

Don't sweep away your success

Building an effective market strategy alongside a financial plan is a key factor in any business success story. However, if the two are not closely aligned, then it can lead to a disastrous final chapter, as Graham Sleep, director of Durham-based IA Growth explains.

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For most people growing up in the 1970s and 1980s, there was only one vacuum cleaner: the Hoover.

Invented in the early 20th century in the US, the product revolutionised household cleaning and soon became a great success in the UK, so much so that Hoover became - and remains - a generic noun.

But its success was swept away by an ill-thought out marketing campaign, which had catastrophic consequences for a very simple reason.

It didn't add up.

For all its previous successes, by the early 1990s, Hoover was on the slide, its sales hit by the impact of an economic downturn and a sharp increase in demand for competing brands.

The UK was entering the throes of a recession, and Hoover faced stiff competition.

Between 1987 and 1992, Hoover's profits fell by more than half, with ill-fated products, such as a 'talking vacuum', which warned users when to change the dustbin, failing to address its woes.

In short order, excess inventory began to pile up in its warehouses — and its 50 per cent market share in England diminished.

The long-established company felt it needed to do something dramatic, daring and attention-grabbing.

The solution, so thought its marketing team, was a massive promotional campaign based around free airline tickets.

'Hoover free flights' was launched by the British division of the company in late 1992, offering two



complimentary round-trip plane tickets to the US, worth about £600, to any customer purchasing at least £100 in Hoover products.

Convinced of its market appeal, a massive advertising campaign across television and newspapers was rolled out.

However, consumer response was much higher than the company had anticipated, with many buying only the minimum £100 of products needed to qualify.

It was perceived as two US flights for just £100, with a free vacuum cleaner included.

The resulting demand was disastrous for the 84-year-old company.

Hoover cancelled the ticket promotion after consumers had already bought the products and filled in forms applying for millions of pounds' worth of tickets.

Reneging on the offer resulted in protests and legal action from customers who failed to receive the tickets they had been promised.

As U-turns go - and we've seen a few of those recently - it was a disaster, a financial catastrophe which ultimately led to the loss of Hoover's Royal Warrant following the airing of a 2004 BBC documentary.

The European branch of the company was eventually sold to competitor Candy, having never recovered from the losses, the promotion and the subsequent scandal.

So, what can be learned from this sad tale?

Well, first and foremost, the numbers must add up.

In the case of Hoover, just as for any business, accurate war-gaming of initiatives is essential.

Key questions around finance must be at the heart of any planned activity - companies must ensure they know the answers to areas such as:

- what is the best and worst-case scenario?
- what is the likely return on investment?
- what can go wrong and, if it does, what is the correct way to deal with it?

These key questions need to be asked, together with data-driven market research and carefully planned communications.

In challenging times, like those we're experiencing



right now, businesses in difficulty often seek a silver bullet solution to address their fortunes.

However, life is rarely as simple and, in truth, a business' issues are usually very deep rooted.

That's where our team at IA growth comes in.

We have expertise across key disciplines and, most importantly, scenario planning and decision-making, so we may help prevent these types of disasters from occurring.

We think in a diverse way, because diverse thinking enables a business to avoid going down a blind alley and steer instead towards success.

Just ask Hoover.