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## South Hill Enterprise (Ireland)

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# South Hill Enterprise (Ireland)<sup>1</sup>

Billy Barrett was facing challenges as a consultant that he had never previously experienced. All of the goals that are expected in business practice were not amongst the main priorities here. Confused, he asked Maura Melia (Manager of South Hill Enterprise) if he could clarify the situation.

“Let me see if I’ve got this right. Excluding the supervisors, each member of staff has some form of intellectual disability. The business has three principal groups of products: chocolate, bakery, and preserves (jams). The most profitable of these, and most exciting in terms of market potential, are the chocolate products. However, you do not wish to secure too many large orders for chocolates because the staff would have great difficulty in coping with the increased demand. Additionally, you do not want to focus on chocolates alone because it is important that each member of the staff spends time working on a range of different products as this will enable them to develop a broader range of skills. You want to grow the business, not to make money, but so that you can pay your staff higher wages and employ more people with disabilities. In effect, all of your primary goals are staff-orientated rather than market-orientated”.

Maura agreed that this was a good assessment of the situation and wondered what marketing actions could be suggested that South Hill Enterprise should take to help them achieve their goals. Billy wondered also!

## **Background to South Hill Enterprise**

South Hill Enterprise is a subsidiary of ‘The Sisters of Charity of Jesus and Mary’, an organisation dedicated to providing care for people with disabilities. South Hill Enterprise was founded in 1993 as a two year EU Horizon-Funded Venture. Its primary objective was to provide employment and training opportunities for people with intellectual disabilities. The enterprise was established in St. Mary’s, South Hill, Delvin, but moved to an enterprise unit

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<sup>1</sup> This case was prepared by Dr Thomas M. Cooney as the basis for class discussion rather than to illustrate either the effective or ineffective handling of a business situation. The case was first published in the book ‘European Cases in Entrepreneurship’ which was edited by T.M. Cooney and R.A. Moore (2007) and published by Blackhall Publishing.

in Athboy in May 1994. It is from here that it now employs fourteen people with varying degrees of intellectual disability, in addition to a manager, four supervisors, a part-time administrator, and a part-timer driver. Effectively South Hill Enterprise operates as an independent, autonomous operation, although it still remains under the ownership of ‘The Sisters of Charity of Jesus and Mary’. However, the initiative is an important element of the overall plan of ‘The Sisters of Charity of Jesus and Mary’ as they continually seek to develop a range of innovative community-based services for people with learning disabilities.

**Table 1 – Products Sold by South Hill Enterprises**

<b>BAKERY</b>	<b>PRESERVES (Jams)</b>	<b>SEASONAL BAKERY/PRESERVES</b>
Apple Tarts	Strawberry	Rhubarb Chutney
Carrot Cake	Raspberry	Plum Chutney
Coffee Cake	Blackcurrant	Pear Chutney
Rich Fruit	Blackberry	Indian Chutney
Fruit Loaf	Gooseberry	Cucumber Pickle
Fruit Scones	Rhubarb and Ginger	Christmas Cake
Plain Scones	Whiskey Marmalade	Christmas Pudding
Madeira Cake	Three Fruit Marmalade	Plum Pudding Sugar Free
Tea Brack	Brandy Marmalade	Mince Pies
Whiskey Cake		
Brown Bread		
<b>CHOCOLATE</b>		<b>SEASONAL CHOCOLATE</b>
480g Box of Chocolates		Easter Eggs
220g Box of Chocolates		Easter Bunnies
170g Box of Chocolates		Easter Hens
65g Box of Chocolates		Chocolate Hare
Box of 1 Chocolate		Santa on a Scooter
Box of 2 Chocolates		Snowman
Loose Chocolates		Christmas Tree

South Hill Enterprise produces a wide range of products under three broad product categories: hand-made Belgian chocolates, bakery, and preserves (see Table 1). All of the products are sold under the ‘South Hill’ brand name. The Belgian connection for the chocolates comes via the Horizon Fund’s emphasis on promoting collaboration between E.U. member states and the Sisters’ own origins in Flanders, Belgium. The chocolate-making technique employed was developed under personal direction with a expert from Belgium. In

addition to supplying chocolates to local retail outlets, South Hill Enterprise also caters for conferences, weddings, and corporate gifts. The business additionally supplies chocolates to hamper companies who from time-to-time include some of the business's other products in their brochures. The hand-made chocolate products are primarily distributed to local retail outlets within a 20-kilometre radius, while occasional customers can come from anywhere within the country. Meanwhile, the bakery and preserve products are sold almost exclusively to local retail outlets within the 20-kilometre radius of its production unit.

All of the products are produced to the highest quality control standards through the implementation of HACCP (Hazard Analysis Critical Control Points). South Hill Enterprise also ensures that all hygiene standards are fully met through regular audits and the full implementation of health and safety legislation. In addition to its attention to detail regarding the production processes, only the best quality and freshest ingredients are used in their products. Finally, every member of staff is fully trained to implement the rigid quality control systems within the enterprise.

### **Review of the Current Situation**

Since its inception, the goals of South Hill Enterprise have been quite different to what one would expect from a typical commercial enterprise. Recently the Management Team revisited the objectives of the enterprise and restated them as follows:

- To provide a safe happy work environment for people with intellectual disabilities,
- To create greater awareness of the abilities of people with intellectual disabilities,
- To create and maintain close links with local communities,
- To generate income for the development of the enterprise,
- To provide quality handmade produce for discerning customers.

The Management Team of eight people consists of volunteers and stakeholder representatives who guide the affairs of South Hill Enterprise. The Management Team meets every two months to review the performance of the business and to determine future actions that need to be taken. Whilst reviewing the objectives of the enterprise, the Management Team decided that it would be a valuable exercise to also undertake a review of its commercial activities as much of the business that South Hill Enterprise conducts remains seasonal. The busiest times of year tend to be approaching Easter and Christmas when the demand for chocolate products

is particularly high. To aid the review process, a study of sales achieved in a three-month period from May 15<sup>th</sup> to July 15<sup>th</sup> was analysed. It was thought that this time of year was relatively quieter than other times and that the results would indicate sales without seasonal production having a direct affect. The breakdown of sales according to value was found to be as follows: chocolate 19%, bakery 45%, and preserves 36%. However, it was recognised that this would not be a fair reflection of the breakdown of sales on a yearly basis but there were no figures currently available for such an assessment. To begin the investigation into the performance of the business over a twelve month period, a SWOT analysis was undertaken. It was decided that, based upon the results of this analysis, an action plan would need to be developed and implemented. It was at this point that Billy Barrett was invited to act as consultant to the business. His SWOT analysis is given in Table 2 below:

**Table 2 – SWOT Analysis**

**Strengths**

- All supervisors have related backgrounds in the food industry. Two of the supervisors have training and work experience in the baking industry.
- All of the supervisors have received training in chocolate production from experts in Belgium.
- Employees are given many opportunities to complete further training.
- All employees are extremely loyal, as are existing customers.
- The support of friends, family, and volunteers from the local community is also a great asset.
- Administration support is also readily available from the Head Office of SCJM in Delvin.
- All products produced by South Hill Enterprise are of the highest quality and the use of machines is minimal. Only fresh ingredients are used in the production of the products (gelatine is not added to the jams, although this is common practice within the industry).
- The chocolates are truly hand-made whereas the majority of producers make chocolates that are massed produced on a production line.
- A strong Management Team is in operation, which guides the company and makes recommendations on actions to be taken.
- Teamwork is endorsed throughout production. All employees are involved in the decision making process.
- The proximity of the production unit to Dublin (approximately 50 kilometres) and also to the many towns in the Midlands region means that many customers are within easy reach.
- South Hill Enterprise is a small business, which means that they can be flexible in production.

**Weaknesses**

- South Hill Enterprise has no planned Marketing Strategy and there is a lack of funding available for Marketing.

- There is no point-of-sales promotion in the customers' outlets.
- South Hill as a brand is not very well established.
- Many people, including the local community, do not know where the business is situated or even that it exists.
- South Hill Enterprise does not have an outlet open to the public similar to some of its competitors.
- Customers often comment on the lack of availability of its products in shops. People occasionally telephone the business asking where the products are available for sale (particularly in Dublin). However, the business does not wish to grow to a regional level but rather remain within its broad locality as it does not have the distribution or manufacturing capability to compete beyond these confines.
- There is no formal distribution system. There is one van that is used to bring the products to the local shops on a once-weekly visit. This van is operated either by a driver who has been employed on a part-time basis.
- While the products are made from the freshest ingredients, this means that they have a shorter shelf life than some of its competitors' products that contain artificial ingredients.
- The main objective of South Hill Enterprise is to provide employment for people with intellectual disabilities. As a result production time takes longer as staff members do not have the same operational capabilities as the employees of its competitors.
- South Hill Enterprise returned a loss on its operations for each of the last four last financial years, despite the support that it received on wages from various government schemes.
- The Purchase Order Requisition system that is in place is slow and bureaucratic. It often means that there is a long lead-time between placing orders, receiving them, and suppliers being paid.
- The Invoice system that is currently in place is not efficient. Often customers do not pay for the deliveries and do not receive notice of payments due until months later.
- Due to the current workload it is not possible to get all of the administration work completed within a reasonable timeframe.
- Due to financial constraints it is not possible to employ any more people.
- There is a need to determine a new pricing strategy for all of its products as part of a wider marketing strategy. The current pricing is below market averages.

### **Opportunities**

- There is a large market available for each of the three product groups that could be exploited further.
- Point-of-sales promotion holding the products produced by South Hill Enterprise would create awareness of the company and would help increase sales. A point-of-sales display would also encourage outlets to keep the products in stock and up-to-date.
- Brand Development would help create awareness and would also promote customer loyalty. Associations with the brand would be formed - quality, fresh ingredients, hand-made, Irish.
- Website redevelopment would help create awareness within the local community and nationwide, show company products, and give information to prospective customers.

- Potential target markets consist of: Retail Outlets, Corporate Bodies, National Organisations, Hotels, Restaurants and Coffee Shops, Government Agencies, County and Town Councils, Bridal Boutiques, Trade Fairs, and Country Shows. Other market segments that have not yet been considered are also possible.
- Emphasis could be placed on becoming known as a company who produces Hampers for various occasions.
- There is a possibility that a major food manufacturer and distributor would be interested in distributing the chocolate products under the distributor's own brand name and packaging. Discussions have already taken place with one company regarding such a potential alliance.
- There is an opportunity to develop an after-dinner mint as restaurants may be more interested in purchasing an after-dinner chocolate than the current luxurious chocolates.

### **Threats**

- There is a lot of direct and indirect competition in each of the three product groups. There has been strong growth particularly in the number of Irish companies making high-quality chocolate products.
- One of the company's major chocolate competitors has recently relocated to a nearby town.
- Current trends promote healthy living and as a result people may be less willing to purchase luxurious chocolates.
- The significant financial support provided by SCJM cannot be provided indefinitely.
- Each of the three markets is dominated by large national / international companies who have substantial marketing budgets.

As part of his review of the situation, Billy noted that the sales figures had improved year-on-year for the past four years, but that a substantial loss was still appearing on the final accounts. Indeed, were it not for the significant financial contribution made annually by The Sisters of Charity of Jesus and Mary, then South Hill Enterprise would have to close its operations. It was not possible for such a situation to continue indefinitely. Billy considered the position and his initial thoughts on solving the problem appeared simple: increase sales, increase margins, and reduce costs.

### **Existing Customer Segments**

Defining the customer segments for South Hill products is quite complex as they are available in different markets and through different channels of distribution. The chocolate products are sold to local retailers and also directly to the final consumer anywhere in the country. Meanwhile the bakery and preserve products are sold almost exclusively to local

retailers, although some preserve products are bulk produced for contract sale to other labels. Therefore it is necessary that South Hill Enterprise segments the market and develops multiple marketing strategies. Billy undertook some preliminary profiling of existing consumers and identified a number of clear market segments. These segments serve only as an indicator to the differing needs of the total customer base.

**Food Lovers:** This segment consists of people who purchase quite frequently. They have a good financial status and prefer to buy a small amount of expensive quality produce rather than a larger quantity of cheaper mass-produced foods. This segment enjoys treating themselves and their families. They are inquisitive about new products or good quality products. They enjoy upmarket goods and the prestige that accompanies making the purchase. However, it should be noted that the pricing strategy of South Hill products does not match the premium pricing appropriate for this market segment.

**Tourist:** Irish handmade or homemade products are becoming increasingly popular with tourists. This segment offers a once off purchase as they buy in order to have a memorabilia of the place that they have just visited. Often this purchase is a gift for somebody else. This segment would apply almost exclusively to the chocolate products but South Hill products are not available in many of the retailers in which tourists would purchase.

**Gift Giver:** This segment is representative of all socio-economic groups and locations. Purchases are frequently made on impulse with the final decision based on the brand or 'look' of the product in the shop. Purchasers are concerned with staying in touch with people and marking occasions, with the benefit gained from making the purchase being admiration and gratitude from the gift receiver. This segment would apply most readily to the chocolate products.

**Supportive:** This segment is very familiar with the company and may have some connection with the company or its staff (e.g. friends, family). They understand how the company benefits each time they place an order.

**Weddings:** This is a once off purchase. The customers in this segment have heard of South Hill chocolates by word of mouth, a trade show, or have seen the chocolates at another wedding. They are looking for something extra special to add to the enjoyment of their day.

Corporate: This segment purchases the products mostly on a once-off basis. They wish to give something back to their customers in order to build customer relations or to give their employees as a form of thanks. This segment is looking for very good quality at a price that is right.

Other Customer Groups: Based on the sales of the company over the past three years, the following customer groups could also be considered:

- Hotels
- Delicatessens
- Hamper companies
- Charity organisations
- Off-License shops
- Car Sales / Garages
- Fruit and Vegetable shops

Sales to these groups tend to occur due to random enquiries and little follow-up is ever undertaken with similar types of businesses.

Billy's brief analysis of the different customer groups highlighted two key concerns for him: (1) not enough was known about the profile of each of each the customer groups, and (2) no clear targeted marketing strategy had been determined for each of these groups. There was a great deal of work ahead of him with regard to this area of activity as he would need to segment the market effectively, and then produce clear goals and action plans for each of the different customer segments. However, he also recognised that he would have to prioritise the actions as the personnel and financial resources were not available to do everything at once.

## **The Chocolate Market**

Statistics show that Ireland has the highest consumption levels of chocolate per capita in Europe after Denmark. The chocolate industry in Ireland was worth approximately €593 million in 2001<sup>2</sup>, with chocolate products accounting for 69% of this, and sugar products accounting for the remaining 31%. Producers in the chocolate and confectionary market vary

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<sup>2</sup> Checkout magazine, November 2001.

greatly. Between them the major confectionary manufacturers hold over three-quarters of the market, with Cadburys being the market leader, followed closely by Nestle and Mars. Each of these companies offers a wide range of chocolate products, including boxes of chocolates.

The handmade or traditional chocolate sector is growing in importance in Ireland as consumers now have an interest in buying products which are made in Ireland and have fresh Irish ingredients. These products are also more readily available in shops and the purchase of such chocolates offers consumers a feeling of prestige and luxury. South Hill handmade chocolates are truly handmade but have a shelf life of just three months due to the fact that the ingredients used are fresh. Many producers of chocolates claim to be handmade when realistically they are mass-produced. Additionally, their ingredients are not always fresh and therefore they have a longer shelf life. Currently legislation is attempting to rectify the problem of companies claiming to produce handmade chocolates, which has resulted in many companies now calling their chocolates 'handcrafted'. There are currently a large number of competitors that produce handmade or handcrafted Irish chocolates and these exist on a national and local basis.

#### Butlers Chocolates

Butlers' range of chocolates includes bars of chocolates, Irish gift-wrapped selection (500g), chocolate treat selection (125g), deluxe range (750g) and their gift-wrapped ballotin (200g). Butlers also offer a box of two chocolates for weddings and corporate affairs. They provide free delivery with these and the printing of a name or logo is included in the price. Butlers are available nationally and internationally. They supply newsagents, convenience stores and larger supermarkets like Tesco and Dunnes Stores. They also offer sales via their website. Their pricing strategy reflects their premium position in the market.

#### Lir Chocolates

Lir Chocolates pride themselves on their name, which is derived from the Irish Legend of the 'Children of Lir'. They market themselves as 'Premium Irish Chocolates'. Their products consist of Lir Exclusive Seasonal gift-wrapped collection, Lir Golden Ballotin, Lir Petits Fours, The Opera Box, and Baileys Irish Truffles. Lir chocolates are available in newsagents, convenience stores, supermarkets, via their website, in airport shops, and also via their factory shop in County Kildare. Their boxes are eye catching. They also make chocolates with Baileys Irish Cream Liquor, which is a well-known brand of liquor.

## Lily O'Briens

Lily O'Briens is located in a new custom designed factory in the heart of County Kildare. They describe themselves as suppliers of 'High Class Luxury Chocolate to the World'. They pride themselves on their 'avant garde packaging and remarkably different recipes'. Lily O'Briens are available in newsagents, convenience stores, and larger supermarkets. They are also available on their website and also from their factory shop in Kildare. Lily O'Briens are also sold in airport shops where they do special promotional deals such twin packs.

## Preserves Industry

It is estimated that the total preserves and spreads market in Ireland is worth approximately €38.3 million. Marmalade and jam are by far the most significant segments of this category, accounting for €14.2 million and €12.9 million respectively. It is thought that year-on-year sales of marmalade are now static but the market is still significant. The market for good quality home produced jams continues to grow while the market for commercially produced jams is in decline. The growth of home produced jams is due to the fact that they are free from artificial colourings and generally contain higher fruit content. The sale of relishes and chutneys to catering and industrial users, in particular to sandwich bars and restaurants, has also increased. However, this increase has not yet followed through at the retail level. South Hill Enterprise homemade jam is free from artificial colourings and preservatives and has a high fruit percentage. It is in direct competition with national jam producers and also with individuals who produce homemade jams.

## Fruitfield Foods

The Fruitfield jam and marmalade recipes can be traced all the way back to 1853 when the Lamb Brothers started making jams and marmalades for the Irish market. Fruitfield claims to be the dominant brand in the market with a 52.6% share of sales. They produce 'Old Time' marmalade and their coarse cut is the single biggest-selling marmalade in Ireland. It is seen as the connoisseurs' or purists' choice. They also produce diabetic and sugar free marmalades. The company invests substantially in strong brand promotion to support the market position of their products.

## Chivers

Chivers have been producing jam in Ireland for over seventy years. There are eleven flavours within the Chivers Jam range. These include Strawberry, Raspberry, Blackcurrant, Apricot, Gooseberry, Pineapple, Strawberry & Apple, Seedless Raspberry, Bramble Jelly, Mixed Fruit, and Lemon Curd. All their jams are fat free and made without any artificial colours, flavours, and preservatives. They are generally regarded as being the second-strongest player in the market.

## Folláin Jams

‘Folláin’ is the Irish word for ‘Wholesome’. Folláin is a successful indigenous Irish company based in West Cork producing a range of jams and preserves. Their jams are made from natural home grown fruit, handpicked in local fields and hedgerows in the clear unpolluted climate of West Cork. A number of the Folláin jams have won awards from the ‘Guild of Fine Food Retailers Award’.

## Bonne Maman

Bonne Maman is a premium French jam, which has been the uncontested leader in its market with a continuing strategy to sustain growing consumer demand. Its homemade image appears very attractive to the customer. Their jams are 100% natural and are free from artificial colouring, preservatives, and flavourings. The brand is beginning to make a significant impact in the Irish market.

## **Bakery**

The Irish cake market has been increasing steadily in recent times and in 2001 was worth approximately £55 million<sup>3</sup>. The following factors are driving the growth of the cake sector — increased heavier buyers, increased penetration from 81% to 85%, increased spend of £11.80 to £13.10, increased average price per cake from £1.48 to £1.58, and a yearly growth of 3.6%. The market is broken down into private labels worth £15 million and branded cakes worth £40 million. Gateaux claim 13% of the branded cake market, followed by O’Hara with approximately 7%, and Mr Kipling with 5%. South Hill Enterprise is in direct competition with these national producers as well as with regional bakeries that produce fresh cake

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<sup>3</sup> The figures given are from a quote in Checkout magazine (November 2001) by Stephen Bannon, Marketing Manager for Hibernia Foods (distributors of Entenmann’s Cakes).

products on a daily basis. For example, Spicers and O'Reillys are strong regional companies who supply retailers with goods similar to those under the South Hill brand. However, they have a competitive advantage as they additionally supply large quantities of bread to such shops, making it convenient for retailers to also stock their cakes. Additionally there is a local bakery situated on the main street in Athboy which is much more convenient than the premises for South Hill Enterprise. They produce a wide range of cakes and benefit from impulse purchases from customers that visit their shop.

### **Promotional Strategy**

The promotional strategy of South Hill Enterprise has generally incorporated trade shows which have generated some business for the chocolate products, sporadic cold calls to retailers that have introduced them to the South Hill range of products, and word of mouth which has been the most successful form of promotion. 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 South Hill Enterprise won a national O2 Ability Award for companies employing people with disabilities and so the business had 'a story to tell'. Many ideas for a promotional strategy have been discussed but a co-ordinated campaign has not yet been implemented. Part of the challenge to introducing any campaign is the identification of clear goals for the promotional activity, since the objectives identified by the Management Team for the business are quite diverse.

As part of the review process by the Management Team, it was determined that there was a fundamental requirement to change the packaging of the chocolate products so as to present a more up-market, hand-made, high-quality image. The jars for the preserves were changed in January 2007 to reflect such an image, as previously the jars were plain and did not stand out from other jams on the shelf. There was also a requirement to change the labels on the jars, as they also looked too commercial and gave out a mass-produced image of the product. All preserve products are now being sold in the new octagon shaped jars and have the new labels attached. The writing on the label is in a handwritten style giving the image of homemade produce. However, the chocolate boxes remain in plain white boxes with just a small gold label giving the brand name. To improve the image of the products, it was decided that the boxes should be gift-wrapped by the employees as part of the packaging process. This gives

the chocolate products a high-quality finish and a greater prospect of impulse purchase as it saves the customer from having to gift-wrap the chocolates themselves. An additional benefit of this process is that it provides employees with a new task, thereby expanding the range of skills being developed at a personal level. The disadvantage to the process inevitably is that it is slow and very time consuming.

The Management Team have also recognised the need for promotional material in the form of a brochure. A new logo has been designed for the South Hill brand and this will be used in all promotional material. There is also a need to develop a newsletter/ leaflet which could be sent to all businesses within a 20-kilometre radius. This could help create awareness about the business, as many people from the locality do not even know of its existence. This campaign could be carried out on an annual basis and could be incorporated as an activity for volunteers. Another idea discussed was to develop a new promotional 'tag' which could be a nice small piece of quality cardboard tied around the neck of the jam jars with twine. On the front of this tag would be the company name, etc while overleaf would be a recipe into which the jams or chutneys might be incorporated. It is suggested that this promotional activity be carried out in line with the changing seasons. This idea could be further supported by providing retailers with a wooden based stand so that all of the South Hill products could be grouped together. It may be possible to approach local schools, sheltered workshops, prisons, etc that provide woodwork as a subject to ask them to produce such stands.

There have been many more ideas explored under the heading of 'promotional strategy'. However, any campaign must be cognisant of the following limitations:

- Little finance is available to spend on a promotional campaign so it needs to be a guerrilla-styled promotional campaign;
- There is limited personnel available to work on the campaign as the supervisors and manager are currently working to their full capacity simply to meet existing orders;
- It is important that the campaign generates business equally across the three different product ranges so that a broad range of skills can be developed by the employees;
- It would not be possible to meet any explosion in demand and therefore sales generation has to be managed carefully;
- The campaign must recognise all of the objectives of the business identified by the Management Team.

As Billy Barrett reviewed these limitations, what initially appeared to be a simple solution to the improving the sales situation of the business was suddenly becoming far more complex! The campaign would have to be layered in such a way that it would build momentum on a slow continuous basis. This ruled out any prospect of using fast-acting remedies since South Hill Enterprise could not react effectively to unexpected large demands. It was also difficult for the business to build-up a stock of goods as the shelf life of the product was short and warehousing space was limited.

### **Pricing Strategy**

Billy Barrett also undertook some basic market research to investigate the prices of the competitors' products. It was found that South Hill products were less expensive than most of its competitors, usually about 20% below the average price for a product. It was clearly evident from the research that a future pricing strategy needed to be established. This new strategy needed to be based on the amount competitors were charging for similar products and also on the amount that South Hill believed its customers would be willing to pay. The price would also need to reflect the quality of the products that it offered. He also noted that the margin for South Hill chocolate products was far higher than that being achieved with the South Hill bakery and preserve products, and again he was tempted to focus on the chocolate products alone.

As part of the review of the pricing strategy, Billy also examined the accounts for the business and found that there was very little room to reduce costs as the business was being run very frugally. Labour costs were low due to government support schemes, general overheads were reasonable, and material costs were above average due to the high-quality ingredients that South Hill uses in its products. Overall it meant that there was little room to reduce costs but there was substantial opportunity to increase the margins on all of the products. The biggest challenge was to determine how great a price increase could be introduced and how would the retailers and consumers react? Maybe any price increases would have to be done on a phased basis until they had reached the appropriate pricing point for South Hill products?

## **What to Do?**

This assignment was turning into one of the most difficult jobs of Billy's consultancy career. With financial backing, much could be achieved for the business but there was no organisation or state agency that could provide such help. Whatever was going to be done had to be achieved with the resources that were currently available. An increase in prices would help but he needed to work out how that could be achieved most effectively. The chocolate boxes needed to be improved but that would mean additional costs. A coherent promotional campaign needed to be developed but there was no one available to undertake the substantial amount of work required to do it properly. The campaign would have to be very carefully managed so that there were no sudden bursts in sales for which the company could not cope. However, production was very seasonal and he needed to find some way of levelling the production output throughout the year with products that had a short shelf life. There was no salesperson for the business and the driver was employed on a part-time basis. There was no coherent marketing strategy and yet one was urgently required. However, even with a clear marketing strategy, who would implement it? Everyone in the organisation was working to their full ability and individual or group of individuals could be faulted in any way for their performance. This was the way in many small businesses.

South Hill Enterprise had recently received a request to meet a large food distributor who wanted to talk to them about making products for the distributor's label. This opportunity would solve many of the problems faced by South Hill Enterprise, but a different set of difficulties would then arise for the business. The food distributor might not be understanding of the needs of the employees and any deadlines having to be met could cause intolerable stress for everyone involved in South Hill Enterprise. Was it worth making a major change in how the business operated, or could Billy find solutions within the existing business practice?