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Rockers for Walkers

Gerry Mortimer
Technological University Dublin, gerard.mortimer@tudublin.ie

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Rockers for Walkers by Cherokee from James Boylan and Son Ltd.: A Case Study in a New Product Launch[1]

Gerry Mortimer

THE COMPANY

In 1995, James Boylan and Son Ltd. was celebrating its fiftieth year of trading, though its origins dated back further. It was still mostly owned by the Boylan family who had controlled it since its inception. The company was based in the tiny and now largely deserted village of Mullan close to Emyvale in Co. Monaghan in the Irish Republic. It was located about 400 metres from the border with Northern Ireland, though the road was impassable to vehicular traffic. The bridge, which traversed the river that marked the border, had been blown up some 20 years previously by the British Army at the height of what were known as "the troubles". As a result there was a detour of some 10 miles to cross the border.

The name Mullan derives from the Irish word *muileann* which means "mill". There had been a flax mill at that location dating back to the early 19th century. Eventually the mill had closed and was replaced by a shoe manufacturing plant on the same site. Apart from the mill, the village consists of about 30 cottages which had very limited facilities and a few modern houses. The cottages were owned by the company and were in poor repair though there was a proposal being considered to renovate them in association with the local community. There was a long tradition

[1] This case was developed as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. It is dedicated to the memory of James Boylan, son of Jim and grandson of the founder of the company, whose death at a tragically early age was an immense loss to his family and family business.

of footwear manufacture in the adjacent counties of Monaghan and Louth, though James Boylan and Son Ltd (JBS) was one of the few to survive major changes in the 1960s and 1970s.

Various branches of the family had established manufacturing, wholesaling, importing and retail operations in various parts of the country. The James Boylan branch of the family had concentrated on manufacturing and wholesaling of footwear. In particular, Boylan boots were a byword in rural Ireland for strength and durability. That the Boylan boot was no longer manufactured, due to intense competition from imports, particularly from Eastern Europe, is a reflection of changed times in the footwear market.

James Boylan's son, Jim, joined the company in the early 1960s during which period it was rationalised into separate manufacturing and wholesale operations based in Monaghan and Dublin respectively. Jim first managed the manufacturing operation and subsequently, on his father's retirement, took control of the wholesale operation. He brought professional footwear management into the Monaghan operation. Eventually in the early 1980s the wholesale operation in Dublin was transferred to Monaghan to merge with the manufacturing business. Jim took the opportunity, thus presented, to reduce his day-to-day involvement with the business and turned the wholesale company into a successful property holding company while pursuing academic and consultancy interests. He remained as chairman of JBS though on a largely non-executive basis. Although the company shrank in size, particularly in manufacturing, it continued to trade satisfactorily, though it did experience some poor years in the difficult trading conditions of the mid-1980s.

In response to changing market conditions the product ranges produced and imported by the company evolved. In manufacturing it mainly focused on work boots, major contracts for groups such as army and prison services and mid-price range mens and boys shoes. Imports depended largely on items which were in fashion, though JBS was an agent for Dr Martens footwear. It shared this with three other agents though rationalisation was expected in these arrangements in 1995. Dr Martens products were highly successful and JBS was on allocation from the manufacturers through the early 1990s. JBS had, however, increased its

allocation on several occasions. Dr Martens products represented a substantial part of JBS distribution and the company had been keen to develop other lines.

In 1990, Jim's son James joined the company. He had qualified as an engineer and had worked for some years in the oil industry in the UK. Jim had long been keen to see the torch pass to the next generation and was delighted when James became involved. James' influence on the company quickly became significant. He had little interest in manufacturing and primarily focused on the distribution end of the business. He sought new brands to represent, with some success. He formalised the division between manufacturing and distribution. Each part of the business was now treated as a separate entity with separate accounts and was obliged to stand alone. There was still some overlap between the two divisions as consumer products, which were manufactured in-house by JBS, were marketed by the distribution division. The manufacturing division also refocused its efforts and identified a significant opportunity in industrial footwear. New health and safety regulations made this a growth market. By marketing direct to end-users such as major industrial concerns, local authorities and other public services, JBS share of this sector began to grow rapidly. The sector was largely dominated by one major Irish manufacturer and a number of importer/distributors who also tended to deal in other safety equipment. Industrial or safety footwear was characterised by attributes such as steel toes, steel mid-soles, non-skid, chemical-resistant and anti-static features. John Bond, who managed the manufacturing division, and his staff had recognised a demand for good quality, competitively priced, Irish made, safety footwear. By focusing on major buyers, JBS had quadrupled its market share in four years and held an estimated 15 per cent in 1995. It was confident of some further growth. This, allied to its contract business for army and prison services, now constituted the major portions of the manufacturing division's turnover. In fact, by the end of 1994 the manufacturing division had virtually ceased to produce for the distribution division. Although they shared administration and premises costs, the split was now complete. After a few lean years the division had, by now, returned to modest profits.

JBS DISTRIBUTION

In the meantime James Boylan had set out to develop the distribution business. He cut costs and improved margins, improving profitability considerably as a result. He also sought to develop new brands, principally through importing. Most successful brands, such as Nike and Caterpillar, were either distributed by the brand owners or an established agent. He had some successes, notably with Kangaroos though lack of international brand support had eventually caused Kangaroos' sales to fall after encouraging sales in the early 1990s. This illustrated a common problem in branding of footwear in Ireland. The market was small and significant brand support was difficult to justify unless there was also some international support, or a very high market share, or both. As an example, JBS had taken on an agency for a Spanish trainer range called Roobins. This was competitively priced and reasonably distinctive, but did not justify marketing support and had eventually been discontinued.

Tragically, in 1992 James became ill, and though he returned briefly to work the following year he suffered a relapse and died early in 1994 at the age of 30. As chairman, Jim was obliged to increase his involvement temporarily. Rather than impose a new structure on the division, Jim allowed a situation to evolve where the division was managed jointly by Liam Stirrat, the senior sales representative, Noel McGuirke, who was responsible for purchasing and warehousing, and Ann Flannery, who managed the administration function.

The policies developed by James were continued. The division was profitable. The major selling brands continued to be Dr Martens and a range of Boylan brands which were known within the company as the JayBees range. As an individual brand, JayBees was mostly used on boys' shoes which were described as "back to school" in Autumn or "confirmation" in Spring. There were also a range of sub-brands which were generally developed in response to changing market conditions. Some examples were as follows:

Hymacs: This was a range of boots targeted at late teens/early twenties of both sexes. It was based on the highly successful Caterpillar brand which had enjoyed considerable success in world shoe markets in 1993 and 1994.

Emyvale: This was a range of chunky casual shoes targeted at adult males.

Heros: These were ranges of boots and shoes with raised soles and heels targeted at the teenage market.

Many of these brands also carried the James Boylan or JayBees brand.

Management in JBS accepted that the brands were weak and mostly developed as a reaction to market changes. It was, however, difficult to put serious support behind a particular brand which might not survive for more than a season. Market trends will be discussed in the following section. In total, JBS had an estimated 2 per cent market share divided roughly equally between safety/contract and consumer.

During 1994 a series of decisions were made by JBS which were designed to improve marketing of their own brands:

- New promotional literature was introduced, though this was principally aimed at industrial customers and owners of brands being targeted by JBS for possible distribution arrangements.
- The James Boylan brand was reformulated and was gradually being introduced to all promotional material such as literature, stationery, socks (inside shoes), boxes, bags and point of sale material. Other brands would be phased out or would become subsidiary to the James Boylan brand.
- A monthly newsletter was developed which was dispatched with statements to the company's 500 retailer customers situated throughout Ireland. This informed retailers of developments within the company, special offers, new ranges and general information about the footwear industry.
- A tele-sales operation was formally established in Mullan. This was used by both divisions and had improved contacts with customers between visits by sales representatives.

However, most marketing effort was expended on a personal selling operation. The safety/contract division had two sales representatives. The senior of these also handled head office marketing functions such as range development, literature and contract negotiation. The manager of the division was also involved in selling to the top 10 accounts out of a customer base approaching 200. At the end of 1994 the division was also in the process of recruiting a sales representative for Northern Ireland, which had been targeted following a market research project partly sponsored by Acumen, a North/South initiative which itself was sponsored by a number of development agencies and the International Fund for Ireland.

The distribution division also had two full-time sales representatives together with two agents who sold other footwear lines. These latter operated on a commission basis with a defined territory and range to sell. One covered Northern Ireland but was not, in 1994, generating significant sales. The sales representatives serviced customers on a monthly or six week cycle. Their functions were to take orders, introduce ranges, handle complaints and returns, merchandise and generally keep in touch with market trends.

In total, JBS distribution had some 500 retail accounts throughout Ireland. This was heavily skewed away from the Dublin area where the presence was modest. Various reasons were advanced for this. JBS had traditionally had a strong presence in rural areas from its "Boylan Boots" days. The standard small town owner-managed retailer still held sway outside major cities. However, within the cities, department stores, UK-based chains and specialist shops offering a narrow, focused range were increasing share. JBS did not have a major presence with any of these groupings though efforts were being made to redress this.

Outside the Dublin area, JBS serviced over 80 per cent of all outlets in the Irish Republic, though it was rarely one of the biggest suppliers to any retailer. This reflected the disparate nature of the market and the lack of leading brands under JBS sole control. Nevertheless, this business continued to be profitable for JBS. In total, JBS employed some 60 staff.

THE IRISH FOOTWEAR MARKET

Reliable information on the Irish footwear market was difficult to obtain. However, an EIU report had estimated that the market at ex-factory or import level was worth IR£140 million (about the same in £Stg) in 1991. This was estimated to represent some 18 million pairs or just under 6 pairs per head of population of 3.5 million. The same report also indicated an import penetration of 103 per cent. Given that there were some level of domestic manufacture and some exports (though not by JBS), this suggested that there was a significant level of re-exporting taking place. In any event, the figures were of limited value. They indicated an average price of about £8 per pair which masked the inclusion of everything from flip-flops to Gucchi.

However, some general trends could be established:

- Demand for footwear was static. There was, however, some growth in certain areas such as the aforementioned safety footwear.

- There were also annual patterns of demand with sales peaking in the final quarter. In Ireland, weather patterns also appeared to have an effect on sales. In particular, unseasonal weather had an adverse effect on sales. For example, bad weather in May and June affected sales of summer ranges. Likewise, good weather in late Autumn/early Winter also tended to reduce demand. In both cases consumers delayed purchase decisions for a particular season and then were less likely to proceed with a purchase designed for a shorter season.

- Imports into the EU had doubled between 1985 and 1990 and were continuing to increase. By 1990 imports represented over 75 per cent of the market in pairage though significantly less than that in value. The growth from low-cost producers was even more significant with countries such as China, Indonesia and Thailand showing increases of up to 7-fold in that period. A pattern was emerging whereby the brand was being separated from its production. Many of the major owners of brands did not, in fact, manufacture at all. Rather they sub-contracted out to producers in low-cost countries. High quality, expensive footwear continued to be manufactured in Europe and, indeed, presented some export opportunities.

Local manufacturers had some advantages such as greater flexibility and better quality control. However, the trends were all in the opposite direction and JBS recognised that it might not be manufacturing in 10 years time. Already it was sourcing much of its product in the UK including products which it carried under its own brands.

- The market was very fashion conscious. This was particularly true of the higher ticket items. While there were classic or standard designs, they were becoming fewer with markets such as children and safety footwear becoming more fashion conscious. In addition, fashion trends were diffusing much more rapidly than before. JBS management had often commented that major fashion developments had taken some months to reach Dublin from major centres such as London or Paris, and then further months to reach other parts of Ireland. Given that JBS strength lay in the latter market, this had frequently allowed for time to develop, test and sell a range and to obtain a significant level of repeat orders. Often, it was on repeat orders that the profit was made as development costs had been absorbed. This had all changed and the diffusion was now almost instantaneous, putting additional pressure on small manufacturers such as JBS. The company watched market trends closely and attended all major footwear fairs. This was a vital part of any footwear manufacturer's operation. It was very easy to be left with unsaleable stock when a trend moved on.

- Figures for market share were difficult to establish. However, patterns of competition at manufacturer/distribution level could be ascertained. Here two significant trends were apparent. Own brand drapery stores, principally Dunnes Stores, had become a major player. Dunnes sourced their own footwear, mostly in low-cost countries. Their products were positioned as low price/good value. Perhaps because of this, they had significant image problems, particularly in the teen and sub-teen markets which were highly brand conscious. A second major development was the growth in retail chains from the UK such as Clarks and Saxone. They imported and, in most cases, branded their own goods, though some established brands, such as Dr Martens, were carried by such chains. Parallel importing of ranges, for which there were established agents in Ireland, also appeared to be common among such outlets. A third significant trend was in the growth of specialist retailers who focused on a particular niche. Marathon, Lifestyle, Zerep and Great Outdoors were examples of this trend. They tended to purchase established brands from existing agents. Most of these trends were more noticeable in large urban areas such as Dublin and Cork.

In addition to these there were perhaps 15-20 active distributors. In a few cases, they represented only one product such as one of the large trainer brands. In others, like JBS, they had developed from traditional wholesale or manufacturing operations. Examples were Stafford Mitchell and Drummies. The latter also operated at retail level owning a number of outlets specialising in Ecco shoes for which they were the distributors.

There were also a number of manufacturers with operations in Ireland. Of these, the largest was Dubarry whose market share would still have been in low single figures, though they also exported. They were probably the only footwear manufacturer in Ireland employing more than 100 staff. This contrasted with the boom periods when Clarks and Woodingtons employed up to 2,500 each. Other manufacturers were Whelans, Padmore and Barnes and Blackthorn. All held a small market share.

At retail level the trends mentioned above were having an impact. In particular, the growth of Dunnes Stores, specialist outlets and UK-based chains were all having an effect on the market. Nevertheless, the small town owner-managed retailer continued to survive, though there was some evidence that greater mobility among shoppers was increasing the share of outlets in larger regional centres at the expense of small town outlets. The shoe trade at retail level was not seen as glamorous or attractive. As a result, succession in small outlets was a problem and they frequently closed when the owner retired. Many smaller retailers were not serviced at all by major brands. Nike, for example, were marketed direct from the UK and could only justify dealing with larger outlets, usually in main centres of population. The smaller outlets were frequently easier to access and the relationship between sales representatives and clients were close. It could be difficult to reproduce that type of relationship in an urban operation which was likely to be staffed by sales assistants and a manager who did not have buying authority. In Dublin, many of the largest retail outlets were based in department stores such as Arnotts, Brown Thomas and Clerys. In general, the trade was changing and not many of the changes were likely to be of benefit to JBS. The directors fully recognised this and had also been adopting a policy which would see them develop towards becoming managers of successful brands.

With regard to price, the price point at retail level was regarded as crucial. Many consumers entered a shop with, apparently, a price range in mind. This, of course, had implications for assessing the importance of the role of the shop assistant in influencing the purchase. It was common for retailers to double the VAT exclusive price of a product which they had purchased. Thus, a pair of shoes purchased by the retailer for £20 plus VAT might sell out at £39.99 inclusive of VAT. No VAT was charged on children's shoes. Dunnes Stores were assumed to work to smaller margins as did UK-based chains. However, in the latter case this may have been a transfer pricing exercise to minimise profit, and thus corporation tax, in Ireland.

THE OPPORTUNITY

In pursuance of the JBS strategy of developing new brands and monitoring market trends, Liam Stiratt and Noel McGuirke visited a major US shoe fair in Las Vegas in August 1994. Among the contacts made were with a California-based company called Cherokee. They were specialists in footwear targeted at older casual users and those who walked extensively. Their ranges included leather sandals, hiking and climbing boots and trainers which were rather understated. Noel and Liam recognised that market conditions in the US and Europe were different, but they were taken with a range of which Cherokee claimed to have sold 450,000 pairs in less than 18 months. The shoes were similar to trainers or light walking shoes. They had plain leather uppers

and rubber soles. They were available in a limited range of colours such as sand, white, grey and black. What intrigued Noel and Liam was the design of the sole. What could only be described as a bump on the sole at the arch of the foot meant that if the shoe was placed on a flat surface, it rocked on the "bump" so that either the toe and the "bump" or the heel and the "bump" were resting on the surface at the same time. The presence of the "bump" meant that the heel and toe could not make contact with the ground at the same time. In walking, apparently, the foot was thrown forward by the "bump" which from front to back represented a small segment of a circle just over an inch in length. The rocking motion, thus created, had led to the shoes being branded as Rockers. The sole was patented. Hence, the unwieldy title of this case study for which the author apologises.

When Liam and Noel returned to Ireland, they reported back to the management group on the contacts made. By now Jim's younger son, Grattan, had returned from working abroad and had taken up a marketing position with JBS, particularly focusing on new products.

A range of samples arrived from Cherokee some weeks later. By now it was evident that any launch of the product would not take place until the Spring of 1995. This offered time to consider a strategy in detail. The management group considered the project in some detail and came to the following preliminary conclusions:

- The shoes were well manufactured, though there were some inconsistencies in styles and sizes. This apparently arose as some were manufactured in Indonesia and some in Thailand. In particular, they did not correspond to the UK sizes indicated on the shoes. There was, in any event, a difference of 1.5 sizes between US and UK sizes but there was a further discrepancy of between 1 and 1.5 sizes from what would be expected. This would not be a major problem if retailers were properly briefed, though it was a nuisance. For example, it was difficult to find feet on which to try out the small number of samples sent!

- The shoes were available in narrow, standard and broad fittings. However, the group quickly came to the conclusion that

Irish feet were such that only broad, and possibly standard, fittings were of any relevance.

- The shoes were targeted exclusively at women. It became clear that the market would be mature women possibly from age 30 up. When one of the young clerical assistants in JBS tried on a pair she was asked for her comments. She threw the group into a slough of despondency by describing them as "awful". On being asked to further expand on this she agreed that they were "really comfortable but I wouldn't be seen dead in them". Samples shown to older women generated much greater enthusiasm. The likely price point of £40 or £45, depending on style, was also highly acceptable. It was proposed to develop a focus group which would be invited to try the shoes and report back on their views. Unfortunately, there were not enough suitable samples available for this purpose and it had to be abandoned. In fact obtaining samples presented many unforeseen problems. Cherokee had apparently never previously dealt in Europe though their turnover ran to tens of millions of dollars. They appeared unsure of how to proceed when JBS enquired about the possibility of exclusive distribution for Ireland.

- Promotional material supplied with the products was basic and of limited value. It appeared that advertising was confined to a specialist magazine called *The Walker* which appeared to circulate by subscription to walking enthusiasts. No such equivalent existed in Ireland. Other material consisted of bags, display boards and tee shirts.

- The 45-day walk test, which was promoted in the advertising, quickly became a major issue in the JBS group. This was an arrangement whereby any customer not satisfied with the product could return the shoes and obtain a refund, up to 45 days after purchase, with no questions asked. Given that the product was, at first glance, rather radical, this seemed to some to be an excellent idea. However, JBS would have to fund such a scheme as Cherokee would only refund JBS for defective goods. Part of the management group vehemently opposed such a suggestion on two grounds. In the first place, they claimed that Irish consumers would take advantage of such an opportunity and that JBS would be swamped with returns which would make the project uneconomic. Secondly, they argued that retailers would be very unenthusiastic about such a scheme. Cherokee's experience had been of minimal returns.

- Though not seeing the project as an outstanding opportunity, the management group decided to proceed with further analysis while negotiating an agreement with Cherokee. A small sub-group was set up to plan and manage a launch.

THE ISSUES

Turnover

It was agreed that a target of 5,000 pairs in a full year would have to be achieved to make the project worthwhile. At normal margins this would produce a turnover of £100,000. Sales representatives were confident that this could be achieved.

Positioning

Following the Cherokee positioning strategy might limit the market. On the other hand, a higher price might be obtainable for a specialist product. However, it should be recalled that each £1 added to the trade price would be doubled at the retail level. If the positioning was to be broadened out to a wider group than those who considered themselves to be active walkers, sales would be expect to be higher but would the product deliver the required benefit to a broader group? Comfort in walking was the main attribute of the product together with its sole and the plain understated styling.

Branding

A glance at the title of the case study indicates the dilemma here. Both Rockers and Cherokee are featured on the shoes, though not on a consistent basis. "Rockers" was on the side of some of the range but not on others. Both names featured in the sock and on the sole though neither were visible when worn. Neither brand name was known in Ireland or in Europe though both words would be recognisable in other contexts.

Price
Price would depend on positioning. At standard mark-ups and based on a dollar value of $1.50 to IR£1.00, sale prices of between £20 and £22, both plus VAT, delivered to retailers would be satisfactory. However, they would not provide significant resources for promotion, unless sales greatly exceeded expectations of 5,000 pairs in the first year.

Distribution
This was an issue of major concern. The marketing group recognised that it would probably be unrealistic to sell to all retailers currently being serviced. Based on projections this would provide an average annual sale of 10 pairs and would hardly justify effort on the retailers' part. Neither would it convey a suitable image for a product which was intended to give an upmarket and relatively sophisticated image. In general, the project also offered an opportunity to target retailers with which JBS did not have a relationship, but would they be interested? If not, what might make them interested?

Promotion
Major decisions obviously also had to be made in this area. The group recognised that the projections indicated a limited budget for a product launch. Company management were willing to commit £10,000 to the project but would want to be thoroughly convinced of its value before committing more resources over and above this. Given the paucity of the promotional material available from the USA, the group would have to start from scratch in putting together a promotional plan. JBS had not tended to use advertising extensively in recent years but were well aware of the published rates. An example of the promotional material is given in Appendix 1. The following table illustrates the key features of rates in selected journals.

Magazine	*Circulation*	*Cost Per Page Colour*	*Cost Per Page Mono*	*Frequency*
Image	25,000	£2,000	£1,300	Monthly
Woman's Way	66,166	£3,000	£1,950	Weekly
RTE Guide	170,107	£3,400	£2,050	Weekly
IT	20,283	£1,630	£1,100	Monthly
Irish Runner	10,500	£945	£670	8 p.a.
World of Irish Nursing	17,400	£1,050	£750	6 p.a.

Source: IMJ

THE DECISION

As the group were reviewing the issues above, it was clear that a go/no go decision would have to be made quickly if the goods were to be landed and in chosen outlets in time for a Spring launch. Accordingly, while the marketing sub-group was still considering its options, it was agreed with Cherokee that JBS would have exclusive rights to the Irish market for Cherokee products. In turn, JBS provided satisfactory credit references and ordered 1,700 pairs for delivery in the second half of January 1995. Grattan Boylan was landed with the job of preparing a launch, though the squabble about the 45-day test was still in full swing as Christmas approached!