



Grant Thornton

An instinct for growth™

# Enterprise Ireland - Finance for Growth series

---

## Implementing the Business Plan

New market entry strategy – Guardian Roof case study



Patrick Burke, Grant Thornton  
Stephen O'Brien, Guardian Roofs  
**March 2013**



# Contents

	<b>Page</b>
Background	2
Business strategy – innovate to differentiate	3
Stabilising the business in Ireland	4
UK market entry strategy	5
1) Formulate new market strategy	6
2) Identify country opportunity	7
3) Assess country opportunity	8
4) Maintaining focus and evolving with/creating the market opportunity	9
5) Develop and update new market playbook	11
Conclusion	12
Questions	13

# Background

Celuplast was established in 1988 by current Managing Director Joe Kearney. It employs 28 people and operates out of premises in Baldoyle Industrial Estate, Baldoyle, Co. Dublin. The main products the company traditionally supplied, some of which are fabricated in the company's premises, are uPVC fascia and soffit boards, gutters and down pipes, and window boards and trims.

Celuplast's sales at the peak of the construction boom in 2008 amounted to €8.3million, 100% of which were derived from the island of Ireland market.

Celuplast, like most other construction related companies, witnessed strong levels of growth during the period of 1995-2007, where record levels of construction activities across new residential and non-residential buildings and infrastructure seen the construction industry reach 25% of GNP by 2007.

Having peaked at close to €39billion or almost 25% of GNP in 2007, the 'boom to bust' development of the Irish construction sector over the intervening period, led output to fall to €8.7billion in 2011.

Four years of contraction in output had a detrimental effect on Celuplast's business. By 2011, turnover of traditional products had fallen by 58% since its peak of €8.3million in 2008. Rationalisation of the business resulted in staff numbers decreasing from 42 to 28, while there was also a corresponding reduction in overheads, excluding salaries and wages, of €495k between 2008 and 2011, or 42%.

## Business strategy – innovate to differentiate

Seeing their market continuing to contract, Celuplast management, along with their external advisors, implemented a series of cost cutting measures, down-sizing to adapt and stabilise to the new reality of the Irish market. Reductions in overheads, staff and inventory, while identified as critical to cost competitiveness and short-term cash-flow, were quickly understood by management as not enough for the long-term survival and growth of the company.

The Irish market had instantly become a ‘battleground’; Celuplast could either fight by undercutting competitors in terms of price, or introduce a series of ‘smart technologies’ through new product development that would protect margins, and also present opportunities for the business to look overseas to grow.

In consultation with the external advisors, management decided that rather than engage in a race to the bottom in terms of prices, they would introduce a number of new products, which were released in the Irish market between 2009 and 2011. This was seen as a preliminary ‘trail run’ with short-term expectations to launch the product in the UK, if successful in the Irish market. They included the following:

- **Guardian roof system** – Guardian roof system was designed the owner Mr Joe Kearney and was the first of its kind in the Irish and expected to be in the UK markets. The system is a light-weight, aluminium, solid (as opposed to glazed) insulated roof system. A typical application of the product would be as a replacement for an existing conservatory roof on a newly built sun-room extension. It is an ideal product for a household with a conservatory that they cannot make use of as it is too hot in summer and too cold in winter due to lack of insulation. Because the system is insulated, certified to and compliant with UK building regulations (the system has a u-value rating of .017, using Kingspan insulation boards), it has a considerable advantage in the market place. It is also the only roof replacement system to achieve type approval with the Local Authority Building Control (LABC) in the UK.
- **Guardian rain water harvesting system** – This is the first above ground commercial / domestic system to challenge the current below-ground water harvesting (WH) industry on price (pay-back is half that for below-ground systems) and quality issues. The system was independently tested and guaranteed and can be included in new constructions as well as retro-fit in residential, commercial and institutional buildings.
- **PVC panelling** – Imported from China and Belgium, this is a very cost effective alternative to tiling in bathrooms and wet rooms.
- **Rubberlok™** - This is an economic alternative to timber decking. It’s durable, maintenance free and non-slip and thus is widely used in playgrounds and stud farms.

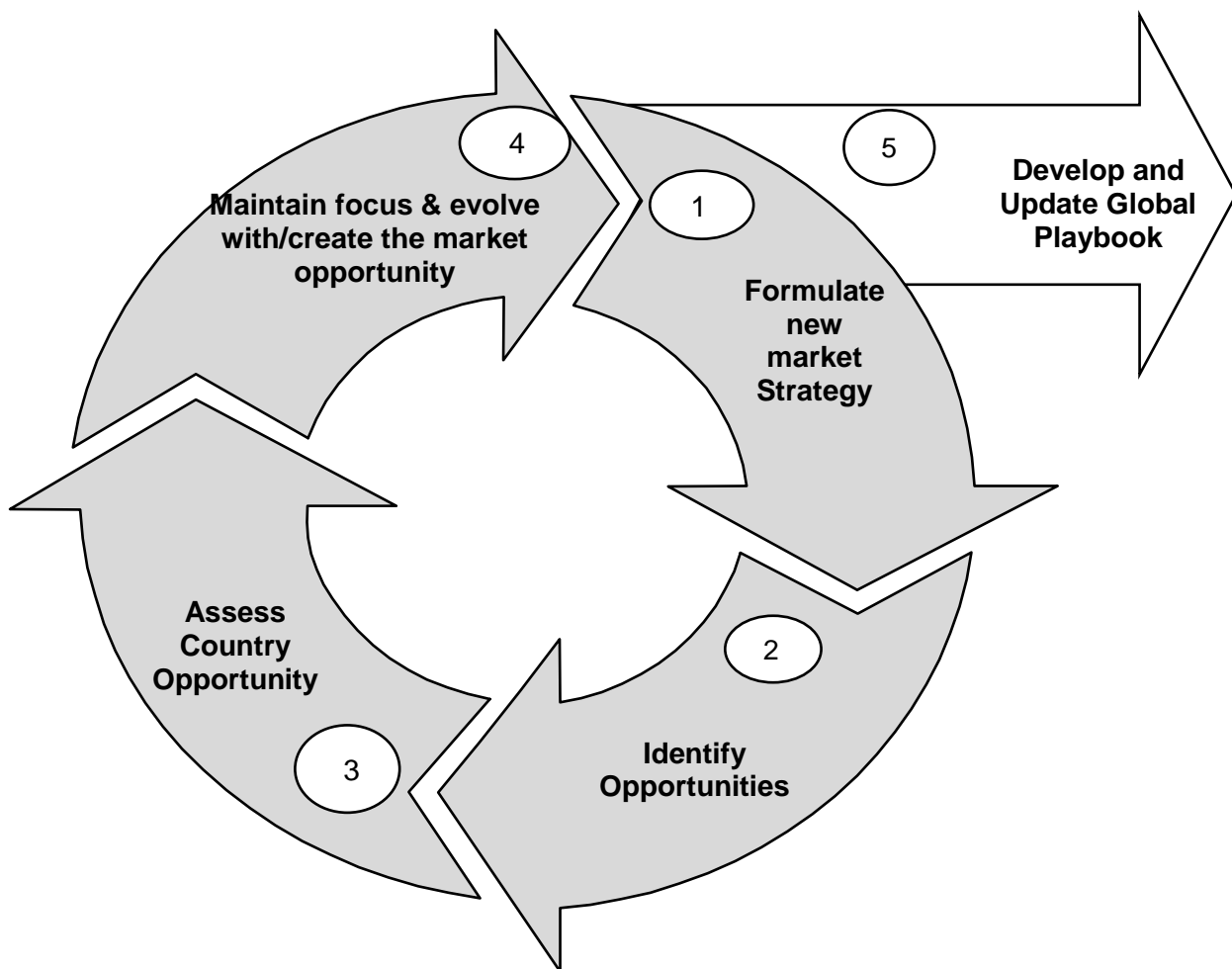
The Guardian roof system and rain harvesting system were designed with a view to diversifying sales to the UK market. The certification with LABC, price and quality of both products were seen as key differentiators for the business to expand in the UK, with Ireland seen as the ideal testing ground for the new products.

## Stabilising the business in Ireland

Celuplast's gross margin in 2008 was 32% and this increased to 34.5% in 2011. This was attributed to the introduction of new products as the margin on traditional commoditised products suffered and some help from currency movement. Margins was also protected by an increased focus on sales via the traditional counter at the company's premises in Baldoye which accounted for 25% of Ireland sales at particularly high margins and low related overheads/service costs. Trading continues to be tough in Ireland but the strategy of building a new route to market has helped the Celuplast outlook

## UK market entry strategy

In conjunction with its external advisors, Grant Thornton, Celuplast used the following five step process/methodology to plan its route to market in the UK.



# 1) Formulate new market strategy

The roof owners met on a number of occasions to flesh out the pros and cons of entry into the UK. These meetings began two years previously, in the research and development phase, when the Guardian rain harvesting and, in particular, the Guardian roof system were identified as 'game changing' enabling technologies that would provide a competitive advantage in the UK market. Two years later, after validating the products in Ireland; being certified to and compliant with UK building regulations; and being the only roof replacement system to achieve type approval with LABC in the UK, management were certain they had a product that would meet a latent demand for those who had conservatory's older than four years, in the UK - circa, 2million households.

The management team was significantly strengthened through the appointment of Dermot Mulvihill, former Finance Director of Kingspan Group plc as a consultant of the company. Kingspan was one of Ireland's most successful companies, particularly in its penetration of the UK building materials market. Dermot's insights and contacts in the market were expected to be a great addition in building a sustainable and profitable route to the UK market.

Management understood that getting it right was 'a one-time only ticket' and therefore, a knee jerk reaction to entering the UK market without exhausting every potential entry vehicle, risk, and establishing the organisations readiness – systems, processes, controls and scalability – had to be assessed.

After completion of phase one Guardian felt they had the right management team in place, and company 'buy in'.

## 2) Identify country opportunity

Through on the ground intelligence in the UK and help from Enterprise Ireland, Guardian assessed the various entry market vehicle option open to the business. The critical determinant was how to gain access to an existing base of conservatory owners, without absorbing the risk of setting up a greenfield site, or exporting directly and using distributors/intermediaries that were not a strategic fit to Guardian (i.e., price, growth trajectory, customer base and technology readiness).

A co-opetition model was chosen initially, with a view to acquiring any distressed businesses that were aligned to the various products that Guardian supplied in Britain. The best route to market for the Guardian system after visits to the UK and discussion with their external advisors, was through conservatory fabricators in the UK, who, in turn, interface with the homeowner/public. Guardian roof marketing would be targeted at the immediate customer (fabricators) and at installers/households.

This model was seen to minimize risk by spreading the route to market to a number of fabricator channels, maximising the geographical catchment area for the Guardian roofs in England, reducing investment cost and increasing speed of entry. The proprietary technology that Guardian has acquired in the research and development stage, meant their product was truly unique to the British market and would enhance the sales ability of the fabricators.



### 3) Assess country opportunity

Enterprise Ireland was extremely supportive of Guardian and their export growth focus. This was reflected in the provision of funding, by way of non-refundable grants, provided in respect of a feasibility study, e-business development and business development consultancy. A country primer was carried out by external advisors assessing a number of key industry and country criteria. Market assessment included the following:

- size and structure of the UK conservatory industry – volumes, values, trends, forecasts;
- impact of the recession on the industry;
- trends and key growth drivers;
- categories and pricings;
- key market players;
- current market prevalence and reach;
- supply and distribution – key suppliers, channel shares, etc;
- co-opetition model profile – identification of potential fabricators;
- overview of potential partners (fabricators), brand profile, locations, recent expansion, key financials, volumes, sales channels, customers;
- target market segments and their characteristics.

Further assessing the country opportunity meant assessing customers, products/pricing, operations, financial metrics and risks (I.P protection, etc) associated with the co-opetition model. The market assessment was achieved through the external advisor:

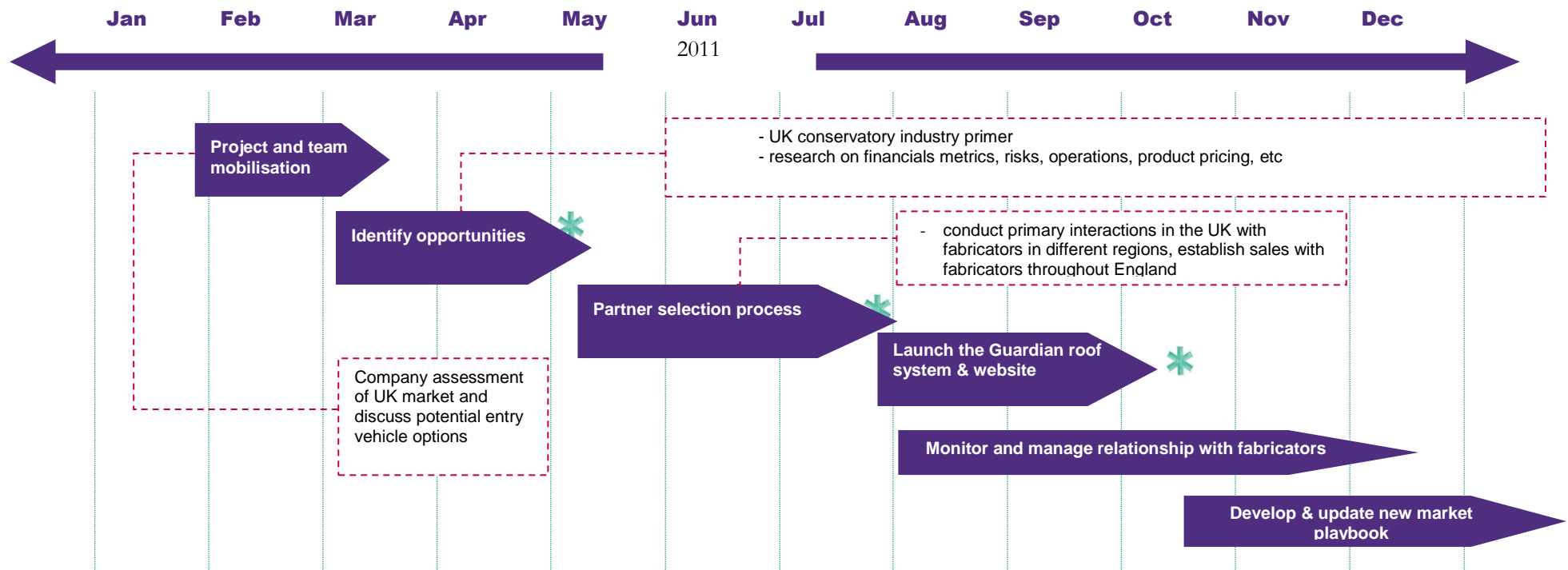
- leveraging its deep knowledge and international experience of the industry;
- through various published resources and past experience;
- conducting primary one-to-one meetings with industry experts, trade associations, etc. to validate and understand and highlight key nuances in the UK construction market;
- through vast research assessing the opportunity and the segment attractiveness;
- evaluating the co-opetition business model and its elements for the company based on past experience and market prevalence; and
- assessment of socio-cultural factors which would assist in evaluating consumer characteristics.

For example, marketing initiatives were identified, validated and agreed on to grow fabricators. They included:

- regional installer presentations in conjunction with specific fabricator customers;
- regional exhibition stands with specific fabricators;
- development of a website;
- brochures and point of sale material, reflecting the latest insulation certification for the system; and
- newspaper advertising.

## 4) Maintaining focus and evolving with/creating the market opportunity

Step 4 puts the plan into action. Management met to create and finalise the preliminary market entry plan, identified in phase 1, of how they expected Guardian's entry strategy to develop. Key performance indicators were established for the UK management team, with fabricator numbers, and sales targets expectations drawn up. Financial projections were also carried out on a regular basis to ensure that projections became a reality, and any deviations would be corrected. Two KPIs became clear working capital management and build-up of installer/fabricator base which became the obsession of the management.



The KPI's identified by management and their external advisors, which were relentlessly assessed, reviewed and updated, were as follows:

**1) Know your numbers**

- a.* getting the Irish business to breakeven through deepening managements understanding of the numbers and drivers of performance
- b.* making/measuring sustainable progress in a new market
- c.* managing working capital and relationships with various banks

**2) Using Regulation** to gain competitive advantage through achieving building control status in the UK

**3) Using smart technology** and process to deliver methodologies and web based tools to sell Guardian roof systems in the UK from a Republic of Ireland platform

**4) Playing to their strengths** by using the **co-opetition** principle to build scale

**5) Managing, rewarding and deploying talent** effectively in a difficult trading environment.

Management were aware that what gets measured gets managed, understanding the importance of KPIs and implementing management information systems to measure these KPIs were crucial to stabilisation in the Irish market and for providing a platform to launch the Guardian roof system successfully into the UK

## 5) Develop and update new market playbook

Guardian entered the British market in 2011 with the Guardian roof system. Guardian has already established sales with 15 fabricators based across England. The stock of conservatories in Britain over 4 years old is estimated at 2 million and annual construction of new conservatories is estimated to have declined by c.50% in 2011 versus 2007. The so called 'green deal' in Britain is expected to stimulate an already growing refurbishment market aimed at improving energy efficiency in the residential market.

The on-going development of the UK market is tracked and documented through the new market playbook. The company has management information systems in place to ensure the playbook is updated and reviewed regularly.

# Conclusion

The success of Celuplast and Guardian to date can be surmised into five strategies:

- 'Rightsizing' to adapt to the new reality in the Irish market
- The search for and introduction of new differentiated products to the range
- The development of the Guardian roof system
- Entry into a more welcoming market
- The early acceptance of the need for external advice and training in the implementation of changes in the business model

## Questions

- 1) Joe Kearney, owner, said: “The whole approach to business is completely different overseas and we had to find new ways of doing things. The biggest change was in mindset, and to view the UK market as a foreign market and not just an extension of the Irish market, we needed to understand the way business was done in the UK.”

Assess the validity of this statement, in your business, how would you have targeted the UK market differentially?

- 2) Celuplast and Guardian in Ireland had limited growth options and chose the Britain as the place for growth. What could it have done differently if it had chosen to stay focussed on Ireland and what were the risks and likely chances of success?
- 3) Assess the importance of human capital and technology in Guardians new market strategy?
- 4) What advice could you give to Guardian as it faces building on Year 1 sales Britain in building a stronger presence and also platform to deliver growth and employment in the ROI operations?
- 5) What advice would you give to Celuplast as it continues to trade in a difficult sector in Ireland?





**Grant Thornton**

**An instinct for growth™**

© 2013 Grant Thornton. All rights reserved.

Member of Grant Thornton International Limited

Authorised by the Institute of Chartered Accountants in Ireland to carry on investment business.