

# end-of-part-4 case studies

**Case 17** Funny people and fuzzy logic—  
the art of management training

**Case 18** Life is a gamble

## 17 Funny people and fuzzy logic —the art of management training

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John Davies, managing director of First Training, arrived at the office this morning—tired and jet-lagged. He has just arrived back from Australia. His trip was not as successful as he had hoped, and his visit merely confirmed his suspicions that the Australian sister-company's operations are not going well. John sits down with a cup of strong coffee and looks at his in-tray. Among the papers is a contract renewal from Video Arts. John looks at the due date for return and slowly lets his mind turn to how this relationship will progress... perhaps an analysis of the business is required to provide greater insight into the future of New Zealand's operations.

**More than** 25 years ago, John Cleese helped to overturn conventional thinking with the world's first humorous training films. The videos were showcased through Video Arts, a firm originally owned by John Cleese (of *Fawlty Towers* fame) and writer Anthony Jay (who gave us *Yes Minister*). With a mission to inform and entertain, these videos used comedy to 'grab people's attention and put forward serious training skills in a format that would be remembered long after the training session was over'.

First Training was, and still is, the exclusive New Zealand distributor of training products compiled by Video Arts.

### First Training

First Training was founded in 1962 by Ivor Davies, and it has remained a family-owned business for two generations. The company's primary activity in the 60s was the delivery of training resources, though the preferred mode of delivery has varied over time. First Training functioned as a live training programme, consulting and resource business in the 60s and 70s. By the 80s it had become a pure training resource company with 95 per cent of its training provided through videos.

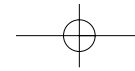
In 1970, First Training opened a branch in Australia. In the 80s it functioned successfully in New Zealand but

it was not as successful in the Australian market. The Australian business continued to operate in Australia, however, it only sold training manuals.

Motivated by significant changes in the environment including business cycle fluctuations and training delivery, First Training began a strategy of diversification in 1991. Distance learning and Internet-based training were considered to be important emerging modes of training. With the inevitability of change, consultancy services also re-integrated into the training programmes because they added value. First Training hired consultants when necessary, as opposed to employing them on a full-time basis. This provided First Training with the advantage of being able to hire the right person to conduct each training session.

The company provided the bulk of its services in second-tier management and front-line customer service training. It was not positioned to provide senior management training, but it had a collaborative relationship with the Chamber of Commerce in New Zealand—it outsourced its training needs to First Training.

By the late 1990s, First Training New Zealand had approximately 10 staff that produced a turnover of \$1 million. In comparison, First Training Australia had previously produced a turnover of \$3 million with 30 staff. Financial difficulties faced by both operations were thought, in part, to be attributed to the nature of



the company's contract with Video Arts, which guaranteed First Training an income stream from royalties regardless of the level of business it produced. Seventy per cent of First Training's revenue was from products that originated from the United Kingdom.

Text material was primarily sold through direct mail as opposed to videos, which were marketed through relationship selling. Resource materials were also distributed on behalf of publishers from elsewhere in the world. Many of these arrangements were exclusive arrangements.

Although First Training generated a reasonable income stream, repayments to Video Arts were severely affected by the amount of money that had to be spent on marketing. In the 90s, First Training expanded in a market that was declining. In retrospect, this was a bad move.

## Video Arts

Video Arts is one of two major divisions of Media Key plc based in the United Kingdom. Media Key plc purchased Video Arts in the mid-90s. The Group creates and publishes business training, education and consumer reference titles. It consists of a training division and a book publishing and packaging division. The training division comprises two major companies—Video Arts and Melrose—and these companies employ more than 100 people.

Video Arts is estimated to have a 50 per cent share in the soft skills—management, presentation and interviewing—market for video training in the United Kingdom. An effort is made to avoid competition with books and bookstore-type publications.

The company is considered by Media Key plc to be one of the world's leading providers of video training programmes. It is known for its integration of comedy and learning while boasting a strong selling advantage—its training videos feature famous British actors such as John Cleese, Dawn French, Martin Clunes, Helen Baxendale and Hugh Laurie. These personalities give the videos credibility and additional promotional capability. John Cleese sold his interests in the business during 1989 but he remains a major feature of the training videos.

Despite the use of key TV personalities, Video Arts did not perform well during the 90s. External consultants were appointed by Media Key plc to evaluate the company's operations. This assessment concluded that Video Arts had not 'marketed' itself adequately, and though the long-term prospects for the training market were good, the short-term prospects were likely to be slow. The American office was closed down, and

the London office underwent a major re-structure of personnel and procedures.

## Industry-related information

The training video market is continually evolving and changing. According to one interviewee, the global training video market has shrunk by at least 30 per cent in the last few years. The market's product price is also estimated to have shrunk by approximately 45 per cent. In the global market for training videos, 70 per cent of videos are estimated to originate from the United States. The other major player, the United Kingdom, accounts for 20 per cent.

The United Kingdom market is generally considered to be more advanced than the New Zealand and Australian markets, but not as advanced as the American market. Market trends indicate a move away from videos to CD-ROM-based training products and the Internet. It is believed that bandwidth issues will determine the extent to which Internet-based training will capture a large share of the market. Nevertheless, the training industry appears to be characterised by a general move to multi-media. Interestingly, the United Kingdom, as some interviewees pointed out, is renowned for its slow adoption of technology.

The New Zealand market demonstrates marked differences from other training markets, globally. These differences appear, in part, to be attributed to the size of New Zealand's companies and their consumption patterns. Many local companies are not willing to purchase training videos, preferring the rental option. The average New Zealand company employs 150 to 200 people, which means that a video could be shown to most of a company's staff from one rental, which makes this option far more efficient in countries where the average company employs a far greater amount of employees.

To rent a video costs approximately \$250 for two days, as opposed to \$1500 for purchasing a video. First Training's gross sales are separated into rentals and sales. These figures are monitored on an annual basis. Typical expectations are 60 per cent rentals and 40 per cent sales.

New Zealand is traditionally considered to be an attractive market for videos produced in the United Kingdom; New Zealanders generally prefer British training to American training and British comedy remains popular on television in New Zealand. The use of actors in videos is an advantage in the British market, but it is apparent that personalities, such as John Cleese, are not as popular now as they were some years ago. In addition, First Training's ability to maintain an income

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stream is affected by the decreased number of videos produced by Video Arts. The financial difficulties faced by Video Arts undoubtedly places considerable pressure on the output of new training materials.

A key factor that determines the uptake of training, in general, appears to be the economic climate, both globally and locally. Consequently, significant fluctuations have been experienced in the New Zealand market for training. A shift in economic climate could also result in a change in delivery methods or account for a fluctuation in the rental : sales patterns in a local market. No single industry appears to dominate the purchase of training materials.

Copying of videos is a recognised issue. Though videos are fitted with 'macro-vision' to hinder copying, many institutions can circumvent this technology. Pirating appears to be a major problem in many educational institutions.

One factor that remains constant is that most employees need some form of training during their career. According to the managing director of First Training, John Davies, '...Best employees fit only five per cent of the population; the rest need some form of training and development'.

## The opportunity

The main purpose of the relationship between First Training and Video Arts is to provide an outlet for the products of Video Arts in New Zealand. First Training has a distribution role that allows them to handle the sales function and gives them the contractual rights to sell products in the region. First Training liaises with the Video Arts international marketing team who supplies new products and market information.

The main focus is on video and moving image delivery with back-up material to support the core video offering. The primary product groups produced by Video Arts are management skills and training, sales training, customer service, supervisory management, communication, safety and session starters. Financial appreciation, quality management and meeting breaks are also sold. New additions to the product range are the interactive learning products. Meeting break videos are the best

sellers in the market, and training programmes are anything from three hours to four days long.

The service of Video Arts, in these areas, is basically to provide the product, though the contribution is somewhat greater in high-cost training products such as training session starters. First Training provides Video Arts with the opportunity to partner with an organisation that possesses considerable New Zealand market knowledge.

Simplistic segmentation of the market involves an examination of historical purchase patterns and mass marketing. Users are divided into either frequent or potential purchasers. In New Zealand the main customers are small- to medium-sized companies.

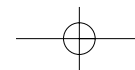
First Training carries out promotional activities aimed at both past and prospective customers and it carries the major responsibility for these activities in the local market. Though First Training uses much of the international marketing material, Video Arts does not produce customised marketing information for New Zealand. In many cases, customers contact First Training because they have heard of the videos or know about the videos through word-of-mouth.

The distinctive nature of the Video Arts material is thought to create a unique position in the marketplace and it encouraged an exclusive sale. Access to Video Arts video titles also provides an opportunity to sell other training materials. First Training is the biggest player in the niche market for training videos in New Zealand.

First Training has only one major competitor in the New Zealand market—selling BBC videos—and that is, David Forman, a major player in higher-level management and sales training, and he was a major customer. However, training videos produced by the New Zealand Institute of Management and David Foreman are not direct competition for Video Arts products.

## Outcomes

The position of Video Arts in the market is an important factor in the relationship. The ability to source a product, that many customers are able to identify with, is seen as an advantage.



The market's image of Video Arts products is, however, changing at this time. Many of the personalities are not seen as marketable anymore. Though the product is thought to be outdated, the topics are conceptually sound and the skills are still relevant.

Externally, the performance of the company is affected by a trend towards in-house training, particularly at lower- and middle-level management in large organisations. The economic situation also impacts on the market share.

John Davies forces his thoughts back to the issue at hand. Despite difficulties associated with the training market and Video Arts, he feels a strong sense of loyalty towards the long-established relationship. John is, again, left pondering the critical question: should he sign the contract or not?

### QUESTIONS

- 1 | Discuss the extent to which you believe that the marketing concept has been put into practice in this case. Do you think that the current product range appeals to young professionals in New Zealand and Australia?
- 2 | What are your views on the use of comedy in training videos?
- 3 | What is the likely impact of emerging technologies, such as online or Internet training, on the companies in this case?
- 4 | What changes would you suggest to ensure the continued survival of the companies and the relationship?

# 18

## Life is a gamble

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**Bruce Chalmers, general manager of the Greendale Harness Racing Club drove home late one Friday night from Sydney's Harold Park Paceway, thinking about the future of his own club—Greendale. Bruce was in a reflective mood after a day of meetings with New South Wales government officials and discussing the challenges facing the sport of harness racing. It had been a bad day and to top things off, Bruce had backed Adios Sunrise in the last race of the day and the horse had been beaten in a photo finish by Bay of Dignity—a pacer trained on the Greendale track.**

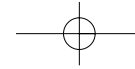
**At that time,** the principal activity of the Greendale Harness Racing Company was to conduct harness racing on its 800-metre track. Greendale held about 32 provincial harness racing meetings per year at showground premises that were leased from the local council. Although the club had achieved a net profit of \$26 822 in the previous financial year, it was anxious to grow by finding new ways to generate revenue and consolidate its place in an industry threatened by the spectre of racetrack rationalisation.

While he was sitting in his air-conditioned office one day, watching interstate harness racing on cable and eating an icecream, an idea suddenly dawned on Bruce. What if a relatively unused part of Greendale's grandstand could be converted into a seven-day-a-week betting auditorium complete with resident bookmakers, totalisator facilities, and a food-and-bar service? The betting facility would provide the much needed revenue

stream to augment the club's harness racing activities—including the supplementation of prize money, making it more attractive for owners and trainers to race their horses at the club's track. Increased revenue would also allow the cash-strapped club to upgrade its racing and training facilities. Bruce hoped that if the track could attract better quality horses, both the on-course and off-course betting turnover would be increased. Enhanced turnover would mean more revenue for the club, based on TAB (Totalisator Agency Board) percentages.

After Bruce presented a submission outlining his plans at a directors meeting, he received official approval from the directors for 'Punter's Paradise' (the name of the new betting facility) and obtained a low-interest loan via state government racecourse development funding; Bruce Chalmers' dream was finally within reach. The carpark area, under the club's grandstand, would soon be transformed into a servicescape—not dissimilar to that found in many licensed clubs including RSL (Returned Services League) Clubs, Bowling Clubs and Rugby League Clubs. The refurbishment, at a cost of \$700 000, would include major structural work, carpeting, lighting, false ceilings and bar-and-food areas. Unfortunately, unlike competing TAB, club and pub TAB outlets, sufficient funds did not exist for the ground floor facility to be air-conditioned. The lack of air-conditioning could pose a comfort problem for Punter's Paradise patrons, particularly on days when summer temperatures rose above the high 20s. Other enclosed sections of the grandstand used for non-race day functions, such as wedding receptions, 21st birthday parties and so on, would be air-conditioned and it was envisaged that if Punter's Paradise is successful, air-conditioning would soon follow.

In comparison to conventional TAB agency branches, found in suburban shopping complexes, Punter's Paradise would feature two bookmakers, operating on local and interstate racing and other sporting fixtures. These bookmakers would provide fixed odds betting as opposed to conventional totalisator (tote) betting; whereby, dividends are



## Successful marketing is all about doing things that no one else is doing.

dependent on the pool of funds invested. An advantage of fixed odds betting is that punters know what they stand to win before a race is decided. Punter's Paradise would also offer punters light snacks and bar facilities so that they could eat and drink in comfort while having a bet; hence, the name 'Punter's Paradise'. Parking would not be a problem since the track is part of a larger showground complex with plenty of space and easy access off a main road.

Compared to club and pub TAB facilities, the main point of difference for 'Punter's Paradise' would be the provision of bookmakers. Bookmakers are becoming a rare breed and their numbers have declined with the trend of punters betting off-track—in places such as clubs and their own homes while watching racing on cable television. Bruce Chalmers is of the opinion that if he prefers fixed-odds betting (bookmaker), then other people will, too. Many of Bruce's other marketing innovations are the result of believing that if he (a typical punter) wants an innovation, then other punters will want the innovation as well.

Bruce Chalmers considers himself to be an 'intuitive marketer'. He believes that successful marketing is all about doing things that no one else is doing. Being able to 'freewheel' ideas is something Bruce enjoys in his role as general manager. Prior to joining Greendale Harness Racing Club, Bruce worked for a bank until he was retrenched at aged 50. During his 10 years at Greendale, Bruce has worked hard at generating media attention and he has developed a profile as a 'celebrity tipster' and an 'ideas person' within the harness racing industry. Some directors of the Greendale Harness Racing Club, including the president, Cecil Mathews, regard Bruce as a 'marketing genius'.

Punter's Paradise launched with a modest reception—inviting local media and politicians. Despite the optimism of Bruce, Cecil and the rest of the Greendale directors, some other members of the Greendale Harness Racing

Club are sceptical about the ability to attract enough patrons to the facility to make it viable.

Some members of the harness racing club are of the opinion that the opportunity to establish a licensed club has been lost. Ten years ago, Greendale Harness Racing Club considered a proposal to establish a licensed club at the paceway's showground premises, but it decided against such a move—based upon a lack of director experience in the club business. The directors at the time believed that there was a big difference between running a harness racing club, where the main product is racing, and managing a licensed club, where the main product is serving a mix of entertainment products.

Since passing up the opportunity to establish a licensed club on the site of the paceway, a string of successful licensed clubs have been established within a five-kilometre radius of the Greendale site, including a major national league soccer club, a large bowling club and several prominent RSL clubs. Despite the intense competition, Greendale eyes with envy the success of another provincial harness racing club—Westlands Paceway. Westlands Harness Racing Club has successfully established a licensed club, complete with poker machines, that overlooks its modernised paceway complex. The success of Westlands is somewhat surprising given that it is encircled by fierce competition from a wide array of strong licensed clubs. Westlands, with its rebuilt track, has substantially improved prize money; and the thriving licensed club is now the envy of provincial and country harness racing clubs all over Australia. The notion that improved prize money lures better quality horses and improves betting turnover is certainly turning out to be the case for Westlands, as it becomes the most successful provincial club in Sydney.

Licensed clubs are not the only form of competitive threat to Punter's Paradise. A number of high turnover TAB branches are located nearby. One TAB outlet, reported to have one of the best branch turnovers in New South Wales, is located 'down the road', less than one kilometre from Greendale. Bruce sees the location of this profitable TAB outlet as an advantage for two reasons: (1) the success of the TAB branch demonstrates that a large pool of keen punters resides within the local area; and, (2) there is a possibility that some of these punters can be lured away to Greendale.

Punter's Paradise have opened to the public for up to five days a week—Tuesday through to Saturday. Club directors have volunteered to work shifts behind the bar and in the food area until the business can afford to pay staff, in these areas. Two resident bookmakers pay weekly rents of \$500 each, and two TAB staff operate from the site. Although supportive of the venture, the

New South Wales TAB is mindful of the overheads in terms of equipment and labour—it plans to monitor customer throughput. Office and ground staff, employed by the harness racing club and working out of the showground's site, provide additional labour.

In terms of advertising and promotion, no budget has been allocated, which means the club has to do whatever it can to create awareness of the facility. Computer generated signage has been placed around entry and exit points to the showground. This signage is produced cheaply by an office staff member and it is tailored to provide certain messages. The purpose of the signage is to let people know that Punter's Paradise is open, there is no charge for admission and it offers facilities such as bookmakers, food and beverages. The signage is aimed at all visitors to the showground—including horse trainers; guests at functions; stallholders and visitors to the weekly markets day; visitors to the races; and, anyone attending outdoor festivals that coincide with various ethnic group celebrations. Radio advertising has been purchased on Sydney's racing station to broadcast harness racing, greyhound and galloping race meetings. In addition, a letterbox leaflet drop has been organised for households in the neighbouring area. The somewhat indistinctive leaflet provides similar information to that on signs, and it has been designed on the club's computer.

Bruce hopes to attract a certain type of punter—the 'high roller', a punter who, typically, wagers large amounts on races or other forms of gambling. A Greendale horse trainer told Bruce that when the Macau Harness Racing Club first opened its doors in Asia, the strategy was to attract a limited number of high rollers rather than a

large number of small punters. In other words, the Macau club preferred to attract four punters who invested \$5000 each, per race, rather than 20 000 punters wagering \$1 each, per race.

In its first months of non-race day operations, Punter's Paradise attracted some high rollers and modest numbers of patrons. Twelve months after opening, the Greendale club has been forced to reduce the number of non-race-day operating days per week from five down to one. The trend in attendance has left some people wondering whether Greendale might have been better off improving its general facilities or enlarging the racing track to make it a 1000-metre track in circumference, rather than establishing a dedicated betting auditorium. These critics also point out that a similar punting facility was unsuccessful when it was operating from a major Sydney thoroughbred racecourse. However, directors of Greendale are adamant that Punter's Paradise is viable, pointing out that it is fulfilling a much needed food-and-beverage catering function on race days, generating rent money, paying its way and generally creating customer value.

### QUESTIONS

- 1 | Describe the marketing strategy that is currently in place. How viable is the strategy?
- 2 | Identify the major marketing problems and challenges.
- 3 | What ethical considerations are faced by marketers in the gambling industry?
- 4 | In terms of marketing, what should Bruce and the directors do now? Why?

