end-of-part-2 case studies

4 Market research —it's out of the closet

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The market for built-in robes is mature and rife with competition. The built-in robe industry revolves around three main factors—price, quality and service. Understanding current and potential customers allows built-in wardrobe manufacturers to identify the opportunities and threats arising from customer characteristics and behaviour.

Companies such as Stegbar (www.stegbar.com.au), Creative Wardrobes (www.wardrobes.net.au) and Elegant Wardrobes (www.elegant.com.au) are active in a large market with a diverse range of customers. It is vital for built-in wardrobe manufacturers to be aware of the fact that both customers and end-users play an important role in purchasing decisions.

Retail sector customers account for approximately two-thirds of total built-in wardrobe sales. The majority of these customers are renovating or improving their existing homes. The main benefit provided by built-in wardrobes for retail customers is organisation through improved storage. The remaining one-third of customers are known as trade customers and they are usually property developers and builders who are constructing new homes and apartments.

Retail customers

Retail customers are considered the most profitable segment by manufacturers of the built-in wardrobe market because they do not receive discounts (volume based sales).

Retail customers arise from a broad spectrum of the community and have varying needs and wants. Two broad categories of retail customers exist:

1. new home buyers
2. renovators.

The purchase behaviour, product needs and wants, benefits sought and service requirements may be different for the two broad categories of customers. Approximately a third of total sales come from the renovations market.

Buying processes and purchasing decisions

Customers find out about built-in wardrobe manufacturers from various sources, which include:

- *Yellow Pages*
- major newspapers
- television advertising
- word-of-mouth
- family and friends
- direct mail activities.

The most common source of awareness is the *Yellow Pages* followed closely by other print media such as newspapers and magazines. Customers often view robes in the homes of family and/or friends—providing an opportunity to look, touch and feel the robe and hear the comments of someone they know who has previously purchased a built-in wardrobe.

When the customer decides to purchase a built-in robe, they then have the option of having a sales representative come into their home to measure and quote for the size and price of the robe. Some customers choose to measure the robe themselves. When this happens, a quoted price can be written in a showroom or the consumer's home. In both instances, the customer is left with a written quote for the product of their choice.

On average, built-in wardrobe manufacturers compete with three other companies when quoting a price for a built-in robe. The time from receiving the written quotes

Exhibit 1a

COURTESY OF STEGBAR WWW.STEGBAR.COM.AU

Exhibit 1b

COURTESY OF STEGBAR WWW.STEGBAR.COM.AU

Exhibit 1a & b External wardrobe designs meeting customers' interior design needs.

to making a purchase decision is usually a period of two to four weeks.

A retail customer's purchase behaviour varies between wanting one built-in robe to several built-in robes in a single purchasing instance. Experience also suggests that the number of wardrobes ordered by the individual customer increases dramatically when a built-in wardrobe manufacturer is running a price-based sales promotion. This is most likely the result of a lack of differentiation in the market. Customers often require more than one robe but they are often constrained by their budget, as each built-in wardrobe tends to cost approximately $1000.

Market research conducted with both customers and non-customers in the built-in wardrobe market indicates that price appears to be the most important decision factor affecting the purchase decision. However, price is not the only factor affecting the purchase decision.

The decision of which company to purchase from is based on many factors, including the:

- quoted price
- sales representative
- perception of the company
- previous dealings with the company
- desire for specific product styles or features.

Figure 1 shows some reasons as to why customers have purchased built-in wardrobes from manufacturers.

As can be seen by Figure 1, price is a driving factor in this industry. This may be due to minimal product differentiation between companies in the built-in robe market.

The important points to note are:

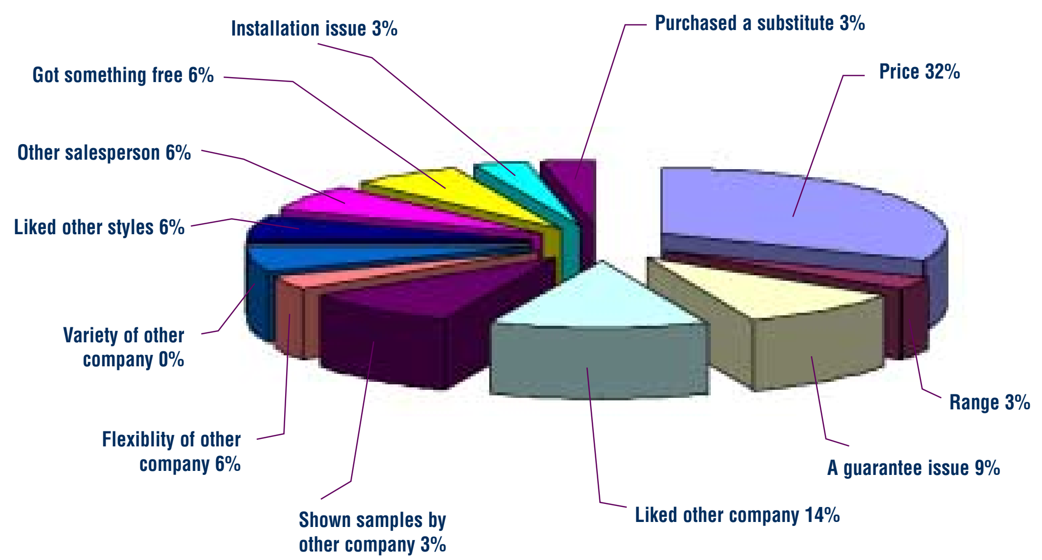
- Nine out of a total of 15 customers interviewed gave a price-related factor as, at least, part of their reason for purchasing from a competitor.
- Second to price, service-related issues, such as sales staff, were the next major reason for purchasing a built-in wardrobe from a certain manufacturer.

From qualitative in-depth interviews, it emerged that showrooms are very important in providing physical examples of what a company offers. Twelve out of a total of 15 customers interviewed visited showrooms and nine out of the 12 found them helpful. The following reasons were provided:

- good for showing the product
- gives a better idea of colour and style
- can see the quality of finish and designs available
- good for viewing the workmanship of the robes.

Even though visiting a showroom is optional, it should not be ignored as consumers consider information gathered at showrooms to be an important part of their purchase decision. Showrooms have the potential to make or break a sale and, as such, should be constantly maintained and upgraded to include a representative selection of what is available. Sales staff are an integral part of the impression created on the consumer. One customer interviewed had decided to purchase from a competitor but visited the showroom

Figure 1 Why did you purchase from other companies?



> **On average… manufacturers compete with three other companies…**

of the surveying built-in wardrobe manufacturer just prior to making her decision. The service at the surveying built-in showroom impressed the customer so much that she changed her mind and purchased from them instead of their competitor.

Figure 2 summarises in detail each of the target market's characteristics.

Customer expectations

Customer expectations determine what a built-in wardrobe manufacturer should offer in order to compete in the built-in robe market. Figure 3 presents a list of product features and customer services that customers currently expect in the Australian built-in wardrobe market.

Figure 2 Target market's characteristics in summary

Price sensitivity	There is a price emphasis due to low levels of differentiation
Decision-maker	Usually the woman of the house
Influencer	Usually the woman, because they may have more idea of what is wanted
Gatekeeper	Usually the man of the house—explained post sales representative visit
User	Purchaser
Purchaser	Both
Location of purchase	Home
Information source	Brochures, sales representative, showrooms, information heard
Service needs	Good initial impression, good show rooms, guarantee, finance options, good rapport with sales representative, installation done cleanly, good after sales service if required
Major benefits sought	Storage solutions for the home—using space more efficiently for storage Feature in the home

Exhibit 2

COURTESY OF WWW.WARDROBES.NET.AU

Exhibit 2 Wardrobe designs catering to the diverse range of customer storage needs.

Figure 3 Product features and customer services expected in the Australian market

BUILT-IN ROBE FEATURE	RETAIL
Cost effective (value for money)	✓
A good tracking system that slides well	✓
Looks good—innovative or contemporary design to improve the looks of the room being renovated or built	✓
Functionality—internal storage solution provided	✓
Competitive warranty period	✓
Wide range of styles on offer	✓
Installed quickly, professionally and with no mess	✓
Knowledgeable, interested sales representatives	✓
Professional, up-to-date showrooms	✓
After sales service	✓
Wide colour selection	✓

The purchasing behaviour and processes of target customers have a direct influence on built-in wardrobe sales. Customers often have high expectations of product quality and service. The most influential factor of the purchasing decision, for most segments, is price. This may be a reflection of sales tactics used by built-in robe competitors and also a reflection of a lack of differentiation between wardrobes. There is little evidence of innovation in built-in wardrobes, which is necessary to provide a point of difference for manufacturers.

QUESTIONS

1 | Imagine you are the marketing manager for a built-in wardrobe manufacturer. You have been assigned a project—to develop a comprehensive plan for the re-launch of the existing built-in robe range. To do this you need to research the built-in wardrobe market. Detail both the secondary and primary market research that you would be required to do.

2 | Scan secondary data sources and provide a summary of the current trends in the built-in wardrobe market. You must detail the sources of information used before summarising the current trends in the market.

3 | Management has determined that a customer satisfaction survey should be administered to customers following the installation of their built-in wardrobe. What elements should be checked by the built-in wardrobe manufacturer in this survey? How long after the wardrobe has been provided should the survey be administered?

4 | You wish to forecast sales of built-in wardrobes to determine demand for your company's built-in wardrobes. Describe the sources of secondary data that you could use to forecast sales.

5 Diving expeditions —tapping into a niche market

Margaret McOmish, School of Marketing, James Cook University

Mike Ball Dive Expeditions (MBDE) is a world leader in dive expeditions targeted at the adventurous diver seeking big fish, deep walls, shark action and wreck diving. Diving enthusiasts from around the world travel to Australia and Papua New Guinea (PNG) to take advantage of the excellent diving conditions and opportunities; and they explore the rarely visited, spectacular reefs of North Queensland and PNG.

The dive

company has three live-aboard vessels operating from Cairns and Townsville in North Queensland and PNG. The Cairns-based *Supersport* offers 'three-star' accommodation for 26 guests, while the *Spoilsport* is a 'four-star' vessel based in Townsville and it accommodates 29 guests. The company's 'five-star' luxury live-aboard diving vessel, the *Paradisesport* operates from PNG and accommodates 22 guests.

Mike Ball Dive Expeditions offers quality service customised to meet the needs of individual customers. The accommodation ranges from cabins with shared bathrooms to suites with luxury ensuites. Many of the cabins have ocean views and offer guests exceptional comfort and privacy. As Mike Ball stated, 'The type of people that afford our expeditions live in beautiful homes, and they don't want to be on a boat where the cabin and bathroom facilities are shared with other divers'.

The air-conditioned cabins are serviced every day—similar to a quality hotel. Guests can relax on the large alfresco sundeck and meals are served in a large dining room.

The trip director plays a vital role in each dive expedition. This person is the 'face' of the company by acting as the concierge for passengers as well as managing the dive staff. The fully-qualified dive instructors also provide much of the personal service given during the dive expedition. They ensure that customers receive quality service and that safety procedures are adhered to during diving procedures.

During their dive trip, guests can take advantage of unlimited dive opportunities, with most people doing two dives in the morning, two dives in the afternoon as well as a night dive. It is internationally accepted that scuba divers dive with a partner or 'buddy'. MBDE's unique 'safe solo' program is available to suitably experienced and equipped divers who prefer to dive solo. The less-experienced divers can take 'orientation dives' with the experienced diving staff.

Customers are treated to extras such as warm towels after each dive, and an underwater photo and video service so they can take home some memories of their dive trip. A reef ecology course is provided during the trip and divers are able to hire Nitrox™ tanks, instead of the usual compressed air. The Nitrox™ tanks enable them to dive longer or safer, or a combination of both. Advanced diving courses, underwater photography and video courses are available to customers. All vessels offer two inflatable dinghies for personalised dive services and wave skis are also on hand. Photo processing facilities are available and on the *ParadiseSport* even a laundry service is available. All staff, from the trip director to the catering staff and engineers, must complete at least one 'fun dive' per day with guests to ensure that all staff interact and socialise with their guests.

Mike Ball Dive Expeditions is known for being an extremely professional dive operation in terms of the advice, assistance and qualifications of its staff. Each guest is treated to personalised diving assistance based on his or her diving experience. The company customises its service to suit each guest's level of diving experience, from helping with dive equipment, getting to the dive site and education about safety issues. The qualified dive instructors are experts in their field, giving their guests advice and assistance.They ensure that guests optimise their diving experience by taking them to the best dive spots.

MBDE caters for experienced diving enthusiasts who are passionate about their sport and knowledgeable about the best dive spots around the world. Their guests tend to be over 35 years of age, active and they are professionals or retired professionals. They have higher levels of income, and want to dive the best dive spots around the world with the best level of service. They are passionate about reef conservation and marine life and enjoy the outdoors and adventure.

Mike Ball explained that most of their customers would fit into the higher-income bracket because their expeditions are targeted at the top end of the dive market. He added, 'The people that dive with us are an average age of 40 to 45 years. Almost always, there are some divers on board in their 60s, and they are diving as much as anyone in their 20s. Our divers are mainly professional people—lawyers, doctors, accountants, business people—and they're fairly well-off'.

Guests travel from around the world to dive at the Great Barrier Reef and the remote reefs off PNG, and they marvel at the pristine reef and marine life. It is not unusual to have 10 different nationalities of divers on an MBDE. International divers from the United States, England, Japan, Canada, Germany, South Africa, Italy and France travel to the region in search of the ultimate dive experience. The region is known for some of the best diving in the world and Mike Ball Dive Expeditions is positioned as a first-class live-aboard diving experience catering to the needs of the affluent, experienced diver.

MBDE specifically targets overseas divers from the United States, Japan and Europe. The majority of overseas visitors come from the United States (31 per cent), Europe/United Kingdom (20 per cent), Japan and Asia (16 per cent). Australian visitors make up 25 per cent of their guests. Divers from the United States contribute to approximately half of MBDE's total revenue as they book more expensive, longer and more active dive expeditions. Guests diving with MBDE expect first-class service and they are willing to pay for it. Visitors from the United States usually book their dive trips well in advance; often they are planning their dive trips a year ahead. On the other hand, Japanese divers tend to take short trips that are less action oriented, and they book within three months of the date of their departure—due to the nature of the Japanese employment culture.

The longer expeditions on the *Paradisesport* and *Spoilsport* are targeted to the more dedicated diving enthusiast. The divers in this target market travel specifically to Australia and PNG to dive with MBDE. Mike Ball states, 'These longer expeditions attract the more dedicated diver, the "connoisseurs" of diving.

"...all staff, from director to catering staff and engineers, must complete at least one 'fun dive' per day..."

Their diving holiday choice is based on the product, Mike Ball Dive Expedition, rather than the destination, Australia. This contrasts with the typical international visitor, who visits our country to take in a variety of Australian experiences, including the outback, rainforests and the reef'. In brief, Mike Ball explained that dedicated enthusiasts travel long distances and they come with the sole intention of diving with Mike Ball Dive Expeditions. Further, Mike Ball added that this segment of divers 'book specialised dive expeditions because they like to dive with like-minded diving enthusiasts, people that are on the same wavelength'.

The majority of bookings for both the *Paradisesport* and *Spoilsport* are booked in advance from overseas, usually through the Internet and email. Because of their specialist nature, these dive trips are promoted through specialist dive shops and dive clubs that tend to focus on group diving holidays.

The dive trips from the Cairns-based *Supersport* target divers who want the shorter three-day expeditions. Mike Ball pointed out that these dive trips also target novice divers through to experienced divers. However, the main difference is that a higher proportion of the shorter dive expeditions from Cairns tend to be booked after people reach Australia and North Queensland. Mike Ball explains, 'The dive trip is part of their Australian holiday. Once they are here, they then plan a shorter drive trip as part of the whole Australian experience. Many of the bookings are made after the person has reached Australia, so our promotion is through local travel agents'.

The target market for MBDE tends to be physically active people, seeking adventure and a challenge as their leisure experience. They love the marine environment—the reef and the marine life. They appreciate nature and the marine habitat and are passionate about reef conservation. Divers are motivated by the challenge of their sport and they revel in the escapism of the marine world. As one passionate diver and guest of MBDE explains, 'I love doing something that takes me outside of my comfort zone, away from my real life. It is challenging and all-consuming. You are not thinking about work when you're exploring reefs, wrecks and marvelling at the fish and marine creatures'.

Divers are motivated by the challenge and excitement of exploring different underwater environments. As one dedicated diver added, 'Diving is about the thrill of finding and observing rare and exotic marine life and enjoying the journey of discovery'. Further, the diving experience was described as, 'Being alone, but also about forming linkages with a group of people sharing the same passion'.

MBDE offer different levels of activities for different degrees of diving experience. Adventurous divers seek intensive diving schedules that explore deep-water caverns and shipwrecks. On the other hand, the less adventurous diver may be happy exploring shallow reefs at a more leisurely pace.

Research undertaken by the company has identified that when deciding to purchase a trip with MBDE, consumers are influenced by word-of-mouth referrals from friends (21 per cent), by the Internet (17 per cent), from dive shop operators and staff (15 per cent) and travel agents (12 per cent). Editorial and advertising in dive magazines such as *US Skin Diver* and *Australian Scuba Diver* also influence a consumer's decision to dive with MBDE.

QUESTIONS

1 | **Define the relevant generic market for Mike Ball Dive Expeditions. What are other possible product markets?**

2 | **Which segmenting dimensions are applicable to how MBDE segments the dive market?**

3 | **Discuss the psychographic and geographic segmenting dimensions of the diving consumer who forms the target market for MBDE.**

4 | **Identify market opportunities for Mike Ball. How could he re-position MBDE?**

6 Meow —marketing *Cats* globally

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In 1977 Andrew Lloyd Webber, a world-renowned composer of musicals, founded the international entertainment organisation The Really Useful Group (RUG) (http://www.reallyuseful.com/). This entertainment organisation subsequently became involved in the production and management of theatre shows, films, television productions, videos and concerts. One active business group within RUG is the Really Useful Theatre organisation (RUTG)—responsible for the production and co-production of musicals such as *Cats*, *Joseph and the Amazing Technicolor Dreamcoat* and *Jesus Christ Superstar*.

The production of *Cats*, the musical, was introduced to London theatres on 11 May 1981. Opening to excellent reviews in London, *Cats* went on to change the face of theatre-production history on a worldwide basis. Along with its commercial success in London came a record-breaking number of awards.

Critical to the show's success was a worldwide transfer of the show to other markets. *Cats* was opened in the United States Broadway theatre market in 1982. From there, it went on to achieve the position, at the time of writing this case, of being the longest running musical in the history of Broadway, eventually drawing its final curtain in September 2000. Success across this time period was not limited to the United Kingdom and United States markets; the musical's successful production history spanned the regions of South America, Europe and the Asia-Pacific region. Since its opening show, *Cats* has been presented in 26 countries and over 300 cities, and it has been translated into 10 different languages.

Cats and the Asia-Pacific market

After many years of production in London, *Cats* was introduced to the Asia-Pacific market—firstly to Australia for a few years, followed by a touring production that travelled from Melbourne to Singapore, Hong Kong and Korea before eventually returning to Sydney, Australia on New Year's Eve in 1994. In terms of its marketing mix, the production and management of *Cats*, the musical, in such diverse locations proved to be a challenge not only for the production crew but also for the management and marketing teams involved.

The marketing of such theatre would have to be sensitive to any cultural differences between the Australian and Asian (initially Singaporean) consumer markets and, specifically, their consumer ticket purchasing patterns that relate to theatre entertainment.

The Really Useful Theatre Company—*Cats* in Australia

The production of *Cats* in Australia began in 1985. After successful performances throughout many major cities in Australia, *Cats* was re-introduced to the Melbourne market from 1993 to 1994. Originally, it was presented at Her Majesty's Theatre in Melbourne from 1987 to 1988, before moving to Sydney for another successful run at the Theatre Royal in the central business district (CBD). The return production of *Cats*, in Melbourne, spanned across eight weeks, operated six days a week, and this time it was staged at the Princess Theatre.

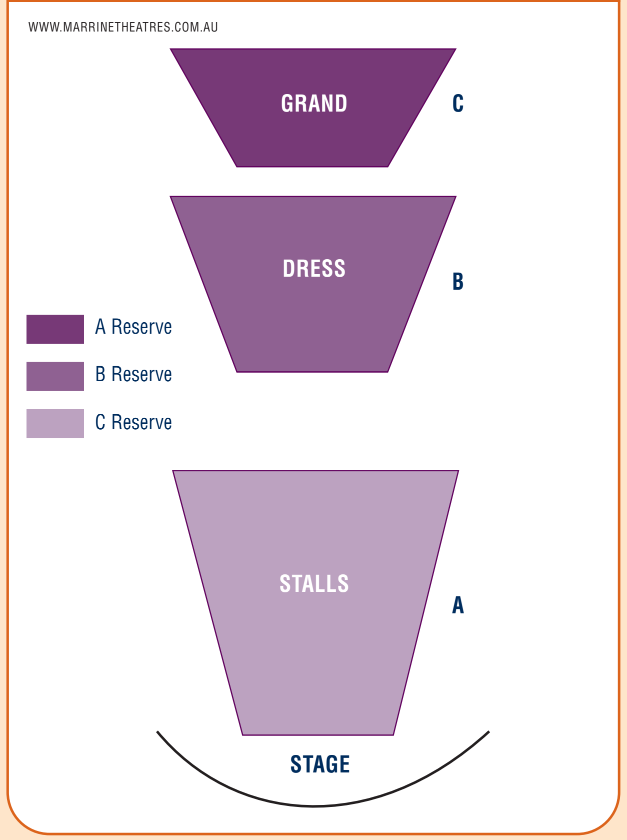
The theatre map for all performances at the Princess Theatre (see Figure 4) and the subsequent seating arrangements for ticket purchasers follow.

Throughout the scheduled performance period, over 2000 tickets were made available each day for purchase by the general public. As tickets were purchased throughout this time, *Cats* management crew identified certain consumer purchasing trends of Melbourne theatre consumers. These trends, most likely, conformed to previous experiences in the purchasing behaviour of theatre audiences in Australia and England. Australian consumers generally requested seats closest to the front of the theatre that have the best lines of sight. These consumers were willing to pay more for the tickets if the seats were also located closest to the stage. Once seating in this section was sold for a performance, consumers requested seating in section B, and this trend continued through each section of the theatre as each section closest to the stage completely sold out.

In order to capitalise on these trends in the Australian market, theatre producers developed and implemented a suitable marketing mix for their product. To retain consumer interest over an eight-week production period (or longer in some cases), tickets for each performance were released on a weekly basis or block basis. This gave consumers the opportunity to purchase category A seating (seating closest to the stage) on a week-by-week basis. Throughout the season, the promotional campaign concentrated on this factor and with the desired result—the best areas (representing the largest revenue) were full to capacity throughout the entire production, with most of the B and C areas sold out throughout the performance as well.

This led to the conclusion that a key factor influencing a consumer's ticket purchasing decision in Australia was his or her perception of quality of seats over set prices. In other words, the location, or place, of seating was more important for a consumer than the price of the tickets made available at any given time. Australian consumers perceived a difference in product between the various categories of seating. When the production campaign moved to Singapore, could it be assumed that consumer-purchasing patterns would be mirrored?

Figure 4 Princess Theatre seating



> "The marketing of theatre would have to be sensitive to any cultural differences between the Australian and Asian (initially Singaporean) consumer markets…"

The Really Useful Theatre Company—*Cats* in Singapore

Prior to the introduction of *Cats* in Singapore in 1994, most Singaporean people had never seen or experienced a theatre performance of this genre. This meant that the first step required was extensive consumer research to ascertain the following:

1. What are the existing perceptions of the consumers?
2. Are Singaporean consumers' ticket purchasing patterns likely to be similar to those of an Australian audience?
3. Research ticket pricing in general.

Evidence that the producers of *Cats* did do this research emerged from an analysis of the marketing mix and ticketing strategy of the Singapore production. First, the name of the seating plan changed from A, B and C to gold, silver and bronze. By doing so the producers attributed the concept of premium tickets and established a hierarchy with which Singaporean consumers were familiar.

Second, the producers printed attractive ticket folders for the gold and silver tickets so that it was clear that these ticket holders were 'different' or special. This further emphasised the difference between the tickets and allowed ticket holders (should they so desire) to openly display their 'status'.

Third, 'extras' were included with the gold tickets, such as a free program, membership to the '*Cats*' club and discounted drinks at interval, in a special area set aside for gold ticket holders. The silver tickets had extras associated with them, too.

These first three steps ensured not only that status was attributed to the more expensive tickets but also that consumers felt that they were getting more by purchasing them. Hence, these tickets became a product that was differentiated in the eyes of the Singaporean consumers.

Fourth, the advertising for the production also included a proportion of educational material, including the fact that it was the same show each night. This would indicate that the market research highlighted the 'gap' in Singaporean consumers' product knowledge; in particular, they were not aware that it was the same show every night.

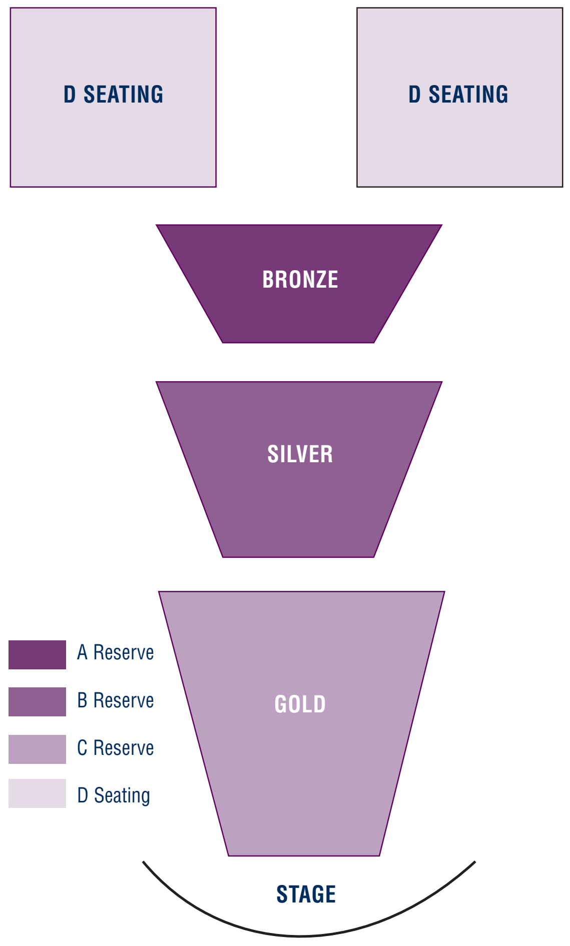
Finally, it was apparent that the strategy for releasing tickets for the Singapore *Cats* season had changed from that of Australia. Tickets were being released by section, rather than by performance, and tickets for the gold section seating for all performances were released prior to any others. The cheaper tickets were released last, which would suggest that this was done only after company management felt that they had maximised the sales of premium tickets for each performance.

Conclusion

It was reported that *Cats* had a profitable and successful season in Singapore after changing the initial ticketing and marketing mix strategy. The next show to tour Singapore was *Miss Saigon*, the producers of which used a similar marketing mix and similar ticketing strategies to the producers of *Cats*.

The theatre map for all performances of *Cats* at the Kallong Theatre in Singapore, and the subsequent seating arrangements are presented in Figure 5.

Figure 5 Kallong Theatre seating



WWW.SISTIC.COM.SG/VENUEGUIDE/HTML/HALLANG.HTM

QUESTIONS

1 | What are the main consumer behaviour differences between Australia and Singapore, as demonstrated in this case?

2 | The case study suggests that actions by consumers might reflect differing values across cultures rather than differing financial conditions. Do you agree with this? Why?

3 | Identify and explain the key psychological and social variables that influence the purchase of theatre tickets. What are some of the different variables between Australian and Singaporean consumers?

4 | Consider the three levels of problem solving. What level of problem solving would consumers apply to the decision-making process when purchasing concert tickets? Why?

7 Today's complete business solution

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For many Australasian organisations, it is increasingly important to assimilate the world of cyberspace into their day-to-day business activities. When any organisation begins its strategic marketing planning, making full use of the Internet is now one of the most important and valuable components of the plan. Business-to-business marketers are adamant that if organisations want to create customer value and maintain a sustainable competitive advantage in the ensuing decade, they must exploit the Internet's e-commerce capabilities.

Forester Research predicts that business-to-business (B2B) e-commerce sales of US$2.7 trillion are achievable by 2004, a huge increase from US$406 billion in 2000. In addition, Goldman Sachs & Co. predict that e-commerce could reduce order-processing costs by 20 per cent in the electronics and freight transport industries by 2005. Even the conservative Boston Consultancy Group predicts that B2B e-commerce has the ability to lift the productivity of business organisations by nine per cent as early as 2004. With these types of predictions by respected research and consultancy firms, it is not surprising that many young entrepreneurs have targeted the e-commerce area to pursue their business careers.

The early years

Paul and Russell, two university graduates with backgrounds in commerce and a shared passion for computing, were confident they also had the knowledge and skills to compete in the growing field of B2B e-commerce Web design. Their research identified that a niche existed in the Australasian business market for innovative and interactive Web sites and the two entrepreneurs were certain it was one area where they could use their skills to create customer value.

The two entrepreneurs developed considerable practical computer hardware expertise during their undergraduate years at university. They maintain that living on a limited student budget, and needing computer capabilities, hastened their entry into the computer business. The idea of purchasing new computers seemed a daunting task, especially when they were also paying fees, purchasing books and trying to determine how to pay the rent for their flat. The way to cut costs and still obtain the capabilities they needed for their studies was to build their own systems. Before the start of their second year at university, they purchased motherboards, cases, and drives from a local supplier and up-graded two second-hand computers that they had purchased from a local business.

Once Russell and Paul's fellow students found out that they had built their own computers that actually worked, they were soon upgrading computers for their colleagues, friends and family members. In those early years, they often used as many of the old parts from the existing computer as possible, which reduced costs and made their services even more popular with the student body. Russell even gained networking experience when he installed a local area network in his flat. Although there was a computer in each room, the 'Cyberbog' (a toilet with a swing-away monitor and keyboard) was the 'work station' that attracted the most notoriety on campus. Originally constructed for fun, this workstation did as much to promote their services as the positive word-of-mouth they were receiving from their customers. As more and more friends approached Russell and Paul for computer assistance, they began to plan how they could turn their hobby into a livelihood.

The two entrepreneurs began by developing a business plan that highlighted some growing trends in

"Creating customer value by providing these critical, interactive linkages was one key area..."

the Australasian B2B market regarding computer and Internet use, competitive activity in Web site design, and identified their own capabilities in creating and designing Web sites. They needed venture capital to start their business, so they initially relied on their extensive computer hardware knowledge and began upgrading and building PCs and PC networks for colleagues and local businesses. The new venture required very little cash but considerable intellectual capital and the pair soon found they could provide PC and network hardware solutions at very competitive prices. The first two months were difficult as they had a surge in requests for up-grades from colleagues and small businesses. Although they found that customising the upgrades took longer than expected, the cottage industry continued to grow through positive word-of-mouth, long working days, and several weekends at the office. The team's effort was rewarded and their financial position had improved by the end of their first year.

Before long, Paul and Russell's expanding base of satisfied hardware customers were asking them to provide software solutions. The demand for software solutions was particularly evident in the business sector. The pair had always intended to satisfy the growing demand for software solutions. Paul assumed responsibility for the hardware sales and up-grades to facilitate the expansion into software and to ensure a stable cash flow. This strategy allowed Russell to focus on Web site design, the area that both partners wanted to target to grow their business.

The change in responsibilities was logical as Russell had the technical application and CGI programming background (including C, C++, Perl, Java, Javascript, ASP, PHP, and Visual Basic) required to develop custom Web sites. He also had experience in database development in MySQL, Paradox, and Access. These programming skills enabled him to develop Web sites that were visually interesting, fast loading, secure, customised to an organisation's requirements, and linked to existing ordering, inventory and production databases and systems.

The next few months were filled with the normal aches and pains of a growing business; however, the move into Web design proved to be the right one as sales were buoyant by the end of the year. While there were competitors with a diverse range of skills and abilities designing Web sites, many of them did not have the ability to correctly link all the important components of a fully interactive Web site. Creating customer value by providing these critical, interactive linkages was one key area that Paul and Russell knew would provide them with a competitive advantage. Paul and Russell's successful expansion into highly customised and interactive Web sites for businesses prompted them to establish Sentient Research Ltd.

The present and recent developments

Sentient Research Ltd maintains a strong customer-orientated focus and it is committed to creating and designing innovative individual packages to suit the specific needs of its business customers as a major component of its value proposition. Its services combine Web site design, hardware development and sales, and interactive marketing and online sales into a coherent and functional package that ultimately combine to subscribe to the exact needs of its business customers. Sentient is also committed to the continued education of its clients and to forming ongoing relationships with them in order to ensure that all stakeholders capture all the competitive advantages that the Internet offers.

Most recently, Sentient Research Ltd has been monitoring organisations that it classifies as early B2B e-commerce adopters. These types of organisations follow the lead of the innovators who first incorporated the new technology into their marketing strategies. Sentient has also noted that many of these organisations are starting to agree with its philosophy—a Web site design must not only be measured by its creative merit, but it must also be measured by its ability to create customer value. To ensure that customer value is created, Sentient discusses several issues with its B2B e-commerce customers. Paul and Russell know it is imperative to understand exactly what a client wants the Web site to achieve for the organisation. To achieve this goal, Sentient asks questions such as:

- What customer interactions would you like the Web site to offer?
- Who will be using the Web site?
- What kind of information will the customer require?
- What systems do you want the Web site to interface with?

When the answers to several questions of these types are obtained, Sentient then explores the technical requirements of the planned Web site to match with its visual presentation.

Sentient is aware that there are several organisations offering companies quick and attractive Web sites, but it also knows that these companies lack staff with a thorough understanding of B2B processes, market characteristics or, most importantly, business–buyer behaviour. Sentient believes that without this knowledge, these types of competitors cannot hope to design an Internet system that satisfies the varied needs of business buyers. Sentient also knows that the business environment is continually changing and it intends to continue to build on its understanding of the business market. Sentient believes this strategy will help it continue to create value for its business customers and maintain a large, competitive and complex community.

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QUESTIONS

1 | How would you describe the model of business–buyer behaviour and its importance in creating customer value?

2 | Who are the major participants in the business buying process? What are some important examples of the major influences on business buyers?

3 | How do business buyers make their buying decisions?

4 | How does the business–buying process differ from the consumer–buying process?