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K-Line Kitchens

Aidan O'Driscoll
Technological University Dublin, Aidan.odriscoll@tudublin.ie

John Murray

CASE 3

K-Line Kitchens

K-Line Kitchens was founded by its general manager, Ken Lynam, in 1977. A carpenter by profession, Lynam had used his personal savings along with a bank loan to set up business on the outskirts of County Dublin as a manufacturer and retailer of high-quality timber fitted kitchen furniture. The company prospered and by 1983 had a turnover of almost £300,000 and a workforce of ten. However, Lynam felt that his business had now reached a threshold in its development and that any future growth would involve making a number of important decisions.

The seventies witnessed the take-off of the concept of the fitted kitchen in Ireland. In newly built houses a fitted kitchen became increasingly incorporated as a selling feature. Strong marketing and effective advertising sought to persuade the housewife (and her spouse) that her existing kitchen was poorly serviceable and outmoded and that she should replace it with a more functional and convenient one with modern design appeal and with kitchen appliances integrated into this design. Hi tech if not high fashion had invaded that most traditional part of the household dwelling; indeed the humble kitchen sink had become regenerated as a food preparation centre.

The market for fitted kitchen furniture had grown rapidly during the 1970s with growth far outstripping any other segment of the furniture industry. While 1982 and 1983 were difficult years for the business due to the drop in consumer spending and sluggish economic conditions, nonetheless it was estimated that the retail value of the domestic market for fitted kitchen furniture was £24 million in 1983. Industry sources reckoned that almost a third of Ireland's 930,000 households had a fitted or partially fitted kitchen rather than the older free-standing unit type. Irish manufacturers supplied all but £4 million of this market, with these imports coming mainly from the UK and Germany. In addition, Irish companies exported some £5 million of kitchen furniture, mostly to the UK.

THE PRODUCT

The average retail price of a fitted kitchen could vary between £700 at the cheaper end of the market to over £4,000 at the more luxurious end. Despite

This case was written by Aidan O'Driscoll, Dublin Institute of Technology. It was intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. K-Line is a disguised appellation for the actual name of the company described in the case.

the range of price, design and quality a fitted kitchen was essentially a uniform and functional product. It comprised a basic 'carcase', fronted by doors and drawers, with a worktop, all of which were built into the kitchen area in an integrated manner.

The carcase or interior framework which housed the storage space was universally constructed on a modular basis and was invariably made of melamine-faced chipboard (MFC), which gave a durable plastic or laminate type of finish. The worktop in most built-in kitchens was also made of laminate, and was post-formed with rounded or wood-trim edges. However, it was the style, design and material of the doors and drawer fronts which really distinguished a fitted kitchen in price and quality. These usually came in laminate, veneer or solid timber. Laminate doors were available in a wide variety of colours and texture finishes such as patterned, hessian, weaves and synthetic timber. The solid timber door in oak, pine or mahogany was considerably more expensive than the standard-quality laminate door and could cost a manufacturer three to four times more to produce.

The more luxurious upmarket kitchens also boasted a host of accessories such as vegetable/pot racks, swivel units for easy access to corners, double sink units, pelmets and cornices for added appearance and so on. Also, appliance integration was a concept very much promoted by the industry. This enabled manufacturers of electrical goods to sell appliances such as split-level cookers and dishwashers to combine with the storage furniture and blend in with the overall design. Wall tiles and floor covering often complemented this design. In all, the kitchen was presented as a convenient and ergonomically satisfying place to work in as well as a pleasant area in which to relax and eat.

A number of definite trends in regard to consumer tastes in kitchen furniture could be discerned in the early 1980s. There had been a strong swing towards timber doors and drawer fronts. The Irish consumer seemed to like the natural look of a timber exterior appearance despite its higher cost. Oak was particularly popular. In laminate doors the stronger colours of the 1970s were being gradually replaced by softer, more neutral colours such as sandy, beige, blue, grey, often harmonised with a natural timber trim around the door. Plain white, however, continued to be a strong favourite as it allowed colour to be picked out in wall or floor tiles or other kitchen decor. Indeed there was some evidence to suggest that white ranges were increasing their share of the total market.

READY-ASSEMBLED AND SELF-ASSEMBLY

Virtually all Irish fitted kitchens were professionally installed. They came from the factory or workshop in rigid carcase or ready-assembled form for installation on site. Self-assembly kitchens were supplied in flat-pack or knock-down form and then assembled and built in by the buyer himself. This self-assembly or DIY market sector was reckoned to be as low as 7 per cent of the total market in 1983.

This consumer resistance to self-assembly was in marked contrast to the UK experience, where over 50 per cent of kitchen furniture sales were in this form. Self-assembly offered the price-conscious handyman or DIY enthusiast the opportunity to buy his fitted kitchen more cheaply and even stagger his capital outlay by buying the units over time. In general, there was a 40 to 50 per cent price differential between ready-assembled and self-assembly kitchen furniture. In Ireland, however, this price difference was less as self-assembly units carried a 23 per cent VAT rate on purchase whereas professionally installed kitchens carried only a 5 per cent VAT rate.

RETAIL AND CONTRACT MARKET

The overall market for fitted kitchen furniture could be divided into two segments. The retail sector accounted for some 73 per cent of the total market and the contract sector for the remaining 27 per cent. This segmentation was largely on the basis of purchase decision-making.

The contract market represented the supply of kitchen furniture installed in the building of new housing schemes and apartments in both the private and local authority sectors. The specifier was usually the builder, architect or local authority. Quality could vary from the cheaper to the more luxurious end of the market where the inclusion of a fitted kitchen by a well-known brand name, such as Arco, could be a very positive selling feature. House purchasers had increasingly come to expect some kind of fitted kitchen as a basic feature in a new house.

The retail sector was the replacement and extension of existing kitchens. Here the consumer was the specifier or purchase decision-maker. He (or she) was interested in a 'new' kitchen, in replacing what was perceived to be an outdated, poorly serviceable or spartan kitchen with a newer, more functional and more appealing type. The installation of fitted kitchens in newly built 'one-off' houses and bungalows in rural areas also fell into this retail sector as the consumer was almost always the final specifier in this instance.

MANUFACTURERS

In 1983 Irish manufacturers supplied £20 million at retail prices of fitted kitchen furniture to the Irish market as well as exporting another £5 million. About thirty manufacturers specialised in fitted kitchen furniture. Another thirty furniture producers made kitchen furniture as part of their range. Three large manufacturers were especially noteworthy: Arco Kitchens of Waterford; Murray Kitchens of Youghal, Co. Cork; and McGoona Kitchens of Navan, Co. Meath. Between them they sold almost £8 million at retail prices to the domestic market in 1983. These companies were nationally known brand names and marketed a very high-quality product. It was manufactured in the most up-to-date and mechanised manner allowed by a production process which still involved a high degree of individual craftsmanship. These so-called Big Three were also responsible for the bulk of the £5 million exports, mainly to the UK (including Northern Ireland).

Most of the other manufacturers were much smaller and less sophisticated. They were located all over the country though there was some concentration in the two major furniture manufacturing centres in Ireland — Navan and County Monaghan. For these manufacturers the level of product differentiation was often very low. Entry barriers to the industry were also low. Indeed a carpenter with a small amount of capital could get into the business. The IDA, in an effort to mechanise production with a view to encouraging exports, had contributed a sizeable amount in grant aid to the fitted furniture industry in the late seventies and early eighties. A typical cost structure was production labour 20–25 per cent, materials 40–45 per cent, profits and overheads 35–40 per cent.

Many of the manufacturers specialising in fitted kitchen furniture also make fitted bedroom furniture, free-standing kitchen furniture (i.e. tables and chairs) and other occasional furniture. This was in part an effort to extend their product range and in part an attempt to cope with the sales cycle of fitted kitchens, which tended to peak in autumn when sales often ran 20 per cent higher than the spring trough.

In terms of selling to the retail market, the Big Three and a number of the other large manufacturers, e.g. O'Connor Kitchens, Dublin, did not operate their own retail operation. Instead they used independent agents and retailers, especially kitchen specialists, which they supported with national brand advertising and technical assistance. These retailers had developed considerable marketing skills in selling fitted kitchens and enjoyed up to a 50 per cent mark-up on manufacturers' prices. (In mid-1983 Arco had indicated its intention to set up a number of its own retail outlets.) These manufacturers did, however, sell directly to builders in the contract market.

The other manufacturers sold most, though not necessarily all, of their output directly to the purchaser. Their retail operations or 'windows' varied in selling sophistication from crude display areas adjoining the factory to something approaching the fully fledged kitchen specialist outlet described below.

KITCHEN SPECIALISTS

At least 150 outlets retailed fitted kitchen furniture in Ireland. These included specialist kitchen centres, builders' providers, DIY and discount stores, department and furniture stores as well as the retail outlets of the direct supply manufacturers. (See Table 1.)

TABLE 1

Channels of Distribution of Fitted Kitchen Furniture

	1983 Total Market @ Retail Prices	
	£m	**%**
Kitchen specialists	10.8	45
Builders' providers	2.2	9
DIY/discount stores	1.4	6
Department/furniture stores	.2	1
Direct supply	9.4	39
	24.0	**100**

Kitchen specialists were the dominant channels of distribution. There were upwards of fifty such outlets nationally. These centres promoted themselves as the experts in fitted kitchens. They were usually situated on a high-street location and had on display a range of attractively presented fitted kitchens. These outlets sold to the retail rather than the contract market.

They offered a highly personalised service in the planning, design and installation of fitted kitchen furniture. The centre's designer usually went to an interested customer's house, measured up the kitchen area and drew up a suggested plan. While some specialist shops charged a small fee of £10–£20 for this service, the charge was waived if the customer actually purchased. Full installation of the fitted kitchen was arranged by the centres, plus plumbing, electrical and building services if necessary.

Most kitchen specialists supplied the medium to high end of the market in terms of quality and price. Typically, a medium to upmarket outlet, e.g. Blackrock Kitchen Centre, Blackrock, Co. Dublin, might retail one of the nationally branded kitchens such as Arco or one of the more moderately priced O'Connor range of kitchens. It might also carry one or two of the expensive imported range of kitchens such as Poggenpohl or Miele, often on the basis of being the exclusive Irish agent for the import. Many of the smaller kitchen specialists offered an own-brand product, i.e. giving their own name and label to the product. Appliance integration was also actively promoted by these kitchen specialists. Many were agents for and retailed a range of complementary electrical appliances. Many also sold a range of fitted bedroom furniture and free-standing kitchen furniture.

BUILDERS' PROVIDERS

These businesses were the traditional suppliers to builders and contractors of building materials such as timber, concrete products, heating equipment and so on. Many were agents for fitted kitchen furniture. A smaller number, mainly the large city or provincial providers such as Chadwick's and Glorney's, carried a range of fitted units on display and offered a limited design and installation service. This service was not of comparable standard to that offered by the kitchen specialists. Builders' providers supplied both the contract and retail sector of the market and focused on the low to middle segment in terms of price/quality.

DIY AND DISCOUNT STORES

The previous decade had seen the limited development of discount stores and warehouses in urban Ireland, e.g. Atlantic Homecare in Dublin and Cork and MFI in Dublin. These large stores offered a wide range of products for the home such as painting and decorating materials, carpets, furniture, electrical appliances, gardening equipment, building and hardware products. They aimed mainly at the DIY and retail market. High turnover and fairly unsophisticated product displays, along with self-assembly of many products, facilitated discounting of prices — though it was the case that the low prices boasted about by these discount stores were not in reality significantly different from competitor offerings. The extensive use of TV and newspaper advertising, own-brand promotion and Sunday opening also helped to establish their position.

Furniture sold by these stores was mainly targeted at the low to middle segment of the market. Kitchen furniture was usually of the self-assembly type, stocked and sold in flat-pack for installation by the consumer. It was virtually all imported from the UK. Any future growth in demand for kitchen furniture through this channel was dependent on the Irish consumer overcoming his apparent reluctance to adopt DIY methods and, indeed, on any significant changes in VAT rates which might widen the price gap between self-assembly and ready-assembled furniture.

DEPARTMENT/FURNITURE STORES

By and large, department stores and big furniture stores had missed out on the growth in the kitchen furniture market. Their large and often impersonal structure failed to compete with the personalised service of the owner-managed kitchen specialist centres. Their sales were mainly to the middle to high sector of the retail market.

DIRECT SUPPLY

This channel of distribution, second in size to the specialist kitchen centres, was made up of the manufacturers who sold directly to the retail and contract markets. They operated their own retail outlet rather than selling through a high-street independent agent or retailer, though some such manufacturers might sell part of their output through an agent.

In the contract market the builder or his architect liked to purchase directly from these direct supply manufacturers. The middleman was cut out and a bulk discount could be negotiated for a scheme of houses. (It should be pointed out that sales of the Big Three and other large manufacturers directly to the contract market were included in this channel.)

In the retail market the consumer was also attracted by the possibility of bypassing the independent retailer or kitchen specialist and of purchasing directly from these manufacturers who had their own retail 'window'. However, any saving in price, if it existed, in this regard had to be balanced against a number of other factors. Most of these direct supply manufacturers were situated outside towns and cities and so the expense of a possible journey of five to thirty miles or more was usually involved. Their display areas were normally on the factory premises and were often of poor quality and crude compared to the sophisticated and attractively presented kitchens of the specialist centres. Nor was their planning and design service as comprehensive as that of most of the independent retailers. On the other hand, these manufacturers/retailers did often have a design flexibility, e.g. to make a unit for an awkward corner, which the specialist centres did not have as they had to design within the standard modular units available from the manufacturers. These direct supply manufacturers had product offerings right through the market spectrum from low to high, with varying product quality, retail services and price. A small number, e.g. West Wicklow Design, Blessington, Co. Wicklow, offered a very high-quality product and had a retail operation which approached the best of the independent kitchen specialists.

PROMOTION

The Big Three manufacturers had achieved a national brand identity. They advertised on TV, radio, national newspapers (especially in the personal columns), advertiser free sheets (e.g. *Southside*), quality women's/home magazines (e.g. *Image*) and in architectural/designer/property trade press. Similarly the expensive imported lines of fitted kitchen furniture, e.g. Poggenpohl of Germany or Allmilmo of Italy, used advertising to win a selective brand identity. Such branding obviously helped their agents and retailers to sell these products.

The more upmarket kitchen specialists also used a similar range of advertising to establish themselves and to arouse consumer interest in fitted kitchens. Joint advertising with a national brand was also common, e.g. 'Murray Kitchens at Dundrum Kitchen Centre, Dublin', with the finished artwork being supplied by the manufacturer. These centres also carried brochures of their available range of kitchens. The promotional practice of these upmarket kitchen specialists might best be described as a 'pull-push' strategy. Advertising stimulated consumer awareness. Once the consumer was inside the door of a kitchen specialist shop, however, the quality and attractiveness of the layout of the fitted kitchens on display, allied to the effectiveness of the salesperson, became crucial factors. Also the visit of a designer representative to an initially interested customer's house helped to build the centre/client relationship.

The other kitchen specialists, the builders' providers and the direct supply manufacturers were generally much more circumspect in their use of advertising. They sometimes had brochures of their product range. There was a selective use of local press. An approach adopted by a few was to organise brochure/leaflet drops in estates at least ten to fifteen years old where houses might be in need of replacement kitchen units. But these retail outlets mostly relied on the local word of mouth of satisfied customers, which was viewed as the best kind of product endorsement.

UK MARKET

The market for fitted kitchen furniture in the UK amounted to £390 million at manufacturers' prices in 1983. It had shown a modest 4 per cent per annum growth in real terms over the previous five years. A noteworthy feature of this market was the high proportion of self-assembly to ready-assembled (rigid) kitchen furniture. In 1983 self-assembly sales amounted to 60 per cent of all fitted kitchen sales and this percentage had been growing significantly over the preceding decade. The potential benefits to the consumer of self-assembly have already been outlined above. To the retailer the flat-pack form of packaging and distribution offered the possibility of carrying a wide selection of stock. The standardised product range of self-assembly units enabled the manufacturer to achieve, at high-volume throughput, considerable economies of scale which were not feasible in the production of the more customised rigid ranges. This high level of self-assembly sales in the UK resulted in DIY and discount stores being the dominant channel of distribution, accounting for 37 per cent of total market sales at manufacturer selling price in 1983.

A much commented-on development in the UK market for fitted kitchen furniture in recent years was the trend towards more upmarket self-assembly kitchens. Traditionally, there was a large gap in sophistication and choice as well as price between self-assembly and ready-assembled kitchens. Now many self-assembly suppliers were offering the various accoutrements of good rigid ranges — cornices, open corner units, essential in-cupboard accessories and the various options in real wood doors/drawers; some even offered an installation service! This tended to make increasingly irrelevant the distinction between self-assembly and ready-assembled ranges.

Another trend worth pointing out in the context of the UK market was the growing importance of 'own branding'. The Furniture Industry Research Association (FIRA) estimated that the own-brand market was worth some £50 million or 13 per cent of the total market in 1983. Own-brand selling or own-labelling enabled the retailer to charge a price he deemed profitable and to avoid direct competition with companies better able to discount products due to lower overheads or increased buying power. From the manufacturer's viewpoint it meant dealing with a selected range of distributors/retailers and avoiding substantial branding costs — FIRA reckoned that a successful national branding campaign to the mass market would cost around £5 million over two to three years.

THE CONSUMER

The retail price of a typical fitted kitchen obviously meant that the purchase decision was very much a considered one. Towards the upper end of the market it represented a decision about a consumer durable purchase second in expense only to that of a car. Table 2 summarises research investigating the motives behind 2,000 purchases of kitchen units in the UK. In buying a fitted kitchen the husband/spouse usually played an important role. While it was more often the wife who initially felt the need for a new kitchen and who started to gather information on available types and prices, when it came to the final purchase decision the husband normally played a crucial role. This had implications for the marketing and promotional strategies pursued by suppliers.

TABLE 2

Motivation for Buying Fitted Kitchen Furniture

	% of respondents
Replacing items which are worn out or shabby	29
Moving nearer to what we have wanted for some time	18
Replacing items which are serviceable but do not fit with present ideas	20
More storage space	15
Moving home	13
Extension to house/kitchen	14
Wanting to change from what we have got used to	12

Source: FIRA, UK, 1983. Figures add to over 100 per cent as some respondents gave more than one answer.

In the final decision-making process the price of the fitted kitchen was an important, but not always the dominant, consideration. This was particularly true of the middle to upper end of the market. Other factors, such as quality, reputation of supplier, suggested design, technical advice, delivery, installation and, especially in the case of the kitchen specialists, the selling expertise of the representative all had to be weighed up by the consumer.

FUTURE DEVELOPMENT

In the contract market the demand for fitted kitchens was related to the level of new housing and apartment construction in Ireland. Such building had dropped from a historic peak of 28,920 units in 1981 to 26,140 units in 1983 and showed little signs of any significant recovery. However, this decline was somewhat compensated for by the fact that builders, in their competition for house-buyers, were increasingly offering fitted kitchen furniture as a selling feature of their houses, and indeed buyers were coming to expect such kitchens as a basic feature in a new house.

In the larger retail market, demand depended on the level of discretionary consumer income, on the age and quality of the housing stock, as well as on consumer tastes and attitudes stimulated by factors such as industry marketing. The years 1982 and 1983 had been difficult years for the fitted furniture industry and this was reflected in the decline in personal consumer expenditure. A modest growth was forecast in consumer spending over the next five years. Thus an annual percentage growth in the fitted furniture industry of a low single-figure percentage would not be unrealistic to expect.

A development worth noting occurring in the business, particularly in the last year or two, was the sale by fitted kitchen suppliers of replacement doors and drawer fronts. These were fitted to existing fitted or suitable free-standing kitchen furniture and provided the consumer with the appearance of a new kitchen at a fraction of the cost of a full new one. In a sense the provision of fitted kitchens was a fashion business. The trend of the early eighties towards natural timber doors and drawer fronts, especially oak, and towards softer, more neutral colours in the laminate finishes could well evolve in other directions in years ahead. The successful supplier was usually in the vanguard of such changes in taste.

K-LINE KITCHENS

K-Line Kitchens was founded by its general manager, Ken Lynam, in 1977. A carpenter by profession, Lynam had used his personal savings along with a bank loan to set up business as a manufacturer of quality timber fitted kitchen furniture. Like many small manufacturers, he retailed from his manufacturing plant, where he had an adjoining showroom/office. His operation was situated on a two-acre site outside a small village, some twenty-three miles from Dublin city, just off one of the main arterial roads leading out of the city. His business prospered since its inception and by 1983 had achieved a turnover of £292,000. His workforce comprised ten people involved in the production, delivery and installation of the furniture and a secretary/office administrator.

The market for K-Line Kitchen's products was the greater Dublin region, i.e. Dublin city, county and its environs. While the company enjoyed a strong reputation in its own locality, it drew custom from all over the Dublin region. This was achieved through word of mouth as K-Line Kitchens did not advertise or carry brochures of its products. It supplied both the retail and the contract market. Table 3 gives a breakdown of company sales by market and by product type for the years 1979–83.

TABLE 3

K-Line Kitchens' Sales 1979–83

	1979		1980		1981		1982		1983	
BY MARKET										
Total company sales	131,420	100%	166,810	100%	249,810	100%	287,280	100%	292,610	100%
Retail sales	115,130	88%	131,780	79%	182,360	73%	216,040	75%	216,540	74%
Contract sales	16,290	12%	35,030	21%	67,450	27%	71,240	25%	76,070	26%
BY PRODUCT TYPE										
Total company sales	131,420	100%	166,810	100%	249,810	100%	287,280	100%	292,610	100%
Mahogany	49,940	38%	35,130	21%	44,970	18%	60,170	21%	38,120	13%
Oak	13,140	10%	50,140	30%	67,450	27%	68,720	24%	90,920	13%
Teak	6,600	5%	16,720	10%	49,970	20%	48,540	17%	43,910	15%
Pine	48,720	37%	53,480	32%	74,940	30%	77,100	27%	83,380	29%
Fitted kit. furniture	118,400	90%	155,470	93%	237,330	95%	254,530	89%	256,330	88%
Other items	13,020	10%	11,340	7%	12,480	5%	32,750	11%	36,280	12%
No. of orders specifying appliances	–	–	8/190	4%	24/280	9%	32/336	10%	39/327	12%

K-Line manufactured kitchens in four types of solid timber, mahogany, oak, teak and pine, in that descending order of price. Pine, being the cheapest, was particularly popular with price-conscious builders in the contract market. The door and drawer fronts came in two basic designs though more styles were available on request. K-Line offered kitchens only in solid timber. Like most other fitted kitchen manufacturers, Lynam sold other occasional items of furniture, e.g. tables, chairs and dressers. When providing a kitchen he would incorporate built-in appliances in the design if a customer so wanted. He would arrange their purchase and installation but he was not an agent for any such appliances.

In 1983 the contract market accounted for some 26 per cent of company sales. Lynam had some misgivings about this business. While all business was welcome, profit on contract sales was often a half to two-thirds less than on sales to the consumer in the retail market. Also, builders demanded three months' credit and often took longer to pay. In the retail market, standard practice was 50 per cent deposit on ordering and payment of the remainder of the kitchen price immediately after installation.

A modest showroom/office adjoined the factory premises. It had five fitted kitchens presented in a fairly basic display. The two popular door/drawer front styles were used in the display. The office shared this showroom area. Office files were to be found in some of the display units and a visitor might have been forgiven for feeling a certain sense of clutter at times in the showroom. If a customer was interested in a kitchen Lynam would call to his house, take measurements and suggest a broad design. His secretary/office administrator would then draw up and cost the design in detail and send it to the customer. There was no charge for this service.

Lynam's factory premises had a nondescript exterior with little to indicate to the passer-by on the road the existence of a fitted furniture factory. There was no sign portraying K-Line Kitchens nor did his two vans carry the company name. Many trippers who had travelled to the local town to visit the showroom had difficulty in finding the premises, which were about half a mile outside the town. They often had to ask directions locally.

Lynam did not keep any systematic data on his clients and his knowledge of any typical customer profile derived from his intuition of the business. One factor that did puzzle him was the role played by husbands in buying a fitted kitchen. Usually, in the initial stages of looking at kitchen types and designs he tended to deal more with the wife of the household. But later on he more than often found himself discussing with the husband the details of price, the suitability of a certain type of hinge or the technicalities of installation.

PRODUCTION

K-Line Kitchens manufactured kitchens of a very high quality. This high quality was vouched for even by its competitors. For added solidity the walls of the carcase/interior framework were made of solid timber so that the unit doors were hinged on to solid timber rather than on to melamine-faced chipboard. This was unique in the industry; even the carcase of Arco's top-of-the-range kitchen was made of chipboard.

Lynam was also prepared to make special kitchen units outside the standard modular range of sizes. This suited customers who might have an awkward corner to fill and gave him an advantage over the specialist retailers who could not provide this feature with the standard range of sizes available from the larger manufacturers. The company also had a reputation for prompt delivery and a standard of installation as high as that of the product itself. Along with his secretary (his indispensable Girl Friday, as he referred to her), Lynam carefully scheduled production and delivery dates. He himself liked to stay in close touch with the production process. He discussed each order with his production team, was readily available where problems arose and often spent a portion of the day working machinery on the factory floor.

FINANCE

Company turnover grew rapidly over the years 1979–82. There had been a proportionate growth in profitability. Apart from an IDA grant of £16,000, the development of the business had been funded through retained profits. There was no long-term debt and the business currently had reserves of cash. However, results in 1983, which Lynam had recently received from his part-time accountant, were not quite as encouraging. Despite a small increase in turnover, the real level of trading and profits were down on 1982, his best year to date. This slowdown in business activity had been prompting Lynam to reassess his business strategy.

COMPETITION

Lynam estimated that there were up to fifty retail outlets of one form or another competing in the fitted kitchen market in the Dublin region. However, from his knowledge of the business and from talking to his customers, he reckoned that he probably had fewer than a dozen real competitors in the sector of the market he aimed to supply. In particular, he listed four kitchen specialists in suburban Dublin, four direct supply manufacturers, two of which were in suburban Dublin and two of which, like K-Line Kitchens, were twenty to twenty-five miles from the city, and one builders' provider. (See Exhibit 1.) Lynam felt his knowledge of these competitors to be lacking. He believed if he had a firmer picture of how their operations ticked over he would be in a better position to make decisions about his own. He arranged for some fairly elementary research to be carried out which provided the information to draw up the following competitor profiles.

EXHIBIT 1

Key Competitors

Studio Alpine A, Clontarf, Co. Dublin
Kitchen Concept, Dún Laoghaire, Co. Dublin
Blackrock Kitchen Centre, Blackrock, Co. Dublin
Dundrum Kitchen Centre, Dundrum, Co. Dublin
Oakline Kitchens, Ranelagh, Co. Dublin
Killane's Kitchens, North Strand and Monkstown, Co. Dublin
West Wicklow Design, Blessington, Co. Wicklow
ORM Kitchens, Naas, Co. Kildare
Glorney's Builders' Providers, Islandbridge, Co. Dublin

Studio Alpine A in the north Dublin suburb of Clontarf was the most upmarket of the kitchen specialists in Ireland. It boasted the largest showroom with over thirty kitchens on display. Among others it was an agent for Arco, O'Connor and Allmilmo of Italy ranges of kitchens. These makes of kitchen were heavily promoted by their manufacturers and enjoyed widespread brand recognition. Studio Alpine A itself advertised extensively on TV, in newspapers and in quality journals. Its advisory service was of architectural standard. It also carried an extensive range of fitted bedroom furniture.

The other three kitchen specialists on Lynam's list of competitors were also in the suburbs and had similar characteristics to Studio Alpine A, though were smaller in scale and catered for a broader middle to upper segment of the market. Each carried at least one of the nationally known brands as well as an expensive imported range. Blackrock Kitchen Centre, for example, carried Arco, O'Connor and Miele of France kitchens. (These imported continental kitchens were usually of laminate finish and their high price/exclusivity derived from their modernity of design, quality of finish and range of accoutrements.) All of these kitchen specialists were agents for an electrical appliance brand, e.g. Neff.

Oakline Kitchens was a direct supply manufacturer of quality solid timber kitchens. It manufactured in the Liberties, an old part of the city, and retailed from a fairly fashionable high-street location in Ranelagh, just a mile from the city. Its retail showroom had an attractive display of kitchens. While its planning and design service was not up to the architect-type standard of the top kitchen centres, Oakline nonetheless presented the consumer with the impression of being a kitchen specialist in the medium to top range. It also carried a selection of high-quality imported laminate kitchens. It occasionally advertised.

Killane's Kitchens manufactured a range of laminate, veneer and solid timber kitchens in North Strand, two miles from the city centre. It operated a retail outlet there and on the south side at Monkstown. Its showrooms and design service were considerably below those of the top kitchen specialists and it aimed more for the middle of the market. It also stocked a range of kitchens from smaller Irish manufacturers. The company rarely advertised.

West Wicklow Design made and sold high-quality fitted kitchens in a selection of solid timber at Blessington, Co. Wicklow. Its standard of display and design service approached the best of the specialist kitchen retailers. It advertised regularly and had achieved considerable brand recognition in the Dublin region. Its advertisements often attempted to minimise the distance of the twenty-four-mile trip to Blessington by suggesting a family outing make-a-day-of-it approach. In 1979 it had opened a high-street retail outlet in Dublin city. This was closed fifteen months later due to an insufficient volume of business. West Wicklow Design like most other direct supply manufacturers also made occasional furniture.

ORM manufactured a range of quality solid timber kitchen furniture in Castlemartyr, Co. Cork, where it also had a retail centre. Its Naas outlet, some twenty miles from Dublin, supplied the Dublin region. ORM also retailed an own-brand laminate range which was made by another smaller Irish manufacturer. Its intermittent advertising was supplemented by colour brochures of its products.

Glorney's, a builders' provider situated near Phoenix Park, was an agent for a selection of Irish-manufactured kitchen furniture. It had a large though not particularly attractive showroom and aimed for the middle market segment.

The research also attempted a price comparison between K-Line and its competitors. It was arranged that each competitor would provide a quotation for a specific kitchen plan to be made in solid oak. Lynam added his own company's price for the same plan, also in oak. The results are set out in Exhibit 2. A precise comparison between prices was blurred somewhat by the fact that different manufacturers offered different-quality oak finishes; Arco, for example, offered three. Yet the figures did provide an approximate indication of the relative price levels between competitors.

EXHIBIT 2
Kitchen Plan Prices

Company	Type of finish	Price £
Studio Alpine A	Arco 'Château' oak	4,560
Kitchen Concept	Arco 'Antique' oak	3,950
Dundrum Kitchen Centre	Murray oak	3,520
Blackrock Kitchen Centre	Arco 'Forest' oak	3,070
Glorney's	McGoona oak	2,850

ORM	own oak	2,730
West Wicklow Design	own oak	2,680
Killane's	own oak	2,400
Oakline	own oak	2,320
K-Line	own oak	2,070

Note: These prices include VAT, delivery and installation, but exclude the plumbing, cost of electrical appliances, structural or electrical work.

WHITHER K-LINE?

Lynam had often toyed with the idea of upgrading his showroom and design service, of putting a proper livery on his factory premises and vans, of bringing out brochures and advertising. It was even suggested to him that he change the name of his business in some way to reflect his personal approach to business. (While K-Line Kitchens was the legally registered name, most people and customers knew him as Ken Lynam Kitchens.)

He was somewhat reluctant to embark on this course of action. His basic feel for his business was that the customers he attracted liked the quality of his timber products and liked his prices. He believed his customers wanted to come directly to a quality manufacturer and would not be impressed by any cosmetics of selling which would merely push up the price. He was also reluctant to increase his workforce by more than five or six people as he felt it was important that he stayed close to the production process.

'To be a manufacturer and retailer of high-quality timber fitted kitchen furniture' would probably have best summed up Lynam's present business philosophy. As he stood in the early months of 1984 his order book was not as healthy as he would have liked. He wondered if it was just a cyclical downturn that any business experiences or whether there were underlying considerations at play which would suggest that he should change his business strategy.