



## **CHAPTER 1**

### **EXAMINATION OF AN ENVIRONMENT OF POTENTIAL PROBLEMS**



## CHAPTER 1

### 1.1 COMPANY OVERVIEW

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Headland Machinery Proprietary Limited is an Australian family owned company founded in 1949 in Melbourne, Victoria. The company was purchased by Di and Peter Kloe, the current managing directors, some years later. Headland imports machinery and spare parts from suppliers worldwide, especially from Germany, USA and Japan. Today, the company has three other branches in Australia together with a network of resellers and service contractors around the country. The branches are in Queensland (Brisbane), New South Wales (Sydney) and Western Australia (Perth) while the headquarters are in Victoria (Melbourne).

Headland machinery has a good reputation throughout Australia due to their long presence in the manufacturing market. The company's position in the manufacturing industry together with their overseas partners ensures that Headland is constantly offering and servicing leading edge technology.

#### **Business Objectives**

- Cultivate a reputation of excellence
- Provide a level of service that is second to none
- Attract, retain, and develop the best talent
- Create a quality environment in which continued improvement can flourish
- Foster an entrepreneurial spirit throughout the firm
- Secure valuable partner relationships
- Fulfil stakeholder expectations

Headland achieves the objectives through the following:

- Development of the client base and constant research of new sources of business
- Exceeding expectations as far as quality of product is concerned



- Marketing only efficient superior products; increasing perception concerning value for money
- Efficient use and management of all company resources and equipment maintaining a high level of staff quality, motivated by an environment that encourages and rewards input, responsibility and original ideas
- Contribution of all staff is vital to achieving these company goals

Headland uses the premium strategy price. This is used because the products that are sold have unique characteristics. Headland is able to provide the best technological advances, the best production advantages, and high quality service. This uniqueness differentiates the products greatly from competition and creates a significant competitive advantage.

#### Promotion

Headland promotes the company by multi-channelling:

- Direct sales force communication
- Cold calling, with the aid of yellow pages
- Advertising in a branch magazine
- Internet: [www.headland.com.au](http://www.headland.com.au)

To promote new products Headland use different channels:

- Direct mail (direct e-mail)
- Cold calling
- Fax
- Sales force
- Data base

Headland machinery has two directors, Di and Peter Kloe. Di is the president of AMTIL (Australian Manufacturing Technology Institute Limited) which is the national body



(based in Melbourne Victoria) that represents the interests of companies specifically in the machine tool and ancillary equipment sector.

Since Headland is family owned, it reflects on the company's environment. The way the personnel work with each other is informal but professional. That is the same approach to the customers. Headland provides all possible facilities to create a good and comfortable working environment. The organization is flat; therefore, everyone in the organization can direct themselves to the managers.

Headland is divided into departments; service, sales, marketing, purchasing and finance. These departments work like one team. Each department has its own supervisor. The supervisors overview all aspects of the company. Afterwards, report meetings are held. From the two directors, Di is the final responsible for finance and administration whereas Peter is the final responsible for the complete sales side of the company. Besides these company directors there is a financial controller.

Headland sells capital equipment to four different industries: sheet metal, fabrication, storage and recently precision engineering. The company's services covers; lasers, plasmas, punches, press brakes, CNC retro-fits, electronics, calibrations, guarding systems, PLC programming among others. The company has a service team of 16 engineers that will ensure premium service to the customer including installation, preventative maintenance and general service across all of the branches in Australia.

## **1.2 EVALUATION OF POTENTIAL PROBLEMS**

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When Headland Machinery became part of the precision engineering<sup>1</sup> industry, there were some potential problems the company faced in order to develop a full strategy to enter the market.

- Get rid of the Wickman name due to its bad reputation
- Re-build Wickman's image through Headland reputation

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<sup>1</sup> Refer to glossary



- Focus exclusively on the suppliers name recognition and do not associate them with Wickman
- Build Headland-Wickman brand recognition and its suppliers association

After discussing the different situations the company was going through; the marketing department, service engineers and both directors decided that the main problem was the lack of Headland-Wickman market recognition and its suppliers association. The fact that Wickman had a bad reputation in the precision engineering market was not the main issue anymore because Headland Machinery has no presence yet in this type of industry. Therefore, focusing only on the suppliers was not good enough either because it is extremely important that customers associate them with the agency. Therefore, after considering all the facts, the key problem that globalizes the other two main issues is the brand recognition of both companies as a sole (very important) and the association of the suppliers through the company as well.

### **1.3 PROBLEM DEFINITION**

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Headland Machinery bought Wickman in February of 2006. At the time of purchase Wickman was a small sized company with 3 employees. However, at its peak, the company had over a hundred employees and was specialized in the precision engineering industry.

Wickman was sold in 2006 due to its poor performance in the market. One of the most important reasons why Wickman failed in the precision engineering market was due to the high imports coming from Asia, and the low exports Australia was performing at the time. Also, due to its regional position, China put pressure to the Australian manufacture industry through the low cost they offered. After Wickman started to do inefficiently, their business dropped. Therefore, the number of employees was reduced from a hundred to three. In consequence, there were not enough sales people and there were not enough service engineers to cover the market to fix the client's machines. For this reason, the suppliers that had given the exclusivity to the company, were unsatisfied and retired the



agency. The ones that stayed, their sales levels were reduced as well. The unhappy customers left the company, and went to the competitors. Due to the bad service and the lack of clients in the Sydney branch, it had to close down.

At the time Headland Machinery bought Wickman, it did not realize the complexity of the situation and was not familiar either with the precision engineering industry. Even so, the company assumed Wickman failure's was due to bad management exclusively. At that moment, Headland's administration considered they could renew and improve the new company's status due to its reputation and experience in other industries (fabrication, storage and sheet metal). Since Headland did not have much access to the company's information before its acquisition, the only evidence they could publicly know was the decline in sales and its poor financial development.

Therefore, when Headland bought Wickman in February of 2006, it immediately became new in the precision engineering industry. This type of industry is mainly formed by CNC machining centers<sup>2</sup> and lathes<sup>3</sup>. Lathes have a more simple structure and due to this, they are taking over the market and changing the actual trend. A better understanding of this concept is given later in the present document.

When Headland Machinery bought Wickman there were three important Japanese suppliers left with the company: Makino, Nakamura Tome and Toshiba. The first one specialises in CNC machining centers, the second one in lathes, and the third one also in CNC machining centers. These Japanese suppliers remained with Wickman because they thought that if the company had fewer suppliers, then it would focus more on them. However, it did not work out this way. The main problem Wickman faced was that even though the machines were accurate, fast and had the best quality; they were also the most expensive ones. For instance, a Toshiba machine could reach a million Australian dollars and a Makino machine can take up to two years to be built. Therefore, the share market

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<sup>2</sup> Refer to glossary

<sup>3</sup> Refer to glossary



narrowed even more, leaving only a few customers capable of buying this machinery because the other ones were already buying from the competitors.

The main problem Headland had to face when it bought Wickman was the lack of trust from the consumer towards the brand. Therefore, Headland is still working on repositioning Wickman in Australia. Secondly, a new data base will be built in order to get new contacts for potential customers. Finally, Headland will try to sell the stock machine it got when Wickman was acquired.

So far, there are some things that have been done in order to begin the process. The first one was to re open the Sydney branch and now there is a sales person and a service team working for Headland to service new and existing Wickman customers that still have a Makino, Nakamura or a Toshiba machine. Secondly, a database has started to develop; it has a few new contacts and some need to be updated as well. Thirdly, Wickman has been advertised in industry magazines introducing the new partnership between both companies as well as in exhibition shows. The results so far have been below expectation because Headland has not received significant response from customers. Thus, stock has not been sold. The main problem, as mentioned before, is the lack of a proper branding campaign and market recognition of the Headland- Wickman and its suppliers association.

#### **1.4 WORK & TASKS IN THE APPRENTICESHIP**

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I did my internship at the marketing department within the national division. We were six interns and we all had to report to the marketing supervisor. Each one worked with different suppliers, therefore, the work was very well structured. This department was very important because we made decisions on where to invest in Australia and world wide; and lead the strategic direction of the business. Part of my job was to plan marketing strategies in order to create brand awareness. Some of my tasks were to create and keep updated the customer's data base (by phone, fax and email), plan exhibitions, write newsletter for our clients, follow up customer service and do marketing plans. Since



the problem was detected, I created different strategies and improved the previous ones with support of my supervisor and director. At the early stages of my internship, I had to update the data base with potential customers for precision engineering. I also did research with two of the most important Australian organizations: TIFA (Tooling Industry Forum of Australia) and AMTIL (Australian Manufacturing Technology Institute Limited). Both of them represent the interests of precision engineering manufacturers. Also, I had to call companies and send them emails in order to build customer relationship. Furthermore, according to the marketing analysis that I did as well, it provided me with a greater insight of the problem and which strategies should have been taken in order to make the proper changes. In addition, I began to plan Austech. This event, is the most important exhibition in Australia that covers all aspects of machine tool technology. It is owned and operated by AMTIL and co-hosted in Melbourne. Austech has always been a great opportunity for Headland because the most important suppliers and customers gather in the same place. As part of my tasks, I had to update the company's website by adding precision engineering for first time and had to write editorials on different sources. Some of these sources were: magazines (Manufacturer's monthly), AMTIL and in online publications ([www.ferret.com.au](http://www.ferret.com.au)). Because Headland was new in the precision engineering market, there were big challenges they had to face. As a company, it did not only have to prove that it was capable of doing it, but it had to face to compete against big companies that have established a well reputation throughout their years of experience.

Finally, in order to understand deeper the complexity of the problem and take suitable decisions, a positioning map was properly done in the next chapter. Theoretical and practical concepts related to the problem were carefully analysed and incorporated in a formulated diagnose that includes these concepts.