This copy has been supplied by the Library of the University of Otago on the understanding that the following conditions will be observed:

1. To comply with s56 of the Copyright Act 1994 [NZ], this thesis copy must only be used for the purposes of research or private study.

2. The author's permission must be obtained before any material in the thesis is reproduced, unless such reproduction falls within the fair dealing guidelines of the Copyright Act 1994. Due acknowledgement must be made to the author in any citation.

3. No further copies may be made without the permission of the Librarian of the University of Otago.
INVESTIGATION INTO
THE BUSINESS AND OPERATIONS OF

CARLTON PARTY HIRE LIMITED

By: Graeme R Hart
MBA 1988

For: PROJECT 660

Supervisor: Stuart Johnston
UNIVERSITY OF OTAGO LIBRARY

Declaration concerning thesis

Author's name: HART G.R.
Title: CARLTON PARTY HIRE LTD: AN INVESTIGATION INTO THE BUSINESS OF OPERATIONS
Degree: MBA
Department: COMMERCE
 Permanent address: 

I agree that this thesis may be consulted for research and study purposes and that reasonable quotation may be made from it, provided that proper acknowledgement of its use is made. I expect that my permission will be obtained before any material is published.

I consent to this thesis being copied in part or in whole for
i) a library
ii) an individual
at the discretion of the Librarian of the University of Otago.

Or

TO REMAIN CONFIDENTIAL FOR
ONE YEAR.

Signature: 
Date: 10/5/88
# TABLE OF CONTENTS

1 REPORT FORMAT .................................................. 1

2 INTRODUCTION .................................................. 3
   2.1 Purpose of Report ........................................ 3
   2.2 The Organisation .......................................... 3
   2.3 Background of the Organisation ......................... 4

3 PRESENT POSITION SUMMARY .................................... 7

4 STRATEGIC FACTORS ............................................... 11
   4.1 Introduction ................................................ 11
   4.2 Organisation's Purpose ..................................... 11
   4.3 Organisation's Objectives ................................ 12
   4.4 External Environmental Analysis ......................... 16
   4.5 S.W.O.T. Analysis ......................................... 25

5 TACTICAL ANALYSIS AND RECOMMENDATIONS .................. 31
   5.1 Introduction ................................................ 31
   5.2 Administration and Financial ............................. 32
   5.3 Personnel .................................................. 39
   5.4 Operations and Stock Management ....................... 48
   5.5 Marketing and Development ................................ 58

6 SUMMARY ......................................................... 67
1 REPORT FORMAT

Set out below is the sequence in which this report is formatted, providing a conceptual framework to assist the reader.

- Firstly, under the heading of "Introduction" the purpose of this report is stated, followed by an introduction to the organisation and a background summary including a chronological table of key events.

- Secondly, the preliminary assessment of the company's "present position" is set out. This summarises the organisation's strengths and weaknesses at a superficial level and indicates where the emphasis needs to be placed in developing the next two sections, which form the Business Plan.

- Thirdly, the "Strategic Factors" that could impact on the organisation, within the foreseeable future (2 - 3 years) are examined. The primary concern here is to ensure that the company's purpose and objectives are clearly understood, that the external environmental elements have been analysed and that the company's strengths, weaknesses, opportunities and threats have been identified. Establishing what business the company is in and that its future source of business is stable, must be considered fundamental to its survival in the future.

- Finally, having determined that the company has a future in
strategic terms, the "Tactical Factors" are addressed. This section deals with the various elements that, within the short term (6 - 12 months) will contribute to the efficient and successful performance of the company. Divided into four main areas:

- Administration and Financial
- Personnel
- Operations and Stock Management
- Marketing and Development

and in conjunction with management, each area is analysed, reviewed and the necessary recommendations made.
RANK GROUP LIMITED
PARENT COMPANY

Pacific Rental Holdings
WHOLLEY OWNED SUBSIDIARY
RANK'S SUBSIDIARY IN THE RENTAL INDUSTRY

Carlton Party Hire Ltd
SUBSIDIARY OF PACIFIC RENTAL HOLDINGS

GENERAL MANAGER

OPERATIONS MANAGER

HIREPOOL
Party & Leisure
CENTRAL AUCKLAND

CARLTON
Party Hire
NORTH SHORE

ACTION
Party Hire
WEST AUCKLAND

CASCADE
Party Hire
SOUTH AUCKLAND

HIREPOOL
Office Equipment
CENTRAL AUCKLAND

BRANCH MANAGER
LINE STAFF
- Sales
- Warehouse
- Kitchen
- Drivers
2 INTRODUCTION

2.1 Purpose of Report

To conduct a review of, and prepare a Business Plan for CARLTON PARTY HIRE LIMITED.

2.2 The Organisation

CARLTON PARTY HIRE LIMITED (Carlton) is a wholly owned subsidiary of Pacific Rental Holdings Limited which in turn is a wholly owned subsidiary of Rank Group Limited, a public company listed on the New Zealand Stock Exchanges. Carlton is considered to be (indirectly) Rank Group's Strategic Business Unit (SBU) in the rental industry, specifically in the leisure, event and party hire sector.

The business of the Group can best be described as that of "hiring equipment into events ...". The Group specialises in hiring everything from glassware, crockery and cutlery through to catering equipment, marquees, tables and chairs into events ranging in size from smaller social functions (50 to 100 people) through to the largest business and sporting events, (100 to 10,000 people) for example:

- Weddings
- Business and Social Events
- Conferences
- Company AGMs
- Civic Functions
- National and International Sporting Events

The Group carries an extensive range of equipment, full servicing facilities (delivery fleet, kitchens, R & M department etc.) and employs approximately thirty (30) permanent staff, plus casuals. The Group enjoys what could be described as close to a monopoly position in the market it serves as it controls the only four direct suppliers (listed below), two of which (Carlton and Hirepool) are the oldest in the industry, having been established for more than thirty years.

2.3 Background of the Organisation

The rental industry was identified by Rank as a “priority” industry, meeting the broad criteria developed for industry assessment. Research of the market and the participants in the leisure and party hire sector in Auckland, substantiated the potential and revealed an opportunity to acquire two of the four organisations servicing the Auckland market. These were Hirepool Party and Leisure and Carlton Party Hire, and positioned Rank with a substantial market share. Following acquisition, Carlton Party Hire was merged into Hirepool Party and Leisure to form the basis of the SBU. Subsequently, Rank has acquired the other two organisations Action Party Hire and Cascade Party Hire giving it a major share of the Auckland market (exceeding 70%).
Chronologically the events were:

- May 1985  rental sector identified as priority industry
  further investigation carried out.

- Nov 1985  negotiations commenced for acquisition of Hirepool
  and Carlton

- Apr 1986  Hirepool acquired

- Jun 1986  Carlton acquired

- Jul 1986  Carlton and Hirepool merged

- Aug 1986  restructuring of the Group commenced in line
  with the Acquisition Plans

- Oct 1986  negotiations commenced for the acquisition of
  Action

- Apr 1987  Action acquired

- May 1987  negotiations commenced for the acquisition of
  Cascade

- Jun 1987  Cascade acquired

- Jul- Dec  Consolidation period.

The Group now comprises four branches serving the Auckland
metropolitan market, and a separately operated Office Equipment
Division.

Hirepool Party and Leisure  -  the main branch servicing
  Central and Eastern Auckland
  from its Newmarket premises.

Action Party Hire  -  servicing the West Auckland
Cascade Party Hire - servicing the South Auckland area from its Pakuranga premises.

Carlton Party Hire - servicing Auckland's North Shore area from its Takapuna premises.

Hirepool Office Equipment - servicing metropolitan Auckland from the main Newmarket branch.
PRESENT POSITION SUMMARY

This report has been prepared in two stages.

Firstly, to conduct a preliminary investigation (an overview) into the business of CARLTON PARTY HIRE LIMITED, leading to a preliminary assessment of the company's present position and any resulting recommendations.

In summary, the findings of the preliminary investigation were:

Strategically Stable - from a strategic point of view the company is in a stable business sector where its core business is relatively insensitive to external environmental factors. Concluding, that the actual source of business is sound.

Financially Sound - the company is financially sound and enjoys a strong cashflow.

Profitable - the business is profitable, but well below its optimum. There is considerable opportunity to improve profits and thus returns.
Large Market Share - a significant market share, close to a monopoly, is enjoyed. However, trading four brand names and a lack of marketing and media planning are preventing the organisation from taking full advantage of the apparent latent potential, both in terms of market development and Group profile.

Improvable Personnel - the Group has some very good staff however, there are a number of problems. There are some gaps in the staff, and a lack of skill and experience in some areas. They are weak in management, particularly branch managers, and there is inadequate planning and standard setting as it pertains to the personnel function.

Lacking Direction - there is a general lack of direction about the organisation. This is adversely affecting staff at all levels and company progress in both strategic and daily terms.

Some Inefficiencies - there is both an inefficient and
ineffective feeling about a number of facets within the organisation, some worse than others. This is not to say the job is not getting done, simply, that there appears to be considerable scope for improvement.

**Summary**

Having investigated and analysed the company (in overview form) it would be accurate to say that Carlton appears to be a good business. It is in a stable industry sector, is financially sound and profitable, and has a strong market position with considerable prospects for growth.

However, the Group is not yet returning adequate profits, is not capitalising to the extent possible on its significant market share, is weak in management, has a number of inefficiencies to resolve, and is generally lacking direction.

The situation is not abnormal at this stage of the restructuring process although, it has been let go a little further than it should have been in a number of areas. It (the situation) develops as a result of a combination of reasons, not least of all being the management time consumed in the very acquisition and merging activities which have in fact brought the Group to this point.
Recommendation

That, in conjunction with management:

- a more thorough investigation is conducted;

- the results are reviewed and analysed;

- recommendations for improvement are made; and

- agreement and commitment to action is gained.

Having conducted the preliminary investigation as the first part of this report, the second part is to carry out the resulting recommendations (stated above). This second part will provide the organisation with a Business Plan. The emphasis will be placed on the tactical (short term) measures necessary to remedy the company's weaknesses.
4 STRATEGIC FACTORS

4.1 Introduction

In reviewing the Strategic Factors, particular attention has been paid to establishing the company's purpose and direction, and to analysing those elements which could have an impact upon the organisation within the foreseeable future (2 - 3 years). The "blue sky" aspects of strategic planning, which may consider where the company will be in five years, have been discussed, but the emphasis at this stage, is on the next twelve months, with the objective of improving the weak areas previously identified. This is a pre-requisite to very long term planning.

4.2 Organisation's Purpose

The organisation's primary purpose is "the hiring of equipment into events ....".

This activity includes:

- short term hiring of equipment and requisites required for the facilitation of any events;

- the supply for retail sale of a comprehensive range of disposables and accessories for events;
4.3 Organisation's Objectives

Carlton's objectives come under seven headings:

1. Market Share
2. Market Size
3. Company Profile
4. Office Equipment Division
5. Profitability Performance
6. Operational Performance
7. Organisational Attitude.

Summarised individually:

Market Share

To gain and hold the position of being the largest hirer of event related equipment and requisites into the metropolitan Auckland market. Specifically to gain and hold a minimum of 80% market share.

Rationale

Before proceeding with the acquisition of the various companies that form the Group, an analysis of the existing market in Auckland and the suppliers servicing that market was undertaken.
This analysis showed the existing market, whilst perceived as expandable, to be relatively small and divided among five suppliers. In order to take a position, a significant market share would have to be obtained from the outset, necessitating purchasing, contemporaneously, more than one of the existing suppliers in order to commence with a minimum market share of 40%. This was achieved, and it is believed that having acquired all four suppliers, the Group's existing market share exceeds 70%.

Whilst Carlton's stated objective is to obtain in excess of 80% of the market, there exists a clear policy that it will develop from a position of strength and service not arrogance, in spite of the monopolistic position it holds.

Market Size

To increase the overall size of the market by developing consumer awareness of event hire facilities (and benefits) in Auckland. Specifically, an increase of 30% per annum compounding, for the next three years.
Rationale

The research referred to above, revealed a lack of awareness in the market as to the extent, and to a lesser degree, the existence of event and party hire facilities. As the dominant supplier and therefore the dominant beneficiary, it is in Carlton's interest to endeavour to expand the size of the market.

Company Profile

To raise the profile of the organisation to ensure that the name Carlton remains synonymous with event hire facilities in Auckland, and has the equivalent of "household name" status amongst the trade and regular users.

Rationale

A well known company name (brand) is a key element to success in this business. In accordance with the review/recommendation set out under "marketing" in the Tactical Section, the Group should be identified by one brand name and every effort put into the promotion of this brand.

Office Equipment Division

For the Office Equipment Division to become the largest short and medium term hirer of office equipment and furniture to the metropolitan Auckland market.
Profit Performance

The organisation will be a "profit oriented" strategic business unit. It is of paramount importance that the profit levels set down to be attained in the budgets are met. To this extent, the budgets themselves represent quantified profit objectives.

Operational Performance

The organisation will strive for the most efficient form of operations and logistic procedures, seeking the optimum balance between economic efficiency and effective service.

Organisational Attitude

The organisation will strive to be "people orientated" (particularly as it relates to customers and staff), through the development of a team who are dedicated to achieving both organisational and individual goals, with each person contributing on the basis of his or her interests and abilities. Management attitudes and policies must continue to reflect and encourage this at all levels.
Rationale

The last three stated objectives could be more appropriately described as statements of intent, rather than specific goals. The managers of this organisation believe that these statements of intent are more appropriately positioned with the organisation's objectives, reflecting their equal importance.

4.4 External Environmental Analysis

A study of those factors outside the organisation which could influence (beneficially or detrimentally) the organisation's ability to meet its objectives. The elements are divided into two categories, "Direct and Indirect" external environment elements.

Direct Elements of the External Environment

Direct Elements

- Shareholders
- Competitors
- Suppliers
- Customers
- Government Departments

Indirect Elements

- Technological Variables
- Economic Variables
- Socio-Cultural Variables
- Political/Legal Variables
In today's turbulent commercial world, the external environmental elements are of paramount importance. Depending upon the industry sector, they are potentially the most important set of issues likely to influence an organisation and must be thoroughly understood by management charged with preparing Strategic Plans.

Following is the summary of the direct external environmental elements as they pertain to Carlton.

**Shareholders**

The organisation has only one shareholder being Rank Group Limited. The directors of Rank have been involved with the Group from its inception and remain most supportive. This obviously provides for a stable position with the qualification that, should the Group not perform to the expectations of this shareholder, it could find itself on the divestment list. Also of importance is the parent company's shareholding. Rank is a publicly listed company with the major shareholder holding in excess of 60% - this also appears relatively stable.

**Competitors**

As a result of this organisation progressively acquiring all of its direct competitors it has put itself in a position of holding close to a monopoly. Accordingly, it only has two areas to be concerned about:

- Indirect Competitors
Indirect Competitors essentially stem from organisations who are not in the "specialist event hire" business, but offer what is usually a limited range of equipment in support of their primary function; e.g.

- catering organisations and fringe hire firms offering a limited range of equipment related to party hire;
- liquor merchants hiring glassware; and
- stereo or electrical retailers hiring sound equipment.

It is estimated that Indirect Competitors could account for up to 15% of market share. Apart from recognising their existence and continuing to promote Carlton as being synonymous with event equipment hire (in an attempt to secure enquiries before these Indirect Competitors), little else can be done.

New Entrants Fishing to enter the event hire market have now been prevented from acquiring and using an established organisation and known name as a vehicle. Accordingly, the major threat in this area is one or more of the following:

- an existing organisation in a related field extending its services to include event and party hire equipment, e.g. any one of the indirect competitors (quoted above) presently operating in the Auckland market.

- New Entrants.
- a specialist supplier or indirect supplier not presently operating in Auckland.

- "a start up" usually undertaken by individuals opening small businesses.

Carlton is conscious of activity in each of the above three categories and is monitoring it carefully. The activity is on a small scale at present and it is felt that with the implementation of the Tactical Plans set out in this Report, this competition will be kept in check to the extent possible.

Direct Competition - Office Equipment Division

There is only one other main organisation in Auckland in the business of Office Equipment hire. Research suggests they are not rated highly as a supplier. The market is also supplied piecemeal by a number of organisations treating equipment hire as a supplement to their main business of equipment sales. The prospect of new entrants coming into the market is much the same as above and these factors will all be monitored.

Suppliers

Suppliers can be broken into three basic categories:
1. Hire Equipment - sourced from various suppliers depending upon the goods e.g. sound and lighting equipment, catering equipment, event structures etc.

2. Trading stocks for resale - disposables, paper cups, plates and accessories etc.

3. Operating Requirements - stationery, petrol, power, phones etc.

In general terms, the organisation is not dependent upon any one source of supply, or particular product for its everyday functioning, with the obvious exception of some of the operating requirements. There are ample sources from which to purchase goods, providing healthy competition between suppliers.

Customers

The customer base can be broken down in broad terms as follows:

1. Trade customers - caterers, restaurants, hotels etc.

2. Business houses.

3. Other organisations - sporting bodies, event organisers etc.

4. Public.
Carlton's customer base is very widespread and is expected to expand further. The only concern of consequence to be aware of is when the likes of a trade organisation gets to a point where it is more economic for it to purchase its own equipment rather than to hire it. The only tangible combatant to this is to hold hire charges at reasonable levels and to make it easy and efficient for them to use Carlton's services.

Government Departments

The organisation is not subject to any direct influence by any Government Departments. Any major policy changes or legislation likely to affect commercial organisations in general may apply and is dealt with in the next section.

Unions

Influence from the various employee Unions is only of a general nature. It is unlikely that the organisation could become permanently vulnerable in any area.

Summary - Direct External Environment Elements

This section has reviewed the major direct action components of the external environment.
In summary, the suppliers are stable, the customers are relatively stable, Government Departments have little direct influence and neither do Unions. The company is controlled by one shareholder and due attention is being paid to the competitors all of whom are of an indirect nature.

In conclusion, Carlton is in a stable position in terms of its relationship with the direct external environmental elements.

**Indirect Elements of the External Environment**

Indirect elements affect the "climate" in which the organisation operates and have the potential for becoming direct elements. Indirect elements include technological, economic, socio-cultural and political factors.

To summarise these four main elements individually:

**Technological Variables**

Developments in technology will have very little influence on this organisation. 80% of the equipment hired is low-tech and will probably not be influenced in the foreseeable future. The balance in the office equipment or sound and lighting areas, could in the broad sense be influenced by technological developments; it is however unlikely to play a major part in Carlton's strategy for these markets. To describe this
adequately, in the office equipment market, the Office Equipment Division is concerned with supplying fundamental requirements e.g. desks, chairs, typewriters. The same applies to the sound and lighting section. If new technology leads to a dramatic improvement in certain items, the organisation disposes of the outdated units and purchases the new units, that is really the extent of the impact.

**Economic Variables**

In broad terms, this variable has the prospect of influencing this organisation to a greater extent than any other indirect element. Qualified by the fact that any significant influence from this element would be of a general nature affecting all similar organisations. As a matter of course, the management take a keen interest in all matters influencing the economy, from policies of Government to the disposable incomes of their customer base.

However, it is worth commenting that management has probed extensively into what likely factors would lead to a decline in the business. The conclusion is that it would take a general depression of significance to impact on demand. There are two reasons for this.

One being that in general, New Zealanders will continue to participate in leisure related activities and functions regardless of a marginal movement in the economic circumstance affecting them. This is demonstrated by the peaks and troughs of
the economy over the last ten years, the troughs have rarely resulted in a reduction in leisure pursuits. In fact, the contrary has occurred with the leisure industry demonstrating strong growth.

The second point focuses on the fact that if there is a downturn in the economy, or a reduction in disposable income, then it could well lead to people turning to holding their own functions and hiring components in, in preference to appointing an outside organisation or using restaurants or hotel facilities. Accordingly, the customers that are lost from the lower echelon are replaced at the upper echelon (and the upper echelon usually have more to spend).

Socio-Cultural Variables

There is a need to recognise and anticipate relevant changes in the social climate and develop ways to deal with them.

However, there does not appear to be any significant changes likely in the values and customs of society that would influence this organisation.

Political/Legal Variables

Any influence from these variables would again be general in nature. Whilst it is recognised that the New Zealand economy is undergoing considerable change at the hands of the present Labour Government, impacting particularly on the commercial community,
this organisation will only need to react to any spin off, as it will not be a direct recipient. To exemplify this, the organisation is not going to be directly influenced by:

- removal of import control licensing
- flotation of the New Zealand dollar
- de-regulation etc.

**Summary - External Environmental Factors**

It would appear from the analysis of both the direct and indirect external environment that all elements are relatively stable and are unlikely to have any significant detrimental influence on the organisation in the foreseeable future.

4.5 S.W.O.T. Analysis

The objective of this section is to summarise the findings of the "SWOT Analysis", particularly as they relate to competitive advantages and disadvantages. That is, the strengths and weaknesses of this organisation relevant to its present and likely future competitors.

The process for the SWOT analysis was to identify the "key resources" and "key elements" fundamental to the Group's success, they are:

- Financial
- Human Resources
- Operations
- Physical
- Profile
- Organisation Attitude

Each of these areas were then analysed, the results of which have been summarised below.

Financial

Carlton, as a strategic business unit of Rank Group has a financially sound parent. Carlton has zero debt at this stage. Whilst this provides it with an exceptionally strong balance sheet, it is not the optimum capital structure, and consideration should be given to the prospect of introducing debt. The businesses produce a strong cash flow with cash sales accounting for in excess of 60% of total sales. Historically, the businesses have been profitable and indeed they have remained so during the latest restructuring period, albeit at an unsatisfactory level. However, it is believed that there is considerable scope to further increase the level of profitability and thus the return on shareholders funds.

Human Resources

The organisation has clear leadership, direction, and a high degree of autonomy from the parent company. However, it is presently weak at the management level throughout the SBU group,
particularly branch management. In terms of its operational staff, there is a team of generally good people needing further development. To summarise, the human resource of Carlton is adequate but in need of attention.

Operations

The operational aspects of the organisation are best described as generally satisfactory, but they could be improved.

The organisation's responsibility is to provide the goods ordered in good condition, on time. To the company's credit this is generally the case and considerable effort is put in to remedy any breakdown in this process.

The Tactical Section deals with improvement recommendations. The main weakness being the aged delivery fleet, and the opportunities being in the areas of improved stock handling, leading to the processing of more orders with the same staff.

Physical

Carlton's business is "hiring equipment into events", so in physical terms its rental stock is the key to its business. The organisation breaks this stock into 13 product categories.
In summary, the stock that is not subject to wear and tear e.g. glassware, crockery etc, is in good condition. The stock that is subject to wear and tear generally ranges from good/satisfactory down to poor condition. This area must be perceived as a weakness in need of attention.

On the other hand, the organisation's strength as it relates to stocks is "stock availability" - this is probably the single most important factor in this industry. During the busy season the organisation has probably never got enough stock, in the quieter season, always too much. As the investment in stocks is measured by either a pay back period, or return on investment, the objective is obviously to find the optimum balance. However, when an organisation is the only specialist supplier in the market, with some 70% market share, it has to be very conscious of carrying adequate stocks to service the market's reasonable demands. Alternatively an opening may be created for a competitor, or the larger trade users may be forced to purchase their own equipment. Carlton has the largest range of stock in this industry sector and is continuing to build on it. This is not to say their stocks are adequate but vis a vis their potential competitors they are in a strong position.

Profile

Carlton enjoys a considerable benefit in that two of the businesses in the Group are the oldest in the industry, and it also controls the other two specialist suppliers. Consequently, it has a strong position in the market, enjoys a relatively high
profile and dominates the listings in the usual mediums a casual inquirer would refer to. Opportunity exists for the Group to now take a single brand name (Carlton) and build it on the back of this profile.

The threat in this strategy is the removal of choice from the consumer. In the event that a customer becomes dissatisfied, they will only be able to go to another Carlton branch or seek out an indirect supplier. The strength outweighs the threat and the alternative of setting up two brands is not viable at this stage. This issue is addressed in more detail under the Tactical Section.

Organisation Attitude

An important factor is the attitude management and staff have towards the customer. Historically, Carlton had an excellent relationship with their customers, as did Cascade. Hirepool on the other hand had a poor relationship with its customers, and Action was somewhere in between. The management of the Group are working hard to instill the "customer comes first" attitude throughout the Group and by all accounts are succeeding. It is recognised that they are developing a strength in this area and with the effort being concentrated the attitude and service will continue to improve over time.
Summary

Carlton has a strong financial base, high profile, and a positive organisational attitude. It needs attention paid to its human resources, operations and stocks. Its strengths certainly outweighs its weakness and it does not appear to be under any immediate direct threats. The opportunities that exist for the business should be taken advantage of within the next twelve months and have therefore been dealt with in the Tactical section of this Report.

In conclusion, the organisation can be built around its dominance of the market, high profile and large stock holdings, whilst management pay attention to improving the human resources, operations performance and organisational attitudes. This implies that the strengths are fundamental corner stones, providing support whilst the weaknesses are built upon.
5 TACTICAL ANALYSIS AND RECOMMENDATIONS

5.1 Introduction

The term "Tactical Factors" has been used to refer to those issues management needs to address over the next twelve month period (most of them in fact over the next three to four month period). They have been broken down into four major sections:

- Administration and Financial
- Personnel
- Operations and Stock Management
- Marketing and Development

Following discussions with the management of Carlton it was agreed that for the purposes of this Tactical Section, the most constructive way to approach it would be;

- firstly, to identify the major issues within each section;

- secondly, where relevant, to summarise the issue, and/or to consider the issue at a conceptual level; and

- finally, to detail to the extent necessary the tactics or action required. This latter part takes the form of a review/recommendation procedure which results in an agreement from, and commitment by management to action.
Each section is discussed individually.

5.2 Administration and Financial

Major Issues

- financial position
- accounting and reporting review
- budget preparation
- complete systems review
- miscellaneous policies.

Before addressing the major issues individually, it is appropriate to briefly summarise the findings of our investigation into the general administration of Carlton. The systems were in place, but were not being operated efficiently. Consequently, management was not receiving the right information when it was required and the work was taking far longer than necessary, incurring more man hours with the associated cost. There existed considerable potential for improvement.

Financial Position

It has been agreed that financial detail will not be documented in this Report. However, summarising comments should be made in the following two areas:
Profit Performance

As noted earlier in the Report the company remains profitable but at a level considered to be inadequate. This is largely as a result of the acquisitions and mergers conducted over the last eighteen months in order to bring the Group together. This activity has caused a focus on restructuring activity at the expense of profits.

Attention must now be focussed on the following areas:

- increasing revenues from the existing stocks and businesses, and identifying areas for additional revenue from new stock lines;

- containment of gross costs with particular emphasis given to controlling replacement receipts and disbursements, to avoid a significant gap between the two;

- expenses have exceeded budget in the previous year, in many cases un-necessarily. Via the control process, operating expenses must be monitored on a monthly basis with more strict attention being given to the major areas of wages, vehicles, advertising and repairs and maintenance.

- in terms of non-operating expenses e.g. one off
restructuring costs. Firstly, these should reduce over the next twelve month period, but more importantly, the analysis suggests a number of the restructuring costs incurred were substantially higher than was necessary. More care must be taken in the future in terms of what is being done, why it is being done and how it is being done.

The business clearly has the potential to make very significant profits. The key lies in attaining the revenue and then controlling the associated costs and expenses - every effort should be put into this.

Balance Sheet

Again, as noted previously, the company's equity ratio is close to 100%. In terms of capital structures this is not the optimum and a debt level of somewhere in the order of 30% to 40% of capital should be contemplated.

Accounting and Reporting Review

The objective of an accounting system is primarily to produce accurate, meaningful and timely information. The findings of the preliminary investigation were essentially as follows:

- the information Carlton management were receiving was generally late, lacked meaning, in that volumes of reports were being produced with the key information
hidden amongst them, and when the audit was conducted at the six month point, the information was found to be inaccurate.

It was agreed that three reports are required:

- a weekly "sales analysis report" that provides revenue figures only, for each branch and a consolidated Group total.

- a "monthly profit and loss report" in spread sheet form that provides revenue, gross costs, expenses and profit before tax information. This is given by branch and in a consolidated form on a single spread sheet, with budget figures next to actuals and percentage figures showing the relationship between actual and budget.

- a monthly pro forma "balance sheet".

In essence this provides the management of the Group with a weekly monitor of sales performance, and two sheets of paper at the end of the month summarising the branch and Group performance and financial position, in ample detail.
Budget Preparation

Presently, the Group has been working from a trading budget prepared for the financial year 1987/1988. The budget has only been updated once earlier in the financial year and really provides little more than the broadest guideline to expected sales. The review recommendations would be as follows:

- By 31 March 1988 a detailed "trading budget" should be prepared for the 1988/1989 financial year in precisely the same format as the profit and loss spread sheet.

- that a "capital budget" be prepared for the same period taking into account, to the extent possible, net expenditure and the timing thereof for capital acquisitions e.g. plant, stock, vehicles etc.

Complete Systems Review

Investigation of the administrative systems produced the following results:

- the wages are prepared on a manual Kalamazoo system which is perfectly satisfactory.

- the debtors are processed through an in-house computer system which is also satisfactory however, presently a separate debtors ledger is produced for each branch and
they are not consolidated. It is recommended that only one consolidated debtors ledger be produced.

- the creditors are processed through the same computer system, which in itself is quite satisfactory. However, the creditors were going through too many hands in the processing exercise. The recommendation reduces this to one person being responsible for the receipting, collating and production of a creditors ledger (which includes cheque preparation) and the General Manager and Operations Manager approving them and signing off the cheques.

- the banking system had a number of inefficiencies about it with each branch using sales staff to write up the banking, then depositing it with their local bank at their convenience. This took the time of busy sales staff and removed the records and cash inflow control from administration. The recommendation was that banking for all branches be forwarded on Monday and Fridays to the Administration Office (together with reconciliation documents) for processing. This brings the job into the hands of one person in administration and permits tighter control of cash flow, an important factor in this Group.

All the systems documents were reviewed for efficiency and purpose. The following were modified for improvement:

- daysheets (used for daily stock bookings)
- invoices
- cash reconciliation forms
- reporting documents.

**Miscellaneous Policies**

A number of miscellaneous policies were reviewed and agreement reached on the following recommendations:

- **debtors policy**

  a maximum of 20% of the debtors two months outstanding.
  a maximum of 10% of the debtors one month outstanding.
  the balance in current with only unresolved "accounts in dispute" beyond two months.

- **creditors policy**

  provision to be made for all creditors to be paid on the 25th of the month following supply. This differs from the present policy of spreading payments over two months to preserve funds on deposit — a system which was found to be administratively messy for little gain.

- **insurance**

  the company's insurance policies are due for renewal in March 1988. A comprehensive review will take place prior to that, determining the exact requirements, before
obtaining quotes for cover.

S.3 Personnel

Major Issues

- number and quality of personnel at all levels
- miscellaneous policies

In summary, the preliminary investigation revealed a lack of planning and consequently, known requirements in terms of personnel numbers. Furthermore, the quality of the incumbent personnel at all levels varied considerably. This is not to say there were any particularly poor members, indeed the attitude in general was supportive of the company, notwithstanding some discontent as a result of the lack of direction. The problem in broad terms seemed to be a lack of staff skilled and experienced in their job.

Conceptual Review

The problems cited above were discussed at length with management. The objective being to decide conceptually what was required as a "quality standard", then to form a plan that determined the normal staffing levels and a programme to bring the Group towards these desired standards and levels.
It was agreed that considerable effort should be put into upgrading the level of task competence via in-house and outside training programmes and the replacement of persons in positions they are not considered suitable for.

For the purposes of summarising, the various personnel roles have been divided into five categories:

- Group Management
- Branch Management
- Specific Roles
- Line Staff
- Casual Staff.

and dealt with individually below.

**Group Management**

There are only two positions under this category:

- General Manager; and
- Operations Manager.

From a numbers point of view, the Group does not require any more senior management, and the mix is correct. From a quality point of view, they are both lacking in some of the skills necessary to carry out their tasks. Having had extensive discussions with them, both together and
individually, the writer is satisfied that they have the base skills necessary and that they now recognise their weaknesses and are moving to remedy them accordingly.

No further action is recommended at this stage but the situation should be monitored with a formal quarterly review.

Branch Management

At the time this investigation was being conducted, the Group had four branch managers. During the period of the investigation, one resigned, another was dismissed, a third was deemed incompetent, and the fourth was severely lacking in management skills. A serious situation indeed. Clearly, the Group is very weak in this area, and in need of urgent attention.

It was agreed that the standard of management needed to be raised considerably. Accordingly, it was decided to seek two new managers from outside the organisation with this higher level of skill and experience. Further, to promote one person from within the organisation, who with the existing manager would be put through a three month part time training programme (conducted by the New Zealand Institute of Management) commencing immediately. At the end of this programme, both managers would be re-assessed and providing there is clear evidence that this along with future training will lead them to the desired standard
within a further six month period, their positions will be consummated. If on the other hand, they fail to respond to the initial training programme, they will be transferred within the Group. Both managers are aware of this.

In summary, this is not an ideal position for such key roles. At best the Group will have two new managers and two managers experienced within the company, but still being trained in management skills.

It was agreed that this compromise was the best mix at the time, retaining some experience with some "new blood".

Specific Roles

The specific roles within the Group can be categorised as follows:

- administration
- * sales representative
- * stock controller
- * retail (stocks and merchandising)
- warehouse supervisor
- * office equipment
- * marquees and structures

* These are newly created positions as a result of this review.
Administration - a small but important function within the Group, that suffered from the criticisms outlined in the Administration and Financial section. There was a lack of skill, some of the systems were inefficient or ineffective and most importantly, there had been no "conceptual analysis" of exactly what reports and tasks were necessary, in what form, for this company. This "conceptual analysis" was carried out and the systems and report modifications described in the previous sections were instigated, considerably reducing the amount of work necessary to produce the required information. The recommendation in relation to personnel, is naturally, to reduce the staff numbers and to modify the skill levels over time.

Sales Representative - the fourth section in the Tactical Review "Marketing and Development", outlines the rationale behind creating this new position. It is a full time position and an experienced person should be sought.

Stock Controller - stock management is most important in this industry, both in terms of controlling the quantity and the condition of hire stock. The recommendation is to charge an existing staff member with overall responsibility for stock control. The role is not a full time one, but will be done in conjunction with their existing role. Discussed in detail under Stock Management.

Retail - (stocks and merchandising) - the Group operates four showrooms all displaying the hire stock range and
each with a "retail" area. The showrooms require upgrading and the range of retail stock should be increased and more accurately controlled. The recommendation is to charge two existing staff members with overall responsibility for these areas. Namely: the Operations Manager who has considerable retail experience, assisted by one of the Sales staff.

Warehouse Supervisor - an existing role that is important to the smooth running of the warehouse. The incumbent supervisor is an efficient operator within the warehouse but lacks supervisory skills. The recommendation is to charge this person with the "stock control" role and appoint a replacement Supervisor (pre-determined) from the existing staff.

Office Equipment - a developing area for the Group, but not at a point where a permanent manager can be justified. The recommendation is to charge an existing staff member with responsibility for office equipment hire, sales and co-ordination.

Marquees and Structures - an area the Group intends to expand further in and one necessitating a degree of expertise. In the interim, an existing staff member should be charged with controlling this area both in terms of sales, on site planning, erection and dismantling where necessary.


**Line Staff**

Line staff can be categorised as follows:

- counter sales
- warehouse
- kitchen
- drivers
- general
- repairs and maintenance

These roles cover some 25 permanent positions within the Group. The general level of skill is satisfactory for the job, and where unsatisfactory is fairly easily remedied. In consultation with management, a permanent staff structure was drawn up and numbers agreed for each category, this identified a number of gaps. At the time of writing this Report, those vacant positions were being filled, and investigation conducted into suitable in-house training programmes to enhance the quality of customer service.

**Casual Staff**

The Group makes extensive use of casual staff in all the "line staff" categories during its peak periods both on a weekly and annual basis. The only recommendation of consequence relating to casual staff is of a general nature
suggesting that during these uncertain uneconomic times more use be made of casuals (where possible) rather than committing to permanent staff.

**Miscellaneous**

In addition to the specific issues discussed above, a number of miscellaneous issues were addressed with management and are summarised with a recommendation below.

**Meetings** - whilst the organisation holds both management meetings (GM, OM and Branch Managers), and staff meetings, (OM, or GM, Branch Manager and Branch Staff), they are irregular and in fact not frequent enough. The recommendation is to hold Management Meetings on a strict bi-weekly basis, and Staff Meetings on a minimum bi-monthly basis and ideally monthly. This reflects the writer's belief that these forums, together with daily contact are vital to the smooth running of any successful business.

**Training** - this has been covered by the various comments above. In summary, it is recognised by management that training programmes need to be introduced in those areas where skills are lacking, particularly branch management and sales. Positive action has been taken.

**Communications** - there was a clear feeling amongst staff that a "lack of communication" was responsible for a number
of problems within the Group and some of the frustrations they felt. This was unintentional on the part of management and largely developed as a result of management being pre-occupied with other matters and of course being blind to this problem. Simply becoming aware of the issue acting on the recommendation that more time is spent by management on the "shop floor" should, together with more regular staff and management meetings, remedy this problem.

Wages Policy - although there are some discrepancies, staff wages are in general well above the award rate and reviewed six monthly. The recommendation is to continue to pay top money but to insist on top people in return, without compromise. A suggestion for consideration is to move to a twelve monthly review period in line with reducing inflation, and economic expectations.

Staff Benefits - the company does not presently offer any formal staff benefits, e.g. medical insurance, superannuation etc. other than the Staff Share Purchase Scheme. The recommendation is that management investigate the feasibility of introducing a range of staff benefits including medical insurance, social club etc.
5.4 Operations and Stock Management

Major Issues

**Operations**
- logistics
- delivery fleet
- miscellaneous

**Stock Management**
- stock control
- stock review
- repairs and maintenance
- retail

In relation to the major issues above, the situation can best be summarised as satisfactory, but improvable. Conceptually, management want a tighter control on their stocks and to bring their operations as close as possible to the optimum point between efficiency and effectiveness.

**Operations**

**Logistics** - the concentration in this area is primarily focussed on any point where materials (hire stocks) are handled or processed. The main areas are:

- making orders up ready for despatch
- loading and unloading trucks or private vehicles
- processing (cleaning and kitchen functions).
The recommendation is firstly, for management to continue the review under way into warehouse layouts. Most branches have a satisfactory warehouse layout, but particularly in the Newmarket branch initial investigations suggest there is considerable scope to reduce handling and for the storage of more equipment.

Secondly, to continue the review into expanding the range of hire stocks transported on mobile trolleys. At present, the Group utilises a trolley system for general products, e.g. individual orders are made up onto trolleys which speeds the picking, handling and loading process. The objective under this review is to extend this system by developing trolleys for use with specific (larger) products e.g. tables, chairs, stereos, bar-b-ques etc, leading to a more efficient warehouse handling system.

Finally, to continue the review into the processing and handling of goods in two main areas:

1. on and off delivery trucks; and
2. through the kitchen, or cleaning process.

There seems to be an opportunity to improve the flow and productivity in these areas by making what are comparatively minor changes to the way tasks are carried out. For instance, the ramping and locking system for trolleys in trucks could be improved with the use of metal hooks instead of the present
roping process. Work conditions (and thus throughput) could be improved with the installation of air-conditioning into the kitchen area.

These are two suggestions based on the observations of the writer, further examples are certain to exist, but a deliberate effort will be required to identify them.

**Delivery Fleet** — the delivery fleet presently comprises five trucks together with trailers which are used for excess loads. The service is offered from all branches and is charged on a cost recovery basis. It is estimated that approximately 30% of the customers require the delivery service, whilst the other 70% call and pick up their order. These percentages relate to individual orders — by volume it in fact weighted heavily in favour of deliveries. Estimates were also prepared (in the absence of statistics) on the number of actual deliveries (followed by pick ups) being handled out of each branch.

With these estimates and other relevant information in hand, some time was spent discussing the delivery service from a conceptual point of view. The objective being to determine;

- is the demand in fact real?

- should the service continue to be offered; and if it should

- what options existed as an alternative to
operating a company fleet.

The conclusion was that there is in fact a real demand and the consequences of discontinuing the service would be considerable inconvenience to the major (trade) customers, which would almost certainly lead to a significant loss of business. The various options which included contract cartage firms, owner drivers etc were eliminated one by one for a variety of reasons, the most important being the loss of flexibility.

Accordingly, attention was then paid to the existing fleet. Research analysis was carried out to determine exactly what was required, how this related to what was on hand, and what changes needed to be made.

In simple terms, the fleet comprised one large, two medium and two small trucks. The recommendation was to reduce the fleet to four; retaining one large truck and one medium with the proceeds from the sale of the other three contributing to the purchase of two new trucks, of the larger size. The additional cost of running the large trucks is almost insignificant, whilst the savings gained by reducing the fleet increased capacity were substantial. There was no evidence to suggest that the four large vehicles would not be able to cope with the demand with the exception of the Christmas period, during which time a rental truck could be used.

Miscellaneous - a number of issues were reviewed and are discussed individually below.
Trading Hours - it was recommended and agreed that the weekly trading hours remain 8.00 a.m. to 5.00 p.m. and that Saturday remains 8.00 a.m. to 1.00 p.m. This was after contemplating opening all day on Saturdays and/or Sunday morning. The rationale being that 98% of weekend orders are pre-booked and the overhead would be being carried to serve casual business, which in the main occurs within the present trading morning hours. In other words, no additional business of consequence is likely to develop from extended hours.

Radio/Telephone System - it was recommended and agreed that the radio/telephone system which presently exists within the vehicle fleet, be extended to include an RT set in each of the branches. This provides a complete inter-branch and inter-vehicle communication service, with the prospect of achieving better utilisation of vehicles and stocks. Branches will more easily be able to check other branches stock commitments when have an enquiry or order they cannot fulfill.

Telephone System (Newmarket) - it was recommended and agreed that the telephone system in the Hirepool branch at Newmarket which is a combination of three old systems, be replaced with a new SBX system. There are a number of advantages, primarily that additional lines and extensions will be available on a seeking system which will reduce the incidents of customers finding the phones being engaged.
Security - generally speaking, security in the organisation is lax. The buildings are alarmed but this would only serve as a deterrent to the amateur burglar, cash on the premises is in a safe at the main branch, but simply hidden in the other branches and administrative (document) security is non existent.

Having reviewed the above, in the context of what is at risk, the recommendations are:

- the alarms in the buildings should be wired to the lighting circuits so, in the event of the alarm being activated all lighting in the building is activated;

- arrangements for cash on the premises remains unchanged; and

- sensitive documents are to be identified and stored securely. Computer disks copied and the copy stored off the premises.
Stock Control - control of the hire stock in a rental company is of paramount importance. This Group's control is just adequate. Stocks are checked out and back in, with each order and branch stocktakes have been undertaken three times in the last twelve months. Theoretically these controls should be adequate, however in practice they are too few and fallible during the busy periods. Recommendations have been put forward to tighten the checking back of stock from hire, whilst bearing in mind the need to keep the process efficient to minimise customer delay. More importantly, there appeared a grave inefficiency in carrying out stocktakes infrequently, as if there was any loss, it was not brought to attention early enough. This has repercussions in terms of being unable to fulfill orders as well as the loss of implications.

The recommendation is to install a "perpetual stocktake" system. This requires that for instance one (or more) line of stock is checked each week on a specific day. The objective being that within a six week period, all stock is checked for both quantity and condition, alerting management to any discrepancies.

Stock Review - along with the installation of the above system, a major stock review must be undertaken including the following:

- a complete stocktake of all hire stock within the Group;
- within that stocktake, both quantity and condition are recorded;
- at this point, the perpetual stocktake system should be
a major review of the now confirmed existing stocks should be undertaken for the following reasons.

As indicated earlier, the Group's stock ranges in condition from good/satisfactory to poor. A formal review should be carried out with all lines being brought up to a common standard agreed to be good/satisfactory. Poor lines, or those that are marginally satisfactory should be reconditioned, replaced or eliminated.

Furthermore, the quantities held of each stock line should be reviewed in light of demand. Initial investigation suggested that stocks could be increased in a number of areas.

This investigation identified another area of concern in that approximately twenty lines were regularly out of stock (or close to it) in busy periods. This seemed to cause a number of problems, namely:

- sales staff would start turning away orders, frequently before they were in fact out of stock;

- sales staff had to take time to double check before making a stock commitment; and

- if stock from the previous hirer had not been returned the new order could not be fulfilled causing either delays to the customer or to deliveries;
The recommendation is that these stock lines be identified and the stockholding increased. Under what the writer has described as a "stock excess policy". The rationale being that if the stockholding is increased to the point of excess, then staff will not need to concern themselves with the goods being stocked out (in general), so for the additional investment, which in overview is a paltry sum, the following benefits would accrue:

- revenue is increased as hires are not unnecessarily declined;

- overheads are reduced as a percentage, as they are spread over this additional revenue;

- better service to the customer as their orders are fulfilled;

- more efficient for staff, both sales and drivers; and

- less risk of customer inconvenience.

The essence being that by carrying an excess of stock in these high demand areas, additional revenue can be gained, with less running around, improved efficiency and better customer service.

Repairs and Maintenance - briefly, this area is staffed by one employee and with his wages and the required overheads and costs, represents a considerable expense, which at present is difficult to track. Certainly it is convenient in dealing with urgent or
difficult repairs and it may well be cost effective. However, it appears that almost all the R & M work is carried out on three major stock lines.

The recommendation is simply that management monitor the R & M over the next six months and give consideration to the following:

- is an R & M department required?

- is a major portion of the R & M work resulting from the poor quality of the stock in two or three areas? (80/20 rule). If this stock was replaced, to what extent would this impact on the R & M workload?

- what are the other options for R & M, e.g.
  - contract out
  - replace poor stocks and reduce role to part time.

- Perhaps if it can be shown that in addition to repair work, R & M is in fact reconditioning lines that would otherwise become obsolete, may have the capacity to manufacture or assemble new lines, consideration could be given to bolstering the facility subject to a cost benefit analysis.

Retail - the Group has a high volume of pedestrian traffic passing through the showrooms, most of whom are people organising an event or function of some sort. The retail product range has been restricted to items associated with functions, e.g. paper plates, cups, serviettes, plastic utensils, streamers,
baloons, accessories etc in a variety of ranges. A reasonable volume is being sold for what is a comparatively small part of the business and a positive contribution to profit is being made.

The recommendation is that the retail business be developed further. As far as "stocks" are concerned, effort should be put into locating additional ranges of similar lines, together with test marketing of new lines, not necessarily related to the existing ranges. This work should commence as soon as possible as it may be necessary to indent some of the new product.

5.5 Marketing and Development

Major Issues

Marketing  - branding
- advertising/promotion
- presentation

Development
- new business
- new products
- additional branches.

The Group's marketing and development has to date been driven by the needs of the moment. The objective of this section is to address the major issues as a pre-requisite to a more formal and co-ordinated approach.
Marketing

Branding - the Group's trading name, or brand has been an area of major concern over the last eighteen months. It has been operating under four trading names being:

- Carlton Party Hire
- Hirepool Party and Leisure
- Action Party Hire and
- Cascade Party Hire.

Consideration has been given to the various implications associated with the following options:

- remain as is;

- change to a single brand for the entire Group, either utilising one of the existing trade names, or a new name;

- splitting the Group and trading under two brand names.

The recommendation is that the Group trades under a single brand name utilising the most well known of the existing names. The rationale behind the recommendation is simply that it makes no sense from either a cost or consumer confusion point of view to continue to trade under four separate names. It may make a little more sense to trade under two names, however when analysed, the only sector of the business this would be done for
would be the "trade" and they would quickly become aware that both Group's are owned by the same company. Ultimately, branding the Group to trade as Carlton Party Hire Limited will have the following benefits:

- Carlton has been established in this business for over 30 years in the Auckland region;

- all advertising and promotion can now be carried out under the one brand name, which will represent significant cost savings and more importantly, raise the profile of the brand and Group;

- Group presentation can now be uniform. This applies to logos, packaging, trucks, staff uniforms etc.

Advertising/Promotion - as stated previously, the Group's advertising has been relatively successful and indeed, is a significant advancement on most rental companies.

Conceptually, the objective of the Group's advertising now, is simply to:

- increase awareness of the products;
- raise the profile of Carlton Party Hire Limited service and facilities it offers, ultimately to increase its revenue from existing customers and new business.
To achieve this, an advertising programme is presently being prepared (with management) to encompass the following:

- development of a “brand logo type” together with a relationship phrase” between the company name (brand) and the business they are in, e.g.

   CARLTON PARTY HIRE LIMITED

   Where all successful functions begin

- development of an advertising programme for the next twelve months which will include e.g. radio, Herald and Courier newspapers, post office box and householder leaflets, premiums and airship blimps.

Discussions have been held with management stressing the importance of getting “value for money” from advertising. It is an area where significant mileage can be gained for comparatively little cost or in the other extreme, a great deal of money can be wasted for little gain.

Presentation – as stated above, one of the single most important benefits accruing to the Group from the adoption of a single brand name is the ability to present uniformly.

Presentation in general has been very poor. The important areas are as follows:

- the packaging or appearance of stock presented for hire
- showrooms

- staff

- premises - exterior and interior

- vehicle fleet.

Assessed individually;

Stock presentation - whilst the stock is presented in a reasonable manner, and is certainly hygienic, there exists considerable scope to package and present the stock in a manner which reduces handling (per our logistics discussion), and allows the Group name to be brought forward and presented at every function the goods are supplied to. Management are presently working on the implementation of this programme which will include the following;

- packaging of all glassware and crockery into cartons pre-printed with the Carlton brand;

- all stock items that go out in their individual form will be painted and branded e.g. bar-b-ques, tables, chairs, sound equipment etc, including the various trolleys utilised.
Showroom presentation - the showrooms to date have been presented in a poor manner compared to what they are capable of. The available stocks were on display but little effort had been put into any form of creative display. Again management are implementing a programme to remedy these problems which will include:

- re-organising and dressing all showrooms to a pre-determined and consistent standard;

- installation of product displays in a standardised form throughout all branches;

- extensive use of point of sale banners, signs and merchandisers;

- development of "themes" in each showroom for displaying certain lines of hire stock e.g. bar-b-ques and spits set up on an astro turf floor with natural surroundings and other outdoor equipment to set the scene;

The objective is to bring the showrooms up to a pre-determined standard, and that they be maintained at that standard without fail. The points made to management are that firstly an environment conducive to selling the product or service must be created, and secondly, when any customer enters the showroom, it must be assumed they are doing so for the first time, and the first impression is the most lasting.
Premises - the exterior of all the branch premises is quite satisfactory. All sign writing will need to be replaced with the introduction of the single brand.

Vehicles - all the trucks will need to be re-sign written with the new brand. Following this, effort should be put into improving and maintaining the general appearance of the vehicles, the standard was only satisfactory.
Development

The single objective under this heading is to "increase Group revenue". Anything that will potentially increase Group revenue within the context of its existing business should be considered. At this stage, development is considered under three individual headings.

New Business - this heading deals with obtaining an increase in revenue through the introduction and development of new business in the form of "new customers". The advertising programme discussed above will assist in developing new business and in addition, the writer recommends two further initiatives be taken:

- the appointment of a sales representative, who will be responsible for promoting the company's business to existing major accounts, potentially new major accounts, and event organisers. This is a newly created position and a first in this sector of the rental industry.

- secondly, that management investigate the possibilities of the company becoming an "event promoter" in its own right. The rationale being that in discussion with management, there seems to be opportunity for a wide range of events to be initiated and promoted within the Auckland area. If these events are under the control of Carlton, they may be scheduled to improve the stock utilisation at off-peak times and will also
generate additional revenue in the form of promotion fees.

**New Products** - a relatively straightforward and self-explanatory area. Management to date, have been involved in managing the business on a day to day basis, and little time has been available to investigate new product opportunities. There will be limited opportunities in this area, as the fundamental requirements which represent the "bread and butter" are already being provided. However, this recommendation is that management carry out the following:

- investigation into the opportunities for introducing new products;

- investigation into acquisitions or associations with organisations offering complementary products;

- reviewing existing hire stock categories with a view to extending the range and/or quantities available;

**Additional Branches** - briefly, in accordance with discussions held with management, investigations should continue into the feasibility and potential pay-off of introducing branches in the following three areas;

- Manakau City (to service South Auckland)
- Hamilton City
- Wellington City.
A preliminary investigation into this Group found that the company is stable in strategic terms, is financially sound and enjoys close to a monopoly in the market it serves. However, there was evidence of a number of inefficiencies, a lack of direction and the need to improve personnel and profit performance.

A more thorough investigation was then carried out in conjunction with management. This was done at two levels, strategic and tactical, with the findings and recommendations becoming the Group's Business Plan for 1988.

This Business Plan will have various programmes and budgets added to it by the Group's management, and should become an integral part of their daily activities and subject to regular review. The entire Plan should be reviewed/revised during the first quarter of 1989.

***