. He toured the local banks but most were not interested, saying "we have enough fish merchants on our books, thank you". Then, through the introduction of some friends who already managed their own companies, he arranged a meeting with the local manager of one of the big retail banks. The bank manager listened to Fintan's ideas, looked at his business plan, and offered a €20,000 overdraft facility as long as Fintan provided him with the security of a personal guarantee backed by a charge on the equity of his house. This proposal left Fintan dismayed as his business plan was based on a €50,000 overdraft, as well as putting into the business his own €30,000 which was all he could afford at that time (he had put a substantial part of his personal savings into building a large house in 1998). However, he felt that he had to accept the deal rather than fail at the first hurdle.

It is said that one of the worst things for a start-up business is to have too much cash but that certainly was not a problem for Fintan. He recognised that if the business was going to operate on a shoestring then he had to give priority to financial control and cash flow, and that he could not afford fancy accounting fees. His partner Grace, who was a nurse at the local regional hospital, offered to undertake a book-keeping course through Donegal County Enterprise Board so that she knew how to reconcile the figures, and this allowed them to give well ordered information to the local accountants who produced quarterly accounts and acted as auditors. Fintan's interactions with the Enterprise Board enabled him to gather much more information about managing a small business that he would ever have considered, as well as availing of some of their business support services. Premises were rented from the Killybegs Harbour Centre and potential customers were visited. Fintan was responsible for equipping the premises and rent was due in advance on a monthly basis. The company opened for business on Monday March 1st 1999 with five customers and three employees (two process workers to do filleting and labouring, and a FÁS<sup>2</sup> trainee), plus Grace helping with the administration in between her shifts at the hospital.

<sup>2</sup> FÁS is the national training agency in Ireland.

Fintan always had a very strong belief that 'low pay meant low output'. Therefore he always paid well above the going rate for the job (together with bonuses) to show he valued the input of everyone on the team. He believed that this combination of good pay and feeling valued by management meant the company was one with good morale and productivity. The other thing he was determined to do from the start was to arrive as quickly as possible at a weekly breakeven figure. Every expense he incurred was gradually built into this calculation so that he could tell if the business was above or below this magic figure soon after trading finished on a Friday. This exercise was to prove of great assistance during the early years of the business. By the end of the third financial year in March 2002, *Supreme Seafoods* had increased its turnover from €61,000 to €523,000 per annum and its customer base from five to forty. Through a commercial mortgage from the bank, Fintan was able to invest €610,000 in a small fish factory in Killybegs that was equipped with cold storage and freezer capacity, and this would become the new home for the business. The bank had also extended the overdraft limit to €50,000 and Fintan was well positioned for the next phase of *Supreme Seafoods's* expansion during the economic boom of the 'Celtic Tiger'.

## Growing the Business

In February 2003, after careful consideration and financial analysis, Fintan decided to expand the business by spending €430,000 to buy a small company which dealt in specialist fish species such as orange roughy. This business had an excellent network with the delicatessen market throughout the north-western region of Ireland and offered wider horizons as he could now supply local processors and distributors with these specialist species. The fact that his customers generally settled their accounts within one month reduced the potential for cash flow problems that the extra €24,000 per month of new business might have caused. Two months later, a fish cake making machine plus a customer list was purchased for just €27,000. The owner of a small business which supplied fish and chip shops in the north-west region was retiring and the machine effectively took up unutilised space in Fintan's premises. It also gave Fintan an entry into fish and chip shops which until this time had remained outside of his target markets.

The next expansion was in June 2004 when Fintan bought two wet fish retail shops. These shops provided additional outlets for the fish processing business and increased turnover without adding to cash pressures as the business was over-the-counter cash trade. One shop was in Letterkenny and the other was a mobile pitch in a fish market in Greencastle. The former owner continued to look after the Greencastle outlet. Unfortunately the wet fish shops would prove a considerable diversion to Fintan's efforts even though much time was initially spent establishing good administrative systems. After acquiring the two retail outlets *Supreme Seafoods* had 13 employees, a turnover of €1.6m and an overdraft facility of €80,000.

Fintan now found that more and more of his time was being taken in controlling all aspects of the operation and (with hindsight) he could see that he was becoming slightly arrogant in believing that he had the formula for achieving growth in both profit and sales through acquisition. Also at this time his first daughter was born and Grace had little time to work in the business. Fintan did not have the time to continue the weekly break-even analysis and relied on the figures produced by the accountants. The final accounts in March 2005 came as a terrible shock as he had not realised that the company had lost money - quite a lot of money! He immediately went back to the weekly break-even figures and quarterly accounts and by January 2006 he had put the company back in profit (even if it was quite small).

In 2006, Fintan finally felt that he was able to rely more and more on his staff and that they were working as an integrated and motivated team. In June of 2006, he purchased a third wet fish shop at Mullaghmore in County Sligo. Three months later he was approached by *Kinsella Brothers Ltd.*, an ailing but substantial

local company, with a view to him going on the Board to try to rescue the company. He was being touted in the local media as an example of the new breed of Irish entrepreneurs that were confidently building successful businesses and making money, and so his achievements had been noted by many people in the fishing industry. The salary from Kinsella Brothers Ltd. would be paid directly to *Supreme Seafoods* and Fintan decided that this could lead to useful opportunities, even if it created more distraction to the management of his own business. Ultimately *Kinsella Brothers Ltd.* could not be turned around, but when it closed in August 2007 he was able to benefit through its two main salesmen joining *Supreme Seafoods* and bringing some sixty accounts with them.

Table 1 – Products and Primary Customers for *Supreme Seafoods*

Products	Primary Customers
Wet Fish	Wet Fish Shops Delicatessens
Filleted Fish	Wet Fish Shops Delicatessens Fish and Chip Shops
Specialist Fish	Wet Fish Shops Delicatessens Local Processors Local Distributors
Fish Cakes	Wet Fish Shops Delicatessens Fish and Chip Shops
Wet Fish Shops (3)	Consumers
Consultancy	Kinsella Bros. (finished)

By the end of 2007 *Supreme Seafoods* had a turnover of €2.1 million and a healthy profit. The assets included a well equipped fish house, two special vans, and three fish shops. The bank loans were being repaid on schedule, there was a healthy equity balance, a customer base of 125 regular contacts, and 15 highly motivated staff. With the demand for the company's products growing, all seemed bright for the future of *Supreme Seafoods* at the start of 2008, but by October the company was in serious financial difficulties.

### A Storm Suddenly Blows Ashore

In early 2007, it was apparent to Fintan that the economic boom had to end - the question was when. He felt that the business had about two years before the business climate would become difficult and so after consultation with the management team it was decided that they should form a link with one of the large companies involved in producing frozen and breaded fish products by supplying them with frozen fillets. This would reduce *Supreme Seafood's* dependence on their existing retail trade should it suffer during the anticipated recession. They had also noted in a 2007 report on the Irish fisheries industry that between 2000 and 2005, Ireland's seafood exports had increased from €331 million to €354 million, with France being the largest market accounting for 23% of the total value at €82.1 million. Fintan had bought a nice holiday home in France in 2004 and had travelled there frequently. Although he could not speak the language, the other members of the team felt that it would be worthwhile for Fintan to travel to France to examine the possibility of expanding into that market.



Fintan struck a deal in April 2007 with *Blue Waves*, a frozen food company based in Derry (Northern Ireland), to supply frozen fillets worth approximately £10,000 (sterling) per month. This move into the processed fish industry seemed to meet his policy of looking for low risk expansion and the new business depended on a sophisticated skinning machine that he had been able to buy very cheaply when *Kinsella Brothers Ltd.* had been wound up. The bank was willing to expand their credit facilities to enable this increased level of activity, even though warnings of an economic downturn were beginning to gather force. Indeed the bank manager was quite disappointed when Fintan stuck to €100,000 as the overdraft limit that Fintan felt was appropriate at that time. However the bank manager did demand the reimposition of his personal guarantee to offset the larger borrowing facility that the business now required. Some of Fintan's colleagues in *Supreme Seafoods* expressed strong reservations about signing the contract with the processor, but he felt that they were being too cautious. One of the biggest concerns that his accountant expressed about the deal was that because *Blue Waves* was based in Northern Ireland, it meant that *Supreme Seafoods* would be paid in sterling which meant that the company's finances would be subject to currency fluctuations. However, a good working relationship was quickly established with the processing company and initially all went well.

Then many outside influences hit the company in a short space of time. Through the 'Total Allowable Catches' policy, the EU Commission for Maritime Affairs decreased the overall amount of fish that could be caught by Irish fishermen due to fears of over-fishing. This meant that Irish fish processors did not have enough fish to satisfy demand, and it was not viable to import raw fish from abroad. Growing import competition in fish products from low-cost producing countries such as China and Chile placed an added pressure on Irish processors to take a less commodity-orientated approach and generate higher market value for production. The sector began suffering from low/declining profitability (with an increasing number of companies making losses) as a result of the reduced supplies of raw materials, competition at home and abroad from low-cost countries, and substantial industry fragmentation. During this time, five of the sixteen fish processing firms in Killybegs were forced to close as they were unable to keep the business going due to the scarcity of fish. For an island country, it was surprising to many people that such a situation should exist.

During the first half of 2008, energy costs also increased significantly due to the oil crisis and Fintan was put in the position of having to raise his prices (although not making any more profit). This annoyed his clients significantly but he felt that he had no choice in the matter. While this increase in pricing was occurring, he also noted that it had become increasingly difficult to get customers to pay their bills on time due to the economic recession that was hitting the country. Without any discussion with Fintan, *Blue Waves* extended the credit that they took from four to six weeks, and for the first time in seven years one of *Supreme Seafood's* major wholesale customers failed to pay their monthly account on time. Another financial difficulty was the currency decline of the euro against sterling. In January 2008, the *Blue Wave* contract was worth approximately €13,381 per month but by November this had lowered to €12,039, a loss of €1,342 in revenue each month simply due to currency fluctuations. The margin had already become very tight on this deal and this development further exasperated the situation. In August came possibly the biggest body-blow. Fintan learned that a major wholesaler customer had gone bust owing him €87,000. Fintan had stayed in his house the previous week and afterwards he kept asking himself why the customer had not given him even a hint that he was in trouble. Indeed the customer had even bought €5,000 worth of fish off *Supreme Seafood* the day before his company had ceased trading. He also wondered how he had allowed such a large debt to continue to build.

All of a sudden the bank became alarmed with an overdraft balance staying consistently high and had noted that Fintan was also struggling with his loan repayments. The bank manager asked to meet him in early November to discuss his financial predicament. The bank manager was very concerned about the amount of bad debt that would have to be written off by the company, the poor cash flow situation, and the decreasing sales and profit figures. Fintan was informed that the bank was tightening its credit facilities and that they would be seeking to ensure that all repayments were being paid on time, something that Fintan believed was going to be extremely difficult for him to achieve. The bank manager suggested that Fintan should make decisive trimming moves by concentrating on the most profitable, reliable and quick paying customers. But inevitably this would have meant getting rid of staff and Fintan felt a reluctance to abandon people who had worked so hard for him for so many years. He was also apprehensive about the effect on the reputation of the company locally if he was seen to be shedding staff rapidly. However, he did agree to cut his own salary by 50% with immediate effect.

### Exporting to France

Fintan was always an optimist by nature and he felt confident that the company could trade their way back into profitability and that exporting to France might just be the answer to their problems. Irish seafood continues to be high on the shopping list for the French consumer with the total value of Irish Seafood Exports worth €43.1 million for the six-month period from January 2007 to June 2007, an increase of 2% over the corresponding period for the previous year. In particular, strong growth was shown in the area of shellfish (where *Supreme Seafoods* had limited experience), with Irish seafood exporters achieving increased returns from €22 million to €25.4 million in the first half of 2007, compared to the first half of 2006, while the export value of all molluscs (e.g. clams and winkles) was up 24% from €11.6 million to €14.4 million over the same period. Some Irish companies were already highly active in France and every year the industry was growing with a steady increase of exported seafood products.

Exporting into France held many positives for Fintan. Besides the fact that he had visited his holiday home near La Rochelle quite frequently, France offers Irish exporters a close market geographically with many modes of transport available. Additionally, over the past decade French importers had grown confident in the quality of Irish goods and with a population of over 64 million people, the French market was over sixteen times bigger than that of Ireland. Another major attraction for Fintan of doing trade in France was the euro. Indeed this was an increasingly significant contributor to Irish companies trading with France instead of their nearest neighbours Britain who still retained the pound sterling.

Economic commentators have long observed that small companies view the international environment as hostile, and therefore ignore the possible gains from exporting and concentrate instead on their domestic markets. Following some research of his own, Fintan identified the major perceived barriers to entry for non-exporting SMEs as:

- too much red tape
- trade barriers
- transportation difficulties
- lack of trained personnel
- lack of export incentives
- lack of coordinated assistance
- unfavourable conditions overseas
- slow payment by buyers
- lack of competitive products
- payment defaults
- language / cultural barriers

According to newspaper reports that Fintan read concerning some companies that already exported to France, language and the cultural differences were significant barriers to trading there. Translators needed to be employed, market researchers who have backgrounds in French relations needed to be found, and all documentation needed to be duplicated due to the dual languages. Each year, discrepancies are made in accounts due to misunderstandings in the translation of these documents. Also packaging that is used in the Irish market has to be changed for the French market as the labelling, instructions, and even the name of the goods needs to be changed for the French market. According to the newspaper reports this is a huge cost initially until a company becomes established in France. French companies tend to be more formal in their business practice than Irish companies and sometimes this might result in a clash in opinions as to how the collaboration should be managed. But according to these newspaper reports, once an Irish company has established itself through the quality of its goods or services and the competitiveness of its foreign trade, culture differences soon melt away to minor irritations. However, one of the most disappointing items that Fintan read in these articles was that Irish firms found that it usually took longer to build a profitable market in France than in most other European countries.

A constant comment that is heard amongst the business communities of Donegal is that they suffer a significant disadvantage from their peripheral location in the north-western corner of Ireland. Many local business people argue that the county has poor infrastructure and that to export they have to send their products either through the port in Dublin, or through Belfast in Northern Ireland. There is a small airport located at the very north of the county but its international routes are quite limited. Therefore, one of the key decisions to be made by Fintan and his management team in exporting to France is what type of sales channel should the company select. The basic options generally available are the use of distributors, virtual sales force, sales agents, systems integrators, partnerships, or direct sales. As Fintan had always done the selling himself for *Supreme Seafoods*, he was reluctant to hand over responsibility to someone whom he did not know. However, he had been informed that business organisations in France tend to be highly organised and hierarchical in structure, that administrative systems are favoured over flexibility, and so having a French person representing the company who understood the local business culture would appear to be sensible. However, where would he find such a person? He would also have to decide what type of transportation would be used to transfer his produce to France and how it should be packaged to survive the journey. While he did not know any of the answers to these and many other questions related to exporting to France, he figured that since many Irish companies are already successfully exporting fish to France, somebody must have the answers to these questions.

## What Next?

Fintan had agreed to meet the bank manager again on February 20th 2009 when he would present a business case to him on the future development of *Supreme Seafoods*. He knew that both his wife Grace and the bank manager wanted him to cut back both on the number of staff and on the salaries that he was paying them. His management team wanted him to reduce the number of activities in which they were currently engaged and become far more focused in terms of their target markets. The industry was pushing fish processors to move up the value chain by adding greater value to the raw material, while a friend of his suggested that he should sell the whole business except for the three fish retail shops which Fintan could manage himself quite comfortably. Fintan was excited by the idea of opening up a new market in France and believed that success there would solve all of his business problems. He knew that whatever strategy he selected would have to be successful as it would be highly unlikely that the company would survive otherwise. He also knew that he needed to act fast as there was little time or money available to him. Once again his daughter's catchphrase came to mind - what to do, Daddy?

## Cartridge World Cork

### Michael Walsh

As autumn 2007 approached, Liz Hughes and Vaughan Ryan had much to be pleased about in Cartridge World Cork, the printer ink refill business that they acquired in 2004. They had grown turnover, expanded their client list, made loan repayments to the bank on schedule, and put substantial sums aside for pension. However some questions remained to be resolved. What strategy should Cartridge World Cork pursue to increase sales volumes? What strategies are open to Cartridge World Cork to push up their profit margins? As they prepared for their strategy meeting scheduled on Monday, 3 September, Liz and Vaughan faced new challenges: how to respond to the growing competition in the printer ink market; which segments offer the greatest potential for profitable growth; how best to deal with Cartridge World Ireland, now that Cartridge World UK had ended its relationship with Cartridge World Ireland.

When John Gutenberg built the first printing press in 1455, he scarcely foresaw the huge world-wide industry that printing and publishing would become. Home and office printing began around 1900 with the typewriter and duplicating machine. But it was the personal computer in the early 1980s that gave real impetus to the democratisation of printing. Over the following 20 years low priced powerful PCs and printers brought printing into many homes and offices. The march of technology increases the demand for printing, driven by the internet, e-mail, digital cameras and software like Photoshop, that enables easy manipulation of electronic images. High quality colour printers and the spread of broadband add to the demand for printing.

The phrase “paperless office” emerged in the 1990s, with the possibility that networked computers, linked to the internet would sharply reduce the need for paper files. Cheap electronic storage, it was thought, would replace old fashioned filing cabinets.

The growing use of printers brought a growing market for ink. Manufacturers of printers like HP, Epson and Samsung sell replacement ink cartridges for fast, clean, trouble free renewing of the ink supply in printers. However, relatively small refills are fairly highly priced, prompting the saying “printing ink is the most costly fluid in the world.” Small ink cartridges for inkjet printers start at about €12, but toner for laser printers ranges in price from €100 to about €200 for some colour cartridges. See Box 1 for discussion on price elasticity of demand applied to ink refills.

#### Box 1 Demand for Printing ink is inelastic

In economics, sometimes students struggle with price elasticity of demand. In plain words, demand is said to be price inelastic if a price increase results in a very small drop in the quantity demanded. Cigarettes and petrol are examples of products which have inelastic demand. In the case of petrol, the car owner has several thousand euro invested in the car. Without petrol this investment is useless, so an increase in the petrol price does not depress the demand for petrol very much, if at all. The demand for petrol is said to be inelastic with respect to price.

Say you have spent €1,500 on a computer, printer and broadband subscription – and the printer runs out of ink. The situation is similar to that of the car owner. Even if the price of printer ink goes up, the individual is likely to buy it. The demand for ink for a printer is price inelastic. So when the printer runs dry – it can easily cost €50 to €60 for a refill cartridge. Price lists of printer cartridges are found in office supplies catalogues, for example, Forrest Print Catalogue, 2007

## An Alternative Solution

The beauty of free enterprise is that where there is a problem, the hope of profit finds a way to solve it. In the early 1990s some enterprising people, noticing the high price of replacement ink cartridges, got the idea of refilling used cartridges. DIY refill kits appeared on the market but were quickly followed by commercial cartridge refill.

A world leader in cartridge refill is Cartridge World, an international retail franchise. Originating in Australia in 1988, Cartridge World boasts 1500 franchised stores in 20 countries, whose core business is refilling empty inkjet and laser cartridges of all brands. Inkjet printers are compact and lightweight, but give acceptable quality print. Inkjet cartridges contain liquid ink. Laser printers are larger, and the ink is a powder called toner. Laser printers are acknowledged as giving very high quality print and high print speed. Refilling a laser cartridge is a specialised task, and the refilling process is referred to as remanufacturing.

At Cartridge World, the customer can get an empty cartridge refilled or remanufactured, typically for about 40% of the price of a new cartridge of that brand. Besides, Cartridge World ensures that the customer does not have to compromise on quality, while saving money. The refilled cartridge is given to the customer with a money-back guarantee, only after testing parameters like print quality and output.

### Cartridge World Cork

Cartridge World Cork (CWC) operates three retail stores that specialise in refill and remanufacture of cartridges for inkjet and laser printers, also for fax and photocopiers. In common with forty other Cartridge World franchise outlets in Ireland, CWC is a one stop shop that provides a range of paper (including paper for photographic prints), computer accessories and ink cartridges. The Cartridge World Cork range includes OEM printers, and inkjet and laser cartridges of brands such as Hewlett Packard, Epson, Canon, Lexmark, Samsung, and Xerox. Cartridge World sells to individual consumers, businesses large and small, multinational companies and professional offices. A marketing challenge CWC faces is to gain entry to public sector customers such as second and third level colleges, the VEC, City and County Councils and HSE. When a customer contacts Cartridge World Cork to get printer ink, a number of alternatives are on offer:

- a) refill the used cartridge, with quality and performance guaranteed, and a 60% saving on the price of a new OEM cartridge.
- b) a new OEM cartridge – same brand as the printer e.g. HP, Canon or Lexmark, or
- c) a compatible cartridge. Compatible cartridges (sometimes called generic cartridges) are designed for use in specific models of printer, but are not made by the company whose brand appears on the printer. Armor, Calidad and Premier are brands of compatible cartridges. Compatible cartridges sell at 15 to 20% discount on OEM cartridge prices. The cartridge in laser printers is a sealed plastic unit about the size of a phone book. A remanufactured laser cartridge is one that has been used and prepared for reuse. First the laser cartridge is dismantled, the drum is disabled and cleaned, any worn parts are replaced and toner (ink powder) is inserted. The laser cartridge is reassembled and each laser is test printed on Cartridge World's printers. Only when the filled remanufactured cartridge has passed stringent quality tests is it supplied to the customer.

Cartridge World Cork remanufactures laser cartridges in its Parnell Place city centre unit. All three stores refill ink jet cartridges, but Douglas and Ballincollig send laser cartridges to Parnell Place for refill. Cartridge World Cork vans - emblazoned with the CWC name, shop locations and contact numbers - collect and deliver cartridges to business customers, and deliver stock and refilled laser cartridges to CWC Ballincollig and Douglas outlets.

### **Early development of Cartridge World Cork**

The growth of Cartridge World Cork owes much to the enterprise and drive of its joint owners, Vaughan Ryan and Liz Hughes. Vaughan, a marketing graduate of Trinity College Dublin, held senior sales and business development positions over 20 years in leading companies such as Kerry Group, Musgraves and Cahill May Roberts. Liz Hughes spent 15 years developing her skills in the Hotel sector. As part of the team in prestigious hotels such as the Mount Juliet Hotel, City West Hotel, Clontarf Castle and Choice Hotels Ireland group, Liz gained invaluable experience in front office management, sales and marketing.

In 2003, while on the management team in Quality Hotel, Shandon, Cork, Liz noted that the hotel had ink cartridges refilled by Cartridge World Cork. Intrigued by the refilling concept, and following investigation of the prospects and players in this emerging market, Vaughan and Liz entered discussions with Gerry Smyth, based in Galway, holder of the Cartridge World master franchise for Ireland. Contemplating a move to the southeast of the country, they expressed an interest in acquiring the franchise for development of Cartridge World in Waterford. Unfortunately a suitable premises was not to be found in Waterford.

Liz and Vaughan had become friendly with Tony Holmes, who had the franchise for Cartridge World in Cork with outlets in Parnell Place, Douglas and Ballincollig. Finding the running of three shops single-handedly to be time consuming, Tony was eager to pursue another venture. So in December 2003, when Mr. Holmes offered the business for sale to Liz and Vaughan, they were happy to negotiate with him. They bought the franchise in February 2004. A portion of the €280,000 purchase price went to the Galway based Cartridge World master franchise for Ireland. Vaughan commenced work in Cartridge World Cork immediately, and Liz joined the team in April of the same year.

### **Capital and Financing**

To pursue this exciting venture, Vaughan and Liz needed additional capital. In search of the €280,000 required, discussions were held with Bank of Ireland, Ulster Bank and AIB. Because the business was then operating for just 18 months, only one set of annual accounts was available for banks to examine. Disappointingly for Vaughan and Liz, banks were not inclined to advance the loan as the asset being bought was goodwill and leases to premises, rather than bricks and mortar. Goodwill, in this context, refers to proven past sales and profits, and the expectation of future sales revenue and profit. These refusals to grant a loan did not discourage them. Wanting to make a go of the business, other channels were explored in pursuit of the capital. Finally, a rental property that belonged to the couple was sold in order to raise cash. The sale generated 2/3 of the necessary €280,000 and Ulster bank lent the remaining amount.

### **Positioning**

Cartridge World Ireland styles itself as "First and best in the refill and remanufacture of cartridges for inkjet, laser, fax, photocopier and all print needs." Cartridge World Ireland is the fastest growing new national retail/service chain in the Republic of Ireland. By end of 2005 Cartridge World had about 40 stores across Ireland providing a professional service to the business and home user market. Part of the CW mission is to educate cartridge users on the benefits of refilling and remanufacturing, saving the customer time and money, while at the same time benefiting the environment, but with no compromise on quality.

- Savings of up to 60% : as more households and businesses print, fax and copy, the amount they spend on cartridges increases. Cartridge World refills and remanufactures most cartridges – inkjet or laser, copier or fax, large or small, black or colour – cutting customers costs by up to 60% in the process. It is not just a one off saving, Cartridge World can refill inkjet cartridges on average five to six times, and laser cartridges can be remanufactured almost indefinitely.
- Saving Time: Cartridge World provides a free collection and delivery service for all its business customers.
- Environmental Benefits: Many businesses now have environmental policies. Ireland has become more environment conscious as people comply with the government campaign to reduce, reuse, recycle. Ink cartridges contribute to Ireland's waste problem, and consume costly oil:
  - Currently some 4 million cartridges are estimated to find their way to landfill each year.
  - Refilling also saves precious resources; some cartridges take almost 3/4 gallon of oil to produce.

Refilling empty ink cartridges helps to reduce the carbon footprint.

- Quality the customer can depend on: Reliability and quality are of paramount importance in printing, copying and faxing. Cartridge World assures its customers that the only difference they will notice is the price they pay.
  - CW uses only the best toner and premium inks,
  - CW replaces all wearing parts in toner cartridges,
  - CW tests each cartridge thoroughly after refilling or remanufacturing to ensure optimum print quality.
- 100% money back guarantee: So confident are CW in the quality of their service that they offer customers a money back guarantee. In addition, in the unlikely event that a cartridge refilled by CW causes damage to the printing mechanism of a customer's equipment, CW will fully reimburse the repair charge.

## How the CW Franchise Works

Cartridge World store owners sign a franchise deal with the master franchise holder for Ireland, Mr Gerry Smyth, owner of Cartridge World Ireland. CW store owners make a down payment when they sign the contract, and pay a monthly franchise fee to Cartridge World Ireland, equivalent to 9% of turnover. One third of this monthly payment goes to a nationwide advertising and promotion fund for Cartridge World administered by Cartridge World Ireland. The CW store owner (or franchisee) agrees to buy certain supplies and equipment from the CW master franchise holder, and agrees to provide the service to customers in the way prescribed by CW Ireland.

The CW retail franchisee has use of the Cartridge World brand and logo, and benefits from bulk discounts on materials it buys from CW Ireland. Cartridge World franchisees also benefit from national advertising and promotion of the CW brand name and store network conducted by CW Ireland. The promotion mix includes national press, radio and outdoor advertising, PR and the website [www.cartridgeworld.ie](http://www.cartridgeworld.ie) which lists the address and owner of every Cartridge World shop in the Republic. See a Cartridge World Ireland newspaper advertisement in Appendix 1. Availing of PR to support the brand, Cartridge World Ireland was a finalist in the 2007 National Small Business Awards. Sponsors include SFA, O2, Enterprise Ireland, FÁS, Bord Bia, Institute of Chartered Accountants Ireland, Bank of Ireland, Irish Independent and Newstalk radio station. The success in reaching the finals boosted the Cartridge World profile and gained valuable coverage in the Irish Independent newspaper. In November 2006 Cartridge World Ireland was awarded Franchise of the Year by the Irish Franchise Association at a gala event in Dublin.

Not all relations with Cartridge World Ireland are smooth, however. A number of CW store owners, including CW Cork, were unhappy with the group pricing of stock bought from Cartridge World Ireland. Individual CW store owners felt there should be greater transparency in how their monthly contributions (3% of sales revenue per store) for advertising and promotion of Cartridge World were being spent. Cartridge



World franchisees discussed the possibility of ending their agreement with CW Ireland, and seeking other arrangements to develop and promote their business. Things came to a head in summer 2007, when Cartridge World UK ended its relationship with the Cartridge World master franchise for Ireland.

## The Competition

Even though Cartridge World Cork dominates the refilling market in Cork, Liz and Vaughan are ever watchful of their competitors. Any outlet that sells ink cartridges or refills in the Cork area is a competitor of CWC. Direct competitors include Smart Cartridge, the Ink Shop, Cartridge Kiosk, 9to6, PC Bitz, and since December 2006, HalfPrice Ink.

- **Smart Cartridge:** Founded in Edinburgh in 2000, Smart Cartridge franchise chain is growing steadily throughout the UK and has entered the Irish market. Smart Cartridge has five shops in Northern Ireland (Armagh, Lisburn, Newry, Omagh and Portadown) and has opened in Arklow, Dublin, Galway and more recently Cork.

Smart Cartridge is a keen competitor of Cartridge World Cork. It refills inkjet cartridges and remanufactures laser cartridges. The shop is located at the same premises as Cork Computer Clinic on South Terrace, exposing Smart to a readymade client base. The service provided by Smart Cartridge is almost identical to that of Cartridge World. They also pride themselves on offering 60% savings, 100% quality guarantee, being seen to be green, and, like CWC, they have free collection and delivery for business customers. Besides the refill and remanufacture service, they offer an extensive range of stationery and office supplies with next day delivery. Smart Cartridge also has a photograph printing service. Its twin business, Cork Computer Clinic specialises in PC and laptop repair with a 5 day turnaround, and can offer customers "reconditioned" laser cartridges with savings up to 50% on the cost of a new branded cartridge.

- **The Ink Shop**

Situated on Georges Quay, the Ink Shop is a price competitor of Cartridge World. The Ink Shop does not offer a refill service but provides original (OEM) cartridges, and also compatible cartridges with savings up to 50%. The Ink Shop positions itself on all the same attributes as does Cartridge World.

- **The Cartridge Kiosk,**

Located on North Main Street, Cartridge Kiosk specialises in printer cartridges, cartridge refills and printing consumables. It also offers savings of up to 60% on refills.

- **9to6**

In Parnell Place across the street from Cartridge World Cork, 9to6 provides original and refill cartridges. 9to6 also offers a photocopying service.

- **PC Bitz**

Located in Douglas Shopping Centre, they provide an ink refill service for inkjet printers only; they do not remanufacture laser cartridges. PC Bitz offers original and compatible cartridges and refill kits for inkjet cartridges, plus computer accessories such as mice, external drives, DVDs etc.

Several other retailers in Cork sell ink cartridges: Tesco, Easons, also business printers and stationers. Stores which sell computers such as Soundstore, O'Callaghan Sound and Vision, Harvey Norman, Madden's Entertainment, Flor Griffin, PFH Computers, all sell ink cartridges.

Office supplies companies require special mention. Some like Ronnie Moore and Houston operate a high street store; others like Forrest Print and CBS locate in out of town business parks and target business and institutional customers. Some large stationers and office suppliers produce an annual catalogue listing thousands of products from stationery and desks to printers and cartridges.

A recent trend is that stationers develop internet sites, offer a very large assortment of office products, and serve a national market with 24 hour delivery service. Dublin based operators include Supplies Team and Data Pack. Big office suppliers like these, with economies of bulk purchasing are in a strong position to tender for contracts to supply government departments and local government organisations. Cartridge World is very conscious of web based suppliers including Cartridgeireland.ie. Vikingdirect.ie, Inkrefilldepot.ie Inkjet.ie, Inkmaestro.ie and 12ink.ie. These typically to offer customers up to 60% savings by buying compatible cartridges. Web based international suppliers of cartridges include Cartridgerefill.com, Inkclub.com, Refilltoner.com and (based in Galway) ink4europe.com. Online suppliers promise keen prices and fast delivery by courier. If all these traders were not sufficient competition, Dell Computer sells Dell cartridges on the web. Hewlett Packard, from time to time, threatens to undermine the growing number of refill and compatible cartridge suppliers by altering a microchip in HP printers in an attempt to block the use of refills or compatibles.

Competitors which offer cartridge refill, emphasise the savings involved in their service, and how the environment benefits by having cartridges refilled. As printer ink is heading towards commodity status, Cartridge World Cork needs to ensure superior quality and reliability, and to develop strong loyalty among its existing customer base

## Buyer Behaviour

Since they bought Cartridge World Cork, Vaughan and Liz have researched and reflected on the buying behaviour of cartridge customers. They note a few customer types: Price Conscious, Quality conscious, Environment conscious, Risk conscious, and large organisations.

- Price Conscious – home users, not doing a huge amount of printing, tend to favour the lower prices, like the 60% savings. Cartridge World Cork's domestic customer is attracted by the price element of the Cartridge World service.

The price of refills can also be a concern for small companies, where the manager's own money goes into running of the organisation.

- Quality Conscious - quality is an issue for business customers as they print many reports and business documents; therefore the quality of print from a refill, has to be as good if not better than the original cartridge. More domestic customers are becoming concerned with quality as they use home printers for printing digital photographs.

- Environment Conscious – as more reduce, reuse, recycle messages are circulated, customers, both domestic and business, have become more environmentally aware. Being seen to be green can put a company in a favourable position in the mind of consumers. As local authorities introduce pay by weight for waste disposal, households and business organisations will make double savings by having cartridges refilled: first on the cost of cartridges, and also on cost of waste disposal.

- Risk conscious: Some potential users fear that if a remanufactured or refilled cartridge were to cause damage to their printer, the manufacturer would renege on the guarantee. To reassure users, Cartridge World promises to repair the product under the warranty they provide with remanufactured cartridges, if this unlikely event were to occur.

- Large Business users and Professional Offices: While many big organisations use lots of ink, the cost of cartridges typically receives low priority from top management. Often, keeping office supplies replenished is treated as a routine task, delegated to an administrator or office manager. A company like Cartridge World faces a bigger obstacle getting public service organisations to accept refilling ink cartridges. The public service tends to purchase supplies on contract following a tender process. A mind-set change may be needed on the part of public services like hospitals or universities to accommodate their purchasing system to the concept of refilling and reusing.

## Cartridge World Cork Sales and Marketing

Vaughan Ryan takes primary responsibility for running the shops and the technical side of the business. Liz Hughes takes responsibility for sales and marketing. In common with many small companies, both Directors pitch in and work at any task that needs attention. While Cartridge World Ireland advertises and promotes in national media, Cartridge World Cork supplements this with a promotional mix covering the Cork area. It includes bus-end advertisements, advertisements on till receipts in Tesco and SuperValu, flyers, mailshots, high impact colour advertising on Cartridge World delivery vans, radio advertising on Red FM and promotions in Douglas Shopping Centre. Table 1 shows the Cartridge World Cork 2007 Promotion budget.

Liz and Vaughan recognise the importance of word of mouth advertising, especially in BtoB selling. They find membership of business organisations helpful for making contacts and raising the profile of their business. Liz is a member of the Marketing Institute, and served on the regional council. Vaughan is a member of Cork Chamber. For PR, the *Cork Evening Echo* ran a full page feature on Cartridge World Cork in May 2007. The interview with Vaughan promoted the 60% cost saving on cartridge refills, and the benefits for the environment of refilling ink cartridges. A sample Cartridge World Cork press advertisement is in Appendix 2

Table 1

**CARTRIDGE WORLD CORK  
MARKETING PROGRAMME AND BUDGET 2007**

Month		Cost €
January	New Van Signage	972
February	Red FM Advertising 50 Spots with CW Mallow 5th – 14th (total cost €2,000)	1,635
	FAXIT: 3,200 Business Cork City Centre, Feb 21st (9)	270
	Marketing Institute Membership	210
	Chamber of Commerce Membership	360
March	Print 20,000 Flyers	640
	FAXIT: 3,200 Business Cork City Centre March 21st (7)	270
	Cork Independent 10 x 2 Ads on Business Page €315 per advert	
	Full Page for €500 (Special price due to cancellation)	1,500
April	Super Rear Bus Titan Advertising, 9th April – 6th May	1,861
	Till Receipts April 16th – June 10th, €1,200 (€150 CW Midleton, €300 CW Mallow)	1,350
May	Douglas Shopping Centre Promotion, 14th	544
	An Post 10,000 leaflet Drop in Douglas Area	623
	Till Receipts Tesco Paul St., Wilton, Douglas, Mallow, Midleton & Mahon Point (price included in April above)	
	Super Valu – Blarney, Ballincollig & Mallow	
June	Till Receipts until June 10th (price included in April above)	
September	Sept 17th Douglas Shopping Centre Promotion	544
	Sept 10th Red FM Radio Campaign	1,500
	Chamber of Commerce Mail Shot	750
October	FAXIT 3,200 Business Flyers	250
November	FAXIT 3,200 Business Flyers	250
	Total Marketing Budget direct costs	13,529

## Cartridge World Cork Financial Performance.

Within the first year of their ownership the business recorded a comfortable 20% growth in turnover, with the same steady rate continuing in the second year. However revenue growth stalled in 2006. Trading, Profit & Loss accounts and Balance Sheets for 2006 and 2005 are in Appendix 3. Cartridge World Cork's analysis is that home users make up about 70% of their sales: the suburban shops in Douglas and Ballincollig bring in many home user customers, while Parnell Place attracts more business customers. Over recent months turnover did well in the suburbs, but Parnell Place turnover eased. Vaughan ascribes this to two factors: It is costly to park in town while parking is free and traffic is generally lighter in the suburbs. Secondly, the popular Flor Griffin Electrical store moved from beside Cartridge World in Parnell Place to another city location.

The growing number of outlets which sell cartridges threaten Cartridge World Cork's market share. If multiple retailers like Tesco, Harvey Norman and Eason's choose to discount inkjet cartridges by about 20%, this squeezes the price advantage Cartridge World can offer by refilling. Tesco offers own label Value cartridges at discount prices for some inkjet printers.

Vaughan and Liz face two critical marketing questions: Can they find a way to push up profit margins? Given the growth in the number of outlets marketing ink cartridges, can they find a way to increase sales turnover sharply, e.g. would it be possible to double Cartridge World Cork's turnover by 2012?

Vaughan is considering adding PCs to the product range; expanding the range of office supplies is another possible route to sales growth. Liz is keen to explore the possibility of offering a photo print service. She believes that a tie-in with a big film name like Agfa, and an investment of €100,000 in equipment would give a further line of business to their three shops. Could she test the market without first investing that €100,000? How should Cartridge World Cork respond to the growing number of cartridge suppliers marketing on the internet? What options are available now that Cartridge World UK has ended relations with Cartridge World Ireland? Would running the business as an independent trader be a viable proposition? What challenges would that course of action pose to the company? As their September strategy meeting approached, Liz and Vaughan had much to think about. They relish the challenge of consolidating their Cartridge World Cork business. They have shown themselves willing to take a risk, and were now searching for a strategy which would set their company on a profitable growth path.

Appendix 1 Sample of Cartridge World Ireland press advertising  
(Source Irish Independent 31 Jan 2006)

**Refill that cartridge**  
at your local refill specialists



**Cartridge World**  
IRELAND

**Think Green & Save**  
Discover the savings at a store near you  
FREEPHONE 1800 444 222 OR VISIT [www.cartridgeworld.ie](http://www.cartridgeworld.ie)

*REFILL & SAVE*

Appendix 2 Sample of Cartridge World Cork press advertising  
(Source Cork Independent 15 March 2007)

**Cartridge World**

**Parnell Place Douglas Ballincollig**

**REFILL YOUR INKJET & LASER CARTRIDGES**

**Saving your Business up to 60% on the cost of a new Cartridge**

**Free Collection/ Delivery Service to your business**

**Telephone: 021 4272744**  
[www.cartridgeworld.ie](http://www.cartridgeworld.ie)

**REFILL & SAVE**

**REFILL - NOT LANDFILL**

**CARTRIDGE WORLD (CORK) LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR**  
**YEAR ENDED 31 DECEMBER 2006**

	2006	2005
	€	€
<b>Turnover</b>	736,216	774,302
<b>Cost of sales</b>	273,949	317,737
<b>Gross profit</b>	<u>462,267</u>	<u>456,565</u>
Selling and distribution expenses	(36,978)	(42,331)
Administration expenses	(332,561)	(272,047)
Establishment expenses	(86,048)	(88,470)
<b>Operating profit / (loss)</b>	<u>6,679</u>	<u>53,717</u>
<b>Profit / (loss) on ordinary activities before interest</b>	6,679	53,717
Lease finance charges and hire purchase interest	(505)	(2,009)
Interest payable	(4,289)	(6,477)
Loan interest	(7,019)	(9,142)
Deposit Interest	-	63
	<u>(11,813)</u>	<u>(17,565)</u>
<b>Profit / (loss) on ordinary shares before taxation</b>	(5,134)	36,152
Tax on profit / (loss) on ordinary activities	90	(2,437)
<b>Profit for the financial year</b>	<u>(5,044)</u>	<u>33,715</u>
Dividends paid and proposed	-	-
Retained Reserves Brought Forward	<u>4,982</u>	<u>(28,733)</u>
<b>Retained profit / (loss) carried forward</b>	<u>(62)</u>	<u>4,982</u>

**CARTRIDGE WORLD (CORK) LIMITED**  
**DETAILED TRADING, PROFIT AND LOSS ACCOUNT FOR**  
**YEAR ENDED 31 DECEMBER 2006**

	YEAR TO 31 DECEMBER 2006	14 MONTHS ENDING 31 DECEMBER 2005	
	€		€
SALES	736,216		774,302
COST OF SALES	273,949		317,737
	<hr/>		<hr/>
GROSS PROFIT	462,267		456,565
GROSS PROFIT MARGIN	63%		59%
DEPOSIT INTEREST	0		63
 <b><u>EXPENSES</u></b>			
Directors Remuneration	91,837		52,063
Directors Pension	65,288		57,280
Wages & Salaries	114,716		109,480
Light & Heat	6,378		2,368
Telephone & Post	10,003		10,909
Rent & Rates	77,065		83,334
Motor & Travel	1,153		24,316
Travel & Subsistence	20,695		6,846
Repairs & Renewals	10,536		10,652
Printing & Stationery	1,660		0
Advertising & P.R.	13,470		11,169
Insurances	2,605		2,768
Bank Interest and Charges	4,289		6,477
Audit & Accountancy	19,035		10,675
Legal & Professional	4,900		5,550
Lease Interest	505		2,009
Loan Interest	7,019		9,142
Depreciation	15,054		12,450
Discounts Allowed	0		673
Entertainment	96		0
Subscriptions & Donations	311		1,376
Sundry	785	467,401	939
	<hr/>		<hr/>
Net Profit (-Loss) Before Tax	-5,134		36,089
Corporation Tax	-90		2,437
	<hr/>		<hr/>
Net Profit (-Loss) After Tax	-5,045		33,715
	<hr/>		<hr/>



CARTRIDGE WORLD (CORK) LIMITED  
BALANCE SHEET as at 31 DECEMBER 2006

	2006	2005
	€	€
<b>Fixed assets</b>		
Tangible assets	41,956	28,581
Financial assets	78,525	64,200
	120,481	92,781
<b>Current assets</b>		
Stocks & Work in Progress	35,460	40,487
Debtors	45,273	31,298
Cash at bank and in hand	36,102	42,119
	116,835	113,905
<b>Creditors:</b> amounts falling due within one year	(110,987)	(83,911)
<b>Net current assets/(liabilities)</b>	5,848	29,994
<b>Total assets less current liabilities</b>	126,330	122,775
<b>Creditors:</b> amounts falling due After one year	(126,390)	(117,790)
<b>Net assets</b>	(60)	4,985
<b>Capital and reserves</b>		
Equity: Ordinary share capital	2	2
Profit and loss account	(62)	4,983
<b>Shareholders' funds</b>	(60)	4,985

# The Ballymaloe Story

## Rose Leahy & Nollaig O’Sullivan

### Introduction

Ballymaloe has grown over the past decades into one of Ireland’s most recognisable and successful brands. From its beginnings as a house hotel run by Ivan and Myrtle Allen it has developed into a brand with an extensive product range competing across various industries both at home and abroad. The success of the brand extension strategy is largely as a result of the popularity and celebrity of Darina Allen, Ireland’s most famous tv-cook. Darina lectures and travels extensively and has been lauded as the food ambassador of Ireland. Her outstanding work as both teacher and cook has firmly placed her on the international culinary map. In more recent years the success of her daughter-in-law Rachel Allen, has also contributed to the brand recognition and strong brand reputation of Ballymaloe. Indeed, women emerge as central to the Ballymaloe enterprise, with Darina crediting much of the success of Ballymaloe to her mother-in-law Myrtle Allen, who she says pioneered the style of cooking for which Ballymaloe is now famous. When Darina started the Ballymaloe cookery school with her husband Tim Allen in 1983 it is unlikely that they foresaw the success that the cookery school would enjoy, success that enabled the Ballymaloe brand to grow over the decades. On closer examination it emerges that not only did the Ballymaloe brand grow, many other businesses developed and grew with strong links to the Ballymaloe brand and the Allen family. A review of these businesses and brand extensions reveals a business that is truly family based.

### Family Business

Ballymaloe has always been a family affair, started by Myrtle Allen in the 1960s and expanded by her daughter-in-law, Darina, who opened Ballymaloe Cookery School in 1983. Another generation on and Darina’s daughter-in-law, Rachel, is now upholding the family tradition and keeping the Allen name prominent in the industry. Less well known however, are many other family members who hold key management positions in the business and who have developed and grown other businesses, some of which carry the Ballymaloe brand name and others which thrive on their links to the Ballymaloe brand. Appendix 1 outlines the Allen family tree and the organisational chart.

### Review of Key Personnel in the Ballymaloe Enterprise

#### Myrtle Allen

Myrtle Allen’s name has become synonymous with Irish cuisine. She is one of the key personalities who has brought about a change in how we view and use the products of Irish soil and its potential for cookery. She was recently awarded a lifetime achievement award in recognition of that fact, at the annual Bord Bia International Specialty Food Forum.

Myrtle Hill married Ivan Allen and as Myrtle Allen she moved to her new home with her husband on the farm at Shanagarry in East Cork. Myrtle Allen always had an interest in food – she took cookery courses in the School of Commerce and taught herself from the text books of the day. She developed her skills and knowledge of cuisine so that by 1962, she had become cookery correspondent of the *Irish Farmers Journal*, while at the same time opening a restaurant in her new home at Ballymaloe. Myrtle’s philosophy has always been to cook fresh, locally produced food in season.

For most people, a life of journalism, restaurateur, hotelier and teacher as well as being a homemaker and raising a large family would be more than sufficient, but not for Myrtle. She was convinced that the food produced in Ireland was as good as any found throughout the rest of the world and as a result she became a tireless propagandist for Irish food. In the 1980s she organised and cooked for 'A Taste of Ireland', an Irish food promotion in the Café d'Egmont in Brussels. This initial event was so successful that it was repeated in Bloomingdales in New York and the Marriot in Amsterdam. From 1981 - 1985 in collaboration with Farmer Business Development (FBD) she ran 'La Ferme Irlandaise' in Paris (which was rated amongst the ten top foreign restaurants in Paris).

As her reputation grew she was asked to head the Irish branch of EuroToques, an organisation started by a Belgian chef 20 years ago to give chefs a voice in the legislative process. "Chefs were shocked at food laws being passed which would industrialise how food was produced, and reduce its quality" she said. Myrtle also founded an organisation closer to home, the 'Cork Free Choice Consumer Group', which provides a voice for consumers and helps to support local producers. Myrtle Allen has published two cookbooks – *The Ballymaloe Cookbook* (1984), and *Myrtle Allen's Cooking at Ballymaloe House* (1990).

Allen's crusade for quality Irish food was she said, a fight that had gained ground but has still to be won. Now 83, Myrtle has been one of the main figures behind the turnaround in the production and popularity of Irish artisan food over the past 50 years. She has been joined by her now famous daughter-in-law Darina Allen in imparting her knowledge in the form of cookery courses.

## Darina Allen

During Darina's last year at school, she agonized about which career path to follow. It was a toss up between Hotel Management or Cooking and Horticulture. Cooking was her real love, but in the mid sixties cooking wasn't considered quite posh, so she opted for a Hotel and Catering Management course at Cathal Brugha Street. This lively, vibrant school was run by several deeply committed, matriarchal women of whom one was Mór Murnaghan.

Towards the end of the course, most of Darina's friends had organised management jobs but she was frantically trying to get into one of the top restaurant kitchens. Good restaurants were few and far between in Ireland then and she soon discovered that none of them were interested in having a woman in the kitchen! Darina longed to find a job which involved cooking with fresh food and making home-made ice cream and breads, cooking with seasons etc. After speaking with Mór one day, she found out about a farmer's wife down in the wilds of East Cork who had opened a restaurant in her old country house and who wrote a menu everyday based on what was available in the locality, in the garden, greenhouse and from local fishermen at Ballycotton. This woman was Myrtle Allen. Darina sent a letter to Myrtle and was offered a job. The first person she met when she arrived at Ballymaloe was Tim Allen (Myrtle's son) to whom she is now married.

Ballymaloe was exactly what Darina was looking for. Myrtle had no time for tins or packets. She used farm-fresh and local food. Darina was totally inspired by her and soaked up everything she told her. Using this knowledge, Darina went on to establish her own cookery school and become the very successful chef/business woman she is today. The idea for the cookery school originated from Myrtle Allen. She began giving winter cookery classes but was too busy to continue and encouraged Darina to take it on. Having secured a loan with Ivan and Myrtle Allen acting as guarantors, Darina and Tim opened the Ballymaloe Cookery School in September 1983.

In the late 1980s Darina made her first appearance on television, and to date has presented nine series of her cookery programme "Simply Delicious". This, in addition to 14 highly acclaimed books has earned Darina Allen the title of celebrity chef. Some of these books include, *Simply Delicious Recipes* (1986), *A Year at Ballymaloe Cookery School* (1997), *A Simply Delicious Irish Christmas* (1998), *Festive Food of Ireland* (2001), *The Ballymaloe Cookery Course* (2001), *A Simply Delicious Christmas* (2002), *Irish Traditional Cooking* (2004), *Healthy Gluten Free Eating* (2004), *Easy Entertaining* (2005) and *A Year at Ballymaloe* (2007). Darina extended her portfolio in 1998 with the launch of a range of ice-creams under the Darina Allen Food Company label.

Today, the Ballymaloe Cookery School is world famous. People come from all over to learn how to cook food the Ballymaloe way. Over twenty years on, this woman who planned a school in a piggery has emerged as a beacon of inspiration to those who might once have regarded the kitchen as a dead end rather than an area of unpatted commercial opportunity.

## Rachel Allen

Rachel O'Neill came to Ballymaloe in January 1990 when she was just 18, to undertake a short cookery course. Rachel admits that even she was surprised when on her first day at Ballymaloe, something inside her just clicked and she almost instantly knew that cookery was the career for her. "At that time I wasn't sure what I wanted to do, I just knew I wanted to do something creative. I remember my first day at Ballymaloe, I was listening to Darina talking about good food and something just clicked inside me and I thought to myself, this is amazing," she recalls. The course drew to an end but by then Rachel had met Isaac (Darina's son) and that helped her decision to take up a job chefing in the kitchen at Ballymaloe.

She honed her skills in the kitchens at Ballymaloe House and the Crawford Café in Cork (run by Fern Allen). Then, extensive travels in Asia and Canada increased her repertoire and added to her excitement about food. Today, she not only looks after three children but also teaches at the cookery school, writes regular food columns for national publication, presents highly acclaimed television programmes and writes best selling cookery books with the media tipping her as the Irish Nigella.

Specifically, Rachel has appeared in four television series: *Rachel's Favourite Food*, *Rachel's Favourite Food For Friends*, *Rachel's Favourite Food At Home* and *Rachel Allen: Bake!*. She has also published a book for each of her TV series, carrying the same name. Rachel's other books include *Rachel's Food for Living and Rachel's Diary*. These extremely popular television series for RTE and the BBC have been broadcast internationally and she frequently appears on *BBC's Saturday Kitchen*.

Rachel has written for many Irish publications, including the lifestyle magazine *Image*, and now has a weekly column in the *Sunday Tribune Magazine*. She has also contributed to the BBC's *Good Food magazine* and Anthony Worrall Thompson's *At Home Magazine*, and is often featured in articles and interviews in the media. Recently, she has collaborated with Tipperary Crystal and together they have created a new crystal and porcelain collection. The initial offering comprises of a range of crystal stemware, a dinner set as well as bowls, and serving dishes. In addition a range of linens, wood related products (chopping boards etc) and an enamel canister collection is also available.

## Second and Third Generation Businesses

Both nationally and internationally, the Ballymaloe name conjures up tantalising thoughts of good healthy food and is synonymous with the Allen family for whom homecooking is the recipe for unparalleled success.

This success, dating back to Myrtle's arrival in Ballymaloe appears to have filtered through the blood lines with second and third generation enterprises flourishing. Below they are listed.

#### Second Generation Enterprises

- Ballymaloe Cookery School and Gardens – Tim & Darina Allen
- Ballymaloe Shop – Wendy Whelan
- Ballymaloe Farmlands – Rory Allen
- Ballymaloe Music Weekends – Rory Allen
- Ballymaloe Country Relish – Yasmin Hyde
- Jim Whelan Tours – Jim Whelan

#### Third Generation Enterprises

- Sacha Whelan Furniture - Sacha Whelan
- Crawford Gallery Cafe - Fawn Allen
- Rachel's Website - Rachel Allen
- Feidhlim Harty Wetlands - Feidhlim Harty
- Jobs for Cooks - Toby Allen
- Cully & Sully - Cullen Allen
- Malachy Harty Photography - Malachy Harty

As is evident from the family tree (Appendix 1) and the list of second and third generation enterprises, the Allen family has grown both the Ballymaloe brand and related businesses with much success. The Ballymaloe farm, shop, café, house and accommodation have all experienced significant success over the years. Stretching the brand even further and it is evident that the range of Country Relish on offer has captured a substantial share of the market. Undoubtedly however, these enterprises which are marketed using the Ballymaloe brand name have largely built their success on their links to the cookery school.

### **Ballymaloe Cookery School**

When you step through the little wooden side gate and into the courtyard of Ballymaloe Cookery School you enter a different world; a world where the loudest sounds are the sounds of the countryside and maybe, if the windows are open, the quiet chatter and gentle clatter of people at work in a kitchen. A world where the whole emphasis is on food - growing it, preparing it, cooking it, eating it and, crucially, enjoying it. A world that feels wonderfully cut-off because it is in the middle of ten acres of organic market gardens, orchards and greenhouses which are, in turn, surrounded by a hundred acres of organic farm.

According to Darina Allen, the best cooking comes from using the best ingredients, which in this case are all located on the farm grounds at the cookery school. Teaching is Darina's first love and along with her brother, Rory O'Connell (formerly an award winning chef, now teacher at Ballymaloe House) and her daughter-in-law, Rachel Allen they offer a wide array of cookery courses at the school. They offer a number of short courses covering a host of specialist areas and lasting anything from half a day to a week and they also offer over 200 afternoon demonstrations spread throughout the year for those who have less time. The crème de la crème of the courses on offer however is their comprehensive 12-week Certificate Course. The 12-week Certificate Course is aimed at anyone with a passionate interest in food. Some of the students use it as a springboard to becoming a professional chef (literally, hundreds of former students are now running

their own restaurants or catering companies) – others to provide themselves with a marketable skill (for instance, cooking for private parties) – and a third group to maximise the pleasure they get from cooking at home. There's no one age group (there are students who have just left school, others who are happily retired) and no particular level of experience (some are absolute beginners, others already accomplished).

In summary the 12-week course covers:

- Every aspect of the Ballymaloe style of cooking.
- French classic, regional and modern innovatory styles.
- International styles of cooking from India to Mexico and from Japan to Italy.
- Menu planning.
- Wine.
- Choosing ingredients.
- Food costing.
- Food hygiene.
- Keeping food fresh. Preserving.
- An opportunity to see the Ballymaloe House restaurant kitchen in operation.
- Copies of all recipes taught during the course together with invaluable notes and advice.
- Excursions to food producers including a cheese-maker, a fish-smoker and other specialists.
- The opportunity to pick and use fresh herbs and vegetables from the enormous variety grown in the school's organic farm.

During the practical sessions, students work together to produce a three or four-course meal for lunch each day, discovering in the process the essential disciplines of time management and task prioritisation in the kitchen. There is much time devoted to specialist demonstrations and cheese-tasting or to illustrated wine lectures. Through the latter, students learn how to choose, serve and store wine correctly and how to compile a wine list. They will also learn about wines from all over the world and wine-making. In addition, there are lectures on food-related subjects and guest lecturers, experts in their fields, talk to students on such diverse subjects as outside catering, managing a business and specialist butchery. Practical and written examinations are held at the end of the course and certificates are awarded to students who have produced satisfactory work throughout and have passed the examinations.

The course provides the basis for a wide variety of culinary careers and an illustrious roll-call of former pupils includes many chefs in top restaurant kitchens, caterers for dinner parties or boardroom lunches, food journalists, cooks on yachts in summer and in ski resorts in winter. The school also operates a job information service for both students and prospective employers on [www.jobsforcooks.com](http://www.jobsforcooks.com) (this service is operated by Toby Allen).

The 12 week course costs approximately €9500. Many students on this course travel from all over Ireland and the world. To accommodate these students, Ballymaloe offer a number of self-catering cottages on the premises. Bed linen and towels are supplied in all the cottages and each cottage has a dishwasher, multichannel television, fridge, cooker, payphone and central heating.

Of particular interest to the Ballymaloe Cookery School are overseas students. While the Allen name is distinguished in Ireland with many years, much effort has been invested by Ballymaloe in marketing the brand overseas. Attracting international students to the school and building the strength and reputation of the cooking certificate in the culinary world is a major objective. The celebrity of internationally renowned

chef Darina Allen and the increased popularity of Darina's daughter-in-law, Rachel Allen has most certainly enhanced the appeal of the cookery school to students all over the world. Additionally, in recent years the overall appeal of the cookery school has been enhanced by the 100-acre organic farm in which the school is situated. Here, all the 'hungry' plants receive a generous dose of good farm yard manure early in the spring to set them up for the season. Never one to let an opportunity slip her by, Darina has opened up this farm and related gardens to the public. Those who are interested in visiting can sign up for a tour of the farm and garden, and those interested in combining gardening with a pleasant stay in Ballymaloe House can sign up for a two-day gardening course. Some of the individual garden attractions include the water garden, the herb garden and the ornamental fruit garden. In addition to this organic farm, Ballymaloe have a 350 acre tillage farm owned and run by Rory Allen and his son Darren.

## **Ballymaloe Farm**

Ballymaloe Farm is a 350 acre tillage farm amongst rolling green fields where wheat and rape seed are grown in the rich fertile soil. Traditionally much of the farm's business was in sheep and beet farming, however, today's economy requires diversification from traditional agriculture. Rory and Darren are restoring the old stone buildings in the farmyard into attractive self-catering apartments for guests wanting to stay on a longer basis. They have renovated other out buildings into a gallery and workshops for artists and craftspeople. Darren currently keeps free range pigs and hens for a guaranteed supply of fresh eggs and delicious pork.

Ballymaloe House and all the out-buildings are heated by a wood chip boiler which replaced the old straw bale boiler that Ivan Allen installed in the 1970s. Darren's business Scanboiler Ireland now specializes in providing wood chip boilers as an alternative fuel heating system for large country houses, hotels and estates.

## **Ballymaloe Shop and Café**

The craft shop at Ballymaloe is situated in a charming old farm building. The shop features a carefully selected and competitively priced range of Irish designer goods, crafts and specialist kitchenware including a huge range of pottery by Nicholas Mosse and other leading Irish potters, Irish Handknit sweaters, handblown glass from Jerpoint, modern Irish Furniture by Sacha, rugs, throws, leather goods, Irish linen, tweeds, mohairs and lots more. The Ballymaloe shop is run by Wendy Whelan (see Appendix 1) and according to John Mc Kenna - *The Bridgestone Irish Food Guide* (1997) it "is the best kitchen shop in the country". The shop is open all year, seven days a week and both a world wide mailing service and VAT refunds on visitors' purchases are on offer.

At the end of the shop is the café appropriately named "The Café at the end of the Shop". The Café use fresh, local, organic ingredients whenever possible and endeavour to make the most of seasonal produce. They serve tea and coffee all day and light lunches between 12:30 and 4pm. The café offer a full range of coffees from espresso to latte, fresh fruit juices and a selection of teas, including some herb teas freshly picked from the gardens at Ballymaloe. Also on offer is red and white wine and beer to quench that lunch-time thirst!

## Ballymaloe House & Accommodation

For more than 40 years, Ballymaloe House, has been a popular restaurant in Ireland with reservations made well in advance to dine there. Those at Ballymaloe pride themselves on offering a warm welcome, tastefully decorated bedrooms and award-winning cuisine which celebrates the best of local, seasonal produce. Ballymaloe House has received a range of awards and distinctions, including:

- The Cesar Award in the Good Hotel Guide (1984)
- The Ackerman Martell Guide Award for excellence in all aspects of the hotel and restaurant business (1988)
- Distinguished ratings in Michelin, Egan Ronan's Good Food Guide and the AA Guide.
- Inclusion in Harpers and Queen 'The one hundred Best Hotels in the World' (1991)
- Inclusion in the Courvoisier book of best hotels (1988)

Ballymaloe House is a building that has evolved and grown with the passing centuries, and the accommodation varies from a 15th century Norman tower to modern luxury rooms. There are 33 bedrooms in total, including the courtyard rooms. All of the rooms are decorated to the highest standard, combining modern comforts with timeless elegance and an eye for detail. Each room has its own name and own distinct character, and all have private bathrooms as standard. Also available are a limited number of self catering apartments situated in the farmyard (as restored by Rory and Darren).

Upstairs, in the main house the rooms retain many original features and have enchanting old-world charm. Downstairs, new, more spacious rooms at the back of the house have views over the river and gardens. Each has its own private terrace, for afternoon tea or relaxing with a book. In summer, they also have quick and easy access to the swimming pool and tennis court. The courtyard rooms are situated in an independent building, beside the main house. This is an attractive old building where three of the rooms have small adjoining conservatories.

## Ballymaloe Country Relish

Ballymaloe Country Relish commenced production in 1990 with Yasmin Hyde, daughter of Myrtle Allen of Ballymaloe House at the helm. The company started in a small way and gradually grew, and today Ballymaloe Country Relish is available nationwide. The range now boasts an exciting product portfolio including salad dressings and pasta sauces.

Central to the growth of the Ballymaloe brand has been the availability of fresh, local in- season produce. To this end, the Allen family and in particular Darina are largely responsible for focusing attentions on sustainable organic food production. Farmers Markets, the Slow Food Movement and relationships with local producers are fundamental to this philosophy.

## Farmers Markets

In Ireland, as elsewhere in the world, Farmers Markets operate all over the country selling fresh food and vegetables, including the more traditional home-baked produce like chutneys and jams along with exotic foods like bok choi and tortillas! Farmers markets are now playing a key role in the Irish market – all over the country there is a resurgence of fresh food, vegetables, homemade breads and cakes, chutneys, fresh and smoked fish and meat coming out of farms, rivers and kitchens, direct to us to touch, buy and eat. Darina Allen is a founder of the first farmers market in Ireland and is involved on an ongoing basis in helping to set



up new markets. Darina had visited the farmers market in San Francisco and brought the idea of a local market home to Midleton. Along with John Potter Cogan, a board member of the Chamber of Commerce, and others, she realised there was potential for a local food initiative in East Cork. Establishing the farmers market took time and it was two years before the market was properly established. Since then however the market has been very stable and is a huge draw to the town. Darina Allen is currently the Chair of the Midleton Farmers Market Committee. Notably, the interest in farmers markets does not stop with Darina. Rubert Hugh Jones and his wife Lydia Allen (see Appendix 1) organise the Farmers Market at Mahon Point in Cork, and also operate a stall at this market.

## Local Producers

Quite apart from depending on the wealth of food from their gardens, much of the work at Ballymaloe would be impossible without the support of their local producers, for example the floury new potatoes come from Patrick Walshe and Willie Scannell in Shanagarry and Ballycotton. Other local farmers supply poultry, ducks, geese, guinea fowl, chickens and turkeys. All the lamb and beef is grass-fed, reared on neighboring farms and slaughtered by local family butchers. The fish comes from small boats in Ballycotton and shellfish from Kenmare Bay. The cheese board at Ballymaloe celebrates the remarkable rebirth of Irish cheeses from small farms all over Ireland. In keeping with the family enterprise Rupert Hugh Jones supplies organic vegetables and Darren Allen rears free range pigs and hens to ensure a guaranteed fresh supply.

## Slow Food Movement

The Slow Food Movement was founded by Carlo Petrini in Italy as a resistance movement to combat fast food. It claims to preserve the cultural cuisine and the associated food plants and seeds, domestic animals, and farming within an eco-region. Darina Allen is the leader of the Slow Food Movement in Ireland and is seen as instrumental in the international Slow Food Movement. Whilst now commonly known as the Slow Food Movement it could be argued that in practice this was the cooking style pioneered by Myrtle Allen in the sixties.

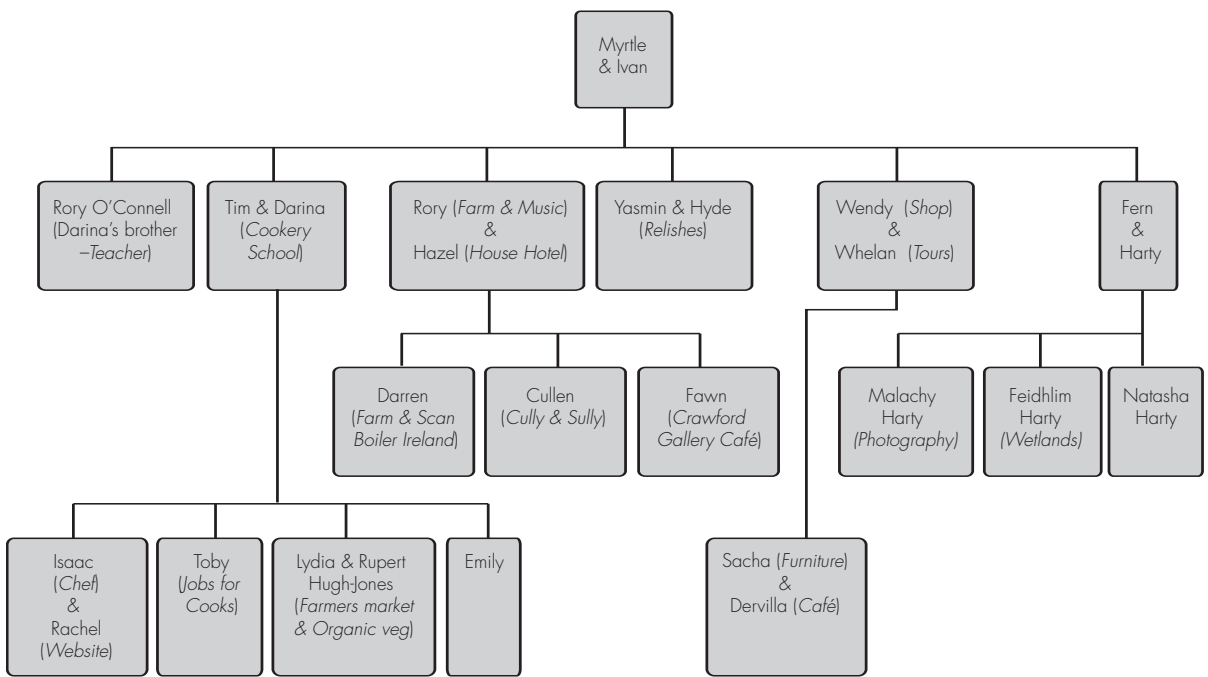
The Slow Food Movement believes in the sustainable use of resources. They work ceaselessly to avoid waste. They use seasonal produce and are extremely conscious of 'food miles' (the distance travelled by food between the farmer and the plate) and keep to a minimum the use of imported ingredients. They believe that good food, good health and good farming practices are an inseparable part of the same process, and this is essentially the driving force behind Ballymaloe.

## Conclusion

While there are many interesting aspects to the Ballymaloe story, perhaps one of the most notable has been the influence the women who married into the Allen family have had on the business. Myrtle, Darina and Rachel are largely responsible for the success of the Ballymaloe brand and the growing influence of the Allen family. A vision to move away from large industrialised practices to a reliance on quality organic food grown and reared in an uncontaminated environment can be regarded as the hallmark to much of their success. The drive and determination to change the way we think about food and farming which is a priceless part of the Irish heritage underpins the ethos of the Ballymaloe brand. This ethos has enabled many extensions of the Ballymaloe brand as well the flourishing success of many related second and third generation enterprises.

Despite the success to date, the company undoubtedly faces challenges moving forward. In an economy that is facing recession, the Ballymaloe enterprise is vulnerable to tighter economic conditions where consumers might move away from quality organic produce and return to mass produced cheaper alternatives. There is also the possibility that a reduction in disposable income might reduce demand for accommodation, dining, cookery courses etc and that the shop and café might see a slow down in sales. These concerns are all the more relevant to an enterprise such as Ballymaloe which is built on family ties and connections. In this context, decisions made to move the enterprise successfully forward must be made with both the organisational structure and the celebrity of Darina and Rachel very much in mind.

### Appendix 1: Organisational / Family Structure



Sources: Based on information contained on [www.ballymaloe.ie](http://www.ballymaloe.ie), [www.cookingsfun.ie](http://www.cookingsfun.ie) and other published sources.

# *Flahavan's – Specialists in Hot Oat Cereals*

## *Aileen Cotter*

### **Introduction to the Organisation**

Flahavan's is a family owned Irish company and producer of oat based products for over six generations. E. Flahavan & Sons was established as a family business around 1790. The business has grown steadily from its small local base, and now you'll find the brand on almost every supermarket shelf around Ireland. In 2007, turnover was €10.7m, and the expectation is that sales will continue to grow steadily. The company is owned by Chairman John Flahavan. Flahavan's is located in the village of Kilmacthomas thirty kilometres from Waterford City in the South East of Ireland. The company employs forty four people at the Kilmacthomas plant.

Flahavan's mission is:

*To lead a dramatic change in the way consumers think about Flahavan's brand and the compelling health benefits of oat based products. In order to grow the market in this way, we will be customer led, identifying the relevant lifestyle and health needs of our existing and potential customers. We will respond with distinctive oat-based branded products that enhance the Flahavan's brand name, support the consumer proposition of 'Sets you up for Life', and provide excellent value to customers.*

There has been an oat mill at Kilmacthomas since the late 1700s where the mill was powered by the nearby River Mahon. Initially, used for contract milling of heavier 'pinhead' oatmeal, the mill has been expanded over the years to include the company's first oatflaking facility in 1935, producing a faster-cooking finer rolled oatflake. Flahavan's unique milling process cooks the oats twice which gives Flahavan's products their distinctive taste and texture. It is a totally natural product, which is not genetically modified in any way. (See Appendix 1 for a brief History of Oats)

Flahavan's are Ireland's leading producer of top quality hot oat-based products and serve the retail, wholesale and export sectors. Flahavan's oat based products sell in Ireland, the UK and the US markets. Flahavan's ingredients are also distributed in France, Spain and Israel. Today, Flahavan's Progress Oatlets, Organic and Quick oats are the leading porridge oat brands in Ireland.

Flahavan's use a local panel of oat growers and nearly all of their oats are sourced locally from Waterford and surrounding counties. It is believed that the region around Kilmacthomas has its own micro-climate, nestling beneath the shelter of the Comeragh Mountains while also being relatively close to the sea. This means that the area does not get very cold winters, which gives a better quality oat grain. Flahavan's use about 12,000 tonnes of oats every year.

### **Consumer Behaviour in the Hot Cereal Market**

Recent research funded by the Department of Health in 2008 revealed that over 25% of Ireland's adult population is obese. The research also highlighted that approximately 300,000 Irish children are overweight or obese; a figure increasing by 10,000 every year. Studies show that Irish people eat too many foods that are high in fat, sugar and salt. As a result more and more people in today's society are becoming increasingly aware of the need to improve their diet (Slán, 2008). With breakfast being cited as the most important meal of the day, cereals have always played a vital role in human nutrition. Irish consumers value quick preparation time when it comes to choosing breakfast cereals.

It has been shown over a period of time that oats have a very high nutritional value with many health benefits. Research studies have indicated that oats contribute fibre, protein, essential fatty acids, carbohydrate and other important vitamins to a person's diet. Oats also help to lower blood cholesterol, one of the major risk factors in the development of coronary heart disease (Slán, 2008). Porridge which is made from oats has never been so popular. Once seen as unfashionable and unimaginative porridge is making a big comeback, which is also fuelled by celebrity endorsements from David Beckham, Madonna and Geri Halliwell to name a few. (See Appendix 2 for Facts on Porridge)

According to John Noonan, Sales and Marketing Director of Flahavan's, the company is well positioned to capitalise on this trend:

*We have seen a number of important trends emerging in the Irish market. Flahavan's has always had very strong credentials in the wellness area, where consumers want to manage and improve their own health. More recently the demands of busy lifestyles have forced consumers to be able to cope with life on the go. Increasingly people are looking for simple solutions that remove complexity and save time.*

The popularity of GI (Glycemic Index) diets has also helped change the perception of porridge in recent years. A low GI diet usually recommends porridge oats as it is a slow releasing energy food. Flahavan's is Ireland's leading and favourite porridge brand with in excess of one million servings consumed nationwide each week. John Flahavan, Managing Director stated:

*People are much more health conscious and aware of the health benefits of eating a bowl of porridge. The porridge market has become very exciting in recent years with a revival of interest in porridge for health reasons. Of late porridge has been considered a 'superfood' for its health benefits.*

Key consumer behaviour trends in the hot breakfast cereal market are as follows:

1. Breakfast on the go – time pressed households
2. Changing expenditure – reduction in incomes
3. Population change among key consumers – older consumers still drive the market, younger segments must be attracted and retained
4. New eating occasions – cereals at other meal times
5. New flavours help reinvent the hot cereal market
6. Attitudes to nutrition – increased awareness and health concerns

(Source: *Mintel Report*, 2004)

## The Irish Cereal Market

The Irish cereal market is estimated to be worth in the region of €220 million. Competition within the industry is very intense. It is a revived market which was quite static in the 1980s. The market is in a state of maturity and activity and competition have remained fierce. As a result, there is considerable above and below the line promotion as manufacturers attempt to hold on to or expand the market share.

Cold cereals remain the dominant choice. However, in recent times cold cereals have received much negative media attention due to the high levels of added sugar present in the cereals. This has had a positive impact for the growth of the hot cereal market which is estimated to be worth in the region of €14.7 million. New product development has rejuvenated and stimulated growth in the hot cereal market.

Clearly Flahavan's are benefiting from being in a food category that is seen by consumers as being healthy and natural. To capitalise on this Flahavan's has been very proactive engaging in innovative product development and has produced a variety of different products to satisfy these new consumer trends, such as Microwaveable and Quick Oats and their Real Fruits range of products. Flahavan's dominates the hot cereal market in Ireland with a 65% share of the market. Flahavan's also holds a significant share of the muesli market. It has to compete with some of the world's biggest consumer brands, some of which are outlined below. Flahavan's may be one of the most popular oat brands in Ireland, but it still faces severe competition in the Irish cereal market.

## Hot Cereal Breakfast Market

### *Odlums*

The Odlums mill was opened by William Odlum in 1845 in Portlaoise. Up to 1988 Odlums was a family owned and managed company. Today, it is wholly owned by Origin Enterprises PLC. Odlums produce a variety of product lines in their Odlums Oats range including – Porridge Oatflakes, Pinhead Oatmeal, Organic Oatflakes, Smooth and Creamy, Fruit Porridge, Quick and Easy Microwaveable Oats. Odlums also produce Vita Grain oat bars for people on the go. Odlums products are widely available in Irish grocery retail outlets.

### *White's Speedicook*

White's has been milling oats in Tandagree in Co. Armagh since 1841. White's produce a wide range of hot and cold oat based breakfast cereals, including their traditional White's Speedicook porridge, Organic Porridge, Instant Oats, Toasted Oats and Real Fruit Porridge. White's oat products are in demand not only from consumers of the porridge but also from other food manufacturers. As a result White's oats are found in a vast array of other products throughout the world. White's is a wholly owned subsidiary of the Fane Valley Co-operative Society. White's products can be purchased in the larger retail multiples in Ireland including Dunnes Stores, Super Valu, Tesco Ireland and Superquinn.

### *Bunalun*

Based in the townland of Bunalun in West Cork, the company produces a range of different organic products, including drinks, cereals, sauces and other staple food items. Their products are easily recognisable in plain black and white labelling. The company employs seventeen full time people. Bunalun produce Organic Porridge Oats.

### *Kelkin*

Kelkin Ltd. based in Dublin has been producing food products since 1976. The company produces a wide portfolio of different products. The company's range of cereals includes Mueslis and Gluten Free Porridge. The gluten free porridge is suitable for those following a coeliac diet.

### *Ready Brek*

Ready Brek is an oat based breakfast cereal produced by Weetabix Ltd. The Weetabix food company has been creating breakfast cereals since 1932. Weetabix headquarters are part of a 75 acre site in Kettering, Northhamshire. Weetabix Ltd. produces cereals including Weetabix, Oatabix, Alpen, Weetabix Minis and Weetos. The business has expanded and now employs 2,000 people around the world. Ready Brek comes in three varieties – Original, Chocolate and Seriously Oaty. The product has consistently been targeted towards younger segments in the marketplace. In the 1970s and 1980s Ready Brek had the slogan 'Central Heating for Kids' and 'Get up and Glow'.

## Cold Breakfast Cereal Market

### *Nestle Ireland Ltd*

Nestle Ireland Ltd. is based in Citywest Business Campus in Dublin. Nestle have a wide range of products in their portfolio, including beverages, breakfast cereals, confectionary, pasta and yoghurts. Nestle breakfast cereals are manufactured by Cereal Partners – a joint venture between Nestle and General Mills. Nestle produce a wide variety of ready to eat breakfast cereals. They also produce a range of Fitness bars and Cereal and Milk bars.

### *Kellogg's*

Kellogg's is one of the leading suppliers of cold breakfast cereals in Ireland. The company has consistently increased their range to meet the ever changing needs of Irish consumers. Through continuous development in product innovation and nutrition, Kellogg's is the market leader in a cereal industry worth over €220 million. The number one selling brand for Kellogg's is Kellogg's Corn Flakes.

### *Own Brand*

Flahavan's larger retail customers such as Tesco Ireland, SuperValu and Dunnes Stores sell their own branded cereals in both the hot and cold cereal markets at very competitive prices.

While the number of competitors is substantial, this is not the only factor that increases competition in the industry. Other issues that increase the intensity of competition in the industry are as follows:

1. The bargaining power of retail customers in the industry is strong and this fuels the intensity of competition for all the competing manufacturers. The leverage that retail buyers have in terms of negotiating is considerably strong. The need for broad retail exposure and favourable shelf space for hot cereal products have given retailers the flexibility to satisfy their needs by switching brands or negotiating with manufacturers. Pressure on space in retail outlets and securing favourable shelf positioning is of paramount importance to succeeding in the "battle of the shelf" for Flahavan's.
2. The larger multiples pricing activities has a downward effect on market prices. There is severe competition between the larger grocery retailers in the Irish market. This puts further pressure on suppliers such as Flahavan's to compete on price.
3. The threat of new products appearing on the market is always present for Flahavan's. Flahavan's must continuously invest in their new product development activities and be creative in their product introductions. The company's speed of new product development to market has enabled them to hold their dominant position in the market.
4. Lower prices and local promotional packages by the competition fuels the level of rivalry in the industry.

## Flahavan's Products and New Product Development Activities

Flahavan's are market leaders and have played an instrumental role in the significant growth of the hot oat cereal market through their focus on quality and product innovation. While Flahavan's core product range includes hot oat products, it also produces muesli cereals and baked goods. Flahavan's have consistently researched changing consumer trends and have developed a portfolio of products to reflect these changes. Flahavan's is constantly developing its product range to meet the needs of the Irish consumer for a healthy

and convenient breakfast. With 65% market share of the hot oat cereal market, Flahavan's product innovation ensures it is Ireland's number one porridge maker. Flahavan's Progress Oatlets is Ireland's leading porridge oat brand. It is a flaked oatmeal product which can be cooked on the hob or in the microwave.

Perhaps always perceived as a traditional product and popular among the older generation, Flahavan's were focused on broadening their market appeal from traditional porridge users to the 18-35 year old category. Flahavan's recent product releases are reflective of this strategy and resonate with the changes in today's society. Flahavan's expanding product range has proved popular with both older and younger consumers and includes a range of organic and quick oats, tubs, pots and sachets of porridge, as well as the newest offering: porridge with added fruit. Flahavan's Organic Porridge Oatlets and Organic Jumbo Porridge Oatlets are the latest additions to the Flahavan's range of hot organic cereals. The organic market is extremely lucrative and provides an important growth area for Flahavan's.

Another challenge for the company was to focus on the needs of customers who wanted a cereal that is quick, tasty and nutritious. From here the Microwaveable and Quick Oats products were conceived. Microwaveable Quick Oats, Quick Oats Portable Porridge and Quick Oat Sachets were developed and introduced to the marketplace in recent times. These products are popular with consumers who are '*on the go*'. Microwaveable quick oats can be prepared in the microwave in less than two minutes. Quick Oats Portable Porridge and Quick Oats Sachets can be eaten in the home, office or place of work. Quick Oats Portable Porridge comes in two varieties – Original and Strawberry.

Flahavan's Real Fruit Porridge Sunrise Fruits is the latest addition to its product portfolio. Adding fruit to the product should assist in attracting younger consumers, some who consider the traditional porridge as being '*bland*'. The product comes in 625g bag and combines porridge oats with fruits such as sultanas, raisins, pineapples, cranberries and papaya. Flahavan's Real Fruit Apple and Raisin available in a 600g bag combines red apple pieces and raisins with a hint of cinnamon. Real fruit is added to the product, not flavourings, which emphasises the company's commitment to quality. Flahavan's also produces ready to eat cereals Hi8 Muesli and Crunchy, Flahavan's flour and biscuits. (*Table 1 – shows a full listing of the Flahavan's product range*).

Flahavan's products are 100% branded with no private label split. The Flahavan's brand is a valuable asset for the company. Flahavan's brands are resonant of tradition and integrity. The brand stands for trust and health and is a local, regional brand. Flahavan's branding and packaging has remained consistent over the years. The traditional red and green colours ensure that the brand is remembered and earns the company its position in the '*battle of the mind*' in the marketplace. The packaging and design innovation is critical to the success of the brand. Flahavan's long heritage of oat milling is reflected in their packaging. Even though a relatively recent release the organic product range uses a packaging design derived from an original Flahavan's design from the 1940s and is made using recycled paper. The drums, sachets and pots strengthen Flahavan's position for producing relevant products and packaging in a contemporary marketplace.

The company is totally committed to producing quality products and has consistently held the Q mark since 1990 and has also held the ISO 9002 quality status since 1995. The Q mark is an award presented to organisations who can demonstrate their commitment to quality and excellence throughout their organisation. It is awarded to Irish organisations by the Excellence Ireland Quality Association (EIQA). Flahavan's is also Hazard Analysis and Critical Control Points (HACCP) certified as regards manufacturing procedures. HACCP is a systematic approach to identifying and controlling hazards that could pose a danger to the preparation of safe food. The National HACCP strategy was put in place in 2002 and is chaired by the Food Safety Authority of Ireland. As an Irish manufacturer the products also carry the Guaranteed Irish and Green Dot

symbol. The Green Dot symbol is a Europe –wide symbol that appears on the packaging of products that consumers buy. It means that the company is committed to protecting the environment by funding the recovery and recycling of packaging waste.

The company's innovation has been recognised and it has the awards to prove it. The most recent rewards for recognised excellence are as follows:

- 2008 Sial d'Or Awards – Third in the Savoury Grocery Category – 29 countries represented
- 2008 Marketing Institute South East - Marketing Campaign of the Year Award
- 2007 Euro Toques Award for Commitment to Food Quality and Production
- 2007 Bord Bia Food and Drink Industry Award – Quick Oats Range
- 2006 Cork Environmental Forum Award for Organic Packaging Range
- 2006 Waterford Chamber Business Excellence Awards for Excellence in Manufacturing
- 2005 Irish Exporters Association Irish Food and Drink Export Award

(Source: Flahavan's website)

## Distribution

The Flahavan's brand has a very strong presence in Ireland. In the larger multiples the Flahavan's range holds a dominant position on the shelves. In the Republic of Ireland Flahavan's products are distributed in the following retail outlets: Tesco Ireland, Dunnes Stores, Superquinn, SuperValu, Pettitt's, Centra, Mace, Londis, Spar, Nearbuy, XL Stop & Shop, Day to Day, Costcutter, Swift, Quik-Pick and Gala. In Northern Ireland Flahavan's products are distributed in: Tesco, Safeway, Sainsburys, Dunnes Stores, SuperValu, Coop, Mace, Curley's, Spar, VG, NISA Today, Costcutter and VIVO.

A big move for the business came in 2003/2004 when Flahavan's entered the British market. According to John Noonan, Marketing Director:

*The company had carried out a strategic review of its business which showed geographic brand expansion outside of Ireland, particularly in the UK market, as an area of opportunity. Although Flahavan's is a household name in Ireland, it was relatively unknown in the UK. Early research showed that to gain success in this market, the products would have to be distinctive, with a strong set of unique benefits. The UK market valued at around Stg£70 million offered a strong opportunity for growth being almost twelve times the value of the Irish market for hot oats.*

Two oat-based products were launched in the UK under the Flahavan's brand name, Flahavan's Irish Porridge Oats and Flahavan's Microwaveable Quick Oats. The launch represented the culmination of over two year's research by Flahavan's, Bord Bia and Tesco. Flahavan's are now stocking products in Tesco, Waitrose, ASDA and Sainsburys. Its products are being sold under the Flahavan's brand in the UK in contrast to other porridge oats which sell under a retailer own label. The company is still in its infancy of in terms of expansion in the UK market but plans to exploit this market further in the coming years.

Flahavan's products are distributed in the US market by independent product distributors. The company also distributes ingredient products to France, Spain and Israel.

## Price

Competition within the Irish cereal market is intense. The market is in a state of maturity and activity and competition have remained fierce. Flahavan's pursue a niche strategy focused on oatmeal; however they are



still exposed to a high level of competitive pressure. Price is an important positioning tool as it acts as an indicator of quality for consumers. Pricewise, porridge is one of the best value for money foods available, costing considerable less than other cold breakfast cereals and providing a high nutrient content. Flahavan's Progress Oatlets 1Kg pack retails at approximately €1.65 (based on retail prices in February 2009), in comparison to a 1Kg box of Kellogg's Cornflakes which retails at approximately €3.92 (based on retail prices in February 2009). Any changes in competitor's pricing actions must be closely monitored by Flahavan's.

In recent times, Flahavan's have launched a range of organic products. Flahavan's organic products are positioned in the 'premium' category. Organic products should justify their price premium not only on the grounds of higher cost ingredients but they are expected to taste better than similar conventional products. Flahavan's Organic Porridge Oatlets 1Kg pack retails at approximately €2.29 (based on retail prices in February 2009). Flahavan's direct competitors have also launched organic porridge products to take advantage of growth prospects in the lucrative organic market.

## Promotion

Flahavan's have recently launched a series of TV advertisements and a national radio campaign featuring the company's oat-based breakfast range. The new TV advertising campaign, titled 'Flahavan's sets you up for life', features energetic animated pack characters from Flahavan's oat based breakfast range, in an early morning household setting. The radio campaign further expands the theme to incorporate busy 'on the go' lifestyles and the importance of having a healthy breakfast, which can be eaten at work or in an office environment. As well as highlighting the health benefits of Flahavan's Progress Oatlets range, the new campaign also focuses on the convenience of the Microwaveable Quick Oats range for 'people on the go'.

John Noonan, Sales and Marketing Director stated:

*We are very happy to be back with our new campaign, which places Flahavan's products in a contemporary busy breakfast setting. It represents the full range of our products from traditional to the new and more convenient brands that we have on offer.*

The campaign aims to position the brand at the heart of modern lifestyle as both a traditional and contemporary product. The media campaign will run from January 2009 through to February 2009 with an overall spend of €270,000. The campaign was developed and produced by Irish International Advertising.

Flahavan's website is an integral part of their promotional campaign. The website is both informative and useful. Again it uses the traditional colours of the Flahavan's brand, the red and green colours. The website provides much information about the company including competitions, health and Flahavan's products. The website also supports and reinforces the recent advertising campaign. On navigating to the homepage the Flahavan's theme tune is played and the 'Flahavan's Sets You Up For Life' slogan is stated. Flahavan's are fully aware of the importance of directing consumers to their webpage and establishing their online presence. The website is clearly indicated on all packaging and for competitions consumers are directed to the company's homepage.

Flahavan's have benefited hugely from positive publicity in recent times. Celebrity endorsements have greatly helped to increase the consumption of porridge among the younger target markets. In fact most health programmes and health gurus recommend porridge as part of a balanced diet. Celebrity chef Rachel Allen of Ballymaloe Cookery School in East Cork is a big fan of Flahavan's porridge oats and incorporates oats

regularly in her recipes. Leading Irish Chef, Garrett Byrne has collaborated with Flahavan's to create a selection of recipes demonstrating the versatility of oats in baking. The numerous prestigious awards that the company has received for their achievements have also provided the company with much positive publicity.

## Flahavan's Critical Success Factors

**People** – Flahavan's is a family owned Irish company over six generations. The company is committed to new product development, product quality and good customer care. Loyalty to the product and a strong work ethic helps Flahavan's to remain relevant in a changing marketplace. Managerial know-how and the ability to respond quickly to market conditions have enabled the company to become leaders in the hot cereal market.

**Skills** – Flahavan's have shown its ability to develop innovative products and engage in product improvements. The speed of its new product development has enabled Flahavan's to lead in the marketplace.

**The Brand Name** – Creating brand awareness and brand preference is a challenge for any business. Flahavan's succeed in 'the battle of the mind' through family tradition, quality over time, distinctive taste, consistent design and favourable image with retail customers and end consumers.

**Innovation** - The company has proven its design expertise drawing on traditional packaging for new product releases and remaining consistent with the red and green colours on its packaging and in promotional campaigns. It has also been pioneering in its pack format in particular the drum, pots and sachets.

**Communication** – The company's communication has been consistent over time. Flahavan's 'Set You Up For Life' slogan has proved the test of time.

## The Future

In today's challenging business environment remaining in a leadership position takes courage and commitment. Flahavan's are brand orientated and the main driving force for the company is to stay relevant to consumers as their tastes change. Flahavan's continually invest in the brand and quality to remain competitive overtime. The company is successful because they specialise in what they are good at; a niche strategy focused on oatmeal. For the future the key strategy for the company is to:

*Maintain and obtain strategic leadership positions in selective markets in the hot cereal category, seek market segments with an attractive profitability and to develop the necessary critical mass to play a significant role in the industry. Flahavan's has ambitious strategic intent for pursuing emerging market opportunities and exploiting the weaknesses of its rivals.*

Flahavan's company values are clear:

- Focus on core mission
- Never get comfortable
- Stay fluid and flexible
- Stay close to customers
- Challenge thinking and explore the unknown

Flahavan's appears to have a challenging future ahead. Porridge has never been so trendy and fashionable. Flahavan's management team is acutely aware of the need to capitalise on the opportunities that are present while also neutralising the effects of potential threats that may arise. With this in mind, the management team at Flahavan's focus on the future and how to secure the success of the company and the brand in a highly competitive marketplace.

Source: This case study is based on material from published sources

Table 1

Porridge Oats Products	Ready to Eat Cereals	Biscuits & Snacks	Range of Ingredient Products
<ul style="list-style-type: none"> <li>• Progress Oatlets</li> <li>• Jumbo Oatflakes</li> <li>• Porridge Oats with 20% Added Bran Oatbran</li> <li>• Pinhead Oatmeal</li> <li>• Organic Porridge Oats</li> <li>• Organic Porridge Jumbo Oats</li> <li>• Microwaveable Quick Oats – Drum, Sachets, Portable Pots (40g, 44g &amp; 46g)</li> <li>• Real fruit porridge Apple &amp; Raisin and Sunrise Fruits</li> </ul>	<ul style="list-style-type: none"> <li>• Hi 8 Muesli</li> <li>• Crunchy Oats Raisins &amp; Sultanas</li> </ul>	<ul style="list-style-type: none"> <li>• Flapjacks Chocolate Chip</li> <li>• Flapjacks Cherry &amp; Sultana</li> </ul>	<ul style="list-style-type: none"> <li>• Porridge Oatflakes 25kg</li> <li>• Jumbo Oats 25kg</li> <li>• Oat Bran 25kg</li> <li>• Pinhead Oatmeal 25kg</li> <li>• Whole Oat Flour 25kg</li> <li>• Superfine Oat Flour 25kg</li> <li>• Wheat Flakes 25kg</li> <li>• Whole Barley Flakes 25kg</li> <li>• Pearled Barley Flakes 25kg</li> <li>• Rye Flakes 5kg</li> </ul>

## History of Oats

Oats were one of the first cereals cultivated by man. They were to be found growing in ancient China as long ago as 7000 BC while the Greeks are believed to be the first to make porridge from oats. It was the Romans who not only introduced oats to other countries in Western Europe, but also gave them and other cultivated crops the name cereals, after the Roman goddess of agriculture: Ceres. Today there are many varieties of oats. The best quality oats grow where there is light fertile soil, where the climate is temperate and there is a rainfall of over 60cm a year. Oat grains are sown in the winter and ripened in the fields by the summer sun. The oats are then harvested when fully ripe in the autumn. These oat grains are the raw material used to produce oatmeal and a variety of oat-based products. Oats are taken into the mill at harvest time from a select registered panel of local growers. The oats are then dried and safely stored. When the oats enter the milling process, there are five distinct stages that they go through.

1. When the oats enter the milling process, they are cleaned, taking off straws, stones and weed seeds and are then sent through a stream of air to remove dust or light grains that would be unsuitable for milling.
2. The oats are then sorted by size. They are then fed into the oat sheller, which cracks the husk off the grain without damaging the kernel. The mixture of the kernel and the hull is fed into a stream of air which blows off dust and hull. It is then polished to remove dust and hull which has not been properly dislodged.
3. The groats are then cut by feeding them into a cylinder with a large number of holes. The kernel fall through these holes and is cut to produce what is called pinhead oatmeal. This is the oatmeal that can be used in the traditional porridge.
4. The pinheads are steam cooked at over 100 degrees celsius before being rolled into oat flakes. The flakes are then dried, cooled and stored in containers for packaging.
5. The product is then automatically weighed, dropped into its packet, is then pressed down, folded and sealed. The packets are then packed into cartons ready for distribution.

Source: [www.flahavans.com](http://www.flahavans.com)

## Facts on Porridge

- Porridge boosts your protein intake: of all the cereals porridge has the highest protein content.
- Porridge is ideal for those watching their weight – fibre rich foods are usually low in calories but are also quite filling and may therefore reduce food intake when dieting.
- Eating porridge for breakfast provides you with enough energy for the first half of the day, helping you to avoid those mid morning snacks.
- Porridge stabilises blood sugar levels, eating porridge on a regular basis can help reduce the risk of Type 2 (Adult onset) diabetes.
- Porridge aids digestion and unlike bran, oats are gentle on the stomach.
- A diet rich in fibre has been implicated in preventing heart disease. Many studies have found that those people who eat a lot of fibre rich foods are less likely to suffer from heart disease than those who eat very little.
- Soluble fibre which is found in fruit, vegetables and oats, helps reduce blood cholesterol.
- Eating porridge can help the brain to produce serotonin. Serotonin is a brain transmitter that helps keep our spirits up and our appetites down. Levels of serotonin dip when sunlight is low during the winter months and can frequently lead to Seasonal Affective Disorder (SAD).

Source: [www.flahavans.com](http://www.flahavans.com)

# Surecom Network Solutions Ltd: In a World of Pots and Pans!

## Breda Kenny & John Fahy

### Case Abstract

The case identifies and explores the strategic issues facing a small Irish company competing in the dynamic telecommunications industry. As the company's founder considers the challenges at the industry level, both domestically and internationally, the reader is given details of the company's rapid growth since inception in 2005 as well as an overview of the telecoms industry. Despite the fact that the industry is growing; prices for the consumers are falling, and margins for companies servicing the industry are being eroded. The case outlines some growth options for the company, which is followed by some current dilemmas facing the future of Surecom Network Solutions Ltd.

### Setting the Scene

Face the Dublin rush hour traffic or have a bite to eat and relax for a while? Those were the options open to Jim Sheehan after a day of back to back meetings with clients across the city, before making the return journey to his wife and two girls in Tipperary. Jim decided to relax for an hour to avoid the traffic. As he scanned through the *Irish Times* that damp September evening, article after article predicted economic gloom and recession. As he began to relax, he couldn't get one thing off his mind – How is he going to sustain the level of growth the company has achieved to date in these challenging economic times? He rang Martin, his operations director to organise a management meeting for the following week. He needed to develop a strategic plan for the next three to five years. He had some serious thinking to do over the week and he needed to weigh up his options.

### How it all began

Jim worked as a telecoms engineer in the telecommunications industry for over twelve years; in that time he began observing a change in strategy regarding the organisation of work. Companies were increasingly outsourcing what was referred to as 'non-core' activities. Jim saw an opportunity in the Irish telecommunications industry for a company with a highly skilled and specialist workforce to be proactive in winning a share of this market. Jim took the plunge, left his permanent employment and set up shop. Surecom Network Solutions Ltd was founded by Jim Sheehan and his wife in January 2005, the main focus being the telecommunications sector in Ireland and the UK. Jim's undergraduate qualifications are in IT and Telecommunications and his postgraduate qualification is in Adult education. He worked his way up from junior technical roles in the telecoms, Cable TV and IT business right up to a senior radio engineering position in one of the country's largest mobile phone operators. Jim is married with two young daughters aged three and four. He started Surecom when his oldest daughter was only eight weeks old. His wife job shares as a lecturer in a local third level college and her undergraduate qualification is in Marketing and German, and she has a Master of Business Studies degree by research. The fact that they had one income coming into the house in the early days meant that Jim could survive without a salary from Surecom as the business got off the ground. Jim was away a lot meeting potential clients as well as working on their first contract, which meant that Jim's wife (still on maternity leave at the time) was managing the back office functions.

In the early days, Jim began to bid for contracts based on his own skillset and experience, and partnered with another company to compensate for resource constraints. As the work increased, and revenue was generated, additional engineers were employed to fulfil contract requirements.

Surecom is at the high end of the telecommunications technology business, providing telecommunications engineering managed services and solutions to major European players such as O2, Telefonica, Meteor, Ericsson and Morrison TESL. Surecom provides a single source of supply of engineering solutions to the

telecommunications and IT industry. Managed Services include; mobile and wireless networks, radio design and engineering, field support services, telemetry systems, data acquisition, network installation, multi-vendor equipment configuration, technical support, outsourcing, logistics, telecom training, product supply and distribution.

The main aspects of the business include:

1. Mobile and wireless networks – work on access radio and core aspects of the network, i.e. ensuring effective connection/interface between the mobile phone and the base station. This work also deals with the software involved in routing information from the mobile phone from one switch (region) to another for various purposes such as billing.
2. Radio Design and Engineering – manipulating and controlling radio signal propagation to achieve the desired radio signal footprint. This involves building virtual networks using specialised software and tools.
3. Field support services – second line fault finding and resolution on a nationwide basis for the telecoms wireless network operators.
4. Telemetry systems for ocean energy systems.

Surecom, was behind the design and installation of a telemetry system for a prototype ocean energy buoy to a control centre in the Hydraulics and Maritime Research Centre (HMRC) at UCC. Surecom's role in the OceanEnergy project was to design, install and commission a telemetry system that would collect alarm and data from various sensors on the buoy at sea, which in turn would be sent to the control centre in UCC for analysis. The system uses two mobile networks for contingency purposes, and it also utilises both 3G and GSM mobile technologies. OceanEnergy launched its final test prototype, the 650 tonne full sized version of the buoy, in the spring of 2008, before going into full commercial production later in the year.

Surecom's value proposition is their partnership approach –from the outset, the aim has been to initiate, build and maintain close relationships with current and potential customers, competitors, colleges, and financial institutions, professional bodies such as IBEC and Telecommunications and Internet Federation. First and foremost, is the relationship with customers, Surecom is a solutions provider and thus works hand in hand with customers in meeting their needs in a timely, efficient and cost effective manner. Surecom also actively compete against and work alongside its main competitors. It is not unusual for Surecom to partner with competitors on one contract and compete directly against them on another.

Surecom's reputation in the industry is built on their technical competence and quality of service delivery. For Surecom to maintain its market position and to stay ahead of competition, training is a vital ingredient for its entire staff. Technology training is essential to compete in an industry that is moving at such a pace. Staff are either trained in Ireland, or sent to countries such as Norway, Finland and Sweden for specific expertise. In most cases, a train the trainer approach is taken, whereby, employees can be trained to pass on the knowledge and skills to other members of staff through on the job training. The challenge with training is to gauge the market correctly and have the relevant people trained in the technologies the customer will need for future contracts. e.g. a customer may be planning to roll out a network or part of a network using Nokia Siemens, Ericsson or some other supplier and Surecom need to be in a position to respond with staff trained and certified in the relevant equipment. In some cases, they got it wrong and either didn't have the correct training done, or failed to realise the need for training in advance. Compliance with relevant health and safety standards is another key challenge of training. Even though Surecom is a small company, health and safety standards would comply with the larger mobile operators in the country. One of the engineers was taken out of the field and a full time Health and safety officer position now has to be maintained as a back office cost.

## The Industry Scene

Globally, the industry is more than 100 years old and is undergoing something of a revolution that is transforming the face of telecommunications. Following a slump in the early years of the new millennium, the industry has changed direction and is now back on course, with growth estimates predicted to be around 5 – 7% with a total global revenue reaching 2.2 trillion dollars in 2010 (Eastwood, 2006). However, it is not voice services that will drive this growth, but high-speed data services such as mobile, Internet and email access. In industry parlance, the phrase ‘pots and pans of telecoms’ refers to the transition from POTS (Plain old telephone service) to PANS (Pretty awesome new services) which covers all aspects of technology convergence such as voice over Internet Protocol (VOIP), wireless networking and the digital universe in general.

The telecommunications Industry in Ireland is an important sector in the Irish Economy in terms of size and employment. Recently published information on the Irish telecommunications market shows that total revenues for fixed, mobile and broadcasting markets for the twelve months for December 2007 were €4.54 bn. (ComReg, 2008).

The growth of mobile telephony, the use of the internet, the development of products which allow higher speed data products which can be accessed by end-users, have transformed communication (Com Reg, 2003). Since liberalisation of the sector in 1997, telecommunications prices have fallen by almost 20% in nominal terms, while overall per capita spending has almost doubled from €547 to €964. This growth is largely due to mobile phones usage, which now stands at a penetration rate of 116% of the population (Com Reg, 2008). Low fixed-line penetration levels, coupled with high fixed-line subscription costs, have been significant contributors to the high adoption rates of mobile telecoms in Ireland, allowing mobile telecoms to ‘leapfrog’ their fixed-line counterparts.

According to Heilmeier (1998), there are three factors forcing this transition in telecommunications: competition, customer-related concerns, and cost. It was the convergence of computing, communication, and services that really began to drive the most recent major changes in this industry. That convergence essentially led to deregulation, and deregulation led to domestic as well as international competition. And, it led to some teaming, which in some cases seemed an unnatural act. Another result of deregulation was that size really became important; diversity became important, resulting in an increase in mergers and acquisitions in the industry. Looking at trends in consumer expenditure, it is possible to discern what it is that today’s digital consumer really wants:

First of all, they want *better value*. Secondly, the consumer wants *more control* – witnessed by the success of time-shift digital TV recorders, or demand for 24-hr access to online services. Thirdly, they are interested in *mobility* – in the last quarter of 2007, for the first time in Ireland, mobile networks took over half of all voice traffic; and mobile broadband ( HSDPA) services - added over 39,000 customers, 42% of net additions in Ireland (ComReg, 2007). Fourthly – consumers are seeking more *involvement* – the so-called Web 2.0 phenomenon, in which millions of people have started to use the web to make their own content and shape their own online identity, through a host of social networking and virtual reality services. In Ireland alone, 1 million adults have created content on the Internet in the form of a Bebo, MySpace, Facebook or SecondLife. (Amarach, 2008).

The third forcing factor is cost. Traditionally, costs in the telecommunications industry, meant operating costs and capital expenditures. Those are still important. In addition to labour, facilities, and maintenance, the focus is now on barriers to value-added activity and their related costs. The changing nature of the industry is forcing traditional telecoms operators (fixed and wireless) to deploy new technologies and networks in



order to seek new revenue streams and develop new lines of business in an increasingly competitive market (Eastwood, 2006). Overall, communications costs have fallen substantially over the last 10 years (CSO, 2007). This results in increased pressure for companies operating in this sector working with tighter margins.

This growing trend of new communication technologies points to convergence, which refers to the tendency to integrate digital audio, video, text, and data into new devices and networks (Atkin, 2002; Baldwin et al., 1996). The digital universe now encompasses most of the media and communications markets. Not only are the majority of telephone handsets and television receivers now digital - as computers have long been - but so too are the transmitters, switches, routers and other devices that are needed to deliver the service. Chisholm (2008) suggests the move to digital is important for two main reasons. First, it has brought into play new technologies for compression, storage and transmission which - in tandem with advances in computer processing power and microelectronics - have enabled a vast new array of products and services to be made available to consumers. These offers have generally come to market more quickly, at lower cost, and on more flexible terms. Secondly, by putting the telecoms, media and IT industries onto the same footing, the move to digital has affected a convergence between these industries, the delivery platforms they use, the services they offer, and the devices we use to receive them.

The Managed Services model has developed significantly in Ireland over the last 15 years in response to the trend in convergence and outsourcing and this market in Ireland is now valued at €765 million with a predicted growth rate of 7% in 2008 (Corrigan, 2008). Managed Services cover the end-to end technology stack, from network infrastructure right through to business applications and have emerged as businesses have realised that outsourcing non-core business and IT activities enables them to focus on their strategic activities, on their customers, keeping their costs low and keeping ahead of competition. Gilsenan (2007) recommends that companies considering managed services should seek a business partner rather than just a transactional service provider. Companies that opt for managed services are effectively entering into a long term partnership with their service provider as they are handing over responsibility for mission critical services to their business and so trust is critical to this arrangement.

### **How it all grew**

As stated earlier, Surecom NS Ltd was founded in January 2005 and began work on its first contract in April 2005 with one employee (owner manager). In the eight months to the end of 2005, the company had three major contracts and four employees. The turnover for the first year was €150,000.

In 2006, the company further expanded all aspects of the business and had major contracts directly with O2 Ireland, Meteor Mobile Communications, Ericsson, AI Bridges, Morrison TESL and indirectly with Vodafone, Samsung UK. In order to meet customer requirements, a number of highly qualified and skilled personnel were recruited. The majority of staff are qualified to at least diploma/degree standard in a technical discipline such as computing and/or telecommunications. In the latter half of this year, the company brought a financial controller on board to put proper financial management systems in place for cash flow, budgeting and pricing new work. The financial controller was a former school friend of Jim's and has extensive financial management experience in large private sector companies and was someone that Jim could trust. The turnover in 2006 was €1 million. Also, in 2006 Surecom was a finalist in the 'best new business' category of the South Tipperary Enterprise Awards.

In 2007, Surecom further increased its level of business substantially with its current client base by generating new business in the technical as well as commercial departments of the bigger mobile operators. New business from new customers was also brought on board, such as Mc Cormack MacNaughton CAT specifically on a telemetry project into Dublin Port. With this growth in the customer base and with a

workforce of 30, managing all aspects of the business was becoming a stretch for Jim. Recruiting the right staff with the right level of skills and attitude was a challenge, but given Jim's extensive network of contacts in the industry and beyond, they were able to work around this issue. However, what was required at this stage was a senior operations director. Jim had his sights set on the perfect candidate with over 20 years experience in the telecoms industry at an operations management level. Towards the end of 2007 that candidate, Martin, had joined the ever expanding Surecom family.

Back in January 2005, Jim and his wife sat in their kitchen in Tipperary with their new born daughter and discussed the vision for Surecom NS Ltd. The main goal was for Surecom to become the solutions provider of choice for the telecommunications Industry in Ireland and to break into the UK market within a five year period. By late 2007, this vision had become a reality. The turnover for 2007 was €2.7 million. This level of growth did not happen without bringing added pressure on Jim's family life. In order to grow the business, Jim was away on business a lot, and even when he was back home, dealing with staff and customers often means working long hours in the evenings and at weekends.

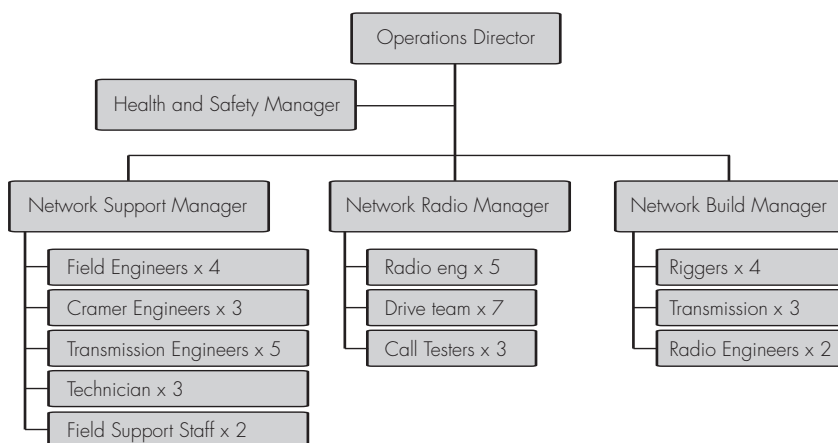
At the start of 2008, it was very clear to Jim that Surecom was operating at a different level in the industry. As a company they were now on the approved supplier lists of their key customers and a professional management structure had to be put in place to carry this forward. In the background, preparatory work was happening in relation to the development of a quality management system and an occupational health and safety management system. In the spring of 2008, audits for both systems were completed and Surecom were accredited as follows:

- ISO 9001: 2000 Accreditation for the Surecom Quality Management System
- OHSAS 18000:2007 Accreditation for the Surecom Occupational Health and Safety Management System

These accreditations coincided with a night out in the Mansion House in Dublin, where Jim kindly accepted a Highly Commended award for services at the Small Firms Association National Business Awards 2008.

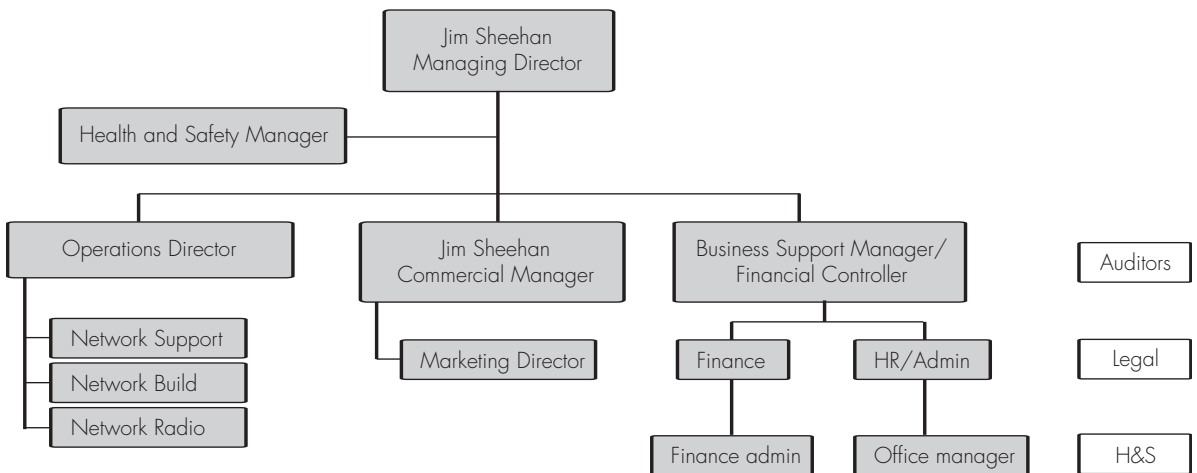
As everyone took their breath after the audits and the awards, Jim had some decisions to make regarding substantial investment in key people to establish an effective project management structure. All the technical services provided were divided into three new departments: Network Radio, Network Support Manager and Network Build (see figure 1).

**Figure 1: Surecom's Operations Structure**



Again, Jim was fortunate to have hired three very capable and technically competent managers at this level. These new appointees have held technical, as well as managerial roles with major players in the telecommunications industry in Ireland and abroad and have had immediate impact on enhancing Surecom's role and image in the industry. Management Development training was provided for all newly appointed managers.

**Figure 2: Surecom's Organisational Structure**



With this new structure in place, the company strategy in relation to growth had to be re-evaluated. To this end, a series of summer workshops with staff and management were organised to work through a SWOT analysis and to set down objectives and targets for Surecom for the year ahead. At the end of the last workshop, Jim sat back to review the objectives developed by his staff on the overhead projector and realised they were a good reflection of the objectives he had in his mind for the company. He has a solid team of very competent people around him and he has every confidence in achieving the targets set out.

Other notable happenings in 2008 included:

- New business; the most notable is a contract on solutions for the O2 corporate customer base for indoor mobile coverage using boosters/repeaters . Other new clients in the domestic market added to the list this year are BT, Vodafone, Digiweb and Irish Broadband.
- Successful completion of a project on call testing in France, Germany, Switzerland, Portugal and the USA.
- Expanded work on contracts in the UK.

Table 1: Summary of Growth Figures since Start Up

Year Incorporated	2005	2006	2007	2008
No. of Employees	4	22	30	50
Turnover	€150,000	€1million	€2.7million	€3.5million (projected)

### The Challenge

The challenge for Surecom now is to continue its level of growth in an environment that is becoming more and more competitive, with each member of the telecoms supply chain working with tight budgets and margins. Godin, (2006) captures the essence of the challenge as follows;

*Letting your customers set your standards is a dangerous game, because the race to the bottom is pretty easy to win. Setting your own standards-and living up to them-is a better way to profit.*

*Not to mention a better way to make your day worth all the effort you put into it*

With the current economic climate, the focus is now very much on value for money, and customers are expecting more by way of added value services for similar or even reduced prices.

Surecom want to maintain their industry reputation for their level of technical competence (which is borne out by results of ongoing customer satisfaction surveys) without compromising on price. Surecom have to date tried to avoid competing solely on price alone, instead they compete on quality of technical services provided.

### Where to go from here?

As Jim and his team are committed to growing the business even further, he is left contemplating how to make this growth happen. He has built up a strong relationship and reputation with his current client base and has expanded the level of services with these clients to date. There are still further opportunities to expand this side of the business. He is working closely with his customers in identifying and providing additional solutions and services. Another option to expand sales is to provide the current range of services to new customers in the industry, e.g Broadband rollout projects. Conscious of what is happening at the industry level; Jim is aware of issues such as converging and emerging technologies and is acutely aware of the need to invest time and resources in developing new products/services with a view to diversifying. In reality, bringing the company to the next stage will involve the following:

- Further Expansion into UK and international market place
- Continue to deliver a quality, professional service to existing clients
- Develop new products/services and sell to new customers
- Develop key partners
- Develop Niche skills and competences

### What is needed to get there?

#### *Market Research and Evaluation*

In order to facilitate the expansion of the export side of the business, time and effort needs to be spent assessing the feasibility of export market potential in Northern Ireland, UK, Europe and other developing

telecommunications markets such as India and China. The company currently has one member of staff completing international trade training through the International Trade skillnet. However, additional work is necessary in terms of full market assessment of potential target markets and international visits to trade fairs and key contacts. At the moment, a possible weakness is that this is not treated as a priority for the business and needs to be given more resources and time to explore in depth.

#### *Technical Development and Refinement*

As the company are in the business of providing managed services to clients at the cutting edge of the telecommunications industry, they need to keep their staff up to date and ahead of the competition in the technical arena. This is done through investment in specific technical training in Ireland and overseas. Training is usually provided at substantial cost from the equipment suppliers and/or manufacturers e.g. LM Ericsson. They currently need to be more strategic in their training plans and ensure they are carrying out the correct type of training and also that the correct people are trained.

#### *Business Development Issues*

In order to achieve the goal of becoming the solutions provider of choice for the telecommunications Industry in Ireland and in their export markets, the following development issues need to be addressed:

- Further develop the management team through relevant training programmes
- Continue to train/recruit staff with high end technical skills
- Conduct full feasibility assessment of potential export markets
- Invest in research and development of their own products/solutions
- Find the time and resources to make this happen.

To conclude, Surecom NS Ltd, is a solid, financially healthy company that has grown organically since start-up. The company's success is attributable to Jim Sheehan and his team of staff who strive to deliver the highest level of service at every level of the customer interface. Despite this, rapid firm growth is difficult to achieve and maintain. In fact, only one in seven firms generate sustained, profitable growth (Zook and Allen, 1999). However, even after putting the management structure in place, Jim Sheehan is still dealing with day to day project and technical issues. He needs to find a way to stand back from the operational level of the business and focus on the strategy for the future of the business. He has a team of very committed and highly qualified engineers and his company values reflect his own values in terms of integrity and family. In fact, Surecom and its entire people are treated like an extension of his own family. But what does he need to do in order to bring the company to the next level? Is he the right person to do this?

There has been an approach by a company interested in buying Surecom. Should Jim reject the offer for the purchase of the company and work towards achieving the objectives set out during the summer to maximise the potential of the company he built up from humble beginnings just under four years ago? Alternatively, he could consider the offer, which has come from a large international technology company operating in the UK and Europe IT sector who is looking at Surecom as a strategy to enter the telecommunications industry? By accepting this offer, or maybe looking at alternative partnering arrangements - is he achieving synergies and opening up opportunities that are currently beyond their reach? Are there other growth options that he should consider? Jim, currently in his mid thirties, could not have predicted this situation when he established the company in 2005. Cognisant of the contribution of this management team and staff, he considers how the open and team culture and the values of the organisation would survive under a new ownership/management structure. His dilemma is weighing up the best strategic option for Surecom management and staff, for the Surecom brand and for himself and his family.

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# Gleninchaquin Park<sup>1</sup>

## Breda McCarthy

### Introduction

As one approaches Gleninchaquin Park, one is instantly impressed by two factors, the view and the tranquillity of the area. The park consists of streams, mountains, glens and lakes, a waterfall, woodlands and Kenmare Bay, all framed by the Killarney McGillicuddy Reeks along the horizon. Looking across to the magnificent view, I wonder who is fortunate enough to own hundreds of acres of land in this remote corner of Kerry. With this thought in mind, I am welcomed to the park by Mr Donal Corkery, a sheep farmer who runs a nature-based tourism venture with his family. With the unhurried manner that is so characteristic of rural Kerry, I'm invited in for a cup of tea and a chat.

Family businesses can be defined in various ways, including the degree of family ownership, management by family members, interdependency of family and business systems and intention to transfer to the family (Litz, 1995; Green and Pryde, 1990). These features are applicable to Gleninchaquin Park. In recent times, researchers argue that family-centred businesses may have unique perspectives of socially responsible behaviour due to ties to the community and family involvement (Niehm, Swiney and Miller, 2008). This case study sheds some insight into how a business is connected to a rural community and the complexities of managing and sustaining an ecologically responsible family business.

### Why the Enterprise Was Started

Gleninchaquin Park is an award winning family-owned park and farm in the Beara Peninsula. The farmland of over 1,300 acres is privately owned and worked by Donal Corkery, his wife and children. It has been in his family for more than 130 years.

The land in the Beara Peninsula is hilly and rugged, offering a poor agricultural environment but affording breathtaking natural beauty. While sheep farming is common in the area, it does not generate a sufficient income to be sustainable. In the 1990s, Donal Corkery decided to diversify away from farming and he spotted an opportunity that would enable him to live full-time on the farm. Agri-tourism generally involves the provision of family-like accommodation in a typical farmhouse while allowing the guest to participate in farming activities under the supervision of the owner/manager. The farm is a short distance from Kenmare, only 12.5km. Living near a major tourist town, Donal and his family witnessed the large number of tourists visiting Kerry. Their travels made them realise how good the scenery and natural resources of the farm were in comparison with many other parts of Europe.

The park was formed by glaciation approximately 70,000 years ago. Post Ice-Age the valley was left with some rare Lusitanian plants, natives of Spain and Portugal. The park is designated a Special Area of Conservation (SAC) and contains over 300,000 acres of beautiful old oak, known as Uragh Wood. With its canopy of large oaks, the wood forms a perfect habitat for an abundance of bird life and wildlife. Donal works closely with the National Parks and Wildlife Service (NPWS). The remit of this state body is conservation of the ecosystems, flora and fauna and landscape protection. Donal is a keen environmentalist and is a member of An Taisce, the National Trust of Ireland, charged with the protection of Irish heritage and the environment. He is determined to protect the farm for the sake of future generations, even if this means sacrificing business growth for sustainability. A key objective is to offer visitors an experience that involves minimal tourist impact on the environment.

<sup>1</sup> The case study was developed as a basis for class discussion and is not designed to illustrate either effective or ineffective handling of an administrative situation. The author gratefully acknowledges the support of Fáilte Ireland who provided funding for the research under its Fellowship scheme 2006/7.

The family approached the South Kerry Development Partnership with their ideas and obtained funding of €18,000 under the LEADER program. The grant-aid helped fund walking trails, signage and the erection of foot bridges across rivers. Access to private land is acknowledged to be a big issue in Ireland. Landowners do not allow unrestricted access to their land because of the risk of being sued in the event of an entrant becoming injured. In some cases, users of a route may create difficulties for farming or other work. Landowners also feel that they are entitled to compensation for access, arguing that walking holidays are one of Ireland's tourism products and income would have to accrue to someone, be that the walking guide or local B&B. Groups, such as Corann na Tuatha, Keep Ireland Open, have lobbied aggressively for open access to the countryside. According to Donal, disputes over access to the countryside represent a very negative image for tourism development. He sees conflict between farm owners and hill-walkers as a significant barrier to the development of walking holidays in Ireland. Gleninchaquin Park was designed to appeal to the casual hill-walker who was willing to pay an entry fee in return for unfettered access to the land. While the entry fee is modest (€5 in 2007), Donal feels that many people still resist the notion of having to pay to walk the countryside.

### **New Venture Start-up and Development**

People who travel to rural areas are predominantly looking for peace and tranquillity. Therefore, Donal developed six walking and nature trails which were suitable for the active hillwalker and the inactive, families with children. Hill-walking is popular in Kerry and Ireland's highest mountain, the 1,040-metre Corrán Tuathail peak, is located in the McGillicuddy reeks. The Kerry Way, a long-distance walking route (215 kilometres) in the south of Kerry, is one of thirty three Waymarked Ways in Ireland. Recent patterns in the numbers of tourists visiting Kerry and the rise in numbers of tourist participating in walking (see Table 1) show the farsightedness of Donal. While the Kerry Way is one of the most popular trails in Ireland, Donal felt there was a need for designated, short walking routes for families and children. The walks are suitable for the novice as well as the experienced hill-walker.

Walking routes can have ecological impacts in natural areas. Typically, these impacts include soil erosion, trail widening, muddiness, vegetation damage and littering (Lynn and Brown, 2002). As a result, Donal worked closely with local authorities and government agencies in order to identify suitable routes. The County Heritage Officer plays a key role in this regard. Furthermore, routes should use existing roads and tracks, reducing the cost of re-routing and preventing environmental damage caused by trampling.<sup>2</sup> For environmental and safety reasons, group size should be limited to ten people and should not exceed fifteen. Liability and risk management issues are also important issues.

Maintaining and interpreting the cultural heritage of the park is important to the family. In 2005 Donal commissioned two pieces of research with the aim of providing accurate information on the cultural heritage of Gleninchaquin. The aim was to build up a realistic image of the valley and some of the people who once lived here. The information from the surveys can be seen on the Park's website. The research revealed that Gleninchaquin was steeped in history and was once quite densely populated. It contains stone circles, standing stones, an earthen ring-fort, various burial sites and numerous fulacht fiadh (ancient cooking sites associated with the natives and wandering tribes such as the Fianna). With funding from the Heritage Council, heritage trails were developed. Work on the restoration of an 18th century farm settlement began in 2007. Residents of Gleninchaquin Park would have experienced the Great Famine which happened in Ireland between 1846 and 1851. During this dark period of Irish history, about a million people are estimated to have died of starvation and epidemic disease. During Heritage Week, Donal participates in seminars and shares his knowledge with others.

<sup>2</sup> Interview with Ms Una Cosgrave, Heritage Officer, Kerry County Council, 29 May, 2007.



Over time, further investment was made in the park. An art gallery, a sensory garden and famine cottages were added over time. Donal felt that the visually or physically impaired person could also enjoy the park with their families. As a result of customer interaction, he realised that visitors needed a garden to simply relax and enjoy a picnic on a hot summer's day. Donal was approached by a local artist, Martyn Bell, who planned to open an Art Gallery in the area. He is an experienced art teacher and wanted to offer tuition in drawing and watercolour painting to the Park's visitors. Diversifying into art supported the image of the Family Park.

The business is defined by the founders' passions: sustainability and land care as well as a steely-eyed view of survival and profit creation. Within four years, the park exceeded its projections as regards visitor numbers. Donal feels that the trend towards short breaks (3 to 4 days) facilitated growth.

The farm is open daily all year round although the main tourist season is during the Summer months. Table 2 outlines the nature-based activities on offer to visitors.

## Marketing Alliances

Networking with other local businesses often helps people develop innovative solutions to common problems. Cooperation has the potential to reduce the isolation of small rural businesses, enable people to use resources more effectively and develop integrated and improved marketing strategies (Cai, 2002).

Donal has a good relationship with other nature-based ventures in the area, such as the Kennedy Pet Farm and Coolwood Park Bird Sanctuary. They refer tourists to each others farms as they all appeal to same type of visitor - the environmentalist and the animal lover. Donal also works with local accommodation providers (Bed and Breakfasts) in order to get referrals.

In 2004, Donal, in conjunction with a local businessman, launched a full-day heritage tour with transport and lunch included. The tour was called 'Beara Olden Days & Ways – a Tour with a Difference'. Visitors visit two farms, learn about the local history; see day-to-day activities on an Irish sheep farm, including traditional farm machinery, the ruins of family dwellings from the Great Famine era, a Neolithic stone row. Despite strong attempts at marketing the tour, demand remains weak. Donal said this lack of success was disheartening. The price for the tour was reasonable, at €34 per head, and despite advertising the tour and trying very hard to sell it, they were disappointed with the results.

## Segmentation and Communications Strategy

At present, the main target market for Gleninchaquin Park consists of families and independent travellers. Research conducted in 2006 showed that 30% of visitors were Irish and the rest came from the UK, Germany, USA, Holland, Switzerland and Belgium (Doherty, 2006). Donal is interested in attracting smaller coach tours such as a 30-seater coach. The park is unable to cater for the average 52-seater plus coach since the 4.5 mile road leading into the farm is too narrow. Donal has identified one Swiss tour operator and hopes to target the specialist tour operators that bring international visitors to Ireland.

Donal subscribes to Cork-Kerry Tourism and the park is profiled in the Discover Ireland website. Leaflets are displayed in the local Tourist Offices in Kenmare, Killarney and Tralee. Brochures are hand delivered to hotels, guest houses, bed-and-breakfasts and other tourism providers in the area. In the early days, he spent a great deal of time depositing brochures with other tourism providers in the area. The nearby town, Kenmare, is an important source of passing trade. The park hosts a very informative website but Donal feels that it is not the most important form of advertising for their business. He feels that word of mouth advertising is the best method of winning customers.

There have been some attempts to develop free publicity through the local radio stations and weekly newspapers, but this has never been sustained. The most successful media campaign occurred when Gleninchaquin won awards and so the business had 'a story to tell'.

## The Significance of Tourism to the South-West of Ireland

In its strategy statement, Fáilte Ireland states:

Tourism is one of the largest and most important components of indigenous industry within the Irish economy. Not alone is tourism a major contributor in generating foreign earnings and sustaining employment, it also plays an important role in developing rural economies and contributing to spatial balance (Fáilte Ireland, 2005, p.5).

A survey of holidaymakers in 2005 showed that the primary motivations for choosing Ireland as a holiday destination were quality of sightseeing, discovery of a new destination and the desire to visit friends and relatives (see Table 3).

Statistics highlight the importance of the tourism industry to the South-West of Ireland (Cork and Kerry). The region is the third most popular destination for domestic holiday makers after Dublin and the Shannon region. There was a 15% increase in the number of Irish people choosing to take their holidays in the Cork-Kerry region in 2006, with the region outperforming the national average of 12%. There was a 19% increase in overseas visitors to the area. This growth has been facilitated by improvements in rail, road and air transport services to the South-West.<sup>3</sup> Farranfore Airport and Cork Airport are important gateways of arrival to the region for European visitors. Statistics from Fáilte Ireland show that the South-West region earned €1,027.9 million in tourist revenue in 2005 which represented an increase of 13% from 2004. It has the largest supply of guesthouses/B&Bs by region, with an estimated 5,086 rooms in 2005.

## Key Challenges

While the Cork-Kerry region is a magnet for tourists, Donal and his family are faced with several barriers to business development. One of the greatest weaknesses of rural tourism businesses has been identified as the individual owners' inability to market their property and associated services (Cai, 2002). A spokesperson from the South Kerry Development Partnership (SKDP) remarked that marketing capacity is often a weakness for rural entrepreneurs and they do not have the time, resources or capacity to engage in marketing.

Donal faces competition from other eco-tourism operators, such as Seafari<sup>4</sup> that runs seal watching cruises around Kenmare bay. Donal also faces direct competition from national parks under state ownership. The renowned Killarney National Park is an hour's drive away.

Pricing is another challenge. Heritage sites are subject to market failure to some degree and the Irish state plays the role of owner and operator which inhibits private sector involvement (Cooke, 2006). Competition from the state-subsidised heritage sector effectively caps the fee that a private operator can charge visitors. While national parks have the infrastructure to deal with large numbers of people, parks under private ownership do not. Collecting the entry fee from visitors is not easy and Donal is unable to meet with every customer at the entry point. The entry fee is modest at €5 and Donal is unsure of whether visitors will pay a higher price. A review of costs showed that there is very little room to reduce costs as the business is

<sup>3</sup> 'More Irish people are holidaying in Kerry', Kathy O' Sullivan, *The Kerryman*, Wednesday, April 11, 2007.

<sup>4</sup> <http://www.seafariireland.com>

being run very frugally. Labour costs are low since it was a family-run, lifestyle-orientated business, general overheads are reasonable, and conservation costs are low due to government support schemes. Donal acknowledges the significant contribution made by the South Kerry Development Partnership (SKDP) to the venture and compliments the work of the Heritage Council and the National Parks and Wildlife service.

Donal is also worried about the image of Irish rural tourism abroad. Donal feels that the lack of appropriate tourism infrastructure in rural areas such as signage, information, public transport and amenities, limits the potential to develop tourism. He uses words such as 'reckless' and 'embarrassing' to describe the lack of facilities in remote areas. The community's circumstances are not unique. Studies (Hall and Michael, 2007) show that decline in rural residency leads to a reduction in local levels of consumption, and in the face of falling demand, there is a contraction in the provision of infrastructure and services, which further accelerates the loss of social and economic amenity for the remaining rural population.

In Donal's experience, some farm-owners were only marginally interested in agri-tourism and did not provide visitors with full access to the farm. He feels that non-genuine operators have 'ruined' the market for agri-tourism, which makes it very difficult and costly to win back tourists. He believes that it is important for a business to live by what it sells as it is impossible to fool most tourists. Visitors generally have a good sense of what is genuine and what is not and expect business to live up to what information and promises they have provided on their websites and other marketing materials.

## Growth Opportunities

Donal feels that the park has great, albeit, unrealised potential. In 2006, Donal decided that it would be a valuable exercise to undertake a review of the business. A marketing plan was commissioned and a SWOT analysis conducted (see Table 4). The brief analysis of the business highlighted two key concerns for him: (1) not enough was known about the profile of the different customer groups and (2) no clear targeted marketing strategy had been determined for these groups.

The most immediate task facing Donal is the conversion of an old shed into a small, basic interpretative centre with hostel-style accommodation. His aim is to carefully control development. In his view, the park is a 'very unique place' and they wish to develop it very sensitively as new infrastructure, for example a camping site, could spoil it very quickly. Donal and his family are interested in educational tourism. Many students in Ireland and the UK are interested in history, geography, geology, and anthropology and regularly take field trips. At present, the literature available on site is insufficient to meet the needs of this market. Other potential sources of business are Irish Walking Clubs and Artist Groups.

One option open to Donal and his family is to position the business more strongly in eco-tourism category. Research shows that Australia and New Zealand are leaders in the ecotourism sector (Natural Capital, 2004). Eco-lodges, cultural tours and volunteering are increasingly attracting socially aware travellers. According to Lorimer (2006), responsible travellers can be found at all levels of the tourism market, from grassroots to luxury. They are interested in experiencing things, in getting close to nature and learning about another culture. Eco-tourism is at a relatively early stage of development in Ireland. A report commissioned for the Kerry Geo Park (2004) found that eco-tourists are generally high-yield tourists. They are interested in learning as much as possible about their destination's customs, geography and culture. They are interested in sampling local recipes and organic foods. They are rarely attracted to large luxury hotels and prefer smaller, comfortable establishments that use local quality crafts or are located in vernacular buildings. They expect to experience the warmth and friendliness of the local community. Many activities undertaken by the

eco-tourist are based around the landscape and seascape. The dedicated, hard-core eco-tourists are in the minority and the market consists mainly of 'casual ecotourists' and 'mainstream ecotourists' (see Table 5). Irish ventures have access to the EU eco labelling scheme<sup>5</sup> for tourist accommodation and campsite services.

An analysis of award-winning eco tour operators and farm stay ventures in other countries<sup>6</sup> reveal the characteristics that are contributing to their success. Firstly, there is a need to identify and target niche markets. Secondly, the risk for eco-tourism providers is that the tourism experience can be too far too worthy to be fun and providers sometimes take the environmental lesson too seriously. Thirdly, a well designed website is essential and it should describe the products and have linkages with other eco providers (Natural Capital, 2004).

From Donal's point of view, there may be scope to provide packaged holidays for visitors and offer more adventure/leisure pursuits (i.e., kayaking, walking, cycling, horse-riding, sheep-shearing, feeding pet lambs, jam-making). Packaged holidays cater for a different type of visitor, not those visiting for just a few hours but those on more purposeful extended stays. There may be opportunities to cater for visitors' general interest in traditional Irish music, song and dance. The growth in cultural tourism may be attributed to greater affluence, more leisure time, greater mobility, increased access to the arts and higher levels of education (Weiler & Hall, 1992). Kneafsey (2000) points to the increasing pace of life and commercialisation of societies to explain the growing interest in traditional Irish music, as people search for 'true meaning' and 'authenticity'. Visitor surveys conducted by Fáilte Ireland consistently show that Ireland's cultural heritage is a magnet for tourists.

## Final Thoughts

The decision to set up the family tourism business was based very much on necessity and gut feeling rather than a solid business plan. Donal Corkery's feasibility study consisted largely of what he saw and experienced as he travelled the length and breadth of Ireland. The business has grown organically in response to customer demand and available funding. Visitor numbers increased in 2007 and the business is prospering. As an early school leaver with no formal business training, Donal Corkery has responded intuitively to the challenges he has faced. Today, he has a wealth of knowledge of the business. He is driven by a passion for this unique part of Ireland, by a yearning to work on the land of his birth and to share his knowledge of heritage with others. Donal and his wife were unafraid to risk time and money at a time when the 'Celtic Tiger' (a popular euphemism for Ireland's economic miracle) was not in existence.

Business growth has to be balanced with sustainability concerns and limited resources. The key questions facing the family are as follows: how does one grow the eco-tourism market and continue to provide a high quality tourism experience? Would growth cause intolerable stress for everyone involved? Was it worth making major changes to how the business operated or should they continue on as normal?

<sup>5</sup> <http://www.ecolabel-tourism.eu>

<sup>6</sup> See [www.oreillys.com.au](http://www.oreillys.com.au); [www.binnaburralodge.com.au](http://www.binnaburralodge.com.au); [www.larsbogard.nu](http://www.larsbogard.nu); [www.elmwildlife.tours.co.nz](http://www.elmwildlife.tours.co.nz); [www.naturetreks.co.nz](http://www.naturetreks.co.nz); [www.wildernesslodge.co.nz](http://www.wildernesslodge.co.nz)

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Table 1: The walking product

	2001	2002	2003	2004	2005
Total Overseas Participants in Hiking/ Hillwalking (in thousands)	213	207	168	259	280
Total Overseas Tourists (in thousands)	5,840	5,919	6,178	6,384	6,763
Percentage of Overseas Tourists who Participate in Hiking/Hill-walking	3.6%	3.5%	2.7%	4.1%	4.1%

Source: Fáilte Ireland, 2005.

Table 2: Key Activities and Market Segments

Marketing Segmentation

Segment	Activities at Gleninchaquin Park
Botanist	Wild Orchids. Pennywort. Honeysuckle. The Herb Robert. Louse Worth.
Geologist	Corrie Lakes. Glacial Deposits. Peat Formation. Sandstone Outcrops. Fold Formations.
Onathologist	The Grey Wagtail. The Mistle Thrush. Meadow Pipit. Skylark. The Dipper. The Snipe. The Woodcock.
Family	Picnic and walk near the waterfall. Tea and scones. Sightseeing. Walking through the meadows. Visit the pet lambs. Discover frogs and tadpoles at the rock pools. Sensory Garden
Daydreamer, walker or individual	Tea and scones. Fishing for Brown Trout. Music from the waterfalls. Sightseeing, reading. Seven walking trails including the Day Walk (4 hours of rough hillside).
Artist and photographer	Sunsets. Scenery. Heavy rainfall makes the area unique.
Environmentalist and ecologist	Natural fauna. Native woodland, Uragh Wood. Arctic Char Fish in the lakes. The Ridge Plantation System of Potato Farming. Pre 1840 Settlements.
Secondary School Student	The Effects of the Movement of Glaciers. Rock Formation over 440 million years ago. The Anthropology of the Kerry Region. The Heritage Village.
University Undergraduate	Geology. Anthropology. Geography. The Study of Population Shifts. Farming techniques. Pre 1840 Settlements.
Animal Lover	Pet Lambs. Sheep varieties. Wild Birds. Wildlife, from frogs, foxes, to wild deer.

**Table 3: Motivations for Choosing Ireland as a Holiday Destination**

Quality of sightseeing	24%
To discover a new destination	20%
To visit friends and relatives	17%
To have a restful/relaxing holiday	12%
To visit country of ancestors	12%
To experience culture/history	11%

Source: Fáilte Ireland, Visitor Survey, 2005

**Table 4: SWOT Analysis**

**Strengths**

- Gleninchaquin Park is a unique, award-winning park with spectacular scenery and sunsets and the profile of the area differs every day
- It is remote yet accessible
- It is affordable
- It is suitable for groups and individuals; caters for the active, in-active and the visually impaired.
- Donal Corkery has expert knowledge of heritage and conservation issues and many years experience in agri-tourism
- The support of state heritage bodies is a great asset.
- Grant-aid has been readily available from state bodies
- The proximity of the park to Kenmare (approximately 12.5 kilometres), the Ring of Beara and also to the tourist attractions in the region means that many visitors are within easy reach.
- Gleninchaquin Park is a small, family-run business, which means that costs are low and they can be flexible and innovative in how they do business
- There is a good deal of information available from the web-site

**Weaknesses**

- Gleninchaquin Park has no planned Marketing Strategy and there is a lack of funding available for Marketing.
- The owner-manger has no formal training in marketing
- Direction signs are poor on site and there is a lack of interpretative material available on-site.
- Gleninchaquin Park as a brand is not very well established.
- Many people, apart from the local community, do not know where the business is situated or even that it exists.
- Distance from the main road is 4.5 miles
- The Park does not have an entrance gate or fee collecting mechanism similar to the public-owned heritage sites.
- The Park is unable to cater for 53-seater coaches
- Seasonality of demand
- The owner is unable to meet with every customer
- Visitors are not used to paying for access to the countryside



### Opportunities

- There are a large number of potential target markets that could be exploited further.
- A promotional plan would create awareness of the Park and would help increase visitor numbers.
- Brand Development would help create awareness and would also promote customer loyalty. Associations with the brand would be formed – peace, serenity, eco-friendly, Irish.
- Website redevelopment would help create awareness and interest nationwide and internationally
- There is a possibility that specialist tour operators would be interested in bringing visitors to the Park.
- There is an opportunity to offer accommodation to visitors.
- Current trends promote short breaks, eco-friendly holidays and healthy living and as a result people may be more willing to visit the Park.
- The opportunity to promote repeat business via the development of a database, newsletter, e-marketing, Customer Charter and customer feedback
- The opportunity to have an Open Day and a Family and Children’s Day which would create awareness

### Threats

- There is a lot of direct and indirect competition in many of the target markets.
- The escalation of protests by farmers with regard to access to the countryside
- The poor image of agri-tourism in Ireland
- Lack of infrastructure in rural areas

**Table 5: Profile of Eco-Tourism Segments**

<b>Profile of mainstream eco-tourist</b>
<ul style="list-style-type: none"><li>• Spend some of their holiday time on a particular interest, such as geotourism, without focusing exclusively on it.</li><li>• A high level of environmental sensitivity</li><li>• Walking, cycling, visiting nature reserves, attending festivals and events are favoured activities</li><li>• Generally in the 39-59 age bracket</li><li>• Usually travel in couples or small family groups with children aged under 14 years</li><li>• Have high level of education</li><li>• Have broad travel experience</li><li>• Are quality conscious</li><li>• Regularly take holidays outside normal peak periods</li><li>• Majority are casual arrivals</li><li>• Tend to travel independently rather than through tour operators or holiday packages</li><li>• Length of stay is around 7 days or less</li></ul>
<b>Profile of casual eco-tourist</b>
<ul style="list-style-type: none"><li>• Do not plan their holiday around any one activity</li><li>• Will experience geo-tourism as part of a broader-based holiday</li><li>• Usually family groups with young children on annual holiday based in region or day trippers</li><li>• Will be attracted by the diversity of attractions in a region</li><li>• Ease of access important</li><li>• Will have low level of geological knowledge</li><li>• Adults will visit sites to satisfy their perceived educational needs for the children in the family group</li><li>• Appreciate interpretative provisions, 'hands-on' facilities are welcomed</li><li>• Only view outdoor interpretative panels for only one minute, three quarters actually ignore or pay scant attention to them</li><li>• Only wish to pay a moderate entrance fee to visitor attractions</li><li>• Limit their purchase to inexpensive souvenirs such as postcards, pencils etc., rather than geo-science focussed field guides, maps and books</li></ul>

Source: Kerry GeoPark (2004).

## Doolittles

### Geraldine McGing and Pauline Connolly

Jenni Timony sat in Dublin's Herbert Hotel and thought about the opportunities that lay ahead. Her business was doing well and had been experiencing 70 per cent growth year on year since trading began. Next years' projected sales were excellent and she had been nominated as a finalist in the Ernst & Young Entrepreneur of the Year Award 2007. She was conscious that decisions had to be made about the future direction of her company. Could she take it to the next level of growth on her own, or should she consider taking on an investor? Is it better to fully own a company that is turning over €2.5m, or would it be better to own a quarter or even half of a company that could turnover more than €20m?

#### **Background and early career.**

Jenni Timony has had an eventful life and there is nothing to suggest that this excitement is about to change. She was born in Donegal in the North West of Ireland, moved to Dublin when she was a little girl and then moved to Australia with her family in 1988. Despite the pleasant climate down under and the outdoor life style, Jenni was not able to settle there and decided to return to Donegal in 1992. When she arrived back, the Irish educational system would not recognize her Australian Higher School Certificate and she was unable to get a place in university. As she had no money, she started to work in local bars and hotels. In 1995, Timony's entrepreneurial prowess emerged when an opportunity came up in an IDA craft village in Donegal town to rent a café for the summer tourist season. She decided that making sandwiches was not going to prove too high a mountain to climb and as no qualifications were needed to enable her to trade, she decided to take on the challenge. She traded successfully, but alas, come autumn, tourist figures declined and she was obliged to close the business for the winter.

The following summer, an opportunity came up to lease two premises. Jenni took them both, the Craft Village Café in Donegal Town and the Bells Isle Café in Mountcharles, county Donegal. Aged 20, she was managing two businesses and said *"I had the yearning to be self-employed from a very young age, the opportunity was there, it didn't cost me anything to get into it and I figured anyone can make tea. I learned how to make soup the first day, apple pie on the second day, baked potatoes on the third day and by the end of the week I had a menu"*.

As the two cafés were seasonal leases, Jenni recognized that this was not the best way for her to develop a business. She noticed a development across from McGees textiles factory in Donegal. The unit was to house a number of professional services, doctors and solicitors' offices. In 2001, she decided to rent a unit in the development. Doolittles café was a successful business and after two months trading she noticed a gap in the market for a good pre-packed sandwich. She started to make a small quantity for her uncle's local news agency. The demand increased and other shops began to stock the sandwiches. Although Jenni did not foresee this was the direction her future business growth was going to take, she says that *"doing the sandwiches from the coffee shop was a great way to test the market on a small scale without incurring enormous capital expenditure while still having the cash flow from the coffee shop coming in"*, she continues *"I suppose you could say we tested the market from 2001 until 2003"*.

#### **Developing the business idea**

It was not long before the pre-packed sandwiches were generating more sales than general sales from the café. Jenni thought that with some capital investment, she could generate more sales and ultimately profit more from this part of the business than she would ever make serving coffee to customers. She was happy living in Donegal and decided to make enquiries about setting up a manufacturing unit that would enable her to make more sandwiches without interfering with the café business. When an opportunity arose for a 3,000 square foot manufacturing unit, she was able to take advantage of it and moved the production side of the business to the enterprise unit.

Once she took on this new financial commitment, she knew that an increase in the volume of sales was the only way forward. The market in Donegal was not big enough to meet her needs. She conducted some market research to assist her to identify what new markets she could take advantage of. Dublin seemed like the most feasible option as there was a large market and a culture for buying sandwiches 'on the run'. Timony personally approached many shops throughout the city and presented her products to them with an effective sales pitch and reassurance of excellent customer service. This sales strategy worked and she secured many stockists.

However, she was now faced with the logistical problems of getting a short shelf life product to the market on time and making sure that the product remained fresh for as long as possible without using preservatives.

She also discovered at this time, that there was one direct competitor in the market place, Freshways, which is now owned by The Kerry Group plc, and holds a market position of approximately €30m. The Kerry Group plc is a public company with capitalization in excess of €3.5 billion and is a leader in global food ingredients and flavours markets and a leading branded consumer foods processing and marketing organization in select EU markets. It employs 20,000 people world wide. The company took over Freshways in 2003 and invested approximately €1m to develop a new look for their brand including a new logo, new packaging, branded fridges and new van livery. This effort was supported by an extensive nationwide delivery service and both a telesales and field sales team. They also have an advantage of being located just outside of Dublin's city centre, their largest market base. The redevelopment of the Freshways brand coincided with Timony coming to Dublin and knocking on retailers' doors.

## Production

Doolittles produce a variety of pre-packed sandwich items including sandwiches, wraps, salad bowls and paninis with a shelf life of two days that will guarantee the customer a fresh and tasty product. The company use a large variety of locally produced fresh breads including sliced pan, flatbreads, rolls, ciabatta, foccacia, bagels, Indian bread and baps. The products are attractively packed and labeled giving superb 'in store' appeal. All of the ingredients, including the breads, are sourced locally in Donegal. The company are so proud of their products that in September 2006, they recruited an independent research company to do a blind tasting session with two focus groups on their products compared with two competitors products. Chicken and stuffing was the sandwich chosen for the blind tasting session. Both groups were mixed gender, Group 1 were a group of regular purchasers of deli sandwiches/wraps etc. and group 2 were regular purchasers of pre-packed sandwiches. As one can see by looking at Table 1 and Table 2, Doolittles performs very well against both Competitor A and B. The table shows each respondents mark in each category and a total score for the category.

In both groups, out of a sample of 15 respondents, Doolittles came out on top in every category, the most important one being taste.

Table 1. Blind test results – comparing chicken and stuffing amongst regular pre-packed purchasers – Group 1 (Source [www.doolittles.ie](http://www.doolittles.ie) [26th June 2007])

Product	Competitor A	Competitor B	Doolittles
Fresh Bread	Total 40	Total 49	Total 52
Texture	Total 37	Total 45	Total 50
Dressing	Total 35	Total 37	Total 42
Quality	Total 39	Total 50	Total 51
Taste	Total 45	Total 48	Total 52

Table 2 Blind test results – comparing chicken and stuffing amongst regular Deli purchasers – Group 2. (Source [www.doolittles.ie](http://www.doolittles.ie) [26th June 2007])

Product	Competitor A	Competitor B	Doolittles
Fresh bread	Total 55	Total 55	Total 59
Texture	Total 55	Total 52	Total 57
Dressing	Total 45	Total 49	Total 48
Quality of fillings	Total 55	Total 51	Total 56
Taste	Total 59	Total 49	Total 60

Management and staff at Doolittles commit to taking all necessary measures to ensure the safety of all food sold to their customers. All aspects of the business including purchasing, goods inwards, storage, preparation, handling and delivery of the food products are carried out to the highest standards of Food Safety and Hygiene and the company are committed to full compliance with current National and EU Food Hygiene Legislation, Hygiene in Food Retailing and catering Code of Practice, IS341:1998, IS340:1998 & HACCP IS343:2000. In order to achieve this, all employees are adequately trained and are responsible for the quality of their own work. This ownership of work results in a high quality of service.

Jenni is confident that the company's manufacturing process will remain in Donegal and says, "Eighty per cent of our customer base is in Dublin but we are manufacturing in Donegal. We are burning out trucks before we can pay for them with the mileage we are putting up, but we are really only now maximizing the capital expenditure we invested in production and to set up a new facility would probably be four times as expensive in 2007 than it was in 2003. Manufacturing in Donegal doesn't appear to be causing any inconvenience or disadvantage to our customers, as a matter of fact our customers tell us our customer service levels are fantastic and our competitor really can not compete even though they are here in Dublin. If somebody runs out of sandwiches, we make sure they get a delivery as soon as possible. That's the way we do business, we are a small proactive company, and that is a key to our success, for example if a customer runs out of sandwiches he can ring me on my mobile, he doesn't have to ring a switchboard and wait to be put through to someone. In my view, a lot can get lost in layers of management, We try to build

*relationships with our customers, rather than just see them as the trade. She continues. "It is a lifestyle choice too. My family and my children are in Donegal and I don't want to uproot them, plus I wouldn't have half of the house I have in Donegal if I moved to Dublin!"*

The company is always trying to develop new varieties and products to meet the customers needs. A bakery in Leitrim is about to start making organic bread and if Doolittles can source suitable organic bread, that is the right shape and size for their packaging, they will use it. It is acknowledged that the resulting sandwich will be more expensive than a regular sandwich, but they are happy to test it and see if there is a demand.

According to Coeliac Society of Ireland, it is estimated that one in 300 Irish people suffer from celiac disease. If the company can source gluten free bread, this might be another opportunity for the company.

## **Start up challenges**

Despite the fact that Doolittles production facility was located in the North West of Ireland even though its largest market was four hours by road away, this was not the biggest challenge faced by the company. With complete conviction, Jenni stated *"the single biggest obstacle I faced from day one, was lack of capital. I started the production business on an overdraft. I had a small term loan to start the coffee shop, but I had no way now to fund the growth of the production unit. I suppose the classic business mistake, I did not plan for the growth and failing to plan...".* She continues, *"luckily I didn't fail, but I didn't do much planning, I just saw an opportunity and went with it, and as it got bigger and bigger, I kept up with it with no thought to the capital required to fund the growth. I was trying to fund it from a cash flow but then I faced a cash flow crisis for a number of years".*

So how did the bank enable her to continue in business if she was in such a "cash flow crisis"? *"When I put in my business plan to the bank for the coffee shop, I don't think I even mentioned the pre packed sandwiches. I was just after finishing my BA in Business Studies, and a requirement of the degree was a business plan, so that's the plan the bank got. To be honest, I kept the business plan small and I thought if they like the plan they are likely to give me the money. I just kept begging the bank for increases in the overdraft. The business was working for the bank, and everyday for a full year the bank rang me to see if I could make a lodgment. It was a very difficult time, just trying to get through the day".*

In 2004, Timony was in desperate need of financial assistance and she approached the Donegal County Enterprise Board for assistance and received a grant for some equipment. Most of the equipment, however, for the manufacturing unit was leased. Bord Bia approved a marketing grant for the company in 2006 and are very supportive to the company with excellent research and market knowledge. That year, Enterprise Ireland also approached Doolittles and encouraged her to complete a Masters Degree in International Business that would help her with her business growth. She has just completed her degree and feels that education has helped her enormously with the business development. While she acknowledges that the business could have developed without tertiary education her view is *"The undergraduate degree was academic, but the people I met on the Masters course as well as the course content have all been beneficial and the networking is excellent. I learned a lot in a short space of time and without the support of the Masters, I think I would not have been as mature in my thinking, but on the other hand education can be a bad thing for an entrepreneur because you can get analysis paralysis where you over analyse, and don't do anything, where as I feel I have taken the bits that are relevant to my business. The financial ratios and the management accounting has been very beneficial for me. For example, I think every business should take a Ryanair approach to costs regardless of what business you are in... it's all about costs".*

When Timony was asked how she kept going through the period of cash crisis, she remarked *"looking back now it's amazing that I kept going, but I was not going to fail. Over my dead body would I have failed, because I felt if I failed at that, it would have defined me for a long time and it would have taken me a long time to recover from it. I had invested so much of myself in it, my life was in the business and to fail would have been like a death."*

## **Human Resources**

Jenni Timony is the managing director and only shareholder of Doolittles. There is one other director who plays a strategic role in the organization. *"We made heavy losses in 2003, 2004 and 2005, and he was of particular value trying to get out of the cash crisis stage, streamlining and organizing the company"*.

The company employs 32 people with a production manager, a sales manager, a part-time financial controller, a production supervisor and administrative staff, as well as the production team. She is eager not to have excessive layers of management in the company. Supply of staff has not been a problem for the company. Production staff are mainly from Poland and Latvia. *"We haven't advertised for staff in a long time, if we need someone, we tell the team and they will find someone for us"*.

Communication is very important for a company and Timony thinks *"small companies don't have big bonuses and big salaries to attract big talent, so communicating with people and motivating them with good interaction seems to be why people seem to enjoy working for us, for example, someone on production might suggest a particular type of sandwich and the next day it will be sold all over the country, because of its taste and because it is nice. That gives everyone a feel good factor and that's one of the benefits of being a small company"*.

Jenni's main role has become more strategic in the last year and she takes responsibility for the management of key accounts and building relationships with clients, as well as making the brand more recognizable in the marketplace. *"My business has only really started to grow since I got out of the day to day running of the company"*.

## **Women in Business.**

Statistics cannot provide exact data relating to the number of female entrepreneurs in Ireland, nor the number of women in Ireland who are self employed. However, it is clear from observation that there are more men than women in business in this country. Jenni does not feel that being a woman has in any way disadvantaged her in her business development. At the start, she found it difficult to network, as most of the networks are 'boys clubs', but since she completed her Master's degree and since she became involved with the Ernst & Young competition, she has passed that obstacle and developed positive proactive networks that she considers have been paramount to her recent success.

*"To be honest, I don't meet that many female entrepreneurs in my day to day work. For example there are only three women out of 24 in the Ernst & Young Competition this year. To me the business issues are the issues, I still have to struggle with work life balance as do men. It's all about margins, costs and the burden of regulations. All of these issues are cross gender. It seems to be easier for men to network and I noticed that at the start of the business development"*.

She acknowledges that bringing a business to a level of success is difficult. She has been working 90 hours per week since trading commenced, and it is only in the last year, since she came out of the day to day operations, that her working week has reduced to 50 hours per week. *"I feel I am working as hard, but my contribution seems to be now adding more value to the company"* she says. She is quick to point out however, that many things have suffered as a result of her commitment to business success, *"my family did*

*not see a lot of me for the first few years, I was emotionally involved in it and maybe I did not give them enough of my time”.*

Industry have recognized her entrepreneurial efforts and to date, not only has she been nominated for the Ernst & Young Entrepreneur of the Year 2007, but she has also been a finalist in the National Awards for Achievement, Innovation and Excellence in Business 2004, a winner of the Best New Business in Donegal in 2003 and a finalist in the O2 Business Woman of the Year Award in 2003.

### **Advice for aspiring entrepreneurs**

Although Jenni’s initial step into entrepreneurship was relatively informal, with a summer lease and little planning or investment requirements, her more recent experiences have resulted in a very focused approach to business. As a result of the financial difficulties she encountered since production commenced, it is not surprising that her first piece of advice is of a financial nature and she strongly advises that anyone who wishes to go down the entrepreneurial path should *“be properly funded to start with, and don’t concentrate on what you need for this year. Instead, think about what finances you will need for the next three years. Be very focused on costs. Strip costs, if you can. If it is not essential, then don’t buy it. Always ask your self, is it essential?”*

A business person needs to surround themselves with positive people and she suggests that an entrepreneur should *“try to get advice from strategic thinkers and try to be part of a network of industry people that can give you good quality advice”.*

Jenni suggests that different personality types are more suited to entrepreneurship and says *“unless you are completely rock solid sure that this is what you want to do, don’t do it. There are too many obstacles for you to climb and if you are not committed it can be very tough. If you are comfortable in a salaried position and the regularity and consistency is important to you, don’t do it, because you will not get that consistency in a business start-up situation for years”.*

Based on her own experience she offers one final piece of advice. *“Success breeds success and money grows money, as soon as Doolittles has some money and they see our accounts are looking a lot healthier, they (the banks) are coming out of the woodwork, I don’t need it now, I needed it last year. That is hard for people and all I can say is it does turn a corner, and that’s the advice I would give to people, when it is black and you can’t see your way out, it does turn a corner, if you can just hang in there by the claws of your nails”.*

### **The Future**

Jenni is confident Doolittles will become a strong national brand and will gain increased market share. The company conducted some research and the results illustrate that consumers are not familiar with pre-packed sandwich brands. That is an opportunity for the company and they hope to employ a design agency to assist with creating brand awareness. Doolittle’s marketing, sales and public relations will have to improve in order to create increased brand awareness. The company might also have to look at diversifying into other food product areas

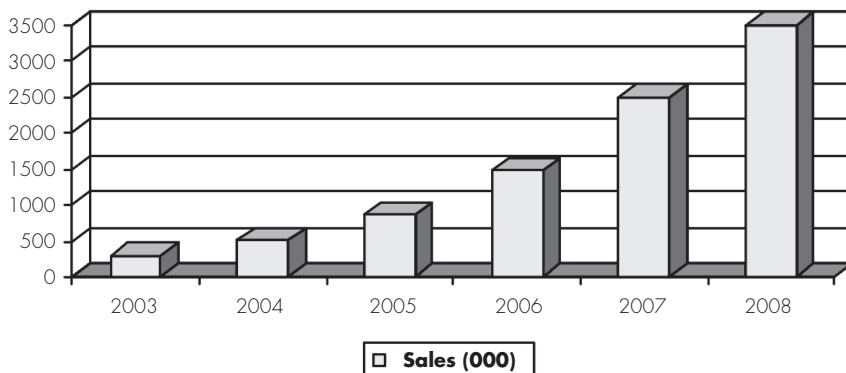
Her approach is positive and she is very decisive. She mentions a situation where she became aware of a new competitor in the West of Ireland and rather than complaining about it, her approach to due diligence was proactive, *“I visited the competitors’ customers and asked them to give Doolittles a chance in their shop and we took over the competitors’ accounts. The due diligence was done by myself on the ground”.*



It is a short shelf life product and exporting is not an option for the company at the moment. They did research the Northern Ireland market place but discovered that while costs would be lower, the market is very competitive. *“There are 12 big sandwich companies in Northern Ireland, where as there are really only three in the Republic. It is just too competitive in the North, with every company squeezing for shelf space”*.

Doolittles will turn over €2.5m in 2007 and are forecast to turn over €3.5m in 2008, see figure 1. The sandwich market in Ireland is growing at four per cent per annum and is estimated to be worth €102m per year. This will provide the company with endless opportunities to gain market share, although the UK market is estimated to be worth a staggering £1.3bn. Jenni believes the Irish sandwich market is a *“dynamic, fast paced innovative industry and there are endless opportunities for us and great potential to create and maintain positive brand awareness”*.

**Figure 1. Sales for Doolittles**



The company is maximizing capital expenditure for the first time and is at a stage where it will need more investment to bring it to the next level. The questions facing Jenni Timony now are should she bring it to the next level of development on her own, should she look for outside investment, or is there an attractive exit opportunity she could take advantage of? There are strengths and weaknesses to each scenario, but essentially Jenni will have to establish if she is willing and able to take on an expansion scheme alone accompanied by all the financial hurdles or would an investor add any more vigour to the enterprise or will it be based on cash investment. She will also have to consider whether she would be able to work with an investor. She has been self-employed from a very young age and has always been her own boss. Will she be able to share the responsibilities, commitments and benefits of the Doolittles business experience? Should an exit opportunity come to the fore, is she in a position to take advantage of it and what plans is she making for an exit strategy?



## Contributors

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# Notes for Contributors

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The Irish Business Journal provides an opportunity for academics and practitioners as well as research students to make a contribution to the literature in the business area. The editorial board of the journal invites submissions of papers on topics of current business interest. The journal is seeking quantitative, qualitative and experience-based papers as well as case studies and literature reviews. It is an important part of the ethos of this journal that all articles are accessible to the general academic and business community. A paper may describe original work, discuss a new technique or application, present a survey of recent work, or provide a review of literature. Concepts and underlying principles should be emphasised, with enough background information to orient the reader who is not a specialist in the particular subject area.

## Editors

Rose Leahy, Department of Management and Marketing  
Dr Margaret Linehan, School of Business

## Submission details:

1. Those wishing to make a submission should send one copy by e-mail to [rose.leahy@cit.ie](mailto:rose.leahy@cit.ie) and [margaret.linehan@cit.ie](mailto:margaret.linehan@cit.ie). Submissions should not be longer than 5,000 words and should be received no later than 26th March 2010. All papers submitted to the journal will be double-blind refereed.
2. Papers should begin with the title of paper, all the authors' names and affiliations, and the full address and e-mail address for at least one contact author. A relevant website address may also be optionally supplied. Please do not submit a paper without these contact details. The journal administrators will remove personal details for the purposes of review.
3. Include a 100-150 words abstract outlining the purpose, scope and conclusions of the paper, and selected keywords. It is important that the abstract should be clear and understandable for those for whom English is not the native language. The abstract should explain why the paper is an important contribution to a particular aspect of Business.
4. You should write in clear and concise English. Spelling should follow the Oxford English Dictionary. Authors whose native language is not English are encouraged to have their text proofread by a native English copy editor before submission. Although all papers submitted for publication will be considered, guidelines for authors with respect to paper length is to keep within 10 pages, including all diagrams, tables and references.

## Check List • Have you told readers, at the outset, what they might gain by reading your paper?

- Have you made the aim of your work clear?
- Have you explained the significance of your contribution?
- Have you set your work in the appropriate context by giving sufficient background (including a complete set of relevant references) to your work?
- Have you addressed the question of practicality and usefulness?
- Have you identified future developments that may result from your work?
- Have you structured your paper in a clear and logical fashion?

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