Contents

Preface vii
Acknowledgments ix

Part 1: Marketing: The Customer and the Business 1
1. Putting the Customer at the Centre 3
2. Marketing and Enterprise Development 38
   Case Studies: Nicholas Mosse Pottery 60

Part 2: The Market 69
3. The Forces in the Irish Marketing Environment 71
4. Marketing Research 109
5. Market Segmentation, Targeting, and Positioning 136
6. Understanding Consumer Behaviour 155
   Case Studies: Love Irish Food Initiative; Roma Pasta 180

Part 3: The Marketing Mix 183
7. The Product 185
8. Pricing 220
9. Marketing Communications 236
10. Marketing Channels 281
    Case Studies: Jacob Fruitfield; Donegal Catch 306

Part 4: Marketing Applications 317
11. The Marketing of Services 319
12. International Marketing 334
14. Social and Not-for-Profit Marketing 372
    Case Studies: Jameson Irish Whiskey 386

Part 5: Marketing Strategy and Planning 397
15. Marketing Strategy and Planning 399
    Case Studies: Newbridge Silverware 419

Index 428
Putting the Customer at the Centre

Marketing is a subject that should be interpreted rather broadly. It is widely associated with business practice, but it should not be defined in a purely business context. In the business context it can be described as an outlook or way of thinking that puts the customer at the centre. It is based on understanding the needs of customers and serving those needs, competitively, at a profit.

There have been many definitions. Kotler and Armstrong (2010) state that:

Broadly defined, marketing is a social and managerial process by which individuals and organisations obtain what they need and want by creating and exchanging value with others. In a narrower business context, marketing involves building profitable, value laden exchange relationships with customers.

In 2004, for example, the American Marketing Association modified its definition of marketing to read:

Marketing is an organisational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders.

The Kotler and Armstrong definition is broad and is capable of being interpreted in a number of contexts, for example, personal (think of marketing yourself at a job interview), commercial (marketing consumer products), or non-commercial (a charity seeking to fundraise). The American Marketing Association definition can be described as narrow or managerial; in other words it defines marketing in a way that is useful to managers in business or organisations.

Marketing theory tends to be derived largely from business, Kotler and Levy (1969) considered that ‘the business heritage of marketing provides a useful set of concepts for guiding all organisations’. The student of marketing should also consider other views and perspectives on the subject. A philosophy describes a way of thinking and there has been much debate among marketing academics and practitioners about the mission and role of marketing in business and society for example, whether marketing is an art or a science. Some theorists, for example Brown (1993) and Firat (1991), have observed that marketing emerged in the modernist era (an encompassing label for a wide variety of cultural movements that began in the mid-18th century). In the business context, modernism was reflected in scientific approaches to research and the mass production of consumer goods.
Another perspective is the post-modernist view; this questions the benefits of progress and challenges the idea that scientific method is the sole source of knowledge. Post-modernist theorists consider that value is created not in production (the modernist view) but in consumption. Brown (1993) states that ‘the urge to consume is a characteristic symptom, perhaps the characteristic symptom, of the postmodern condition’.

Considering different perspectives is important as we begin to try and understand the meaning of marketing. In this book marketing is considered largely in the business context; however it will seek to reflect the contributions and perspectives of a variety of theorists.

The definitions considered above emphasise the importance of the customer. Understanding the customer, and especially understanding that customer needs can change, is fundamental to good marketing practice. This is well illustrated in the case of one of Ireland’s oldest brands, Flahavan’s.

**FLAHAVAN’S AND THE RENAISSANCE OF PORRIDGE**

When high-profile celebrities such as Demi Moore, Naomi Campbell and Bill Gates went public about their love of porridge in recent years, it was part of what John Noonan, sales and marketing director at Flahavan’s called a ‘porridge renaissance’. Within a few years the oat-based breakfast cereal had shaken off its old-fashioned image and gained appeal among a new generation of younger consumers.

Embracing this movement Flahavan’s, which can trace its history back to an oats mill in Kilmacthomas, County Waterford, in the late 1700s and remains a family-owned company, repositioned itself with a strong brand focus, market segmentation, and the introduction of a new range of 18 products in drums, sachets, and pots. In addition, real fruit porridge and a selection of oat biscuit snacks were also introduced.

Traditionally, the porridge market had been quite homogenous, there was one main type and brands such as Flahavan’s and rival Odlum’s were sold in basically the same format—a bag. There was very little segmentation, and porridge struggled to compete with an ever expanding range of breakfast cereals from marketers such as Kellogg’s and Nestlé.

A decision taken by the federal Food and Drug Administration in the United States in 1998 was to have a dramatic effect. The FDA allowed producers of porridge to make health claims based on the fact that porridge contains soluble fibre which is good for the digestive system and can reduce cholesterol. As a result, porridge received much favourable press coverage and began to feature in various health trends, including the Atkin’s diet. Other trends evolved, including those that focused on the glycemic index or the benefits of eating whole grains.

Flahavan’s carried out market research which found that consumers who were not buying porridge cited lack of convenience as one of the main reasons. The company responded by introducing a Quick Oats range, this is microwaveable and comes in individual tubs or in sachets.

In addition to product development, advertising and public relations were used to communicate the brand’s benefits. Consumers were interested in the health benefits of porridge, so public relations proved effective when trying to achieve press coverage.
Launching new products that consumers had not seen before, such as the microwaveable range, also provided public relations opportunities. Another PR initiative was the teaming up with a well-known chef, Kevin Dundon, for an all-Ireland porridge promotion, including a porridge-making competition.

Television and radio advertising concentrated on the theme that the brand ‘Sets you up for life’, and highlighted the health and convenience of the products. Research among younger consumers, for example, revealed that the pots and sachets were often taken to work, so this theme was developed in some of the adverts. Other themes included the family aspect, with the Flahavan’s ‘family’ or range of products being emphasised.

**EXPORTS**

Exporting has always been important for Irish food and drink marketers, providing opportunities for expansion outside what can be a small domestic market. Flahavan’s developed an export strategy which proved successful and the company was named Irish Exporter of the Year in 2009. By 2010 exports accounted for 20 per cent of sales. Flahavan’s entered the UK market in 2003; research there revealed that consumers would not respond to the marketing approach that had been used in Ireland. In Ireland the brand was well known and provoked an emotional response among consumers. In Britain it was necessary to concentrate on more functional aspects such as taste, convenience, and ease of preparation. As a result marketing activities concentrated on in-store promotion and events. The brand is stocked in Tesco, Asda, Sainsbury’s, Waitrose and Wholefoods. In addition to the UK, Flahavan’s is also sold in France, the Middle East, and Spain. In 2010 the company was researching the US market as its next export opportunity. The oatmeal market in the US was estimated to be worth €1.2 billion. One of Flahavan’s rivals, Odlum’s had marketed a range of porridge oats in the United States under the McCann’s brand, but had sold this brand to an American company in 2006.
RESULTS

In 2009 Flahavan’s reported a 65 per cent increase in market share and a 15 per cent increase in profits, a significant achievement in what was a recessionary environment. Flahavan’s success was also recognised by the Marketing Institute, a representative body for marketers in Ireland, when John Noonan was named Marketer of the Year in 2009.


The Flahavan’s example illustrates many aspects of good marketing practice in business. The firm understands consumer needs and how these can change. It has responded to changes in the marketing environment and it has successfully developed a strategy involving product and brand development, advertising, promotion, distribution, and a successful launch into international markets. These aspects of marketing will be elaborated on in subsequent chapters.

In his book Crowning the Customer, Feargal Quinn, one of Ireland’s leading marketing practitioners, outlined his view of marketing. He developed what he described as the ‘boomerang’ approach: quite simply, keep customers happy and they will keep coming back. The policy certainly worked for him, and his Superquinn chain of supermarkets was an acknowledged provider of high levels of customer service and innovation. It was also a consistently profitable company.

Firms like Flahavan’s and Superquinn, demonstrate how understanding customer needs and serving those needs at a profit, is core to understanding the meaning of marketing in a business context.

THE NATURE OF MARKETING

Marketing should permeate the whole operation of the company as it seeks to determine what to produce and how and where to sell it. It is a process that begins before the product or service begins and continues after it has been sold.

The Flahavan’s example indicates that there are many dimensions to marketing; for example, product development and advertising. In order to understand and clarify these dimensions, we need to appreciate the underlying concepts that are at the core of marketing. Kotler and Armstrong (2010), for example, have given us a useful model of the core concepts (fig.1.1) which will be examined in the next section.

NEEDS, WANTS, AND DEMANDS

Marketing begins with an understanding of human needs. Needs describe a state of felt deprivation. According to one theorist, Abraham Maslow (1943), human beings are constantly needing individuals. At a basic level we need air, food and drink, sex and shelter to survive; these are described as innate or primary needs. We may also need to feel secure,
Putting the Customer at the Centre

All needs are motivational: in other words, if we feel the need for something we experience tension, and we will be driven towards reducing the tension by satisfying that need. At a basic level, if we are hungry we will reduce the tension we feel by eating. This could involve any number of possibilities, from preparing something at home to dining out in a restaurant. What we eat may depend on secondary needs: for example, we may eat with friends in a restaurant, making it a social occasion, or we may go to a fashionable café where we like to be seen and where we hope we will meet others.

Wants describes the form taken by human needs as influenced by culture and the individual’s personality. We need clothing, but we don’t all wear the same style of clothes. Individuals may want to follow a particular style or fashion or express themselves in what they wear.

Demand exists when people have the purchasing power to satisfy their needs. Few people will have the income to satisfy all their needs, so they will make trade-offs, buying products and services that give them the greatest amount of satisfaction they can get for their money. Understanding how these trade-offs are made is important for marketers; it also emphasises the significance of customers’ needs in marketing theory.

Most marketing practitioners are concerned to generate and satisfy the demand for their products or services. Company growth, development and profitability are usually dependent on achieving sales growth. There may, however, be circumstances when the marketer wants to dampen and control demand; this has been referred to as de-marketing (Lawther, Hastings and Lowry, 1997). In the health area, for example, advertising campaigns have been conducted to discourage people from seeking drug prescriptions for minor ailments; similarly, they have also attempted to discourage people from using casualty departments in hospitals.

Sometimes the need isn’t just that of the customer as the example of Berney Brothers saddles illustrates.

Figure 1.1: Core marketing concepts

Source: Kotler et al., 2010.
In 1880, Peter Berney founded a small saddlery in Kilcullen, County Kildare. Fourth and fifth generations of his family continue to design and make saddles which have gained a reputation for quality and durability among equestrian sports people. The company produces saddles for hunting, racing, dressage, cross-country, and show jumping. These can be considered as segments which are based on different user needs. The saddle design has, therefore, to take into account not just comfort and durability but also the context in which the saddle will be used. A jockey in a steeplechase, for example, will require a smaller lightweight saddle compared to a show jumper who will need a saddle that allows for changing leg position depending on whether jumping or landing. The saddle has also to take account the needs of the horse, in terms of comfort and fit. The saddle should not restrict the horse’s movement, or cause pinching or discomfort. Custom-made saddles for individual horses and riders are often produced.


The difference between needs and wants

The terms needs and wants should not be used interchangeably. Every person has needs; some of these are innate. Wants are for specific products or services that will satisfy a need. If we are hungry, therefore—an innate need—we may want a bar of chocolate, a sandwich, or a four-course meal. Wants will depend on a combination of individual characteristics, and social and environmental influences.

An often-heard criticism of marketing is that ‘marketers create needs to make money.’ In reality, marketers cannot create needs. They can and do seek to influence wants. A hungry consumer can be influenced in what they choose to eat. The marketer did not, however, make the consumer hungry. We are familiar with advertising for food and drink products that promise different taste sensations, speedy preparation, or thirst-quenching properties. These are attempts by the marketers of these products to encourage consumers to differentiate between alternatives, to satisfy a need by wanting a specific product or brand.

Products

Usually the term product is used to describe what is being exchanged by the marketer with the market. A product is anything that can be offered to satisfy a need or a want. It can include physical things, such as cans of Coca-Cola or bottles of washing-up liquid; these are described as tangible. Something is tangible if we can see, touch, hear, smell or taste it. Products can also be intangible, such as the experience of visiting a theme park or seeking financial advice from a bank. Intangibility describes experiences, feelings, or emotions.

Marketers therefore use the term product in a very wide sense. In between these categories there are many products that have a combination of tangible and intangible features.

As we saw with the Flahavan’s case, porridge is a tangible product, providing tangible
benefits—satisfying hunger. It also satisfies intangible benefits in terms of how people feel about it; the popularity of the brand, for example, suggests that some consumers have an emotional reaction to it.

Kotler and Levy (1969) contended that marketing is a pervasive social activity that goes considerably beyond selling tangible products, such as toothpaste or soap. They suggested that the term product could be used to describe physical products, services, people, organisations, and ideas. The following are some examples of each type of product:

Physical products: Crisps; beer; detergent; fertiliser.
Services: Holidays; insurance; a haircut; advice.
People: Politicians; journalists; actors.
Organisations: Irish Farmers’ Association; political parties; charities.
Ideas: Energy conservation; anti-litter campaigns; environmental awareness.

VALUE AND SATISFACTION

Whatever the nature of the product, it must be valued and must give satisfaction if it is to be demanded. Value and satisfaction can mean different things to different people, once again demonstrating the importance of understanding buyers’ behaviour. To one consumer a product or service offering particular features and priced at a particular level may represent value and satisfaction; to another consumer it may not. Marketers must therefore understand the nature of the value and satisfaction consumers are looking for and tailor their products or product variations accordingly.

Customer value can be illustrated simply as:

\[ \text{customer value} = \frac{\text{what the customer gets}}{\text{what the customer pays}} \]

The customer may do this calculation mentally, making a quick assessment of the value they get from the products and services they are buying or are considering buying. They may also carry out a more detailed value analysis, assessing and evaluating all the factors that contribute to overall value. Value analysis is common in organisational buying, where buyers may assess value using mathematical models or formulas.

Customer value reflects a wide variety of factors, depending on the nature of the product. For consumers they could include:

- the availability of information on the product to help the consumer make a decision
- the convenience of retail outlets
- how the consumer was treated by sales or customer service personnel
- ease of payment
- delivery
- operating instructions
- the performance and durability of the product
- the functions of the product
- maintenance cost.
For businesses, value would also be assessed on a variety of factors. These might include:

- the length of customer lead time (the time it takes from the order to receiving the product)
- variation from promised delivery times
- the condition of the product on arrival
- sales calls and order initiation requirements
- credit, billing and payment procedures
- the effectiveness of after-sales support
- the manual and instructions accompanying the product
- the performance, fit and function of the product
- the frequency and duration of downtime
- maintenance cost and difficulty.

Value may also refer to how the consumer feels about the product or brand. Fournier (1998) for example, explored the relationship between consumers and their brands. She presented a social relationship model of consumer–brand relationships; in other words, she argued that people can develop relationship bonds with brands, and therefore understanding how this happens can illuminate our understanding of brand loyalty and brand personality.

The implications of this for the marketer are the need to understand how customers measure value, and how the marketer can maximise value for the customer. The designing, manufacturing, marketing and support processes that the firm engages in will be the main sources of value for the customer. Firms therefore engage in what we can describe as a value-adding process. From the buying of raw material to production, branding, distribution, image-making—in fact all the activities of the firm—we see the value-adding process in action.

Marketing involves adding value. The activities of marketers, such as researching new features and benefits, branding, and advertising, involve adding value. This book examines the different ways in which marketers add value.

EXCHANGE, TRANSACTIONS, AND RELATIONSHIPS

Marketing is an exchange process. Typically, we exchange money for products and services. However, not all exchange involves money. We can exchange anything that has value: for example, organisations such as the Samaritans do not charge for their service, which involves the exchange of time, advice, and counselling.

Bagozzi (1975) considers that there are three types of exchange: restricted, generalised, and complex. Restricted exchange refers to two-party reciprocal relationships, for example retailer–consumer. Generalised exchange involves univocal reciprocal relationships among at least three actors. This can be illustrated with an example. The National Tidy Towns competition is sponsored by the SuperValu retail chain. The Tidy Towns organisation negotiated sponsorship with SuperValu; it also liaises with local communities and encourages participation. If people from these communities patronise SuperValu outlets as a result, this would be a generalised exchange. The third type of exchange suggested is complex exchange, which refers to a system of mutual relations among at least three parties.
A typical example of complex exchange would be manufacturer–retailer–consumer. Transactions are a trading of values between two parties. While most transactions involve some form of monetary payment, this is not always the case. Bringing glass bottles to a bottle bank for recycling is a transaction, but it does not involve any monetary exchange between the consumer and the marketer. Transactions may also involve the customer trading in an older product in part-exchange for a newer one; this is common in the car market and has been used in electrical goods retailing. The important point is that in any exchange, a value is placed on what is being exchanged.

The notion of exchange has been developed into the concept of relationship marketing. Relationship marketing implies that the firm attempts to build relationships between itself and its customers, suppliers, and distributors—in other words, with any individual or firm it exchanges or wishes to exchange with. The central idea is that these interactions should be viewed as relationships involving the exchange of value.

The concept of relationship marketing helps illustrate the nature of value. In the case of the marketer–retailer exchange, for example, the relationship does not simply involve physical distribution but also involves other factors, such as market development, cooperation in marketing and distribution campaigns, and mutual problem-solving. If the marketer and retailer view their arrangements as a relationship that can be developed to be mutually beneficial, it is more probable that improved performance and profitability will follow. If the relationship is viewed as confrontational, this may be less probable.

The development of relationship marketing theory gathered pace in the 1990s. The creation, development and quality of relationships are at the core of marketing. This was well illustrated by the academic Christian Grönroos (1994) when he argued that relationship marketing was in effect a ‘paradigm shift’ in marketing theory. By this he meant that relationship marketing had led to a fundamental shift in the theory underlying marketing.

The theory of relationship marketing is a useful framework for understanding the concepts underlying marketing theory. It is also fundamental to the development of marketing practice. The marketer can apply the principles of relationship marketing in dealing with suppliers, channel members, and customers. The concept of ‘customer’, therefore, applies not just to the final customer or consumer but to the other individuals or firms that the marketer deals with.

The marketer–customer relationship is a core aspect of relationship marketing. Viewing the customer as an individual with whom the firm wishes to develop a relationship encourages businesses to look beyond mere transactions. The customer is someone whose needs the firm seeks to serve again and again.

THE MARKET

The market describes the actual and potential buyers for the product. In this book we examine markets such as the consumer market, the business-to-business market, and international markets. These are descriptions of different types of market, but all markets have one thing in common: they involve relationships. Whether marketer–consumer, consumer–consumer, or business–business, markets represent a set of relationships.

Market profiling is an important aspect of marketing. Markets exhibit different characteristics and trends, and comprehending and monitoring these is a central aspect of
marketing. Understanding the customer is guided by universal principles, but the customer must also be understood in the context of their environment.

All markets are different. Chapter 3 describes the environmental forces that affect Irish marketers; chapter 12 describes how international environments can be different and where marketing activities and practice may need to be modified.

Earlier we saw how Flahavan’s responded to change and engaged in product development. Another firm that has successfully contended with change is the Galway-based footwear brand, Dubarry, that has maintained healthy profits by diversifying its business and engaging in manufacturing abroad.

**DUBARRY OF IRELAND**

Dubarry, the Irish footwear and clothing maker, has defied a difficult business environment with an international expansion focused on high-end retailers in several countries. The Galway firm made its first delivery to Harrods department store in London in 2009 and is striking deals with other key retailers and distributors. Dubarry is best known for its deck shoes, but marketing director Michael Walsh said that the company has reinvented itself with a move into ‘country living’ footwear, clothing, and luggage.

Dubarry was a traditional manufacturer of footwear, but increased competition from low-wage countries meant that it found it very difficult to compete. In the 1980s the company diversified into marine footwear, and started to make a specialist range of deck shoes that was very successful in international markets. The brand proved popular not just among sailors but was also adopted as a fashion item by Irish teenagers and young adults, the shoes coming to be described as ‘Dubes’.

Dubarry had employed about 250 people in Ballinasloe in the early 1990s, but by 2010 this had reduced to about 55 staff—including research and design employees. All its manufacturing is carried out overseas. The winding-down of manufacturing in Galway in 2004 caused anger locally, but Walsh said the business had seen the benefits
Putting the Customer at the Centre

of the reorganisation. ‘We were the last remaining footwear manufacturer in Ireland,’ said Walsh. ‘All of our components were coming in from overseas and being put together in Galway. We were paying top dollar for everything and freighting it into Ireland. The realisation dawned that footwear production had no future in Ireland.’

The vast majority of its products are made in Portugal, although it also started working with Chinese firms in 2005. It retains five production staff in Ballinasloe, who can do small product runs and work on prototypes or repairs if required.

In 2008, sales of Dubarry’s country living goods outstripped its traditional marine-related business for the first time. The product range includes leather boots, costing upwards of €300, bags for about €400, and jackets that range from €500 to €600. Ironically, Walsh said that sales were holding up partly because the goods were at the premium end of the market. ‘People can’t get rid of their boats or the horses during a downturn. They are fairly committed to them,’ he said.

The firm’s overseas revenues also exceeded its Irish figures for the first time in 2008. The company estimated revenues of €15 million in 2009, close to the €15.5 million it recorded in the 12 months to the end of September 2008. It had revenues of €17 million the previous year, which included a gain of about €2 million from the sale of land. The company has been strongly profitable, making €2 million before tax in 2008 and €3 million in 2007.

The company’s strategy of bringing products directly to consumers at outdoor-related shows and events proved successful. It has built a trade show stand and exhibited at events such as the Dublin Horse Show, the Chelsea Flower Show and Crufts dog show. Other important events include the Burghley Horse Trials in England, as well as events in Germany and the Hamptons in New York. The Rolex horse trials in Kentucky are also a key event for the firm.

‘We have gone out and created demand for ourselves,’ said Walsh. ‘Our UK operation does 60 shows a year. We go directly to events to meet the end-users of our products. Because we are dealing directly with the public, we get a very quick reaction
The move into non-marine products was helped by one Dubarry customer in particular—a sailor who also had an interest in hunting, from whom they developed the idea of spreading their footwear range. ‘We have a sailing boot that was fully waterproof and breathable, so we made up a prototype with an outdoor sole and went after that market,’ Walsh said.

The company’s ‘Dubes’ had an established place in the market and sold well, particularly during the back-to-school season, said Walsh. ‘They are fashionable, but they are not high fashion. They are not all the rage today and gone tomorrow.’


THE EVOLUTION OF MARKETING

While there have probably always been marketers—though they may not have been described as such—the origin of contemporary marketing can be traced back to the industrial revolution. The development of the factory system and the introduction of new forms of transport made selling products to a wider market more feasible. A central aspect of the factory system was large-scale, efficient production. This enabled companies to mass-produce products at attractive prices. The coming of the railways and improvements in shipping technology made the expansion of distribution networks possible. The development of advertising was also stimulated by the industrial revolution, as manufacturers needed to inform new and growing markets about their products.

Marketing evolved as a body of knowledge to meet a need. The growth in markets presented many challenges. Firms needed to plan, organise, develop, communicate and control in an integrated way. Over time, marketing theory developed and was refined to meet these needs—and it continues to develop. Needs change, markets change, and marketing theory is constantly subject to updating and addition. As a discipline, marketing is dynamic, it does not stand still.

With regard to guiding policies, the management of marketing is influenced by five alternative concepts: the production concept, the product concept, the selling concept, the marketing concept, and the social marketing concept.

The production concept

While the factory system did lead to the production and wider availability of products, in many cases it was company managers who decided what to produce; customers were not necessarily consulted. This meant that customers had no say in the process.

Firms that concentrate on production and distribution efficiency demonstrate the production concept. This holds that consumers favour products that are widely available and affordable. This approach is appropriate as long as what is produced is what the customer wants. If the customer wants something else and the firm cannot provide it, they may not buy, or may buy something else. In the air transport market, Ryanair could be considered to follow this approach. The company concentrates on producing a low-cost
service. Unlike many of its competitors, it does not offer added benefits, such as in-flight meals or frequent-traveller schemes. The production concept works for this company: it serves a need for low-cost travel, and there is a sufficiently large market with that need.

The production concept may not work in markets where buyers require a high degree of customisation or additional benefits. If a business requires specialist financial advice, for example, it will not be able to buy a mass-produced service.

The product concept

The product concept holds that consumers favour products that offer the highest quality and the greatest number of performance and innovative features. As a result, manufacturers may spend considerable time and effort improving products by adding new features or benefits. This can also be important in maintaining market share or in reacting to competitors; but improvements must be valued by the market.

As we saw earlier, consumers will make trade-offs. They may like products with many features and high performance levels, but such products may cost more, and the consumer may not be able to afford them. In the search to improve products or add new features, manufacturers or service providers should not lose sight of customers’ needs. The launch of compact discs, for example, led to a significant decline in the sale of records. While there is still a small specialist market for records, producers knew that no amount of improvement or added features could save the product. These producers had to view their businesses not as record providers but as audio product providers. Needs changed, and firms in the industry had to react.

It can be shortsighted, however, to follow the product concept too closely, as it can lead to ‘marketing myopia’. This implies that the business is concentrating too much on the product and not enough on market needs. The concept of marketing myopia was well illustrated by Theodore Levitt (1960), who used the example of railway companies in the United States, which defined themselves as being in the railway business. The problems with this definition became apparent when competition from road and air became more intense. Levitt argued that the railway companies should have defined themselves as being in the transport business. It would have been myopic for record producers, for example, to ignore the new CD technology and persist with the production of records. What is produced is ultimately determined by customers’ needs. If those needs change, businesses have to adapt.

The selling concept

Often people use the terms selling and marketing as though they mean the same thing. Selling is a function of marketing. Firms seek to sell products and services to make a profit; what they sell should be what the customer wants.

The danger with the selling concept is that the firm concentrates on selling rather than on matching products with needs. It is possible to sell people products they don’t need or want. This is not what marketing is about, nor indeed is it what good salesmanship is about. It is myopic to concentrate on getting the sale without worrying about the customer’s needs or post-sales satisfaction.
The marketing concept and the social marketing concept

The marketing concept is based on understanding customers’ needs and providing competitive products or services to meet those needs, at a profit. Marketing is therefore concerned with understanding the customer, being competitive, and making a profit.

The social marketing concept introduces the idea of being responsive to the well-being of society in general. We can elaborate on both these concepts by examining the role of marketing in the firm and in society.

Marketing plays a number of roles, both internal and external to the firm. It is inseparable from the creation and development of enterprises, whether profit-making or non-profit-making. Whether researching an idea, testing a concept, or launching a product on the market, marketing activities come into play. Marketing plays a role in the initial research and creation of a product; it also sustains and is used to develop the product over its lifetime. Marketing has helped to create many of the products and services we take for granted. It has also helped to create successful products that have become what could be described as consumer icons. Think of products such as Coca-Cola, the Volkswagen ‘Beetle’, or Nike sports wear: without marketing, would they enjoy the success they have experienced?

Marketing also plays a role in society. It facilitates exchange, leads to the development of products and markets, provides jobs, and is a body of knowledge that enables products, services, places and ideas to be taken from initial thoughts to commercial and profitable reality.

Taking all this into account, what actually makes a marketing-oriented organisation? It is really a combination of factors, but the following list probably sums it up. A marketing-oriented organisation:

- is customer-driven
- is centred on satisfying customers’ needs
- has a competitive advantage
- is capable of change
- is responsive to the customer’s needs before, during and after the sale of the product
- is profit-driven (whether in financial or non-financial terms)
- is responsive to society’s well-being.

According to Quinn (1996), there are three essential questions to be answered: how to get every member of your team working to meet customers’ needs (team members also include customers themselves); how to create a bigger and better marketing department than the competition; and how to reward customer loyalty, as opposed to creating it. Superquinn seems to have managed to answer these questions: the business has grown, profits have increased, and the chain is widely recognised as providing high standards of customer service.

Centred on customers’ needs

Being centred on customers’ needs implies knowing what those needs are and attempting to serve them better than your competitors. Marketing research plays a role in finding out about customers’ needs and monitoring how they change. Research will certainly be useful;
it will also be useful to apply common sense. There really is no great mystery to understanding the customer: what is often more mysterious is the ability of firms, with all their resources, to get it wrong.

There have always been businesses that have remained close to their customers and that have always concentrated on customers’ needs. In the case of Kelly’s Resort Hotel, this focus involved adapting over time to suit changing needs. This company has been putting marketing theory into practice for several generations.

KELLY’S RESORT HOTEL: LOOKING AFTER THE CUSTOMER SINCE 1895

Started as a tea-room to cater for Sunday beach goers, Kelly’s Resort Hotel in Rosslare has grown over four generations of the Kelly family to become one of the best-known family hotels in Ireland.

The coming of the railway at the turn of the century was a spur to development. Guests could travel from all parts of the country to the hotel. The changing needs of guests over time meant that the company had to react: guests required more than accommodation, food, and beverage service. The hotel was the first in Ireland to build an indoor swimming pool and tennis courts, and it established a strong reputation for its amenities. In addition to providing a high standard of facilities, the hotel also catered for special-interest segments and offered courses in sport, health and beauty, wine tasting, interior design, and gardening.

According to Linda Byron, a senior specialist at the Irish Management Institute, Kelly’s is ‘an Irish company that excels at looking after their customers and reaping the benefits’. The benefits are expressed in customer satisfaction and profitability. Sometimes up to 90 per cent of rooms are occupied by guests who have been to the hotel before. The organisational culture puts customers ahead of short-term profit, strong leadership is provided by the management, and there are good internal communications. The benefits are also expressed in a string of awards, including several National Hygiene Awards and the Egon Ronay Hotel of the Year award in 1995.

In 2010, a year that proved difficult for Irish tourism because of recession, Kelly’s reported a very good summer season. General manager Bill Kelly said they had 95 per cent occupancy for June, July, and August helped by the best summer weather for many years.


Competitive advantage

Having a competitive advantage means that the business has something with which to differentiate its product or service from that of its competitors. Products or services must have unique selling propositions (USPs), otherwise customers may not be able to tell them apart. A competitive advantage is therefore a prerequisite of successful marketing. If the
A product or service is no better than that of competitors on criteria such as quality, price, availability, choice, or image, what is there to market?

Competitive advantage needs to be sustained: successful products and brands need to be kept up to date, and any new market potential needs to be examined. Consider the case of Tayto crisps, a successful brand in Ireland since the 1950s, and which was sold for €62 million in 2006.

Marketing has helped this brand become the market leader. Its competitive advantage derives from a number of sources. The product satisfies a need in the market and has been successful in responding and adapting to environmental forces, such as changing views on health and lifestyle. (In chapter 3 we consider the forces in the marketing environment that can present opportunities and threats for the marketer; these forces will affect the company’s competitive advantage.) The Tayto product is aimed at defined market segments, and the brand positioning has been carefully developed. (In chapter 5 we will explore the nature of market segmentation, targeting, and positioning; these play an important role in achieving competitive advantage.) The product, pricing, promotional and distribution strategies employed by the company have also proved effective. (In chapters 7–10 we will examine how these four factors, collectively known as the marketing mix, can contribute to competitive advantage.)

Achieving competitive advantage is therefore a significant goal for any business. It is necessary for survival, and marketing will also have to play a role in helping this brand deal with some new competitive challenges.

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**TAYTO: IRELAND’S FAVOURITE CRISP**

Tayto was established by Joe Murphy in 1954. He was fond of eating crisps but found the products available on the market at the time rather dull. He started the business in premises off Moore Street in Dublin and had one van and eight employees. One of its earliest successes was the invention of the cheese and onion flavoured crisp. The company expanded quickly and in 1964 a majority stake was purchased by Beatrice Foods, a large American company. They invested in the business and by 1970 the company had 300 employees and a large production facility in Coolock. In 1972 the King crisp company was acquired and in 1981 the Smith’s food company, which had a range of crisps among its product portfolio, was added. Tayto was the first company in Ireland to manufacture extruded snack products. Joe Murphy was considered to have considerable marketing flair and was one of the first sponsors of a Radio Éireann programme when this became possible in the 1950s.

In 1999, Tayto was acquired by Cantrell and Cochrane (C & C). Tayto’s position as market leader remained unchallenged until the arrival of Walkers crisps on the Irish market on St Patrick’s Day in 2000. By 2005 it had taken a 20 per cent market share. In 2005, Tayto was still market leader, but its share had dropped to 30 per cent. King crisps had almost 11 per cent of the overall crisp market. The remainder of the market share was held by other brands such as Pringles and McCoys and by own-label products. Walkers is owned by PepsiCo and was market leader in the UK market.
Walkers’ success was attributed in part to an advertising campaign featuring the former England soccer player Gary Lineker. PepsiCo, subsequently adapted these advertisements for the Irish market to feature Irish soccer players Roy Keane and Robbie Keane. Gaelic footballers Darragh Ó Sé of Kerry and Ciarán Whelan of Dublin were used in later advertising campaigns.

Tayto responded to Walkers by increasing its advertising and promotion. It also invested in new product development and in 2004 launched its ‘Honest’ range of low-fat/low-salt crisps and popcorn. The objective of the product was to target consumers who wanted a healthier product. By 2005, Honest crisps had a 3.5 per cent share of the total crisp market, while Honest popcorn had 16 per cent of the popcorn market. Ultimately, however, C&C was unable to recover market share and began to consider its options.

In April 2006, C&C announced it was carrying out a strategic review of the future of the Tayto brand; this followed the company’s decisions to shut the manufacturing plant in Coolock in October 2005 and subcontract production of Tayto crisps to Largo Foods. Largo were also involved in the crisp and snack business and manufactured the Perri and Hunky Dory brands. In 2005 the Tayto brand had sales of €47.3 million and made a profit of €5.8 million. The outcome of the strategic review was a decision to sell the brand to Largo Foods for €62.3 million in July 2006.

Largo were quick to invest in marketing and promotion, running new advertising and promotion campaigns based on the character of Mr Tayto, a character that had appeared on the brand packaging for decades. These proved successful and in 2008, two years after the acquisition, Largo reported a market share increase in the crisps and snacks market, its total market share was 47 per cent, this was a significant achievement in a market where several large global firms such as Proctor & Gamble (Pringles), PepsiCo (Walkers) and United Biscuits (KP Hula Hoops) are key competitors.

The general election of 2007 had provided the ideal platform as Mr Tayto gate-crashed the election with a series of policies, including peace and reconciliation: ‘It’s time the Northside and the Southside learned to live together.’ In 2008 Mr Tayto embraced the digital age as he launched a nationwide search for a wife using Facebook and Bebo and irresistible lonely hearts small ads: ‘Are you a lovely girl? Potato-shaped individual would like to meet thick-ankled lovelies with marriage in mind. Must enjoy the finer things in life like a spin in a Massey Ferguson, crisp sandwiches and a good old knees-up. If your turn-ons include wellies, snacks and a bloke in a hat, I’m your only man.’

The 2009 campaign was based on Mr Tayto’s autobiography, a lavishly produced, full-colour book telling the hilarious story of the life and times of the character, retailing in book shops at €6 and supported by an €800,000 media campaign. It became a bestseller.

In a commentary on Tayto’s marketing, John Fanning, Chairman of McConnell’s Advertising observed, ‘A recent collection of essays from the marketing 4th edn complete:Layout 1 21/04/2011 13:28  Page 19
The Tayto campaign strategy fulfils this objective, completely inverting traditional thinking by substituting the standard “and now a word from our sponsor” with the audacious request that you fork out €6 to read what is in effect a 114-page advertisement for the brand.


Capable of change

The Tayto example demonstrates the need for change. The launch of a new snack product was successful; over time, the product was developed, and its market positioning was changed. Marketers need to be able to adapt to changes in the environment; this ability to change will be necessary to sustain competitive advantage. Change in response to environmental forces both internal and external to the firm will be necessary.

These forces are considered in more detail in chapter 3; for the moment, change can be illustrated by examining one force that has affected marketing in many ways: technology.

Technology is a source of competitive advantage, not simply by adding value to the consumer with improved products and services but also through its role in the practice of marketing. Technology is also a threat: it can become obsolete, quickly rendering the firm’s products, services and management practices uncompetitive. The 1990s saw increased attention paid to what was referred to as ‘electronic commerce’—this describes sharing business information, maintaining business relationships and conducting business transactions by means of telecommunications networks (Zwass, 1996). The applications of electronic commerce in marketing are widespread. It was argued that they would have the most impact in developing and maintaining customer relationships, direct marketing, finding new segments or markets, and linking the core business processes (Harrington and Reed, 1996). Obviously, the staff of a company need to know how to use this technology, which has implications for recruitment and the development of skills.

Information technology in particular has been very influential. The marketer’s ability to gather information about customers and markets, generate databases, create management information systems, and interact with other firms has developed significantly since the 1980s. Specific marketing practices such as direct marketing, database marketing and telemarketing have all grown as a result. Electronic data interchange (EDI) has had particular application in marketing channels. (These marketing applications will be explored in chapters 9 and 10.)

In the late 1990s many organisations began to develop sites on the worldwide web and use of the internet increased. The internet enabled companies to communicate with
existing and potential customers and also enabled them to offer new services.

Many commentators in the late 1990s were enthusiastic about the internet and its potential as a global business medium. Use of the internet would be most significant in business-to-customer communications and transactions. There also existed the extranet—inter-organisational networks, for example between a marketer and a retailer. This would have significant applications in business-to-business marketing (see chapter 13). Intranets are networks within an organisation, for example between departments in a large organisation. An intranet would therefore be useful for internal marketing applications (see chapter 3).

As mentioned in the Tayto case example, marketers have also started to use social networking sites, such as Bebo and Facebook, which enable people who have shared interests, opinions, or activities, to interact over the internet. The Tayto example suggests that people may engage with advertising on social networking sites. Other brands such as Pat the Baker have also experimented with this idea as the following example shows.

### SOCIAL NETWORKS AND MARKETING

Pat the Baker is not what most people would regard as a Web 2.0 company, but in September 2008 the bakery firm launched a campaign on Bebo to complement its ongoing press, radio, and television campaigns. The Pat the Baker Bebo profile generated more than 3,000 friends. Brand manager Oliver Durkin said the Bebo campaign cost 1.2 per cent of the bread maker's overall marketing budget and its impact on the brand's visibility has been a 'phenomenal success'.

'It takes a lot of time,' said Durkin. 'You can hire out other companies to do it, but I don’t think it works. I do it with four staff. We all take turns. We are on it 24/7. We respond to every single request and comment personally.' More than 4,000 users have downloaded the company colours to their own profile pages and the bread maker is releasing seasonal skins for Christmas, St Patrick's Day, and the summer to keep members interested. Even though the bulk of Bebo's users are under 25, Durkin is confident that Pat the Baker is targeting the right audience. The bakery used Bebo for a competition where members of the public were invited to record and submit video versions of the 52-year-old Pat the Baker jingle. The winner received a €10,000 prize, and visitors to Bebo can see clips of the current entries and find out how to submit their own.

'The quality and the level of entries is astounding. I thought it would be more kids in the bedroom. We have immediately had content generated by our very talented customers,' said Durkin. One of the more popular submissions is by Dublin dance music act Robotnik, which released its take on the Pat the Baker theme song as a Christmas single.

'It is so rewarding, from a brand manager’s point of view, being at a gig where somebody plays your song and 3,000 people go mental,' said Durkin about a recent Robotnik's gig. The company is also giving away Pat the Baker T-shirts to Bebo members who send in a picture of their 'mammy, granny or a borrowed little old lady holding a Pat the Baker product'.

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**Putting the Customer at the Centre**
Blogs and social networking sites can be a great way for businesses to get their message out or they can be tremendous time sinks. Either way, they are as popular as ever with web surfers here—something many Irish businesses overlook.

No Nonsense Car Insurance, a trading name of FBD Insurance, tested a widget that Facebook members can install on their page. Users receive a €20 discount on their next year’s premium or a €40 donation to their chosen charity for every person who takes out an insurance policy as a result. ‘If it [the widget] works it will certainly be extended to FBD,’ said Brendan Hughes, e-commerce manager for FBD Insurance.

‘Irish businesses don’t know where [blogging] fits within their marketing and communications mix and they don’t understand the potential,’ said Hughes, who is also Chairman of the Irish Internet Association’s Social Media working group. ‘Blogging is not advertising and it is not traditional PR. It is more akin to having conversations with customers—albeit informal and public conversations—and this is a new concept.’

Hughes wrote a post for the No Nonsense Car Insurance blog about how to drive during a flood. Web surfers concerned about driving under such conditions visited the company’s site after this blog post appeared in their search results. These niche posts will never attract huge audiences but they will lure people relevant to a company’s product or service.

Every year, public relations firm Edelman conducts a survey in 18 countries to determine the level of trust people place in organisations, institutions, the media, and various other groups. The 2008 Irish Trust Barometer found radio is a well-regarded source of information, with 59 per cent of respondents trusting the medium. Newspaper articles on individual companies ranked at 55 per cent, while 27 per cent of those surveyed trusted a company’s own communications. Only 14 per cent of those surveyed said they used and trusted blogs as a source of information.

The survey also looked at whom people trust most to act as a spokesperson, with 57 per cent citing a doctor, healthcare specialist or NGO representative. Only 7 per cent said they’d trust a blogger to act as a spokesperson. This figure is down 5 per cent on 2007, suggesting fewer people believe what they read online.

‘There are lots of opportunities for bloggers to offer an alternative source of information or a more in-depth resource,’ said Piaras Kelly, Edelman’s main Irish blogger. ‘While bloggers will never rank as the most trusted source of information for the general public, what you will find is that a number of bloggers have built audiences that regard them as more informed sources of information on certain topics.’ The readers of blogs often leave comments supporting or disagreeing with the poster or even providing further information to support their arguments. While there is no measurable bottom line to any of this—and some comments can even be unhelpful—Hughes argued that business bloggers needed to think of their readers as potential advocates. ‘Advocacy ultimately leads to the bottom line,’ he said. ‘Consider social media not as a money maker but as a relationship builder. You won’t make money through your social media activity, but because of it. There does need to be a return on investment, but how the return is measured needs to change to reflect this new way of connecting with customers.’

Social networking sites, like blogs, can also be an effective market research tool for
Putting the Customer at the Centre

businesses. Computer manufacturer Dell operates ideastorm.com as an online community for people to share ideas. It credits the suggestions of an Irish user on the site for the camera upgrades to the Latitude range of laptops. Similarly, public relations firm Slattery Communications launched an application on Facebook which enables marketing and advertising professionals to post ideas and comment on each other’s suggestions. Those suggesting ideas have just a few lines to outline their concept, a medium of delivery, and the specific benefit of the suggestion.

Businesses should also consider Twitter, which is a form of micro-blogging. A possible use is for firms who have to provide regularly updated information to customers. Posters write a comment in less than 140 characters. This is then delivered to the mobiles or e-mails of ‘followers’. Setanta Sport uses the service to update its followers about the latest sporting news.


Responsive before, during, and after

Marketing is concerned with developing a relationship with the customer. This relationship begins before the product or service is sold; it may involve significant interaction during the sale, and it continues after the sale has been made. Marketers need to be just as concerned about post-purchase satisfaction as with the factors that precede the sale. Factors such as creating awareness or sales technique are important aspects of pre-sales activity; but marketing does not end there.

The development of relationships is at the heart of the theory of relationship marketing. Firms must manage a number of relationships. The marketer–customer relationship is the obvious one, but there also exist marketer–supplier, marketer–intermediary and marketer–marketer relationships. Whatever the nature of the relationship, it should be managed in such a way that it develops and will last.

In chapter 6 the factors that influence behaviour before, during and after the purchase are examined. It would be myopic for marketers to concentrate only on the actual purchase. There are many pre-purchase influences in the buyer’s environment; equally, post-purchase factors such as satisfaction must also be considered.

Profit-driven

Profit, for most firms, is the reward for entrepreneurial effort and is required by investors and shareholders in the business. It is also required to ensure the continued survival of most businesses. For some organisations, profit may not be measured in purely financial terms. There are many non-profit organisations that measure success in more intangible ways. Charities and cultural organisations, for example, do not exist to make profits for shareholders: their success may be measured in aid provided, support given, or heritage protected. Marketing principles are equally relevant to these organisations, for they are also involved in exchanging something of value.
Responsive to society’s well-being

Marketing activities are carried out within society. They should not do anything to damage that society. This demonstrates the importance of ethical marketing practice.

Ethics is defined as generally accepted views of what is right and wrong. Ethical practice requires the firm to be socially responsible. Marketers have to serve the needs of society, and activities that do not do so can hardly be described as customer-centred. There is certainly a paradox if marketing appears to be unethical when its objectives are concerned with responding to consumers’ needs.

Carrigan and Attalla (2001) examined whether ethics had an impact on consumers’ behaviour. They proposed that there were four types of consumer, based on levels of ethical awareness and behaviour (see fig. 1.2).

Given the nature of marketing practice and activities, it is not surprising that ethical issues have emerged. Typical issues include misleading advertising, dubious pricing practices, and sales approaches being made under the guise of market research. Relative to the consumer, the marketer is usually in a more powerful position. This means that if the business loses sight of the core marketing principle of serving the customer, the customer may be compromised.

Marketing is not a regulated profession in the same way that pharmacy or medicine are. But codes of ethics do exist in specific areas of marketing practice, such as market research and advertising. The Marketing Institute of Ireland also has a code of practice, which outlines the professional responsibility and conduct required of its members. This code provides a useful overview of the responsibilities, conduct, and values that should be a feature of good marketing practice.

There are also various laws and regulations that govern the way in which business is done (some of these and their implications are considered in chapter 3). These are part of the environmental forces that affect marketers. Very often it is the way in which business is done that comes in for criticism.

Figure 1.2: Ethical awareness and behaviour
The code states that professional marketing executives have a responsibility to their employers or clients, to customers, to colleagues, to the marketing profession, and to the public in general.

It describes the importance of professional conduct, obliging members to conduct themselves at all times as people of integrity and to observe the principles of the code. In this way the reputation of members of the institute, the institute itself and of marketing in general will be enhanced.

The code describes the nature of professional conduct with regard to the instruction of others, injury to other members, honesty, professional competence, conflict of interest, confidentiality, and the securing and developing of business. It also obliges members to be aware of and to comply with other relevant codes of practice in advertising, sales promotion, market research, public relations, and direct marketing.

The institute can investigate and take action against members where breaches of the code have occurred.

Source: Marketing Institute of Ireland.

Given the complexities of business, the ethical issues and dilemmas raised can also be complex. By putting the customer first, however, it is less likely that a firm or its employees would engage in unethical practice. Firms should have a code of ethics, which would communicate what its priorities, values and expectations are. The code should be published and should send a clear signal to everyone in the firm that ethics are a priority. In the words of one commentator (Tierney, 1992), ‘people weigh the ethical implications of their decisions not only by their personal values but also by the working environment created by the leadership’.

Codes of ethics will be useful only to the extent that people can understand them. Some firms have therefore invested in training programmes. These can involve examining organisational values, presenting people with ethical dilemmas, analysing ethical issues, and weighing up the consequences of particular actions. Codes and training are important, but they also need to be implemented and adhered to. The values incorporated in the code can be incorporated in the firm’s performance appraisal system. This would imply that the firm’s marketing personnel, for example, would be evaluated not just on criteria such as sales or profitability but also on the ethical performance of their role.

Carrigan and Attalla (2001) found that while consumers remain largely uninformed about ethical behaviour by firms, they are willing to purchase ethically but do not want to be inconvenienced in doing so. Very often, price, quality and value outweigh ethical criteria in consumer purchase behaviour. Carrigan and Attalla suggest that, in order to be persuaded to buy, consumers need to be convinced that their purchase behaviour can make a difference in ethical terms.

There is some evidence that marketers who highlighted their ethical principles enjoyed positive results. The increase in sales of Fairtrade products in Ireland is an example.
FAIRTRADE

In 2009 sales of Fairtrade products in Ireland were €118 million, an increase of 27 per cent on the previous year. One of the contributors to this growth was Cadbury Ireland which completed the conversion of its Dairy Milk and Dairy Milk Buttons products to Fairtrade certified raw materials. Nestlé had also converted its KitKat raw materials to Fairtrade and worldwide sales of Fairtrade products increased by 37 per cent to $1.1 billion.

Fairtrade products ensure that growers and producers, who are mostly located in poorer countries, have received a fair price for their output. In addition, Fairtrade ensures that a percentage of sales is used for development and educational projects in the producer’s area.

In Ireland, Fairtrade products are sold in most supermarket chains. In 2006 Marks and Spencer switched its entire range of coffee to Fairtrade and planned to do the same for its tea. The Thomas Read group, which operated a number of bars, sourced all its coffee from Fairtrade, while O’Brien’s Irish sandwich bars changed its tea products to Fairtrade in March 2006.

Research carried out by Fairtrade in Ireland revealed that 44 per cent of adults recognised the Fairtrade logo.

In October 2005, Nestlé launched the Nescafé Partners’ Blend, which carried the Fairtrade mark. This indicated that the coffee had been bought from democratic smallholder organisations and traded according to agreed Fairtrade standards. The coffee came from five co-operatives of small producers in El Salvador and Ethiopia. Given that coffee is a commodity product, many producers had been experiencing difficulties because of price volatility. In addition to coffee, Fairtrade products include tea, chocolate, sugar, bananas and other fresh fruit, juices, honey, cakes, preserves, nut oil, wine, roses and footballs.


A study by Low and Davenport (2005) highlighted some of the reasons for the success of Fairtrade. They pointed out that the Fairtrade distribution system had shifted from one that relied on alternative distribution channels to one that is increasingly reliant on the commercial mainstream. They concluded that the marketing of Fairtrade through mainstream distribution channels has been the major success and the major challenge for the fair trade movement over the past decade. Success has come through increased sales but challenges are apparent if commercial businesses are able to appropriate and control the Fairtrade brand. The researchers pointed out that the marketing of Fairtrade has shifted from being about international trade reform to one about ‘shopping for a better world’.
MARKETING PRACTICE IN IRELAND

We have examined the nature of marketing and looked at how it has evolved as a theory. It is also useful to consider how marketing practice have evolved in Ireland.

As in other countries, marketing as a specific function began to appear in Irish companies in the 1950s. The following table presents a chronology of some of the important developments since then. Marketing was not a completely new idea: there were many firms that had always been marketing-oriented; what was new for most firms was the establishment of a specific marketing function. This was spurred on by the post-war development of domestic and international markets.

Table 1.1: Some important developments in marketing in Ireland

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>1952</td>
<td>Córas Tráchtála is established.</td>
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<td>1962</td>
<td>Marketing Institute of Ireland is established.</td>
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<tr>
<td>1965</td>
<td>Sectoral Committee on Industrial Organisation criticises marketing practice.</td>
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<tr>
<td></td>
<td>Anglo-Irish Free Trade Area Agreement opens the way for increased competition.</td>
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<tr>
<td>1968</td>
<td>Federation of Irish Industry expresses concern about lack of prominence of marketing.</td>
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<tr>
<td>1973</td>
<td>Ireland joins the European Economic Community, implying more competition.</td>
</tr>
<tr>
<td>1982</td>
<td>Telesis Report on Industrial Policy considers marketing to be a major weakness in Irish companies.</td>
</tr>
<tr>
<td>1984</td>
<td>Ireland and Marketing report leads to debate about the state of marketing practice.</td>
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<tr>
<td>1987</td>
<td>First Minister of State for Trade and Marketing is appointed.</td>
</tr>
<tr>
<td>1992</td>
<td>Culliton Report suggests specific marketing initiatives.</td>
</tr>
<tr>
<td>1997</td>
<td>Research by the Marketing Institute demonstrates that marketing will become more influential in Irish companies.</td>
</tr>
<tr>
<td>2000</td>
<td>International Superbrands Organisation establishes a council in Ireland.</td>
</tr>
<tr>
<td>2004</td>
<td>The Enterprise Strategy Group recommends the development of international marketing and sales expertise to bring enterprise in Ireland closer to customer needs.</td>
</tr>
<tr>
<td>2010</td>
<td>The report Innovation Ireland, prepared for the Irish government, makes a number of recommendations about the role of marketing in fostering innovation and product development in Ireland.</td>
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</table>

In 1952 Córas Tráchtála, which had been established to promote the export of Irish products, employed American consultants to assess the export potential of some firms. They concluded that the firms should not try exporting, because they had not got quality products and had no inclination to take risks. The report also identified marketing as a weakness in the companies they studied (Ward, 1987).

In 1962 the Marketing Institute of Ireland was founded as a representative body for marketing practitioners. Its role involved representing, lobbying, and developing marketing practice. A significant aspect was education and training; this was particularly necessary in the 1960s and 1970s, when many managers had no formal marketing training or education. In 1965 the Sectoral Committee on Industrial Organisation confirmed this when it reported...
that there were management deficiencies in many firms, inadequate training, inadequate marketing, and poor marketing arrangements.

Also in 1965 the Anglo-Irish Free Trade Area Agreement was signed. As a result, Irish firms had to deal with increased competition. Many were unable to cope.

Marketing was still a serious weakness. In 1968 the Federation of Irish Industry was expressing concern that marketing had not been given the prominence it deserved.

Ireland joined the European Economic Community in 1973. This resulted in more competition in the home market, and also opened up greater export possibilities. In the 1970s and 1980s exports rose rapidly and firms came to appreciate the role of marketing and the need to keep in touch with the consumer, especially in markets both physically and culturally removed from the home market. They were reminded of this in the Telesis Report on Industrial Policy (Telesis Consultancy Group, 1982), which identified marketing as a central weakness in Irish firms.

A government report, _Ireland and Marketing_ (Consultative Committee on Marketing, 1984), criticised poor marketing performance by companies and stated, that Ireland needed to market its products more effectively for economic growth and survival. The report stated that the failure of firms to adopt a clearly stated, strategic marketing orientation was a fundamental weakness in marketing practice. Following the publication of this report there was much discussion on the nature and role of marketing in Irish business (Condon, 1985; Cook, 1987). This was important, as it drew companies’ attention to the importance of marketing and the role it should play in the firm. Interesting analogies were drawn; one leading academic asked the question, ‘Where are our marketing samurai?’ which reflected something of the state of marketing practice at the time and the need for change (Cunningham, 1987).

In 1987 the government appointed the first Minister of State for Trade and Marketing. This was a recognition of the important role played by marketing. The Culliton Report (1992) emphasised the importance of developing marketing skills in Irish business and suggested that specific marketing initiatives be taken in the food sector.

In 1997 the Marketing Institute of Ireland commissioned research into companies’ attitudes to marketing. This showed that more than 80 per cent of companies had a more progressive attitude towards marketing than had been the case five years earlier.

In 2000, the International Superbrands Organisation—a representative body of marketing academics and professionals from the United States, Europe and Asia Pacific—established a council in Ireland (Butler, 2001). This was an indication that Ireland already possessed brands that had enjoyed success in global markets and had brands that were capable of future development.

Reporting to the government in 2004, the Enterprise Strategy Group recommended that the Irish enterprise community must develop, and be supported in growing, its capabilities in market intelligence, international sales, promotion, sales and strategic management. They recommended that Enterprise Ireland develop a more focused approach to export intelligence and promotional activities. They also recommended the establishment of a five-year programme to place 1,000 graduates and internationally experienced professionals in Irish firms to augment the stock of national sales and marketing talent.

In 2010 the Innovation Ireland report, a wide-ranging report on stimulating innovation in Ireland, recommended that the country should build on its existing IDA international
marketing campaign to attract international entrepreneurs to Ireland; it also recommended that a single brand identity, based on innovation in Ireland, should be developed. The report considered that Ireland should be marketed internationally as an international marketing services centre. Other recommendations were made in relation to education, state support, and new product development.

A chronology of the development of marketing gives some idea of what has happened over time. It also emphasises the need for firms to keep abreast of change. Customers’ needs can change, and firms must be able to change in response. Marketing is therefore a discipline that requires flexibility and adaptability, not least when it comes to planning for the future.

The Flahavan’s and Kelly’s Hotel approach to business has not been replicated by all firms in Ireland. As various reports and commentaries have shown, Ireland has been slow to develop marketing practice. There are a number of reasons for this. Protectionism tended to result in a market with few competitors and limited consumer choice. Industrially there may have been an overreliance on foreign direct investment and a slow development of indigenous industry.

Many foreign-owned companies established factories in Ireland but carried out their marketing activities elsewhere. As a result, there were few opportunities for managers to develop their marketing skills. Marketing education and training did become a strong feature of the third-level educational system and other relevant educators, such as the Marketing Institute and the Irish Management Institute, particularly since the 1980s. Firms in the 1960s and 1970s would not have experienced the benefit of this to the same extent as their counterparts in the 1990s and 2000s. In the years ahead, what are the likely challenges that marketers will face?

MARKETING CHALLENGES

The future is always uncertain. Ireland entered the new century as part of a growing and strengthening European Union. The opportunities to develop markets within and outside the European Union are substantial. There are also competitive threats; firms that cannot change and adapt will face difficulties. Those that maintain close links with their customers and markets should be better prepared for the challenges that will emerge.

It has been argued that in the 1980s and early 1990s marketing lost some of its strength by overt functionalism and a concentration on the tactical rather than the strategic (Doyle, 1995). While it is important that marketing functions such as promotions and distribution are carried out effectively, it is equally important to consider the strategic perspective. Doyle proposed an approach to marketing management based on internal and external networks. He argued that a marketing approach based on what he considered to be the core processes of innovation, operations, and customer support is necessary for marketing to remain at the core of the business. It is easy for businesses to lose sight of the core policy of marketing and to concentrate on functions or particular aspects of the business. New technological developments, for example, may mesmerise, but firms should be careful to avoid falling into a situation where they cannot see the wood for the trees.

The management of marketing will change. The marketing policy will not change, however. Customers will still be at the centre of the business. The way in which those customers are served, the products or services they buy, and how the firm may communicate
or deliver to them may change. Marketers will therefore need to keep abreast of environmental developments. Technological change may be particularly important; the guiding principle, however, will remain the same.

In chapter 3 we will consider some of the issues in the business environment with which marketers will have to contend.

MARKETING AND ENTERPRISE

The interface between marketing and entrepreneurship is significant. Marketing plays a crucial role in the creation and development of enterprise. All aspects of marketing practice have one common denominator: they are all part of the value-adding process, whereby firms add value to serve the needs of consumers.

This value-adding process essentially describes what the business does. It therefore includes the development of new and improved products, entrepreneurship, and innovation. Marketing practice also involves the creation and development of specialist marketing enterprises that service other firms, for example advertising agencies and market research companies. Marketing and marketing practice can therefore provide opportunities for new business ventures. (The critical role of marketing in enterprise development is further explored in chapter 2.)

THE NATURE OF MARKETING MANAGEMENT

Marketing management is concerned with how the different elements of marketing are organised, planned, and controlled. It describes what the businessperson or marketing personnel actually do. These activities can range from carrying out marketing research, developing communication campaigns and selling to the development of marketing strategies to take the firm successfully into the future.

This book introduces the principal elements of marketing in relation to the decisions the marketer has to make. These decisions are based on an understanding of the concepts underlying marketing, which ultimately revolve around understanding the customer. The marketer will therefore need to appreciate the forces at work in the marketing environment and understand the nature of consumer behaviour. Marketing research will be vital in doing this.

Decisions will be made on segmenting markets, on selecting particular segments, and on how best to position products. Marketing planning prepares the business for the challenges in the market. Management of the marketing mix, which includes four elements—the product, price, promotion, and place—is a significant aspect of the marketer’s role. Marketing practice may need to be adapted to suit what the marketer is marketing. The nature of services marketing, business-to-business marketing, international marketing and marketing for non-profit organisations is also important.

In exploring the nature of marketing management it is useful to examine the relationships between marketing, customer service, and quality. The three are interrelated concepts, as fig. 1.3 demonstrates.

Marketing, customer service and total quality management therefore have one crucial factor in common: understanding the needs of the customer. In the following section the broad nature of customer service and total quality management is described.
CUSTOMER SERVICE

Customer service has been defined as all the features, acts and information that augment the customer's ability to realise the potential value of a core product or service (Davidow and Uttal, 1989). Customer service is therefore a vital competitive tool that can be used to differentiate a business from its competitors.

Customer service requires successfully matching customers' needs with the company's abilities. This requires segmentation of customers' service needs. In the case of airlines, for example, the service needs of frequent business travellers may be very different from those of the infrequent flier looking for special offers. The airline needs to determine the needs of each segment and match these needs with the required level of service. Customer service strategy also requires that the business maintains a customer-service focus, not losing sight of the importance of the customer. In more recent times, increased prices for many products and services were not always accompanied by increased levels of customer service, suggesting that this was an area where improvement was required.

QUALITY

Quality is defined as fully satisfying agreed customer requirements at the lowest internal price. Quality theory owes its origins to several researchers and management writers, most notably, Deming (1986), Juran (1989), and Ishikawa (1985). The Japanese led the way in the 1970s and 1980s. Japanese products made huge inroads in many markets. The main strategy of the Japanese was quality and price competition. Consumers certainly approved and, in many product categories from cameras to cars, responded with increased demand for Japanese products.

Many companies were unable to withstand the challenge; the survivors realised that they would have to compete on quality. Quality management grew from this need. It describes an approach to business which looks critically at the products and services a company produces in relation to the processes it takes to create them and the people who do the work to make certain that outputs fully satisfy agreed customer requirements (Bank, 1992).
Marketing, customer service, and quality: the implications for marketing management

Marketing, customer service and quality have a common theme: an understanding of the customer. In fig. 1.3 this is illustrated where the three sets intersect. In addition, marketing intersects with customer service, customer service with quality, and quality with marketing. Marketing managers need to appreciate these interfaces.

This brings us back to the concept of relationship marketing, which brings together all three elements (Christopher, Payne, and Ballantyne, 1992). Relationship marketing encompasses all the activities before, during and after the sale of the product. Customer service helps create bonds with customers and other markets or groups to ensure long-term relationships of mutual advantage. The provision of quality customer service involves the marketer understanding what the customer needs and determining how to serve that need with a value-added product.

In his book, Feargal Quinn (1991) emphasises the importance of listening to the customer—a fairly common-sense approach to understanding customers' needs but one that not every firm follows. He also considers it important to create more customer complaints, which may not at first glance appear to be an ideal tactic. However, customers' complaints provide an opportunity to learn. If the customer has taken the trouble to complain, it is in the business's interest to react; if they don't, or do so badly, the customer is unlikely to return. A complaint may ultimately turn into a dissatisfied customer only if you let it. It is therefore important that complaints are welcomed and acted upon. The potential for negative word-of-mouth reputation from customers who have complained and were treated badly, or indeed customers who did not complain because they felt it was pointless, is significant.

It is important to note that good service for customers is not about surface-level or cosmetic issues: it must emanate from a core strategy. This must be supported internally in the firm, which demonstrates the need for integrated systems so that all departments are aware of and have access to the information required to deliver good service (Knutton, 1996).

JUMPING ON BANDWAGONS

One of the difficulties inherent in a discipline such as marketing, where new ideas and concepts are evolving rapidly, is determining the appropriateness of these for the company and its customers. There are dangers inherent in merely being a follower rather than assessing the relevance of particular actions for the company and its customers. In the rush to apply the principles of relationship marketing, for example, or to design customer loyalty schemes or develop a website, companies should be careful not to lose sight of the customer's needs. Levitt (1975) warned of avoiding marketing mania, in other words becoming obsessively responsive to every passing whim of the customer.

Marketers also need to avoid alienating customers with reactive approaches to environmental changes. The development of the company-customer relationship needs to be carefully managed, and unwanted advances, for example in the name of relationship marketing, should be avoided (Griffith, 1998). Judgment should also be used in assessing new marketing tools or techniques. The pros and cons should be evaluated before decisions are made.
In this chapter we have considered the nature of marketing and the concepts that underpin it. As we have seen, the activities of marketers often generate controversy—consider for example the debate about marketing alcohol and the influence that marketing activities have on teenagers and young people in particular.

### THE MARKETING OF ALCOHOL TO TEENAGERS AND YOUNG PEOPLE

Three out of every 10 teenagers between the ages of 16 and 17 in Ireland has viewed an alcohol advertisement online, according to research carried out in 2010 by Behaviour & Attitudes, and commissioned by Action Alcohol Ireland, a charity that seeks to recognise and challenge the harm that alcohol does. The charity states that it is not anti-alcohol, but is anti the harm that alcohol can do.

When the same peer group was asked what its favourite television advertisements were, five of the top 10 advertisements noted were alcohol related. In 2010 a National Substance Misuse Strategy was being developed in Ireland and there was pressure on the government to end alcohol sponsorship in sport. This follows similar moves in France in recent years, and coincided with an ongoing debate in the UK about whether or not to curtail the activities of the drinks industry in sponsorship, advertising, and marketing.

Alcohol is one of the most heavily marketed products on our shelves. The alcohol market in Ireland was worth over €6 billion in 2010. Several research studies have established that alcohol advertising increases the likelihood that some young people will start drinking earlier, and those who are already drinking will drink more. The World Health Organization, in its strategy to reduce alcohol-related harm, cites alcohol marketing and pricing as key action areas for delivering change.

In 2009 more than €68 million was spent on advertising both alcoholic and non-alcoholic drinks products in Ireland using traditional advertising techniques. Diageo spent more than €18 million on advertising, while Heineken spent more than €11 million.

A 2010 report by the Working Group on Sports Sponsorship by the Alcohol Industry, convened by the Department of Health and Children, concluded that it ‘had not been possible’ to establish the full financial extent of the existing sponsorship of sports events by the alcohol industry, or the terms and lengths of existing contracts. The report went on to state that the financial contribution to sport in Ireland is ‘very significant’.

However, any debate that focuses solely on traditional advertising models, such as television or print, is in danger of failing to tackle growing online marketing techniques. Dr Patrick Kenny, a lecturer in the School of Marketing in DIT, makes the point that younger people can now be accessed easily through their online activities. ‘From a marketer’s point of view, the online world is a dream, as you can get people to engage with your brand and start promoting it on Facebook or Twitter or whatever. If you go and ban TV advertising on its own, then I believe alcohol marketing budgets will be pushed into other areas, which are harder to regulate.’
Professor Gerard Hastings, Director of the Institute for Social Marketing in Scotland and a leading expert on alcohol marketing, is also of the belief that we must look at alcohol advertising. ‘The attempt to get across moderation messages are being drowned out in a cacophony of messages in all sorts of media encouraging young people to consume alcohol in every possible way and time,’ he says.

In recent years, particularly since 2000, more responsible television campaigns and warnings (such as the ‘Don’t see a great night wasted’ promotion) have begun to appear. Surely this is evidence of the drinks industry taking its responsibilities on board and pursuing a more health-conscious agenda?

‘The only way to sort the problem in Ireland and Britain is by reducing per-capita consumption,’ says Professor Hastings, ‘yet the industry doesn’t buy into that analysis at all. We should recognise corporate social responsibility (CSR) programmes and advertisements for what they are. It is not Mother Teresa territory. They use these campaigns to improve and enhance corporate image with policymakers, so that they can be part of the solution. Diageo’s raison d’être is to enhance shareholder value, let’s not forget that.’

Restrictions aimed at reducing the exposure of children to alcohol advertising came into effect in 2008. The Codes on Alcohol Advertising, Placement and Sponsorship were agreed between the drinks industry and the Department of Health. Print and digital media, including social networking sites, came under the codes for the first time.

The code imposed a limit on alcohol advertising to 25 per cent of advertising space in any media at any time. Advertising drink on media where more than 25 per cent of the audience is under 18 is banned. There is also a ban on sponsorship by drink companies of sports events where participants are under 18. Placing ads on television between 6 a.m. and 10 a.m. is prohibited and the amount of advertising per viewing in cinemas has been reduced by 15 per cent.

At the time the restrictions were introduced the Drinks Industry Group of Ireland, a representative body for the marketers of alcohol, said that the measures would seriously restrict the amount of alcohol advertising and that they would be very challenging for the industry.

Two years later, a report in the Irish Medical Journal found that female students appeared to be binge-drinking at least as often as their male counterparts and would sometimes match them drink for drink. The study, by UCC’s student health department, expressed concerns at the changing drinking behaviour of female students. It found that almost 45 per cent of students surveyed at UCC’s health centre went binge-drinking once a week. A binge was defined as at least four pints or a bottle of wine, or its equivalent, in a single sitting.

More than eight students in 10 said they had binged in the previous year. Some 45.5 per cent of male students said they had binged more than once a week compared with 44.5 per cent of female students. The Clan life-style survey conducted in 2002–2003 found that the male–female binge-drinking ratio was 60–40.

‘Females are drinking similar numbers of measures of drinks as males which is a particular concern given that the recommended maximum weekly alcohol intake for females is only two-thirds recommended for males [14 units versus 21 units a week],’ the study said.
When females drank spirits, they had an average of five a session while males drank 4.7 measures. With beer and cider, males drank an average 4.5 pints compared with women's 3.7 pints.

Nearly one in four male drinkers said they had been in a fight as a result of their drinking and one in 10 students reported unintentional or unprotected sex as a result of alcohol. Men were more likely to have been abused or assaulted because of someone else's drinking, while women were more likely to have arguments about someone else's drinking.

The study recommended that alcohol and drug groups be set up in every third-level institution.

Speaking in 2010, Ireland's Chief Medical Officer, Dr Tony Holohan, summarised the medical and social evidence:

Alcohol, even in small amounts, increases the risk of cancer of the mouth, oesophagus, breast, colon, liver and pancreas. On the other hand, alcohol in very low quantities spread over time may indeed have a protective effect against cancer and cardiovascular disease. However, higher levels consumed over shorter periods, not only have no protective effect against heart disease but in fact increase the risk. Alcohol, even at moderate levels, can lead to injury and death in the short term from accidental and non-accidental injuries. Alcohol can cause a wide range of family problems from marital breakdown to child abuse and domestic violence. Children of alcoholic parents can suffer the effects of alcohol throughout their lives. Alcohol leads to loss of work productivity and absenteeism and is associated with crime.

Dr Holohan pointed out that over 10 per cent of all general in-patient hospital costs, 14 per cent of psychiatric hospital costs, 7 per cent of GP costs, and up to 30 per cent of emergency department costs are a result of the effects of alcohol. For 2007 the total costs imposed by alcohol on the public health care system were €1.2 billion. Dr Holohan considered that Ireland is:

...a country with a proven track record of an ability to change our ways for the improvement of our society. We have shown for example, in relation to cigarettes, that we put the health of our population first. We led the world in terms of regulatory and pricing measures to control consumption of tobacco. We have acted decisively and gained significant success in our fight against smoking which has reduced from 46% and 36% of men and women smoking in the 1970s to 31% and 27% of men and women respectively, currently smoking. If we were able to achieve success to the extent that has been achieved in road safety i.e. a reduction of harm of 30% we would save 30 lives per month, 600 overnight hospital admissions per day and a cost saving to the exchequer of €1 billion.

DISCUSSION QUESTIONS
1. Lawther, Hastings and Lowry (1997) described the idea of ‘de-marketing’. Do you think it is time to de-market alcohol in Ireland?
2. What need does alcohol satisfy? What need does over-consumption satisfy?
3. Using the concepts of marketing, elaborate on how they relate to alcohol.
4. Does the debate about the marketing of alcohol in Ireland represent a threat or an opportunity to the marketers of alcohol?

FURTHER READING

DISCUSSION QUESTIONS
1. Explain why not all organisations are marketing-oriented. List examples of organisations you would consider to be very customer-oriented and some that are not.
2. Research by the Marketing Institute (page 28) suggested that more importance should be given to marketing. State why you think marketing will become more important.
3. Is there an inherent conflict between the concepts of marketing and ethics?

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Telesis Consultancy Group, A Review of Irish Industrial Policy (ESRI report no. 64), Dublin: Economic and Social Research Institute 1982.
Chapter 1 drew attention to the importance of understanding customers’ needs. Understanding needs is a fundamental starting point for establishing a new business venture or developing an existing business. If a firm gets into difficulties, marketing will also play a role in the refocusing and turnaround efforts. Firms exist to serve needs, and an understanding of marketing is required if the firm is to understand these. The survival and development of a business will ultimately depend on its ability to serve market needs.

The formation and development of enterprises is important for Irish society, as it creates wealth and provides jobs. Historically, the establishment of new indigenous business ventures has not met the needs of society in job creation and economic development. As a result, state involvement and foreign direct investment have been significant. In the past two decades there has been some evidence of change. Greater encouragement has been given to indigenous enterprise in the form of support services available from both the public and the private sector. Marketing will be fundamental in any attempts to increase the level of entrepreneurial activity in Ireland. Marketing can help identify unserved needs in both the domestic and the international markets. It will play a role in researching those needs and developing, communicating, and delivering the product to these markets.

As the firm grows and develops, marketing will continue to be a vital feature. In subsequent chapters the principal elements of the firm’s marketing management and practice are described and illustrated. Activities such as marketing research and the development of new products play an important role in continuing business success.

Marketing is also important if the business faces difficult circumstances, such as recession, declining sales, or performance difficulties. The firm may require a complete turnaround. In this chapter we explore the links between marketing and enterprise development and examine the role of marketing in achieving continued business success.

This chapter seeks to define the nature of entrepreneurship and intrapreneurship; to demonstrate the importance of entrepreneurship and intrapreneurship to Irish society; to evaluate the link between marketing and entrepreneurship and intrapreneurship; to describe the sources of new business ideas; to explain the role of marketing in enterprise development; and to analyse the role of marketing in corporate turnaround.
THE NATURE OF ENTREPRENEURSHIP AND INTRAPRENEURSHIP

Entrepreneurship is the fundamental principle underlying the establishment of most business and commercial activities. It is the process of organising, operating and assuming the risk of a business venture (Low and MacMillan, 1988). It typically characterises the start-up of small business operations. Intrapreneurship describes the initiation of ventures within a larger firm. The concepts and practice of marketing are inseparable from both entrepreneurship and intrapreneurship.

Both entrepreneurship and intrapreneurship are necessary for the creation, growth and development of business. In Ireland, economic commentators have considered that there is a weakness in entrepreneurship. This has largely been ascribed to cultural and historical factors, which it is felt discouraged or inhibited enterprise. Entrepreneurs apply marketing practice to research, develop and manage their enterprises. Marketing is a requirement for continuing success.

Intrapreneurs, while not assuming the risk of the business venture, will also apply marketing practices, such as research, product development, the generation of ideas, and innovative promotional and communication campaigns.

ENTREPRENEURSHIP AND IRISH SOCIETY

Successive economic commentaries on the Irish state since independence in 1922 have demonstrated the need for enterprise. Whether through direct state involvement or the encouragement of indigenous enterprise, the importance of the concept has long been recognised and has become a significant aspect of economic policy. In the 1980s the Telesis Report (1982) on industrial policy recommended that more support be given to indigenous enterprise. In the 1990s the Culliton Report (1992) also recommended that more support be given to indigenous entrepreneurs.

In November 2004, Forfás published a review of the sales, marketing and innovation capabilities of Irish exporting SMEs. The review highlighted a number of pertinent findings in relation to marketing and enterprise development in Ireland:

- SMEs find it difficult to source suitable qualified and experienced sales staff
- third-level marketing and sales courses are not sufficiently aligned to SME needs
- SME sales personnel receive insufficient sales and marketing training
- sales management, marketing planning, and new product development are key areas for improvement
- market research capabilities need to be strengthened
- scope exists for improved use of information technology
- corporate branding and promotion are lacking in many SMEs.

The Enterprise Strategy Group, which had also reported in 2004, felt that, overall, firms in Ireland needed to complement their existing production and operational strengths with new capabilities, specifically:
developing expertise in international markets, to promote sales growth
building technological and applied research and development capability, to support the
development of high-value products and services.

This group made a number of recommendations on how they felt these things could be
achieved.

Entrepreneurship is encouraged because of the role that entrepreneurs play in society.
This role can be broadly summarised under three headings: innovation, job creation, and
linkages.

Innovation

Entrepreneurs and intrapreneurs foster innovation. They may create products and processes
that are new to the world, or make developments and improvements to existing ones. By
using their ideas, skills and resources they are an engine for economic growth. Many
products that we use every day as consumers or for our work—such as calculators,
microwave ovens, and personal computers—were originally developed by entrepreneurial
or intrapreneurial minds. Innovations and treatments in health care have contributed to
longer life expectancy; again, many of these were the result of entrepreneurial and
intrapreneurial activities. In 2010 the Innovation Ireland report produced 24
recommendations on ways that innovation could create over 100,000 jobs in Ireland.

INNOVATION IRELAND

The Innovation Ireland report published in March 2010 contained 24 key
recommendations, and an additional 38 supporting proposals, to transform Ireland into
an ‘international innovation hub’.

It calls for innovation and entrepreneurship to be placed at the heart of enterprise
policy and says that Irish culture needs to stop stigmatising business failure.

Among the main recommendations included in the report are: the implementation
of a more efficient approach to identifying and accessing intellectual property arising
from public research investment; investing 3 per cent of gross domestic product in
research and development; the creation of a national network of angel funds to invest
in early-stage companies; the attraction of new investment and the consolidation of
existing foreign-direct investment; the introduction of additional measures to promote
the study of maths and science; the creation of placement schemes in companies for
both graduate and undergraduates; and the marketing of Ireland as a leading innovation
location and destination of choice for European and other overseas investors. While
no specific details of the costs involved for each recommendation were contained in
the report, it did classify them as cost neutral, low cost or high cost.

Each recommendation was accompanied by one of four ‘timeline’ indications:
‘immediate’, which indicates that action should be taken within three months; ‘short-
term’, which refers to an implementation period of less than a year; ‘medium-term’,
which indicates a timeframe of one to two years; and ‘long-term’ which suggests a
realisation period longer than two years.
The report states that regular reports on the progress of the implementation of recommendations should be prepared for consideration by the government and for publication.

One of the stated aims of the report is that, by 2020, Ireland will have a significant number of 'large, innovation-intensive companies, which are Irish headquartered and owned'. The taskforce also stressed the importance of fostering indigenous entrepreneurial enterprises, rather than focusing solely on multinationals, which already have a strong base here.


An example of one Irish company that had been putting some of the ideas of the taskforce into action is Treemetrics.

TREEMETRICS

Treemetrics is a software producer that enables tree producers and saw mills to measure the standing trees in a forest before calculating the timber yield per tree. Prior to the development of the firm’s software, this had to be done manually or after the tree had been cut down, which was less accurate and often meant that trees were cut before they had reached optimum yield levels.

Treemetrics was formed in 2005 by two entrepreneurs, Enda Keane and Garret Mullooly, who developed the software which enabled the scanning of a tree in the forest and the production of a 3D image to calculate the timber yield. The software could therefore be used by both forest owners and saw mills. Both men had worked in the forestry sector and had spotted the opportunity for the new product development based on their work experience.

Some of the advantages of the software are that it reduces measurement costs by 75 per cent, can predetermine the product assortment in the forest (type of tree) and can maximise product recovery in the forest and the saw mill. This enables producers and processors to maximise their commercial and ecological returns.

The firm received support from Enterprise Ireland and has established a link with University College Cork to further its software research and development.


Job creation

In general, smaller business and commercial ventures tend to create more jobs than larger ones. There are more small business and commercial firms than larger ones. With regard to state support and grants it is estimated that jobs can be generated in small businesses at a much lower cost per job than in larger companies. Many smaller businesses operate in areas where large-scale job developments may be rare but where even a small number of jobs can prevent significant depopulation. Consider the example of Ireland’s speciality food producers.
The estimated turnover of Irish speciality foods companies was estimated to be €475 million in 2005. The majority of producers (80 per cent) were based in Munster and Leinster. Many of these small enterprises are established in areas where there may not be significant job opportunities. Some are in rural areas where there may have been some depopulation.

Speciality foods are a niche in the food industry with products that appeal to discerning buyers. Examples include: James McGeough, a butcher from Oughterard, County Galway, who produces air-dried beef and lamb; Fíor Uisce premium spring water from Tourmakeady (one of only two Irish bottled waters that was licensed for sale in the United States); and Danucci artisan chocolates from County Louth. One of the biggest challenges for speciality food producers is gaining distribution. One Cork firm—the Alternative Pizza Company—secured distribution with Superquinn for a range of premium pizzas, including one with a Clonakilty black pudding topping. Other companies have managed to secure distribution with up-market food retailers, such as Selfridges and Fortnum and Mason in London, that concentrate on selling speciality foods.


**Linkages**

Many small business ventures establish linkages with larger firms, for example to supply raw materials, components or services that the larger undertaking may need, such as catering, transport, or security. Many channel members will be small businesses with linkages to larger manufacturers or service providers. These satellite businesses create jobs and contribute to the success of the larger firm; they are a source of information to larger businesses. They may have direct contact with customers, and any innovation they engage in will ultimately benefit the larger firm. The recycling firm Greyhound, which originally began life as a refuse collection service, has broadened its business so that it provides a more sophisticated and value-added recycling service for its mainly business customers.

**GREYHOUND RECYCLING**

Greyhound Recycling operates the largest recycling plant in Ireland. Opened in Clondalkin in 2005, the plant uses state-of-the-art technology to separate paper, metal and plastic waste into distinct groups. The segregated waste is then repackaged and sold on to be used again by manufacturers. Much of the recycled material is exported to Europe and China where it is used as raw material in the packaging and consumer goods industries.

Greyhound is a family-owned business run by three brothers, Brian, Michael, and Stephen Buckley. Originally, the company provided a service transporting waste to landfill sites. Increases in the volume of waste generated in Ireland and targets of
reducing the amount of waste dumped in landfill sites provided Greyhound with an opportunity to develop its business activities. Waste, according to Greyhound, is a commodity that can command a price. Waste paper, for example, when properly segregated, can be sold as a perfect substitute for paper pulp used in the packaging and publishing industries. In addition, government plans require a reduction in landfill dumping of household waste of 50 per cent by 2013, and a reduction of 85 per cent in commercial waste dumping is also required.

In addition to waste separation the Clondalkin plant can convert waste cooking oil into bio-diesel, which is predicted to be a potential substitute for oil in coming years.

Greyhound provides its customers, mainly large commercial firms such as Diageo, with a waste audit, instructing them on how to separate their recyclable waste. They collect the material and the customer is paid for their waste.

The company has noticed changes in the public’s attitudes towards waste and recycling. Campaigns such as Reduce, Re-use, Recycle, and the plastic bag tax, have contributed to this. There is also increased awareness of environmental issues generally.


INTRAPRENEURSHIP

Intrapreneurs are enterprising individuals who work in successful organisations. This implies that, just as with entrepreneurs, there are enterprising traits and characteristics that the organisation can develop. The organisation has a role in the development of intrapreneurs in the form of support and encouragement.

Intrapreneurs share the traits of entrepreneurs and may indeed go on to establish their own business and become entrepreneurs. Intrapreneurs are typically people with good commercial insights. They are capable of understanding the forces at work in the business environment and are able to adapt to them. Intrapreneurs will spot opportunities and will usually possess innovative and creative abilities. They will have a capacity for analysis, implementation and control and will be good problem-solvers. It is likely that they will be good communicators and will have the ability to work with others.

Intrapreneurs will usually possess skills that suit them to marketing, communication and creative roles in the business. It is important for the firm to recognise the talents and intrapreneurial potential of individuals, as these can lead to mutually beneficial and profitable activities.

Intrapreneurship will take place within the firm, but its results will ultimately benefit society to the extent that they lead to the development of new and better products, increased employment, and employee motivation and satisfaction. Intrapreneurship may also involve the creation of linkages. Fundamentally, intrapreneurship should benefit the firm in growth, profit, and employee commitment and motivation.
Stimulating intrapreneurship

One of the issues with which large companies have had to contend is the promotion of an enterprise culture. It can certainly be argued that an enterprise culture in a firm is necessary for the marketing policy to thrive also.

Entrepreneurs will have a personal interest in the success of the venture. This personal interest may be harder to generate in large companies. Internal marketing can certainly play a role in the creation and support of intrapreneurship. Internal marketing describes the application of the marketing policy within the firm. (This is discussed in more detail in chapter 3.) The desired result is that employees serve the customers' needs and provide high levels of customer satisfaction. Internal marketing will only be successful, however, to the extent that the firm values and encourages it.

Strategic orientation and organisational style will be significant determining factors in encouraging intrapreneurship (Pearson, 1989). Strategy describes what a firm does to achieve its objectives, while organisational style describes the way in which the firm operates. (These are considered in more detail in chapter 7.) Strategic orientation and organisational style have implications for organisational success. In addition, Drucker (1994) pointed out that success in the stimulation of enterprise within the firm must lead to strategies that work in the external market. This emphasises the importance of not losing sight of the customer in any entrepreneurial or intrapreneurial activities.

The conditions required for intrapreneurship to flourish in the firm have implications for procedures, structures, management development, performance appraisal, and job content (Jansen and van Wees, 1994). Burnside (1990) suggested that there were a number of stimulants that would improve the corporate climate for creativity and therefore of enterprise. There were also potential obstacles. The stimulants included the person's fellow-workers, the allocation of resources, and the nature of supervision. Creating supports for creativity, an environment where challenges were encouraged, and creative freedom were also significant stimulants. Obstacles to creativity included insufficient time, a desire to maintain the status quo, internal politics, and the ways in which creativity was evaluated.

Innovation—the process of identifying, creating and delivering new product or service values that did not exist before in the market—is another important factor in the stimulation of enterprise. Together with creativity, it will also be significant in the success of the firm’s marketing efforts. Innovation is a prerequisite for enterprise creation and continued survival.

Innovation will be especially important for Ireland’s manufacturing sector in a business environment in which labour costs are often cheaper in other countries. Innovation means that the firm can develop products that have a competitive advantage.

The corporate culture prevailing in the firm should therefore encourage creativity and innovation, in addition to an understanding of customers’ needs. Corporate culture is the set of values that defines for members what an organisation stands for, how it operates, and what it considers important.

Corporate culture will therefore play an important role not only in encouraging enterprise but also in instilling a marketing orientation.
THE LINK BETWEEN MARKETING, ENTREPRENEURSHIP, AND INTRAPRENEURSHIP

The link between marketing and both entrepreneurship and intrapreneurship exists at two broad levels: the philosophical and the practical. Marketing as a philosophy, or way of thinking, implies putting the customer at the centre of the business. Ultimately both the entrepreneur and the intrapreneur have to acknowledge that there must be customers for their products or ideas. Putting themselves in the position of the ultimate customer is therefore a prerequisite for success.

One research study concluded that both marketing and entrepreneurship are opportunity-driven, value-creating processes that can be applied in a wide variety of situations (Morris and Lewis, 1995). These would include any exchange relationship. Marketers, entrepreneurs and intrapreneurs, regardless of the nature of their firm, will look for opportunities to serve customers’ needs.

At the practical level, the research, product development techniques, strategy, planning, and management of the marketing mix will be used by both entrepreneurs and intrapreneurs. In the case of the entrepreneur the responsibility for marketing will rest completely with him or her as owner. In the case of the intrapreneur the responsibility for marketing will probably be corporate and will usually be taken over by the marketing department within the firm. Corporate intrapreneurship, however, is not the preserve of marketers or the marketing department; intrapreneurship should be encouraged among all employees.

There is evidence that, with regard to personality traits, marketing and entrepreneurship are linked. Entrepreneurship can also be linked to other management functions within the business (Foxall and Minkes, 1996). Personality traits are any relatively enduring ways in which one person differs from another (Guilford, 1959). Those associated with entrepreneurship include a desire for autonomy, social independence, a high tolerance of ambiguity, and a propensity for risk taking (West and Farr, 1990). Researchers would also agree that traits such as a need for control and independence, achievement, persistence, and a positive self-image are also significant. Generally, money is a means rather than an end.

It is possible to suggest that some of these traits may also be required to be a successful marketing practitioner. Research has established that marketing and entrepreneurship are correlated but that marketing can exist independently of the innovative, risk-taking climate of the entrepreneur (Miles and Arnold, 1991).

Innovation, new-product development, and enterprise

Innovation, according to Drucker (1994), is ‘… the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service. It is capable of being presented as a discipline, capable of being learned, and capable of being practised.’

Rosenfield and Servo (1990) considered that innovation consists of three essential elements:

\[
\text{innovation} = \text{conception} + \text{invention} + \text{exploitation}
\]
This implies that an idea must not only be conceived but must be translated into a product and successfully sold in the market. The starting-point is therefore the generation of ideas.

**SOURCES OF IDEAS**

Ideas for new enterprises or products, or for improvements to existing ones, can come from a number of sources. There is a strong relationship between the development process of a new product and the establishment of new enterprises. The new-product development process—whereby ideas are translated into successful products—is commonly used by both entrepreneurs and intrapreneurs. (This is considered in more detail in chapter 7.)

Typically, entrepreneurial ideas come from individual work experience, domestic experience, hobbies and leisure interests, competitors’ offerings, market gap analysis, research and development activities, or import substitution. Intrapreneurial ideas may come from the same sources, though many companies devote considerable resources to research and development. Intrapreneurial sources may also include competitor analysis and market gap analysis.

**Individual work experience**

As in the case of Treemetrics, many ideas for new enterprises come from a person’s work experience. In the work setting, opportunities may emerge for new products or services or for improvements to existing ones. In addition, the experience the person gains in the firm, in applied skills or management expertise, will be beneficial if they establish their own enterprise.

**Domestic experience**

The home may be a source of ideas. We use many products and services in our homes, and many ideas for new products have come from people’s domestic experience, as the next panel demonstrates.

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**LIR CHOCOLATES**

Lir Chocolates is one of a number of successful handmade chocolate companies. It was established by Mary White and Connie Doody. The idea came from experimenting with handmade chocolates at home; the positive reaction from family and friends encouraged them to consider setting up a small business.

Lir competes in the high-priced segment of the handmade chocolates market. Its main sales outlets are Brown Thomas, selected Tesco, Superquinn and Dunnes stores, and duty-free shops at Dublin Airport. Thirty-four per cent of output is exported.

Hobbies and leisure interests

People’s hobbies and leisure interests can yield ideas for new ventures, as happened with the Cavan and Leitrim Railway Company, which began operations in 1994, one of a number of railway restoration projects in different parts of the country.

THE CAVAN AND LEITRIM RAILWAY

The original Cavan and Leitrim Railway Company was established in 1887 to provide a narrow-gauge passenger and freight service on a line between Drumod, County Leitrim, and Belturbet, County Cavan, with a branch serving coal mines in Arigna. Eventually taken over by CIÉ, the lines were ultimately deemed to be uneconomic, and in 1959 they were closed.

In 1994 a group of railway enthusiasts decided to establish a museum and working railway at the Drumod end of the old line. The old company was re-incorporated as a limited liability company. The original station building was bought and restored, along with the engine shed, platforms and other buildings that had been abandoned in 1959. Track was relaid for about half a mile on the route of the former line, and the company began to offer trips using historic engines and carriages.

Finance for the venture was provided from the EU Interreg programme, the International Fund for Ireland, and private donations. The railway proved popular with tourists and school tours and was promoted as an interactive experience for visitors. This experience included a trip on a restored train and a guided tour of the company’s workshops, where various items of rolling stock were in the process of being restored. Eventually the company hoped to fully restore the railway line to Mohill, approximately five miles away.


Analysis of competitors

Observing competitors and analysing their product or service offerings can yield ideas for improvements or alternatives. Obviously, competitors’ products cannot be directly copied, but they can provide ideas for variations. In many competitive markets firms will closely follow competitors’ activities, and there may be scope for improving or building on what they have done.

Market gap analysis

Market gap analysis involves examining the market for unserved segments or niches. It is a common method used by marketers to find opportunities either for new or existing products. An increase in the number of large-scale events in Ireland was to prove the catalyst in the establishment of Ryan’s Cleaning Event Specialists.
EVENT CLEANING

Ryan’s Cleaning Event Specialists was founded by Pat Ryan, who spotted an opportunity to establish a business providing a clean-up service after big events such as concerts and race meetings. The firm’s first big contract was cleaning up after a concert at Slane Castle. In 2006 Ryan’s had contracts to clean up after the Oxegen festival at Punchestown, the Galway races, and the European Open and the Ryder Cup at the K Club. The Oxegen contract was worth about €400,000 to the company. Its biggest contract was the opening and closing ceremonies of the Special Olympics in 2003.

The business started as a one-man operation. ‘I remember moving the whole family to Slane for a week to help with the clean-up of the concert there,’ says Pat Ryan. The company started offering its service in the UK, where it had a contract to clean up after the V festival. It has invested about €3 million in specialist equipment.

About 90 per cent of turnover is generated from big events, but the company also cleans up after small private events, ‘You’d be surprised at the number of people who are getting married in their back gardens these days,’ says Ryan.


Even in markets that are dominated by large firms, opportunities may emerge for entrepreneurs to compete in niches.

NEW PRODUCTS CHALLENGE MARKET LEADERS IN THE BEER MARKET

While three large brewers—Guinness, Heineken, and Beamish and Crawford—dominate the Irish beer market, opportunities have also emerged for smaller brewers. In the late 1990s a number of micro-breweries were established; by 2000, they held 1 per cent of sales in the beer market but believed that this could increase to the 5–7 per cent that such craft beers enjoy in other European countries.

In Dublin, three micro-breweries—Porterhouse, Messrs Maguire and the Dublin Brewing Company—began producing stouts and ales; in Clare, the Biddy Early Brewery produces stout, ale, and lager; and in Carlow, the Carlow Brewing Company produces a range of lagers and ales.

The success of these products, albeit on a small scale, is attributed to discerning consumers who prefer to avoid mass-produced brands and seek out products with unique flavours. While the large producers use chemicals to preserve, colour, sweeten, and flavour their beers, many of the smaller producers use natural ingredients. Some ale producers, for example, add ingredients such as coriander, figs or elderberries to give their products unique flavour.

Research and development

Research and development may be a feature of both entrepreneurship and intrapreneurship. Companies may establish R&D departments or programmes to yield new ideas.

Import substitution

Imports may yield ideas for products that could be manufactured in Ireland.

THE LIFE-CYCLE FOR ENTREPRENEURIAL FIRMS

The generation of ideas is the first step in developing a successful enterprise. The examples given in previous sections illustrate where ideas could come from and how they could be translated into successful businesses. The new-product development process provides a framework for taking ideas, critically assessing them, and converting them into successful products.

The creation of a successful product is the first stage in the entrepreneurial life-cycle of the firm. Just as products have a life-cycle—they are born, grow, and ultimately mature—so too do entrepreneurial firms. According to Siropolis (1990), the entrepreneurial firm goes through three distinct stages: acceptance, breakthrough, and maturity.

The acceptance stage is characterised by the firm struggling to break even and having low cash flows. The challenge is gaining acceptance for the product on the market. The product or service may have to be adjusted to suit market demands, and the essential communication objective is the creation of awareness. Little money may be available for marketing activities and promotion, and communication may be largely personal.

Breakthrough comes with rapid sales growth. This requires effective management of cash flow and an emphasis on improved production performance to meet the increased demand. Quality and delivery also become important, and the business needs to ensure that standards are not compromised with a larger body of customers. At this stage more funds may be available for marketing activities, and research will be required on product and market prospects.

The firm reaches maturity when there is stable, balanced growth. Management skills will need to be developed or fine-tuned. At this stage the firm may consider expansion options: for example, the successful fast-food chain Abrakebabra decided at an early stage to expand through franchising. In so doing they created opportunities for others to set up new businesses.

ABRAKEBABRA

The name Abrakebabra—a combination of ‘kebab’ and ‘abracadabra’—was chosen by two brothers, Graham and Wyndham Beere, for their kebab restaurant, which they opened in the Dublin suburb of Rathmines in 1982. The brothers had seen the success of kebab outlets in London and decided to try it out in Dublin.

The concept proved equally popular in Dublin, and within a few years the brothers had opened several more outlets. They believed there was more potential and decided to use franchising as a means of expanding throughout the country. The franchise to run an individual restaurant could be bought for €12,700. It was estimated that the
cost of providing a fully fitted new outlet was €114,000; if an existing fast-food outlet was being renovated this was reduced to €50,800. By 1997 there were 50 Abrakebabra outlets, nine of which were owned by the Beere brothers.


ENTREPRENEURIAL ROLES

Entrepreneurs perform a number of roles in the management and development of their business. They will have been the innovators, responsible for the initial establishment of the enterprise. In start-up ventures they will also have complete responsibility for marketing. They may have done all the initial research and development, and they will be responsible for the communication and promotion of their enterprise. It is not unusual, therefore, for entrepreneurs to work long hours developing prototypes and establishing the business. As the firm grows, the roles will change. The number of employees will grow, and tasks will be delegated; management skills will need to be further developed.

HORSEWEAR

The idea for specialist horse clothing came to a riding instructor, Tom McGuinness, from a frustration with the inadequacy of horse blankets on the market in the early 1980s. He conducted a survey of 50 people in the industry on their needs and priorities; he then bought a sewing machine and worked for 12 weeks to develop a prototype. The blanket had an improved strapping system, so that it stayed on the horse properly, and was made of synthetic materials rather than the traditional woven jute.

Sales were very good, and production began in 1985. Ten years later the company was the largest manufacturer of horse blankets in Europe, employing 85 people in Dundalk and Cavan.

McGuinness attributes his success to good instincts about marketing and product development. As the business expanded, however, he realised he needed to develop his management skills, and he enrolled in two courses run by the Irish Management Institute: the effective marketing course and the business development course. These gave him the ability to analyse what was right in the business and to apply this so that it would keep on working.

The development of management and marketing skills was essential in the business, where 90 per cent of output was exported, mainly to the continent and the United States. The company’s policy has been to develop well-researched products in a range of colours and finishes to suit customers’ needs.

The company developed a brand, Rambo, which enjoys success in international markets.

In 2009 the company committed €500,000 to promote the equestrian sector in Ireland in the period 2009–2013.

MARKETING WITHOUT MONEY

At the early stages in its life-cycle the entrepreneurial firm may have little money for marketing activities or for engaging marketing services. This is not necessarily a drawback, as there are many ways for the small business to market without significant amounts of money. Initial market research, whether primary or secondary, can be carried out by the entrepreneur: understanding the stages in the research process is the key.

Communication will be especially important. The entrepreneur should be able to explain clearly what the business is about, as there may be limited time to hold the attention of potential buyers or investors. Communication opportunities should be exploited. Local or national media may be interested in new business start-ups and may give coverage. Press statements can be prepared and sent to selected media, which may be interested in following up with a story.

Allied to the need for communication skills is the need for selling skills. The entrepreneur will have to convince buyers of the benefits of the product or service being offered and be able to negotiate the sale.

Many catalogues, guides or brochures will give free listings or charge small amounts for a listing or profile. Specific publications, such as Your Business, published by the Small Firms Association, regularly feature items on small business and development. Networking through business events, firms or social contacts is taken for granted in business and is a means of establishing contacts or following up leads. Advertising need not cost a lot: specific media, such as the Golden Pages, may be quite affordable.

The internet provides an opportunity for the entrepreneur to communicate with a selected group of customers. Its interactive nature means that it can also be used for taking orders or for providing additional information to potential customers. There are certainly implications for other companies identifying such consumers. One Australian study (Poon and Swatman, 1997) conducted among small businesses found that the perceived long-term benefits of the use of the internet, such as business development, far outweighed the perceived short-term benefits, such as cost savings and communications efficiency. The internet, therefore, has significant short-term and long-term benefits. The costs associated with website would obviously need to be assessed, and factors such as the cost of the site’s design and continued site management will be important.

Concentrating on the smaller market means that the entrepreneur can be closer to customers and can build relationships with them. Close familiarisation with customers and their needs means that feedback and speed of reaction can be much faster than for larger firms. Smaller firms can therefore practise relationship marketing quite easily.

As the business expands and sales increase, more funds should become available for marketing, and the entrepreneur’s responsibility for carrying out all the firm’s marketing activities may then be reduced. It is also possible that, in addition to the availability of finance for enterprise development from state agencies, specific funds for marketing activities may also be available.
FINANCING FOR ENTERPRISE

One of the factors that many people have suggested contributed to the lower rate of new business start-ups in Ireland is the lack of funds. In particular, the lack of equity finance has been cited as a problem. In other words, businesses have been too small to finance growth from profits and not profitable enough to attract the attention of most venture capitalists.

The problem was recognised by the government as being especially significant for small firms. Approximately 800,000 people (54 per cent of the private sector workforce) are employed in businesses with fewer than 50 employees. In 2006 a venture capital package of more than €150 million was announced by the Department of Enterprise, Trade and Employment. In addition, knowledge acquisition grants of up to €20,000 as well as financial support for information and communications technology (ICT) audits were introduced. The venture capital package came about as a result of the Small Business Forum report (set up in 2005 to examine the environment for Irish small businesses and recommend measures to improve the sector’s performance). The report identified access to finance as a major difficulty for the small business sector (see www.smallbusinessforum.ie).

SUPPORT FOR ENTERPRISE

Considerable support is provided for entrepreneurs starting new businesses and for existing enterprises, in an effort to stimulate and encourage indigenous enterprise, and some of this support is specifically aimed at marketing development or initiatives. Support can come from the state sector, such as third-level colleges, Enterprise Ireland and the county enterprise boards; from banks and financial institutions; and from voluntary bodies, such as the Small Firms Association, Plato, and First Step.

Most support agencies will assess closely the entrepreneur’s marketing plans, proposals, or assumptions. These should provide an indication of the thoroughness of the marketing research that has been carried out and the assumptions made in planning the marketing strategy.

The following section describes some of the main state and private-sector bodies that are involved in the support of enterprise and have a role in the development of marketing in Irish business. (The role of Enterprise Ireland in international marketing is further discussed in chapter 12.)

County Enterprise Boards

Originally established in 1993 and given status under the Industrial Development Act of 1995, the 35 County Enterprise Boards (CEB) exist to support the micro-enterprise sector. A specific objective is to cultivate and expand an ethos of local entrepreneurship. Each CEB is a stand-alone limited company with funding provided from the Exchequer and European Regional Development Funds.

Each board has an evaluation committee which makes recommendations on the most appropriate form or level of support for the board to give to individual projects.
Enterprise Ireland

Enterprise Ireland is the state development agency focused on transforming Irish industry. Its core mission is 'to accelerate the development of world-class Irish companies to achieve strong positions in global markets resulting in increased national and regional prosperity'.

To do this, the organisation focuses on five main areas of activity: achieving export sales; investing in research and innovation; competing through productivity; starting up and scaling up; and driving regional enterprise.

Incubation

Enterprise Ireland has also been involved in the development of incubation units for new enterprises. The concept of incubation first emerged in the United States in the 1950s and 1960s. However, it was not until the mid-1980s that it began to be widely used as an economic development tool. Business incubation is a dynamic process of enterprise development that nurtures young firms, helping them to survive and grow during the start-up period when they are most vulnerable. The objective of incubation is to provide hands-on management assistance, access to finance and orchestrated exposure to critical business or technical support services. Combined together, these services create an environment conducive to new venture creation and survival (National Business Incubation Association, 2000).

Initially, incubators followed a strategy of focusing on the more tangible resource requirements of firms, directly related to their capital requirements. The main aim was to provide low-cost office or laboratory space, administrative services, access to library and computer services, skilled consultants and an inexpensive workforce in the form of graduate and undergraduate students (Smilor and Gill, 1986). It is now generally recognised, however, that the support required by entrepreneurs includes less tangible resources such as personal experiences in industry, and know-how. Incubators can also help to develop credibility for tenant firms and provide them with a network of contacts, which enables them to develop the relationship to grow.

The stronger and more diverse a web of relationships an entrepreneur has, the greater the chance they have of identifying market opportunities, solving problems quickly by targeting the right problem, and locating the appropriate individual to assist and help to implement the solution. In short, incubators shorten the learning curve for start-up firms and can prevent them from having to reinvent the wheel each time they undertake a specific activity. Finally, by locating many different start-ups and growing enterprises in one building, as the incubator does, there is the possibility for tenants to advise one another and, in some cases, share in the development of products or technologies (Bolton, 1997).

Enterprise Ireland and e-business

In the late 1990s, Enterprise Ireland began a number of initiatives to help illustrate the advantages of e-business. Guides are provided on e-business topics and the Enterprise Ireland website offers a discussion forum and events guide. In addition, an eBusiness Acceleration Fund was established.
An Bord Bia

An Bord Bia assists in the development and marketing of food and beverages. It can provide grants for marketing programmes and strategic marketing development. Other services include carrying out research and support for international trade shows. The board has a strong role in the development of export markets for food and beverages.

Business innovation centres

There are four business innovation centres: in Dublin, Cork, Limerick, and Galway. They are non-profit organisations and their main role is to be a facilitator, providing advice, finance and support to projects in the medium- to high-technology sector. The centres have a capital seed fund, which is provided by the state and the private sector. They can provide professional advisers on marketing, financial control, and strategy.

Plato

Plato is a small-business development network established by the Tallaght Partnership in 1993. It is primarily supported by the Local Urban and Rural Development Operational Programme, 1995–9. The network encourages co-operation between large companies and small- to medium-sized companies. It involves large companies releasing senior managers to work in smaller firms as part of an arrangement lasting for two years. A report carried out by Goodbody Economic Consultants in 1998 for Plato found that participating companies reported an increase in turnover of 22 per cent. Employment in the companies involved rose by 18 per cent. By 2010 Plato had 1,000 participating SMEs in seven regional networks around Ireland (www.plato.ie). Companies that join must have been in business for at least three years and must have a significant potential for growth.

Plato proved useful to Yvonne and Derek Kelly, the owners of Nourish Wholefoods.

NOURISH WHOLEFOODS

Originally established in 1985 as the General Health Food Store, Nourish is run by Yvonne and Derek Kelly. In 2005 it had a turnover of €3.2 million and employed 40 people. Nourish have five shops in Dublin, three in the city centre and one each in Santry and Rathfarnham.

Wholefoods are foods that have not had any of their natural features taken away or any artificial substances added. When the firm was first established wholefoods were not as mainstream as they are today. In the late 1980s, for example, the company started to sell organic vegetables but found that there was virtually no demand.

Gross margins in the business are around 40 per cent. Sixty per cent of sales are food products, with the remainder being supplements, natural remedies, cosmetics, and skin care products.

As the business expanded, Yvonne and Derek realised they needed to develop a more formal management structure and to improve their systems. Managers were recruited for each store and a full-time stock controller was hired to introduce a
computerised stock management system. This revolutionised business efficiency, especially as each shop bought its own stock independently: this was because of the wide variations in what would sell in different locations.

The company became involved with Plato, the business development organisation, which it found to be a very rewarding experience. The business coaching module was particularly useful and Plato provided a support structure.

When they established the business neither Yvonne nor Derek had any formal business qualifications and they had limited experience of the retail trade. If doing it again, Derek says, ‘I would draw up very detailed plans with a proper structure for the business from day one.’


First Step

First Step was an initiative of the entrepreneur Norma Smurfit. It is a private, non-profit organisation financed by private companies and involves the provision of repayable loans, advice and support to start-up businesses. First Step is staffed by managers who have been seconded from industry. They continue to be paid by sponsoring companies.

INTERACTION BETWEEN EDUCATION AND ENTERPRISE

Universities and third-level colleges are involved not only in the research and teaching of business and enterprise courses but also in liaison with entrepreneurs and businesses. This may involve research, consultancy, training, or short-term courses.

One study (Clark and Carson, 1986) looked at how academic staff assisted in the development of marketing expertise in smaller enterprises. It examined the principles of action learning—which means learning by doing—and how these were useful in the development of approaches. It is important that colleges link with industry to keep abreast of developments and to provide graduates who can meet the needs of employers.

Earlier we saw how Treemetrics had collaborated with UCC. In 2010 another collaborative development, this time in TCD led to the development of an aircraft anti-collision system.

AIRCRAFT ANTI-COLLISION SYSTEM DEVELOPED AT TCD

A new warning system to cut the number of collisions between aircraft on the ground at airports has been invented at Trinity College, Dublin. The college was approached in 2006 to look into the issue by an Aer Lingus pilot, Captain William Butler, who expressed concern over the risks of aircraft collisions. Bigger aircraft and congestion at airports have led to a spike in collision rates.

According to the international Flight Safety Foundation, on-the-ground damage to aircraft can cost an estimated $10 billion worldwide. Wing-tip collisions alone can cost
up to $5 billion a year. The college hopes that the new device, named WingWatch, will reduce these costs and is also looking into expanding it for use on other vehicles, such as heavy goods vehicles.

The system uses cameras positioned on the tail of the plane which give a 3D picture of the area around the aircraft.

‘It’s basically a parking sensor for an airplane,’ said principal investigator Dr Gerard Lacey. ‘The pilot would no longer have difficulty assessing the proximity of nearby objects. If an aircraft is dangerously close to another aircraft or object that could potentially cause damage the WingWatch system alerts the pilot by displaying, on screen, the proximity of objects and the level of risk they pose.’

This enables the pilot to take immediate corrective action, avoiding any possible damage to the aircraft. The research was carried out in conjunction with TCD’s Aircraft Psychology Research Group which was looking at how pilots could be warned of the dangers, without being distracted.

The system is to be tested at Dublin Airport and it is then hoped that investment can be obtained to bring it to the market.


Typically the colleges act as incubator units for the enterprise; generally companies that will be assisted are those that can demonstrate a need for linkage with the colleges.

EU funds

The EU is a significant provider of funds for supporting the development of small business. There are four broad areas of relevance: human resources; research and technological development; European structural fund initiatives; and subsidised loans. Under the Leonardo programme, for example, the design and development of training materials and human resource programmes, as well as short intensive courses that rely on industry and universities, could be subsidised. The Fourth Framework programme covered research on 20 specific areas and was administered by Forbairt.

There were 13 separate structural fund initiatives. The most relevant in Ireland were the ADAPT programme, which aimed to make industry more competitive by facilitating adaptation to industrial change. The Interreg II programme was also significant: this related to cross-border co-operation and applied also in the north-east and south-east of the country.

Subsidised loans were administered by the European Investment Bank, with AIB and ICC co-ordinating the loan facilities in Ireland. Loans could be provided under the SME facility, which aimed to support the creation of employment in growing companies by subsidising capital investment in the industrial, agri-industrial, tourism, and service sectors.

OVERVIEW OF SUPPORT FOR ENTERPRISE

This overview of the support available for enterprise from both the state and the private sector gives some indication of the supportive environment for enterprise in Ireland. A
common factor is the importance placed on marketing research, plans, and proposals. This applies equally to start-up ventures and developing enterprises. An understanding of the fundamental principles underlying marketing and the role it plays in the business is essential.

MARKETING AND CONTINUED BUSINESS SUCCESS

Marketing plays a crucial role at the start-up and initial development of a business. It is also required to ensure continued business success. This implies a need to constantly review and evaluate the firm’s marketing strategies and activities.

Environmental changes may require marketing changes. (In chapter 5 the role of the marketing audit—which provides a structure for a comprehensive review of the firm’s marketing—is demonstrated.) The following panel illustrates the changes made by the multinational firm Procter & Gamble. In this case the company reorganised itself in an attempt to become more responsive to market changes.

PROCTER & GAMBLE: RESPONDING MORE QUICKLY TO MARKET CHANGE

In 1998 Procter & Gamble, the world’s largest home products company, announced the appointment of a new chairman and its decision to split itself into seven business units based on product lines. This would replace its existing structure of four geographical units and was a reaction to the financial upheaval that had taken place in Russia and Asia. The rationale for the change given by the company was the need to become more efficient and innovative and to get to the market faster with new products.

Procter & Gamble, whose brands include Ariel, Pampers, Tampax, Max Factor, and Fairy Liquid, had not been achieving its planned sales growth. It had planned to double global sales to $70,000 million by 2006, which required an annual sales growth of 7 per cent. Under the reorganisation, the new chairman planned to get more out of the firm’s researchers, who include 1,250 scientists with a PhD. In spite of spending $1,500 million a year on research and development, most of the company’s new products were improvements to existing lines, such as Crest toothpaste and Pantene hairspray. In some cases, such as the launch of the new product Febreze, which removed odours from fabrics, sales were originally confined to America, with the result that potential sales in other countries were lost.

The new global business units will divide the company into seven sections under the following titles: baby care, beauty care, fabric and home care, feminine protection, food and beverages, health care, and tissues and paper towels. The objective of the new plan will be to cut costs and make the company more responsive to the market. Though the company is being divided essentially along product lines, the global business units will be complemented by eight market development organisations that will work at regional and national levels to develop strategies for expanding business.

MARKETING AND TURNAROUND

The life-cycle for entrepreneurial firms illustrates the stages a business can go through as it seeks to become established. Once established, it will continue to face challenges. The changing needs of customer and environmental forces will have to be monitored constantly, and the firm may have to implement changes in response. The worst case is when the business gets into difficulties or collapses and the failure rate for new business ventures is quite high.

While many new and established businesses will get into difficulties and even disappear, there are also examples of firms that have been successfully turned around. Marketing can play an important role in achieving this.

FURTHER READING


DISCUSSION QUESTIONS

1. Analyse the pros and cons of running your own business. Have you got what it takes to be an entrepreneur?
2. Where do you think business opportunities will exist in Ireland in the future? Give reasons for your answer.
3. ‘No business or organisation can exist without marketing.’ Comment on this statement.
4. Explain the link between marketing, entrepreneurship, and intrapreneurship. Can they be mutually exclusive? Give examples.
5. The state devotes considerable resources to the encouragement of enterprise. Are there any disadvantages to this? Should the state have a more laissez-faire approach?

REFERENCES


SURVIVING AS A CRAFT ENTERPRISE, NICHOLAS MOSSE POTTERY

by Hilda Burton

With the changes in the economic climate in Ireland that have occurred over the past number of years come new challenges for craft enterprises who, now have to take stock to ensure their survival. Irish craft enterprises reported a 48 per cent downturn in sales in 2009. While competition from abroad is a key concern for the Irish craft sector its most significant challenge is the decline in consumer spending worldwide. Household consumption throughout Europe has contracted by 0.5 per cent with exports dropping 8.1 per cent and imports by 7.2 per cent. (Thomas, 2009) This has been labelled the worst global recession in six decades and, as a result, consumers have become more value conscious. However, research has shown that there is a place in the market for both low-cost imports and high-value, home-produced craft products. The hardest hit sectors have been products related to housing and discretionary items.

Innovation and creativity is the way forward in all industries and the craft sector has clearly embraced this idea. In a recent survey of craft workers in Ireland 55 per cent reported deriving revenue from new products in the past three years while 31 per cent stated that all of their revenue came from new products (CCOI, 2010). The craft sector contributes greatly to employment currently employing an estimated 5,771 people, many in rural areas, and exporting €124.5 million of craft products worldwide. It is also an important contributor to tourism and the building of the brand of Ireland internationally (ibid.).

Nicholas Mosse Pottery was established in 1975 in an old flour mill in Bennettsbridge, County Kilkenny. In the early days of production, with only a few staff, about 200 items were produced a week. Over the years the business has evolved into the largest craft business in Ireland and today employs 80 people and produces over 6,000 items of pottery per week. Increasing labour costs, strict EU regulations regarding health and safety and employment law have impacted on the company in the past decade and, in response, the company has switched from employing all locals to recruiting from Eastern Europe. Relocating production abroad has been considered by Mosse but, as yet, production remains in Kilkenny. Mosse feels such a move in the future would not adversely affect the Irishness of the brand as consumers are quite used to firms relocating. He also recognises that strong brand recognition both at home and abroad is not enough to insulate the firm against foreign competition and the decline in consumer spending. Traditional purchasing patterns have changed and both the retail and product brands are key influencers on today’s consumer. In particular retailers are seen as central to reaching the younger consumer.

In recent years Nicholas Mosse has gone from strength to strength adding to its products and services year on year. The mill in Bennetsbridge has been turned into a mini paradise for tourists and craft enthusiasts. The ground floor of the mill houses a working pottery and country shop where customers can see the product being thrown and decorated and then examine the finished product for themselves. Linen and glass products, bearing the
Nicholas Mosse brand name and patterns are also available along with many other decorative home and garden accessories from outside suppliers. The second floor of the mill, houses the Riverside café where customers can dine surrounded again by a range of Nicholas Mosse giftware. There is a further giftware section on the third floor, stocking larger items of furniture and textiles and the most recent addition to the mill is a self-decorating studio to draw in school tours and increase appreciation of hand-made pottery amongst consumers generally.

**Building a ceramics enterprise in Ireland**

Central to the development any craft enterprise in Ireland is the Craft Council of Ireland (CCOI). Established in 1971 it is the national design and economic development organisation for the country’s craft industry and has on its register approximately 2,000 workers. It is responsible for generating growth, developing competitiveness, and stimulating quality design and innovation within the sector. Some of its initiatives in recent years have been: ‘Buy Irish Craft’, a national campaign to promote Irish craft; the creation of a craft area at Bloom, Ireland’s premier consumer show celebrating garden life; the development of exhibition and touring programmes; and an ongoing review of craft education and training in Ireland.

The largest group of its craft workers are 272 ceramicists. The CCOI potentially add to this number of ceramicists by running a pottery skills course taking on 12 new potters every two years. While there is a positive side to skills development within the sector as many of these new potters to the market are successfully attracting younger customers with their designs, there are those who feel that there is already a surplus of potters and any newcomers to the market actually cannibalise the existing market rather than grow it. Research by Indecon International Economic consultants has suggested that there is potential to increase employment in the craft sector by approximately 30 per cent over the coming years.

Ceramics Ireland, set up in 1977 as a voluntary, non-profit organisation to support potters in Ireland, also plays a significant role within the sector. Entirely reliant on fees from its members and some grant assistance, it hosts workshops, three exhibitions annually and publishes the magazine *Ceramics Ireland* twice yearly. Its main objective is to promote Irish ceramicists collectively and raise their profile internationally as providers of a collectable art form. Many of Nicholas Mosse’s competitors are member of Ceramics Ireland but as yet Nicholas Mosse is not involved with the organisation.

**CERAMICS CUSTOMERS**

Ceramics styles vary widely within and across European countries (Massot, 2005). Ceramic ware is very often bought as a gift or for decorative purposes but is also bought for its functionality. As a product group it includes items like table-top pottery and kitchen items for which functionality is key. These items are no longer kept for good use only, as would have been the case in the past, but are rather used day to day and are expected to be oven and dishwasher proof. Lamps, candle holders, desk sets, ornaments, animal figurines, and
vases also fall into the product category and are used throughout the house for both their functional and decorative value. Outside the home ceramic flower pots and statuettes are often used to decorate gardens, terraces, and sunroofs.

Nicholas Mosse attributes approximately 10 per cent of its company sales to the UK where they have 30 stockists and 6 per cent to the rest of Europe, where they have approximately three stockists in each European country. European consumers when buying ceramics or giftware are looking for one-of-a-kind items which personalise their homes. Older European couples, aged 45–65, are less sensitive to fashion and more concerned with value for money and functionality and spend the most on their interior. Environmental awareness also influences consumers when they are purchasing giftware with producers who take account of the environment generally gaining more appreciation from European customers (CBI, 2004). Craft purchasers in Ireland typically spend €248 annually on Irish craft and view craft mainly as a gift item (CCOI, 2010).

Thirty per cent of Nicholas Mosse customers are tourists, many of them becoming familiar with the products while visiting Kilkenny but purchasing from a stockist when they return home. For tourists products with stories or local folklore attached to them have enjoyed success. This is particularly true of the Celtic market in America which represents the company’s largest foreign market. Approximately 24 per cent of the company’s sales can be attributed to its 200 stockists in North America. According to the United State’s Census 2000 report 10.8 per cent of the US population claims Irish ancestry (www.EuroAmericans.net). Typically these customers are 50 plus with a natural and emotional link to Ireland and Irish products. They like products that are almost old fashioned and are not particularly concerned whether or not they are made in Ireland but rather that they have a story connecting them to Ireland (Lynch, 2005). Americans are also avid collectors of craft and have as a nation an appreciation of owning decorative items indicating good appreciation of applied art.

In 2005 Nicholas Mosse started to see changes to their core customer profile, which was traditionally 95 per cent female and 30–60 years of age, when customers as young as 15 started to show an interest in the brand. While these younger customers may have been starting a collection they had nowhere near the disposable income of those 40–60-year-old AB’s who were often buying for a second home.

A major difficulty identified for the sector in 2006 was that the Irish consumer did not appreciate what handmade quality was and older Irish Consumers found the ‘handmade’ label more desirable than younger consumers. To combat this lack of awareness ‘Craft in the Classroom’ was initiated nationally between 2007–2009 at primary level and has involved 2,000 students and 77 craft makers. Also many new craft awards have been developed to raise the profile of craft. When consumers are informed of the craftsmanship and story behind the creation of a piece of craft ‘handmade’ becomes a more valuable label (CCOI, 2006). This is significant as, on average, over half of craft companies in Ireland report selling 90–100 per cent of their products to the domestic market (Technology Ireland, 2002). For Nicholas Mosse this figure is around 70 per cent.

Irish consumers have reported being influenced by a broad variety of internal and external factors when buying craft products. The three key influencing factors are life stage, affluence, and purchase occasions. Purchase occasions can be further split into buying for others, buying for self, home focus, and non-home focus. Gift needs can be broken down
into big occasions, such as weddings, anniversaries, or a new house, and smaller occasions, such as birthdays, thank-you gifts, and Christmas presents. There are a number of challenges facing craftspeople of Ireland regarding perceptions of craft among Irish consumers. There are clear perceptual differences depending on life stage, with the affluent over 35s being most disposed to buying and appreciating craft. The older, less affluent groups see craft as a tourist product. Generally gifts aimed at tourists are viewed negatively and the association of ‘craft’ with ‘tourist gift’ has made the term a liability when marketing to the home buyer. The younger age group of 25–35 while reacting positively to products when exposed to them, seeing them as contemporary and relevant to their life-styles, are unlikely to find these products in the shops that they frequent. Younger consumers are not inclined to travel to a craft studio or small rural outlets and 40 per cent of craft purchasers in Ireland find it hard to locate stockists of Irish crafts when searching for products (CCOI, 2003).

Some other smaller customer niches for craft and ceramics in Ireland are: the corporate sector, either buying gifts for their staff/business associates or tableware for upmarket restaurants; the collectables market; and interior designers and architects. The collectables market consists of specialist buyers who are willing to pay high prices for one-off pieces. These buyers can be museums, galleries, and corporate or private collectors. It is a very underdeveloped niche for a number of reasons. Firstly there is no gallery system in place in Ireland with only three relatively large galleries operating which limits accessibility to the market. Secondly Irish collectors are few in number, very discrete and difficult to identify (Flegg, 2005).

Regarding the latter niche there is potential for ceramic products in all rooms of the house and into the garden not just in the traditional form of tableware, lighting, and decorative pieces but also in surfaces, such as tiling, and bigger household appliances, such as sinks and baths (Mabelson, 2005).

**Competitors**

The company’s location in Kilkenny, the creative heart of Ireland, has clearly contributed to its success. Since the mid-1960s when the first Kilkenny Design Centre was established, craftspeople have been locating there. Within this setting Nicholas Mosse find themselves surrounded by 70 other craft businesses and are one of 26 professional craft studios that can be visited on the Kilkenny Craft Trail. Collectively these studios market themselves under the ‘Made in Kilkenny’ banner (Parsons, 2009). The key players in the ceramics market in Ireland are Nicholas Mosse and Louis Mulcahy, both of whom have been in operation over 35 years. Nicholas Mosse is the largest potter in the south of Ireland in terms of production volume, selling its products through one self-owned retail outlet at the Mill in Kilkenny, a company website and a chain of some 500 retail stores at home and abroad. Louis Mulcahy sells through his own studio pottery on the Dingle peninsula, his wife’s textile shop in Dingle town and another self-owned retail outlet on Dawson Street in Dublin. They have actively been selling their products through the web for many years and are artists of some acclaim.

Stephen Pearce Pottery was a major player in the market until 2008 when it went into receivership. In operation since 1960 it was an east Cork institution drawing many people
to the area and providing valuable, skilled employment. Despite its obvious appeal it was thought that because of the intricate processes that each piece of pottery must go through, profits could never be huge. Its 12,000-square-foot retail emporium was bought by the top Irish craft retailers the Kilkenny Group, and its 5,000-square-foot manufacturing base was subsequently bought out by Youghal’s Jack O’Patsy Pottery which had been closed for six years previous to this acquisition. Jack O’Patsy also own Badger Hill a Wexford brand of pottery. Pat Collins the founder of Jack O’Patsy’s aims to grow the domestic business gradually while also keeping a keen eye on the American market developing a mail order and catalogue business there. The purchase of Pearce’s production facilities means a further ability to develop a technique called reduction gas-fired pottery which offers great potential to create stunning and vibrant colours. Collins aims to keep the brand unique by continually adding innovative designs reflecting Irish historical and mythological themes, along with local and national landscapes and seascapes.

In Northern Ireland potteries such as Ballydoughan and Belleek are successfully developing contemporary tableware and giftware brands. There are also numerous medium-sized players in the sector that employ up to 10 people, such as Stoneware Jackson, Michael Kennedy, Judy Greene, Rossmore Country Pottery, and countless other small-scale operations countrywide. Like their larger counterparts they too, in a bid to gain more control and higher income from their sales, are choosing to sell direct more and more and open their own galleries and shops where possible and in many cases provide short courses in ceramics giving consumers a chance to experience this craft.

In the early 1980s and 1990s retail sales of craft were dominated by indigenous retailers carrying a substantial amount of mainstream Irish craft as part of their sales offering. Since the late 1990s there has been an explosion of retail options in the form of national and international chains, high street stores, internet shopping, and mail order companies all vying to attract consumer spending. Retail giants, such as IKEA, House of Frazer and John Lewis, are all upping their game with own-label and foreign-produced products in the gift and tableware sectors. Within this new retail mix Irish craft is a smaller, even diminishing, part of the offering. As the Irish population ages the older affluent groups of consumers who are more disposed to shop in craft, gift or specialist outlets will become less active purchasers while younger consumers, who frequent the high street and larger international shopping centres, will become a more influential consumer group for craft. They however have very different shopping needs (CCOI, 2006). Clearly channel management and selection will be important in facilitating growth since most craft producers rely heavily on their studio as a point of sale for their products while only 11 per cent of craft purchasers buy through studios.

**Nicholas Mosse marketing mix**

‘Broadly speaking every pottery does the same thing, use clay, energy and water to make beautiful fragile objects that require very careful and copious packaging’ (Cullen, 2005). Nicholas Mosse Pottery is instantly recognisable and as functional as it is appealing. Each piece goes through a six-week production process, during which it is checked for quality three times. The final quality check occurs after firing and faulty items are used for landfill
or driveways. Out of every 100 pieces 45 per cent pass the quality-control procedures but still have to make it through the transport stage. Transport is critical due to the products fragility and the company use plastic returnable boxes, which the company deliver and collect from customers themselves. Nicholas Mosse Pottery use an integrated accounts and stock system that provides full visibility and recording of information necessary to manage order processing, manufacturing, quality control, and dispatch. These tasks were up to recently performed on spreadsheets and were very time consuming. In the future it is intended to streamline business processes further and automate other manual processes to achieve more efficiencies.

Nick Mosse has always been mindful of the environment and buys up clay from an old coal pit in England, which has enabled the company to produce its own clay without impacting on its local environment for 40 years. The kilns used in the production process are fired by hydropower from the nearby River Nore and ongoing research is being conducted by the firm into a heat exchange system for the kiln flues which would power a water-heating system for the mill complex.

The company’s core product category is tableware and, at any one time, around 20 patterns and 42 shapes are available to the customer along with special ranges, such as the Christmas, and floral and fruit ranges, each of which has four patterns that can be mixed and matched. This helps collectors substantially when patterns are discontinued. Approximately 20 per cent of patterns are changed yearly, but customers will always be facilitated if they are looking for a specific piece. The same patterns are used on lighting pieces, flower pots, linens, and candles. A change in style for the company occurred in 2003 and while they held on to their more traditional round-shaped pottery, which is designed and coloured around country-living concept, a more modern and contemporary-styled product was introduced with a view to establishing the company in the European marketplace.

Nicholas Mosse products are aimed at the higher end of the market. Almost every product is available in a number of sizes and prices vary accordingly. For example a mug could range from €14.95 to €16.95, a jug from €17.50 to €56.25, a bowl from €11.50 to €68.75, a plate from €24.50 to €133.99, and a lamp from €34.00 to €191.00. Lamps, serving dishes, and artistic centrepieces generate the higher value sales for the company. Nick Mosse does not believe in discounting his products and will consider dropping a stockist if they do not follow his pricing recommendations. The company keep their prices in Bennettsbridge and their mail order catalogue the same, however consumers can source selected items on eBay. Nicholas Mosse does not want to be competing with their stockists and for this reason has not pushed a mail order business which accounts for approximately 4 per cent of company sales. While looking after their stockists very well, Mosse is not foolish and will not give more then 15 per cent of his company’s business to any one retailer.

Nicholas Mosse invests 5–7 per cent of sales annually into advertising, trade fairs, and promotions. Showcase, Ireland’s annual craft fair, is used as the primary networking and relationship exercise of the year where they can generate up to 60 per cent of their annual sales orders. The company also exhibits at Birmingham Spring Fair, New York Craft Fair twice yearly, and in Enterprise Ireland’s permanent showrooms in Atlanta year round. The company sells its products through a network of 500 speciality stores throughout Ireland, the UK, Europe, and America. These stores operate on a small scale, selling one-of-a-kind,
limited-edition craft products and focusing on building relationships with customers. They look to suppliers for in-depth product information and service. Nick Mosse has started doing demonstrations of his throwing and decorating processes in some larger stores and feels that this may be the only way to educate consumers as to the nature of ‘handmade’ ceramics.

Two thousand and eleven has been designated ‘Year of Craft’ in Ireland when Ireland will be hosting the Annual General Assembly of the World Craft Council. This coincides with the 40th anniversary of the establishment of CCOI and increasing efforts to strengthen crafts as a profession and a product choice. Innovation in design and production of Irish craft products will be high on the agenda and will continue to play an important role for growth and competitiveness of the sector into the future. Competition from imported goods is not going away and consumer caution will continue to be a cause for concern and so product marketing and the branding of Irish craft will be critical.

FURTHER READING


Torres, A., European Case Clearing House Case Study Winner, SME/Venture Creation Category, ‘Judy Greene Pottery: Marketing Irish Handcrafted Pottery’.

Useful Websites

www.cso.ie/statistics
www.ccoi.ie
www.ceramicsireland.com
www.irishpotters.com
www.nicholasmosse.com
www.belleek.ie
www.ballydouganpottery.co.uk

DISCUSSION QUESTIONS

1. Indicate how a knowledge of marketing can be used by firms like Nicholas Mosse as they face a difficult consumer environment.

2. How should Nicholas Mosse take advantage of the ‘Year of Craft’? Try to think of some specific things it should do.

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Mabelson, G. (pottery trainer CCOI), Personal communication, July 2005.
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Fig 2.1: Nicholas Mosse Pottery