



Management Consultancy Report: Marketing Strategy – VegaPalm Limited

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Introduction

Vegapalm Ltd., has been an influential Car Paint Supplier at Bournemouth for quite a few decades now. A family-run business, it has been able survive and build on relationships with customers earned through trust and honesty. Most of its customers site their 'personal' approach to business as their USP.

However, as the competition among suppliers has increased, the time has come for Vegapalm to explore new avenues to expand its customer base. Through this project, we have attempted to improve their marketing exposure. The purpose of this report is to reflect the presentation carried out on on Tuesday 25th March 2007 at the Bournemouth Business School by Kai Jiao, Harish Ramachandran, Vivian Dou and Maria Lopatina. In order to do so, this report is divided into three parts: market analysis, e-business strategies and our overall recommendations.

CAR PAINTING TRENDS

Technology is becoming the key enabler in meeting the demands and pressures of accidents in repair markets. The goal to reduce cycle time is driving the technology behind the latest products to enter the automotive painting market

http://www.researchwikis.com/Paint_Market_Research

Silver is currently the most popular shade, followed by grey and bold blue. However, the attractiveness of additional metallic shades to the main colour has high demand among customers. The colour preferences have been in a 'neutral' mode for so long that colour designers are starting to witness a rise in demand for more colours to emerge and for technology to create a new 'twist' on classic shades. These designers are planning to develop a whole new range of shades.

Paint Protection Film is highly flexible, optically clear. This film is formulated to invisibly protect paintwork from stone chipping, light abrasions and damage from

insects. It is optically clear with a high gloss finish to match new paintwork.

(www.asashop.org/autoinc/may2006/collision.htm)

The importance of waterborne technology is growing according to new environmental regulations. This product saves time and material costs by eliminating masking steps over mixed materials. It also offers flexibility to apply primer surfaces almost anywhere in the shop.

Present day paint spray-booths need to be designed to provide a safe working environment, to prevent pollution of the atmosphere, and to enhance the quality of the product being sprayed. In general, paint spray-booths are equipped with a constant flow of air into and out of the spray-booth to maintain a reduced level of VOCs in the internal atmosphere. (<http://www.patentstorm.us/patents/6447585-description.html>)

The result of increase plastic parts usage is broader applications for various substrates which are easy to use. Plastic components for cars and trucks are becoming even more popular. An improved method of applying an epoxy paint coating to a tube includes the step of mixing plastic particles into the epoxy paint prior to application on the tube. The plastic particles improve the paint's abrasion and corrosion resistance and also improve the paint's ability to withstand downstream forming operations (<http://www.freepatentsonline.com/6835428.html>)

MARKET SITUATION

The global paints and coatings industry was estimated to reach revenues of US \$83 billion in 2007 with a year over year growth rate of approximately 5%. The quantity of paint produced was about 28.8 million metric tons. Unit growth in the industry was up about 3.5% over last year. Average prices had risen incrementally since last year due to better prospects of higher quality and better products such as powder based and radiation cured coatings (http://www.researchwikis.com/Paint_Market_Research)

MARKETING STRATEGIES

According to our survey, the most popular components of marketing strategies are sales representatives who visit the body shop periodically. They take new orders, check stock in inventory and estimate requirements. Moreover, they also offer demonstrations of new products. They provide the customers leaflets and brochures with special offers and new products as well. By the end of the year, suppliers give small gifts such as t-shirts and calendars with logo and contact information of the company. In addition, they occasionally provide some tools and materials for free, depending on the amount of goods consumed by the customer during the year.

MARKET TRENDS

The consumption of car paints is on the rise and this tendency will rise up with growth of cars. In 2025, the number of cars on UK roads is expected to reach the point of 40 million.

The competitive nature of the collision repair market, combined with the pressure of insurance companies to reduce repair time, has required automotive coating companies to turn to technology as a way to meet the demands of the 21st century. Moreover, the companies seek for cheaper suppliers from overseas who can offer good quality for better price

(<http://www.asashop.org/autoinc/may2006/collision.htm>)

The popularity of e-business is growing rapidly. Today every business is expected to have a Web site and keep in touch via e-mail, in addition to informing and interacting with their on-line customers (<http://www.kogan-page.co.uk/globalalliance/bookdetails.aspx?ISBN=9780749435271>)

The Internet allows companies to reach customers globally 24 hours a day; to interact and develop targeted customer relationships; and to streamline operations and deliver costs efficiencies. However, with these benefits come significant risks. E-

business solutions represent a significant investment in both time and capital
(<http://www.rznet.com/content/view/22/34/>)

Five forces analysis (Porter, 1998)

Bargaining power of supplier

Bargaining power of supplier is relatively low, because of the wide range of efficient suppliers available in the market. Moreover, suppliers from the Asian countries are consistently able to offer reduced prices.

Bargaining power of buyer

Bargaining power of buyer is very strong. They are sensitive to price in order to keep competitive position by controlling cost. As the order volume rises, bargaining power will be stronger. Meanwhile, most of companies are found to prefer maintaining relationship with the current supplier.

Threat of new entrants

It is relatively low due to the maturity of market. Conservative buyer would rather use old and stable supplier than change to a new one. Meanwhile body shops are likely to search for local supplier, on the basis that just in time delivery would be easily realized. This in turn reduces space required for painting storage and vehicle turn-around time.

Threat of substitutes

Car painting still plays a leading role in repairing industry for body shops. Hence it would take a considerable amount of time for a substitute to affect its presence. Therefore the threat of substitutes is comparatively weak in this respect.

Competitive rivalry

Many other suppliers have been trying to expand their market by providing preferential policy, such as sending free calendar and working clothes, selling more products rather than painting at one time. Meanwhile, along with the process of globalization, suppliers have been purchasing product from various channels, based on the same quality, the cheaper product they could find, the more competitive they are becoming.

E-Business

Electronic Business, commonly referred to as "**eBusiness**" or "**e-Business**", may be defined broadly as any business process that relies on an automated information system. Today, this is mostly done using web based technologies. The term "e-Business" was coined by Lou Gerstner, CEO of IBM.

Electronic business methods enable companies to link their internal and external data processing systems more efficiently and flexibly, to work more closely with suppliers and partners, and to better satisfy the needs and expectations of their customers.

In practice, e-business is more than just e-commerce. While e-business refers to more strategic focus with an emphasis on the functions that occur using electronic capabilities, e-commerce is a subset of an overall e-business strategy. E-commerce seeks to add revenue streams using the Internet to build and enhance relationships with clients and partners and to improve efficiency using the Empty Vessel strategy. Often, e-commerce involves the application of knowledge management systems.

E-business involves business processes spanning the entire value chain: electronic purchasing and supply chain management, processing orders electronically, handling customer service, and cooperating with business partners. Special technical standards for e-business facilitate the exchange of data between companies. E-business software solutions allow the integration of intra and inter firm business processes. E-business can be conducted using the web, the Internet, intranets, extranets, or some combination of these.

Models

When organizations go online, they have to decide which e-business models best suit their goals. A business model is defined as the organization of product, service and information flows, and the source of revenues and benefits for suppliers and customers. The concept of e-business model is the same but used in the online presence. The following is a list of the currently most adopted e-business models:

- [E-shops](#)
- [E-procurement](#)
- [E-malls](#)
- [E-auctions](#)
- [Virtual Communities](#)
- [Collaboration Platforms](#)
- [Third-party Marketplaces](#)
- [Value-chain Integrators](#)
- [Value-chain Service Providers](#)
- [Information Brokerage](#)

Analysis of E-Business Strategy of Competitors

Most of Vegapalm's competitors had a fairly subdued online presence. The content on their website looked fairly outdated, indicating the low-level of importance given to online activities by its competitors. However, there was a systematic pattern observed in their online presence. All competitor websites seemed to contain the following sections:

- Product Range
- Painting Tips
- Contact Information
- Quotations
- Online Shop (Less Prevalent)
- Company Information

Most of Vegapalm's competitors are not sufficiently leveraging their online presence. It is in this light, that we plan to offer a model for the client to construct a website upon. This website would offer various services such as information about the client, option to request for a quote and place orders.

We had approached various website constructors with this model, and obtained a financial estimate. They are as follows:

- Webcreation UK – £ 795
- 7Soft – £ 1340
- Creative Theorem – £ 1000
- Smiling Synthesis – £ 350 (Basic)

Detailed information on budget and website offerings is as follows.

Webcreation UK

Full Bespoke Web Design and Development – 4 - 6 pages

Level 1 Flash Animation - If Required

Advanced content management system with the ability to update content on a chosen page - <http://www.webcreationuk.com/cms.htm>

Online enquiry form

Optimised coding for fast site access

Logo design and branding (if required)

Online website statistics (keep track of visitor statistics)

Free domain name

Secure, fast and reliable hosting (free for year 1, £100 + VAT per year after)

Free unlimited email (webmail access and unlimited pop accounts + forwarding)

Free £50 Google Adwords advertising

Any images you may want from our quality image library for use on your site (or we can use your own)

Support for your site

Free search engine optimisation

Cost: £795 + VAT

To start work on your site we would only require a 50% initial payment on the above cost

Contact:

Leon Millard

Business Development Director

WebCreationUK Ltd

Member Of The Times Online Business Directory

T: 0845 054 0060, **E:** leon@webcreationuk.com **W:**

<http://www.webcreationuk.com>

7Soft

Company Website

All + VAT	Costings	Annual Costs
Domain Registration		
Ecreator Web Software		
Email Setup – up to 16 email addresses		
Telephone Training of software		
Costs for Above	£900.00	
Annual Hosting and Support		£240 (payable monthly)
Cost	£1,140	
Vat	£199.50	
Total Cost inc Vat	£1,339.50	

On completion of the site build:

- Site will be tested for any broken links and navigational errors.
- In agreement with The Client the site will 'Go Live'.
- Usernames and passwords created and sent out.
- Setup of any required email accounts.
- Test any forms to ensure delivery to correct email recipients.

Support will be via telephone and email.

Contact:

Jon White

7Soft Sales

www.7soft.co.uk
<http://forums.7soft.co.uk>

Email: jon@7soft.co.uk

Creative Theorem

Creative theorem offered to create the website for around 1000 GBP excluding VAT. However, they could not offer a detailed break-down of costs like the other website creators.

Contact:

Rodger Hayes,
Director
Creative Theorem Ltd
7 Curtain Road
London EC2A 3LT
Tel:0207 392 2616
Fax:0207 392 2602
www.creativetheorem.com

Smiling Synthesis

Smiling Synthesis specialises in producing bespoke business websites incorporating content management systems, in short, we provide the tools for you to update your website without compromising its technical integrity.

Based in Marple, Stockport we have been producing websites since 2001, working in the commercial, charity and local government sectors and pride ourselves on providing a personal professional service.

For a basic static site that would include a contact form (which could be extended to work as an order form) of up to approx 5 pages we would charge £350

For a site with some updateable sections complete with admin tools we would charge £750.

For a full online updateable catalogue we would charge £1250.

For an online shop with payment facilities we would charge £1500.

All of the above prices are subject to your final requirements and include the first years hosting. Hosting after the first year is is £100pa.

Contact:

Ian Bowker

www.smilingsynthesis.co.uk

info@smilingsynthesis.co.uk

0161 870 6198

Recommendations

Vegapalm Ltd., can leverage this online business opportunity to expand their existing customer base. Since most of its competitors have not been too keen on their online business operations, Vegapalm could exploit this untapped avenue.

To begin with, we would recommend the client to host a basic website that provides visitors with a brief insight into their operations, allows them to obtain quotes and place orders if required.

Vegapalm should also utilise various modes to promote their website. They could paint the web address on their vans, business cards and any other compliments they wish to offer their customers. Some website creators also offer 'search engine optimisation' as part of their package. This could enable the client's website to be listed while customers search for car paint suppliers.

Through our survey, we were able to notice a particular trend among car paint suppliers. Most of them were able to send sales representatives to their customer's workshops. These representatives in turn, collect orders, survey inventories to check stock availability and even offer demonstration of any new products. At this moment, this could be a fairly expensive operation for our client in focus, however, this could be considered as an outsourcing option, wherein the client could hire a part-time employee to carry out a weekly customer visit.

Most of their competitors also offer various complementary gifts to their customers such as t-shirts, calendars and coffee mugs. Vegapalm could consider outsourcing such activities through OEMs in the Asian countries as a cheaper alternative, as they offer a rate 40 per cent lesser as compared to the UK suppliers.

During our survey with Vegapalm's customers, most of them felt the need for a 'business card' from the client. This is a very economical opportunity for Vegapalm, to not just promote their website, but also offers them an opportunity for business through referral by their customers to their friends. A pack of 250 business cards is available in the market, for as low as 15 pounds.

Overall, the client has plenty of marketing opportunities to explore and expand their customer base.