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## Waterford Crystal: the Chairman's Challenge

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# **WATERFORD CRYSTAL**

## **THE CHAIRMAN'S CHALLENGE**

**by**

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**This case was developed as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation**

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As he eased his car out the gates of Castlemartin on a lovely evening in May 1995, Redmond O'Donoghue mused on the meeting which had just finished. Dr A.J.F. O'Reilly, non executive Chairman of Waterford Wedgwood Plc, had brought senior management of the group to his Irish residence in County Kildare for an informal discussion on future strategy. The group comprised two distinct major subsidiaries, Waterford Crystal which produced crystal glass and Josiah Wedgwood whose main business was ceramic tableware. Redmond was Chief Operating officer of Waterford Crystal. With the impending retirement of the current Chief Executive, Paddy Galvin, Redmond was likely to succeed him as Chief Executive and so would have overall responsibility for developing and implementing future strategy for Waterford Crystal. Not for the first time, Redmond marvelled at the ability of the Chairman to get his key executives to "raise the bar" in committing themselves to ambitious objectives. Redmond had, at the meeting, proposed that Waterford Crystal should consider setting itself the target of doubling turnover and profit in the five years to the end of the decade. They had agreed to meet again in August and to finalise plans by the year end. He still had time to back off and develop less ambitious targets though, somehow, he doubted if the Chairman would be impressed! Waterford Crystal had successfully come through a period of several years of troubled trading which had almost brought the company to its knees. It was time to draw a line under the past and move forward. He was sure that senior executives in Waterford would relish the challenge to achieve the targets involved. On the other hand, the immense scale of the challenge was apparent when he reflected on Waterford's core business. 75% of Waterford's business was the sale of crystal gift/tableware in the USA and a further 10% was to US visitors to Ireland. In all Waterford held an estimated just below 40% of the US premium cut crystal market. This market was highly mature with sales

increasing at about 2% per annum. He recalled, from his time working with the Ford Motor Corporation, a competitive award called “the Chairman’s Challenge”. Truly, he thought, this surely was a real “Chairman’s Challenge”.

## **THE ORIGINS OF WATERFORD CRYSTAL**

The production of crystal glass in Europe in the middle ages centred in Venice and gradually developed throughout Europe as Italian glass workers migrated to other countries. Bottle and table glass is recorded as having been produced in Waterford in the late 16th and early 17th centuries. One John Head of Waterford advertised in 1729 that he produced heavy and lightweight flint (crystal) drinking glasses. The first half of the 18th century saw a major development of Irish glass production with the key skills of blowing, cutting, engraving, moulding and enamel work being refined. During the 18th and 19th centuries changes in trade and tax laws in England and elsewhere greatly influenced the development of industries. For example, in 1746, an act in the English Parliament prohibited the export of Irish glass to England. This had a serious effect on the Irish industry. The situation was reversed some thirty years later when England imposed severe taxes on its producers and Ireland embraced free trade. Many English tradesmen migrated to Ireland and established glass manufacturing businesses there. This was apparently regarded as the golden age of Irish glass with designs becoming more elaborate. Exports became important and were shipped to Europe and North America. Irish designs were much copied abroad. Proximity to a port became an important issue in the glass business and Waterford, as the major port in the south east of Ireland with access to both England and continental Europe, was seen as a natural base for glass making. The most notable business in Waterford was established by the Penrose family which employed up to 70 people and

was known as Waterford Flint Glass. The business changed ownership on a few occasions. One such change, coupled with some gentle promotion, was announced in the Waterford Chronicle in December 1799 as follows:

*Ramsey, Gatchell and Barcroft respectfully inform their friends and the public that they have purchased the establishment of the Waterford Flint Glass manufactory from George and William Penrose and have opened a shop on the Quay in said concern where they intend to be supplied with an extensive assortment of plain and ornamental glassware and hope by their attention, moderate prices and the quality of their glass, to merit the approbation of their customers.*

In reading this one can only conclude that the bases for sustainable competitive advantage have altered little in 200 years and were not invented by McCarthy, Kotler, Porter et al!

The 19th century was less kind to businesses such as Waterford Flint Glass. The Act of Union with Britain in 1801 ended Ireland's political and economic independence. Subsequent punitive tax laws appear to have been a major factor in the gradual decline of the company. Although the company apparently sent an outstanding entry to the Great Exhibition in London's Crystal Palace in 1851, it closed the same year.

## **THE MODERN WATERFORD CRYSTAL**

A number of attempts were made to revive the business subsequently. However, it was not until, almost a century later, in 1947, that a new Waterford Glass business

was established. A number of skilled craftsmen from central Europe were recruited. The designs from Waterford based glass companies of the eighteenth and nineteenth centuries were closely examined by the craftsmen. The designs of the new company were based, largely, on those earlier designs. The new company manufactured a range of lead crystal products. The principal ingredients of lead crystal are silica sand, litharge, which provides the lead content and potassium carbonate. Typically, the ingredients are heated in a furnace. The raw material is then extracted from the furnace manually or automatically, and then blown and shaped, before being cooled and prepared for cutting. Crystal products can also be produced from blanks or pieces of solid crystal. Many smaller producers, who could not justify the investment in a furnace, purchase blanks and complete the process from there. The higher the lead content, the greater the sparkle and light refraction. Waterford Glass, subsequently renamed as Waterford Crystal, has consistently produced crystal with a lead content in excess of 30%. Cheaper products use a lower lead content. Waterford struggled for several years, first making a profit in 1955. From that point, the company grew rapidly. It went public in 1966 when it obtained a share listing in the Dublin and London Stock Exchanges. Subsequently, it acquired Josiah Wedgwood, a well known, UK based, ceramic tableware company, in 1985. The acquisition had a certain logic to it. The companies operated in complementary areas and offered possible synergies in marketing and distribution. The eighties were a period of rapid expansion for Waterford as the US market boomed in the Reagan era. The product range also expanded to encompass a huge range of gift and tableware totalling up to 4000 separate items, recorded as stock keeping units or SKUs. The key distinguishing features of Waterford Crystal were the heavy and angular cut to the glass. The company was very reliant on the US market where Waterford was a strong market

leader and a brand name of major importance. All Waterford Crystal was mouth blown and hand cut. No seconds were permitted to leave the factory. Products which did not reach the required standard were destroyed with a proportion of usable glass returned to the furnace.

The decline in the fortunes of Waterford Crystal, in the late eighties, was sudden and precipitous. The US market experienced a recession. Luxury goods, as one might expect, were not immune from this. Waterford had been used to consistent growth. High inflation and low dollar values also contributed to its problems. The company was forced to abandon some price points in the premium crystal market and the vacated market segments were occupied by competitors. From 1987 onwards the company began to make severe losses. Its problems were compounded by two key factors. The company was low technology in an industry where advanced technology was becoming readily available, particularly in cutting and blowing, which were now possible using automated equipment. Over the years, the company had experienced significant wage cost drift. Work practices, which inhibited efficiency, had become established. In 1989, a new management team was appointed to a company which

was losing £20\* million per annum on a turnover which was falling rapidly, reaching a low point of £73.0 million in 1991. New institutional and private investors, such as Morgan Stanley and Dr O'Reilly acquired significant share holdings in the company in 1990 and saw the value of their investment fall as the company struggled to overcome its difficulties.

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\* IR£1 = Approx \$1.50

As an illustration of the difficulties involved, US sales dropped by one third in 1991.

Recent sales and profit figures for Waterford Crystal and Josiah Wedgwood are shown in the table below:

|      | WATERFORD CRYSTAL |            | JOSIAH WEDGWOOD |            |
|------|-------------------|------------|-----------------|------------|
|      | Sales             | Net Profit | Sales           | Net Profit |
| 1995 | 120               | 15         | 220             | 17         |
| 1994 | 108.8             | 13         | 216.2           | 15.3       |
| 1993 | 102.1             | 7.8        | 217.1           | 8.7        |
| 1992 | 76.3              | 0.5        | 197.3           | 8.6        |
| 1991 | 73                | (1.2)      | 219.1           | 10.3       |
| 1990 | 76.7              | (4.8)      | 231.2           | 14.8       |
| 1989 | 95.8              | N/A        | 251.6           | N/A        |

All figures in IR£M

Note: The company did not report separate profit figures for the two divisions in 1989. The group, as a whole, returned a loss of £1.1M.

Source: Waterford Wedgwood Annual Reports

## **THE TURNAROUND**

The changes introduced by the new management were radical. As articulated by the then Chairman and Chief Executive of Waterford Crystal, Paddy Galvin, the strategy adopted was twofold:

1. Develop a turnaround strategy simply to survive
2. Develop a new strategy for growth

Much of the first element was cost driven. 800 staff, or one-third of the work force in Waterford was shed over four years. Wages and salary rates were cut by up to 25% and a pay freeze was imposed to the end of 1994. Major advances were made in productivity and changed work practices. These were strongly resisted, but eventually embraced, by the workforce. Major improvements were instituted in industrial relations and the management, staff and unions worked closely together to move the company forward, once the initial problems were overcome. The company introduced an internal communications programme to ensure that all staff were kept fully informed of important developments. Almost as radical was a decision to source the manufacture of certain products out of Waterford and Ireland. This was seen at the time as having possible serious consequences for the Waterford based operation. It raised much discussion on the relationship of the city and the brand. It was particularly controversial in Ireland, where Waterford Crystal was seen as having a symbiotic relationship with the nation and with Waterford City and County in particular. Whether customers understood or appreciated this symbiosis is open to some doubt.

The new strategy for growth was, itself, comprised of a number of major elements. The existing range was revamped to cover a wider span of the premium crystal market. This was done while, at the same time reducing the number of stock keeping units to 2000. Of these, about 600 accounted for 80% of sales. While drinking glasses, in a wide variety of designs and uses, made up the largest product category, the range also included other crystal tableware, dishes, bowls, ornaments, clocks, lighting ware and trophies. Any item which could be produced in crystal and cut in one of the many elaborate styles developed by Waterford was considered for production. A second element was the redevelopment of the visitor centre at the main Waterford plant. A total of £1.5m was spent on revamping and extending the visitor centre. The new centre enables visitors to walk through the factory to see the various operations in a logical sequence (and to smash rejected products if they wish). A restaurant, audio visual area and information centre were also added. The Waterford Crystal Gallery, which displays the product range and is also a retail outlet, was extended. In 1992, just over 100,000 visitors came to the centre. By 1995 this figure was approaching 250,000 and continuing to grow. It was then the fourth biggest tourist attraction in Ireland for overseas visitors. An estimated 50% of all visitors purchase some crystal.

The most radical strategy change was the development of a new crystal product range aimed principally at the US market. This was branded as \*‘‘Marquis by Waterford Crystal’’. It was designed to sell at a lower price than Waterford but with higher margins. These higher margins were achieved through outsourcing the product in Germany, where advanced technology reduced the cost of the product, and Slovenia, which offered considerably lower labour costs. In using new technologies, Marquis moved Waterford away from its previous policy of 100% mouth blown and hand cut. Marquis was lighter in feel, design and cut and was targeted at a younger market. It had its own packaging, advertising and identity. It was intended that it would obtain shelf space away from Waterford in retail outlets. A key objective was that Marquis would not cannibalise Waterford sales particularly in the vital US market. This was clearly achieved to a remarkable extent. By 1995 Marquis share of the US crystal market was approaching 10%. It was the fourth best selling brand in the market out of an estimated total of 120 brands. The Waterford brand maintained its number one position in the market. Indeed its share of the US market grew from 23.5% in 1991, before the launch of Marquis, to an estimated 30% in 1995. Added together, the share of the US premium crystal market held by the company now amounted to some 40%.

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\*The development of the Marquis brand and its rationale is fully described in ‘‘Marquis by Waterford: Creating a New International Brand’’ by Redmond O’Donoghue in Irish Marketing Review Volume 7, 1994 published by Mercury Publications, Dublin and reprinted in ‘‘Marketing in Action, Learning from a Small Country’’ edited by Aidan O’Driscoll and published by Mercury Publications in 1997.

An excellent example of innovative product development under the Waterford brand was a specially boxed pair of tall slender glasses described as Millennium Toasting

Flutes launched in 1995. It is intended that a pair will be launched each year until the millennium with themes of happiness, love, health, prosperity and peace. This product, retailing at \$99 per pair, immediately became Waterford's best selling product in the US with sales heading towards 250,000 pairs per annum. Consumers were encouraged to complete the set by purchasing a pair each year.

### **WATERFORD CRYSTAL IN 1995**

By 1995 the process of recovery was complete in Waterford Crystal. Turnover for the year was expected to amount to £120 million and net profit was expected to reach £15 million. These would be the figures on which the Chairman's Challenge would be based. Wedgwood sales were approximately £100 million more than Waterford though the difference in profitability was much less with Wedgwood profits 15% ahead of Waterford. Major advances in technology had also taken place at the Waterford premises. A new automated tank furnace costing about £10 million was being installed. The new plant improved the quality and clarity of the glass. The less cutting which was undertaken on a piece of glass, the more the quality of the crystal became under scrutiny. Extensive cutting could remove any flaws in the crystal and may even have been a factor in the choice of heavy cutting in both the original 18/19th century Waterford operation and the revived business when it commenced in 1947. It also enabled high technology blowing, cutting and forming. For example, long stemmed products, which could not be produced with previous technology, were now possible. Waterford was conscious of its craft heritage but recognised that it would have to embrace the new technologies available. The new plant offered greater options to Waterford Crystal but Redmond O'Donoghue and his team were conscious that the market appreciated the mouthblown and handcut features of the Waterford

brand. Marquis had, however, proved that it was possible to market products which did not necessarily have either of those features.

The US market had recovered strongly. This was both a function of Waterford's strategy and of greatly improved economic conditions. Waterford was strongly focused on Anglophone markets. The USA, UK and Ireland accounted for 94% of sales. Other markets such as West Indies, Australia and Canada accounted for much of the rest.

In the key markets, Waterford obviously faced competition. In Ireland, this was limited to a range of small producers, many of whom had been inspired to develop by Waterford's success. Many had experienced trading difficulties and had operated under several ownerships. Companies included Galway, Cavan, Dublin, Tipperary as well as a large number of small regional or local producers. With the exception of Galway Crystal, none of the Irish based companies employed more than 100 employees and many were considerably smaller. Galway, which had been established in the seventies had, ironically, once been owned by Josiah Wedgwood. It was currently owned by the same investment company which owned Belleek China. While both had a reasonable level of market recognition, and sold into the key US market, neither was more than a fraction of the size of Waterford. No Irish based competitors were positioned directly against Waterford. Most operated at lower price points and many produced machine cut crystal with a lower lead content.

In the UK, Waterford was not the market leader. In fact, in 1994, it ranked at No. 5 in the market. The market, at wholesale prices, was valued at about £55m sterling (£1stg=£IR1). Estimated market shares are shown in the following table:

UK Market Shares in Crystal Market 1994

|                |     |
|----------------|-----|
| Edinburgh      | 23% |
| Dartington     | 15% |
| Stuart         | 14% |
| Doulton        | 11% |
| Royal Brierley | 9%  |
| Waterford      | 8%  |
| Lalique        | 1%  |
| Others         | 19% |

Source: Company Information

All the major competitors were UK owned. In May 1995, Waterford was considering purchasing the troubled Stuart Crystal. Edinburgh, the market leader operated a chain of retail outlets while most of the other major players were principally in the china market.

In the US, as previously noted, Waterford ranked as the number one selling brand and Marquis was fourth. Again, actual figures for 1994 are shown below. As Waterford's overall share was continuing to rise in 1995, figures quoted elsewhere for Waterford products are not directly comparable.

## US Market Share in Crystal Market 1994

|           |       |
|-----------|-------|
| Waterford | 27.5% |
| Mikasa    | 25.2% |
| Gorham    | 12.8% |
| Marquis   | 6.5%  |
| Lenox     | 6.4%  |
| Noritake  | 3.6%  |
| Others    | 18.0% |

Source: Company Information

Waterford considered, as competitors, those products which were positioned against them, in particular where they were sold on the same floor in department stores.

However, Mikasa products typically retailed at 50% of equivalent Waterford prices while the other major competitors were approximately 75% of Waterford's price and close to Marquis prices. Lenox had been the major loser from the growth of Marquis.

Both Lenox and Gorham were owned by Brown Forman whose major products were alcoholic beverages such as Southern Comfort and Jack Daniels. The two crystal companies were purchased by Brown Forman as part of a diversification strategy.

Both were also prominent in china with each having at least 50% of its sales in that market. Lenox was largely only in stemware. Mikasa did not manufacture. Rather it outsourced all its product, principally in the Far East and Central Europe. Noritake was part of a very large Japanese owned tableware organisation. Most of the other products in the US market were imported from countries such as Sweden, France, Japan and the Czech Republic. Other Irish producers barely rated a mention in market share.

A key consideration in the coming together of Waterford and Wedgwood was the relative geographic strengths of both companies. Wedgwood was a strong presence in far eastern markets particularly Japan and Australia but was less prominent, through growing, in the USA. The position was largely reversed for Waterford. As a result Wedgwood handled Waterford distribution in markets where it had been strong while Waterford distributed Wedgwood products in the US.

The Waterford Crystal management team recognised the value of its strong market position in the US and were naturally concerned to maximise the strength of the brand in the US. Equally they were aware of the effects that the recession in the US had had on Waterford Crystal a few years previously.

While the US, Ireland and UK accounted for more than 90% of sales, Waterford Crystal was sold in more than 50 countries throughout the world. In many, sales were modest but margins still justified a presence provided there was reasonable representation available and limited marketing costs. For example, current sales in Thailand amounted to between £150,000 and £200,000 per annum.

When Waterford committed to a major marketing investment in 1988 it was not surprising that Japan was chosen. It offered several major advantages.

- It was an affluent market with a population in excess of 120 million
- It had a reputation as a very brand conscious market
- Wedgwood already had a significant presence in that market and were in a position to handle distribution.
- Gift giving was a major element of Japanese culture.

None of these factors guaranteed success, however. On the other hand, Japan did not have a large premium crystal market. As in several other countries, the extent of the market was influenced by local cultural factors. In the period from 1988, when Waterford first entered the Japanese market, to the current year, 1995, Waterford had invested £5 million in developing the Japanese market. This figure includes only external promotional costs and takes no account of management time or travelling costs. Returns had been slow and sales were expected to reach close to £2 million in 1995. They were continuing to grow. The slow growth was not aided by the recession which was currently apparent in Japan. However, Waterford was confident that by 1997 it would be showing a satisfactory return on investment with sales in excess of £3 million. Retail prices of both Waterford and Wedgwood were high in Japan partly as a marketing strategy and partly reflecting the enormous power of department stores in the Japanese distribution channel.

Attempts to enter other markets were sporadic and limited in success. Recent focus groups research undertaken in France and Spain indicated that consumers in both countries did not like the cut, feel, weight or price of Waterford Crystal. They had no knowledge of the brand and to cap it all, they liked Marquis even less. Sales in

continental Europe were almost non-existent rarely amounting to more than £100,000 in any one country. Yet, these were affluent markets. Craftsmen from continental Europe had, twice, in the seventeenth and twentieth centuries inspired the development of cut crystal at Waterford.

## **WATERFORD CRYSTAL IN THE USA**

As previously noted, the US market directly accounted for 75% of all Waterford Crystal sales. Since the product began to develop significant sales in the sixties, Waterford had controlled its own distribution and marketing. It operated from a 250,000 sq. ft distribution and administration centre in the New Jersey. The US subsidiary was Waterford Wedgwood Inc. which reported to Waterford Crystal headquarters in Waterford. It was also responsible for the distribution and marketing of Wedgwood in the US.

In total, the US subsidiary employed 600 staff. Of these 150 were employed directly in almost 30 Waterford Wedgwood stores. Most of these were located in outlet malls, of which there are an estimated 400 throughout the US. These malls typically have a series of prestige branded product outlets in areas such as clothing and gifts and, in many cases, marketed items which were no longer on that brand's top fashion list. These stores accounted for about 12% of Waterford's turnover in the US. They retailed only Waterford and Wedgwood brands with the minor exceptions of some products deemed to be complementary.

Most of the balance of the turnover was through department stores. It had long been the policy of Waterford that its products would be retailed in the best outlet, or outlets, in each city or town. In total, Waterford Wedgwood Inc. had 3000 US accounts though, in many instances, an account might represent several stores. The biggest customer was Federated whose outlets included Bloomingdales and Macys. Other major prestige outlets included Richs in Atlanta, Burdines in Florida, Marshall Fields in Chicago, Robinson in Los Angeles and Foleys and Rieman Marcus in Texas and neighbouring states. The company takes great care that its products are only available in stores that can display and market the product in a manner that reflects the Waterford image. Waterford and its sister brand Marquis were generally available in the same outlets. As previously noted, Waterford sought to have separate displays for the two ranges. However, in practice, the displays tended to be next to each other or across the aisle from each other.

It was a source of some concern that crystal retailing generally took place on upper floors in a department store. This reflected the relative value of floor space to retailers. Faster moving or more convenience type products tended to be placed on lower floors. For example, Macys retailed crystal, including Waterford, on the 7th floor. Redmond O'Donoghue, who was a frequent visitor to US department stores had often remarked wryly that customers who suffered from vertigo were unlikely to purchase Waterford Crystal!

Waterford Wedgwood Inc in the US had a major role in new product planning for the whole company. It had its own product planning groups which worked closely with the design unit based at corporate headquarters in Ireland. The product planners also

worked closely with key staff in retail outlets and tested new product ideas on consumers. The company also commissioned research on a regular basis and noted closely research carried out by independent organisations which impinged on the company. An example of the former was recent research on consumer reasons for purchasing Waterford. In descending order of importance the following reasons figured prominently

- \* quality
- \* design
- \* “Waterford makes products right for me”
- \* “Waterford products don’t go out of style”
- \* “Waterford never discontinues a pattern”

The last reason applied only to stemware such as wine glasses. It was Waterford’s policy to guarantee to replace or add to any collection of stemware where, for example, a customer had damaged a piece or where a customer wished to increase the number of place settings. The customer, of course, paid for this facility and might have to wait for up to 6 months for a replacement. Such orders were grouped into batches and were put through the factory when an economic lot was assembled. This facility was lightly used but customers indicated, through the research, that they valued its availability. To reinforce this, Waterford had recently arranged a series of instore promotions featuring all stemware suites manufactured since the company was founded. Consumers were encouraged to visit these displays and identify any pieces where they were short of a complete set or wished to add to it.

The same research placed the fact, that the products were hand crafted and cut, low on their list of reasons to purchase and the fact that the products were made in Ireland hardly rated at all. The relatively low weighting to the hand crafted feature pointed up an issue for Waterford which has already been discussed.

Other research of note, which had reflected on the Waterford brand, included a major independent research study on 6000 consumers who were invited to rate 500 brands in terms of perceived quality. Waterford rated 8th in this survey behind such brands as Disney, BMW, Mercedes and, perhaps surprisingly, at No. 1, Kodak.

In an earlier study among high income earners Waterford rated second in awareness and esteem. A similar study, by the same organisation, in the UK, placed Waterford in first position. Yet, in other major continental European markets, the brand was virtually unknown.

Promotion of Waterford followed a fairly set pattern. Above the line promotion focused mostly on key major magazines targeted at high earner groups. An average of 200 pages per year were placed. Most other promotion focused on events designed to place Waterford in front of consumers. One such regular event was what was described as an artisan event when craftsmen were brought from Waterford to key US outlets where they showed their craft and signed or otherwise personalised Waterford products. The sports trophy programme was also a major promotional vehicle.

Waterford was associated with many major sports events usually through the presentation of a trophy. This part of Waterford's operation was a separate profit centre. However, where the event was highly prestigious, and/or received major

coverage in media, the trophy would be specially designed by Waterford and supplied at no cost. Sports supported by Waterford included tennis, golf, horse racing and motor racing. Two examples included the German Formula One Motor Racing Grand Prix at Hockenheim and the major ATP Top 8 tournament, also staged in Germany, at the end of the tennis season.

Waterford was also a major sponsor of the annual Miss America Pageant in Atlantic City in September. The winner is presented with a Waterford Crystal sceptre and Waterford Crystal pays \$25,000 to a charity nominated by the winner. The event continues to be one of the three most watched television shows of the year in the US.

A key, largely uncontrollable, factor in Waterford's business in the US was the value of the US dollar against European currencies and, particularly, the Irish pound. The Irish currency was obviously a very small player on world currency markets. Its relationship with the US dollar had fluctuated widely in the past ten years. It ranged from \$0.95 to IR£1 at the dollar's high point in the late eighties to \$1.80 to £1 in the early nineties. Currently it was trading in the range of \$1.50 to \$1.60 to £1. It was not possible for a Company such as Waterford Crystal to recover fluctuations of a negative type as the US market was largely insulated from major international currency movements. Where it was likely to influence sales, was in Ireland, to US tourists. A low value of the dollar tended to discourage US visitors and depress their spending power. A high dollar value had the opposite effect. Waterford sought to smooth out currency fluctuations by selling dollars forward. It normally sold dollars at a fixed price for up to two years ahead.

## **LOOKING AHEAD**

As he neared his home in Waterford, Redmond O'Donoghue reflected on how far Waterford Crystal had come in its almost 50 years of existence and the mistakes that had been made along the way. He was conscious that he might look back on this day as a defining moment in his own career. The "Chairman's Challenge" to double both turnover and profit in five years, seemed both daunting and exciting in equal measures. He decided to call an urgent meeting of all key executives available on the following day. While cost reduction would be likely to form a key part of a strategy to double turnover and profit in five years, the strategy would have to be strongly marketing driven. In considering the next day's meeting, he felt that it was important that it should quickly develop a clear strategy focus. There were some good development projects in the pipeline that could go some way to meeting the targets but were unlikely to bring the company anywhere close to the targets which he was now considering. The shape of the next day's meeting would be important as a start in a process that would have to be largely complete within three months.