

SMIP June 2008

Commentary prepared by David Kilburn

Speedy Hire Plc

Candidates brief

Independent researcher – objectivity

Marketing consultant – advising the client

Plant and tool hire industry

Experience in market research and analysis

Ability to make key strategic decisions relating to branding and strategy development

Develop high impact marketing strategies for companies based on market research

Commission- significant piece of research that includes

- A critical analysis of the plant and tool hire sector
- An in depth profile of the tool and equipment hire Group – Speedy Hire Plc.

June 6th, 2008 – make key strategic recommendations based on an in depth analysis of the research

Key areas – Branding and Strategy development

Key points

Blurring of the two markets – plant hire/Tool Hire so now only one market – U.K. hire market. 80% of large construction plant is purchased by the hire industry. Rental agreements may include the use of a certified and trained operator, qualified to use the equipment.

Tool hire – focus is short term hire. Typical customers are small builders and the general public involved in residential housing and individual maintenance contracts.

There is a degree of overlap between the two markets.

Diagram 1 – shows the blurring of the edges. UK hire market - £4.3bn.

UK market for plant, tool, a Access hire in 2006 was £7.63bn (Keynote)

Growth of the sector

Total UK construction output was forecast to be worth £121.5bn in 2007. £45.5bn is the result of infrastructure and non-housing construction projects.- the main markets for companies involved in the plant and tool hire sector.

Table 2 shows the splits.

Fierce competition as a result of the saturated market. Big changes to structure of the UK's hire sector, which include

Disposal of building businesses to former competitors by many major building companies, in order to pursue PFI contracts or focus on private development work.(for example – University halls of residence)

Firms moving in to outsourcing and into the role of facilities management and management contracting.

Greater emphasis on health and safety regulations, causing companies to move from ownership to hire. Why? If you hire – you have new equipment maintained by the hire company.

Growing trend towards preferred and sole supplier agreements between contractors and hire companies, often operating nationally.

UK market for plant hire is buoyant (diagram 2).

Construction contractors are inclined to outsource their tool needs so they do not have to worry about maintenance issues.

Other features include

- Trend towards external mgt of factory premises
- Replacing rarely used equipment with hired equipment as and when required
- Health and safety training delivered by hire companies
- Increasing use of internet to provide information and enhanced service to customers

UK market for tool hire is also buoyant and growing ahead of UK economy. Tool hire companies are expanding via acquisition and organic growth. Main factor for growth is RMI – repair, maintenance and improvement.

UK tool hire market is expected to grow robustly for the foreseeable future.

Key UK players are benefiting from

- Access to international markets, not previously targeted by UK firms
- Increased emphasis on quality assurance, supply chain and H & S standards
- Government's commitment to improving UK infrastructure

34% of construction output in the UK from public sector.£26bn of PFI work across 200 projects is in the pipeline and due to be completed by 2010.(opportunity)

Growth linked to 2012 Olympic Games in London. Cost of building Olympic venues - £10bn across 250 projects.

Growth in plant hire sector will be between 5 and 8% in short term. Tool hire market growth is expected to be between 3 and 4% in line with the growth in construction.

Competitive Landscape

Plant and equipment utilisation needs to be around 90% - difficult for many organisations. Organisations are investing in IT to be more efficient in the loan of equipment. Also improves utilisation rates further afield. Some U.K. firms have been targeting European markets. (Is this carefully researched or ad hoc?)

Trend is towards consolidation, growth through acquisition and targeting of key sectors. The sector is seeing increasing levels of consolidation across a wide range of industry sectors. The industry is demanding that chosen partners are able to provide quality, consistency and added value to achieve preferred supplier status.

Profile of the Construction and engineering Industry

Growth or decline in the construction industry is reflected in an increase or decrease in demand for the hire of plant, tools and equipment. During periods of slump and recession, the trend is towards outsourcing plant needs to hire companies in preference to purchasing capital equipment. In periods of boom and economic growth, organisations prefer to enter into long-term hire agreements at preferential rates.

European construction and engineering industry is likely to increase by 18.9% by 2011. The rate of growth is forecast to increase year on year. (opportunity for expansion into Europe)

Market forecasts indicate that the value of the Asia Pacific construction and engineering industry is likely to increase by 29.6% in value. (Opportunity)

Market forecasts indicate that the global construction and engineering industry is likely to increase by 28.8% by 2011 **but the rate of growth is forecast to decline year on year.**

Speedy Hire Plc

Background

Speedy Hire was formed in 1977 in Wigan with one depot. Now the U.K.'s number one company for tool and equipment hire. 361 depots in UK and Republic of Ireland. Only tool hire company on FTSE 250.

Structure

Business – business

Tool Hire

Equipment Hire

Tool Hire Division- 52% of total revenue, 41% of total assets and 33% of total capital expenditure.

Equipment Hire division- 48% of total revenue, 59% of total assets and 61% of total capital

expenditure

Speedy hire has grown rapidly through organic growth and acquisitions, making it the premier player in the difficult tool hire market.

2 important acquisitions – LCH generators in May 2006 and Lifting Gear Hire Ltd in October 2006

Diagram 6 Structure of Speedy Hire- national coverage and Ireland

Values

- **Integrity** – high ethical standards
- **Safety** – safe and healthy culture for customers and employees
- **Social responsibility** – mindful of the communities we serve and our impact on the environment
- **Reputation** – committed to maintaining and building upon our reputation and brand
- **People** – to endeavour to employ the best staff, encourage and support their development and reward well for success and loyalty, devolved responsibility
- **Commitment** – To work hard to maintain our ‘can do’ culture, which is one of the fundamental reasons for our success

Market

Greatest strength – ability to closely monitor market changes and apply resources flexibly in response to regional variations in economic activity (Strength of national network). Speedy reckon that the ten major players command around a £1.6bn share of the total market - >3bn
Has experienced 28% growth when industry average is 3%

‘One’ Speedy initiative

Single IT platform makes it easier for customers to deal with the company. One Speedy’s aim is to raise awareness about full product range and provide greater consistency in service, along with an increased ability to cross-sell.

Summary of financial performance

Table 3

Strong performance with both divisions achieving record revenue and operating profits.

Operational highlights

- Organic growth outperformed the UK hire market growth rate by nearly 3 times
- Speedy hire’s pumps business launched in stand alone depots
- People Plan introduced
- Centres of excellence opened in access, concreting, and light plant and towable products
- Group wide integrated IT system was rolled out
- Third share offer as part of SAYE

Tool Hire Division performance

Saw revenue growth of 7.3% - higher than the general hire market growth of 6%

New operations in Dublin and Belfast . Company hopes to grow further via a mix of additional Greenfield depots and via acquisitions.

Growth opps – concreting, access and engineering. Non hire related – training and consumable product sales.

Now has 14 depots on customers' sites.- becoming an integral part of the site team. Improved service to the client and delivery of tool box talks.

Launch of a 'Let's clear the air' dust campaign

Provision of a new range of consumable safety products – site safety glasses, gloves and boots.

Priorities are to promote greater customer service, improve market knowledge and drive increased sales by a greater focus on customers and markets. Also to develop the award winning initiative – Safety from the ground up

Equipment hire division performance

Grew rapidly due to 2 acquisitions. Strong focus on employee retention and customer management have ensured an orderly brand migration to both acquisitions. (Is it that easy?) Speedy has expanded into events, petrochemicals and telecommunications. (check details?) Speedy Survey – model of safety.

Annual report -Highlights – revenue growth of 54.5% , achievement of IIP for 4 equipment businesses, extension of Speedy space into modular accommodation and welfare facilities.

Priorities- extend the reach of the business to industrial markets and site based services, improve asset management through a new I.T platform.

These should provide increased cross selling opps. H & S initiatives and compliance provide opps for the company's lifting business.

Speedy Hire's Strategy

Speedy Hire's national network, range of products and commitment to safety standards differentiate the company from many of its competitors, especially those that service the more opportunistic or localised hire markets. The company markets itself most actively to the regular, high-volume customers who appreciate the range of products, the fleet availability and the quality of customer service. A large proportion of Speedy Hire's business services contractors are engaged in public sector-based projects such as schools, hospitals and other infrastructure projects.

Speedy Hire's strategy remains one of growth and its vision is to be established as the leading UK hire company and one that is recognised as being a "World Class" service provider. Its principal objectives in delivering its growth strategy are:

to have an effective national network that provides a full range of services on a national basis, to increase the range of hire services available, to ensure customers obtain more high quality, consistent services from fewer suppliers, increasing cross-selling and improving client relationships

to develop new businesses that provide sector-specific products for hire, in order to open up new

markets through the identification of sub-sectors where penetration is low

to serve customers' business critical areas better than competitors, in order to win their trust to cross-sell

to open up new markets through the identification of sub-sectors where penetration is low

to develop complementary non-hire services in order to build closer client relationships that have a higher value attached and improves the 'value added' contribution

to maintain product expertise in order to build customers' trust and customer retention

to position and promote the brand in an effective way and ensure the organisation is at the forefront of responding to the future dynamics affecting the industry from a customer, supplier or legislative perspective

to employ a large direct sales force in order to understand customer needs and their challenges, and provide the flexibility to respond to changing demand at a local level

to play a leading role in the continued consolidation of the industry

to be a promoter and leader in product and service innovation.

Company Development through Marketing

In an industry sector that has always been undifferentiated, Speedy Hire has developed an interesting differentiation strategy based on particular areas that are generally overlooked. Speedy Hire operates in a rapidly commoditising market. There are a huge number of hire companies, offering a similar range of equipment at competitive prices. A number of accounts are typically through 'spot hire' (one-off hire) and there is no real differentiation between hire companies at the national account customer level. This led to huge margin erosion with the adoption of an aggressive defensive position to maintain key accounts. Clearly the company needs to develop a market position that will create long term sustainable competitive advantage, and to differentiate itself from the competition, bringing it closer to its customers, and redefining its relationships and business offers. Hence it aims to:

build a position as the UK's number one hire company

penetrate new market segments (outside the construction sector)

differentiate the offer.

The marketing objectives are to:

position Speedy Hire as the UK's number one hire company for health and safety – differentiating itself from the competition

build end customers' awareness of the new regulations and their consequences in terms of employee health and well-being

build increased business in terms of new products, more volume, and more customers, by targeting prospects outside the construction industry. **Who?**

'paint the town red' by placing communication materials in Speedy Hire's corporate red colour strategically throughout the country.

The company has decided that a major area of concern is safety. Safety is generally overlooked in a market where, for instance, continuous use is made of vibration equipment. How to make tools safer and less harmful to long-term health became a serious mission for the company. In doing this, the company changed the sector

mentality from cost over safety to an equal emphasis on cost and health and safety (H&S). The campaign on safety has helped the company to build exceptional relationships with customers, many of whom, such as Carillon and Morgan Sindall, have requested dual branding on the company's communication packs. Working with the customers has helped to provide it with solutions to industry problems with regard to safety, such as working at height, hand-arm vibration and dust. A new campaign aimed at addressing noise levels within the sector is in the planning stage.

Identification of Target Groups

The company identified the needs of the target customer groups by running customer focus sessions at different locations across the country, in order to assess their perceptions of the company.

In response to this research some key findings emerged:

health and safety was taken very seriously

the health and safety teams and directors were aware of the new regulations

there was an issue with regard to communicating the new regulations, especially at site level

customers wanted an off-the-shelf communication kit to help raise awareness of the new regulations

customers needed training/awareness seminars on the new regulations and the safe use of new equipment.

Speedy Hire was perceived to be only providing equipment that was fit for purpose, much the same as all their competitors, and **the company did not have a differentiating position in the marketplace.**

Customers were also asked: 'What are the awareness levels of the new regulations at the tool/equipment user level?' No organisation had ever undertaken such a study. Manufacturers had also failed to undertake any market research in this area. Trawling through the UK's Health and Safety Executive (HSE) and university databases also indicated that no such research had been commissioned by anyone. In response to this finding, Speedy Hire commissioned independent research, undertaken by Lychgate Projects Ltd to address this question.

These important findings identified the opportunity for the development of a campaign to emphasise safety as Speedy Hire's greatest differentiating factor, providing the following benefits to its customers:

raising awareness of new regulations with customers

providing training/awareness seminars, including tool box talks to ensure the messages get to site level

providing next-generation equipment, with safer platforms for working at height, lower vibration tools, and independent testing of all the product range in collaboration with the Off-highway Plant and Equipment Research Centre (Operc) facility at Loughborough University.

The biggest benefit to both parties (Speedy Hire and its customers) has been the partnership approach to addressing the key issues, through ongoing dialogue on the campaign on dust (to improve the health problems of key operatives and the wider air quality for communities within reach of construction sites) and the forthcoming campaign on noise.

Integrated Marketing Campaign

The company used a range of different sources to develop its campaign and integrated them so that a common message was delivered at each point of contact with customers and stakeholders.

Communication Packs

This was the development of a range of communication materials that are easily understandable and applicable on site or in the boardroom. They include pocket-sized publications for easy use on site, and the use of a cartoon motif to get messages across easily and effectively (it also makes it harder for the competition to copy the ideas). The communication packs are available to all the customers, and can also be downloaded from the website. A communication programme aimed at reaching construction sites needed a physical and visual high quality communication pack.

See diagram 8.(page 25)

Tool box talks, training, posters, and road shows were all used to get the message across to all employees.

Involvement in the process came from the manufacturers in Speedy's supply chain, the suppliers provided product information and their work on vibration reduction. They also added their own expertise in the training on new equipment.

Critical to the marketing campaign is the ability to supply current and new products that are able to satisfy the demand for safety that is generated. Speedy Hire engages in communication on a supplier-by-supplier basis throughout the design, launch and delivery process.

Innovation and Creativity

'Safety from the Ground Up' is the first integrated marketing communication campaign to be launched by a hire company, and the largest health and safety campaign ever undertaken by Speedy Hire or the wider hire industry.

Working at Height

Speedy Hire was first to market with a communication pack and tool box talks

Speedy Hire trained over 700 customer-facing personnel prior to the launch to ensure that the messages were consistent with those of the HSE

The campaign involved seven of the nine Speedy Hire businesses and saw them all working together and going to market on the same day. Never before had such a high level of orchestration been attempted or implemented.

Hand-Arm Vibration

Speedy Hire was the first company/organisation to undertake research into awareness of new regulations at the tool/equipment user level

The campaign was specifically focused on the tool user rather than the health and safety teams, thereby communicating directly with the target audience. Speedy Hire drove the suppliers to produce independent real-life vibration testing at Loughborough University, rather than relying on laboratory data that was not reflective of real-life situations.

As an innovator, Speedy Hire took a great risk, as there was a large cost associated with developing the materials and purchasing £2m worth of new equipment on the assumption that extra demand would be created as a result of the campaign. The campaign also meant the various parts of Speedy Hire that previously operated as autonomous business units were working together on sales.

Measuring Performance

In monitoring and measuring the impact of the ‘Safety from the Ground Up’ campaign a number of data capture systems were put in place.

Response to Advertising

All the communications material featured a call to action which meant that customers could call a service hotline to receive a free information pack on health and safety. Each enquiry was fielded by the customer services team and routed to the appropriate business unit to follow up. Over 3,000 enquiries were captured in the first 12 months.

Data Warehouse

A sales category was set up to capture revenue generated for working-at-height products. Cumulative sales were up by 28% compared to the previous year. This represented a significant impact for two further reasons:

the industry forecast was for a stagnant market for access equipment i.e. equipment used for working at height

access equipment accounts for the largest proportion of turnover, with around 30% so any increase in sales is very significant for Speedy Hire.

Sales of New Products

A specific product report was also developed to measure the performance of new products in the access market (primarily those with safety features) against already established products. Sales performance of the newer safer products saw almost exponential growth. This indicated that the campaign was receiving a tremendous response.

Health and Safety

Speedy Hire hopes that its stance in areas such as health and safety has had a small impact on the recently released health and safety statistics showing a drop from 33% to 12% of falls from height causing fatalities and injuries. ‘Safety from the Ground Up’ has helped Speedy Hire to stand out from its competitors and the company is now perceived as having health and safety at the core of its activities. With the company emphasising best practice in the workplace, it appears that customers have chosen to use Speedy Hire as the preferred supplier for their tool and equipment supplies, as they feel that the newest product solutions will be available to support the advice offered.

Speedy Hire’s success has spurred on other companies within the hire industry to respond by developing similar health and safety campaigns, but Speedy Hire is regarded as the leader and has first mover advantage. However, the company is continuing its efforts and is constantly working

with suppliers to offer the very latest products and solutions. This often means that contractors look to Speedy Hire first before the other players in the sector.

Qualitative Measures

Customer feedback indicates that the company has achieved many of its primary objectives.

“Their development into one of the leading hirers in the UK has been achieved by their investment, enthusiasm and customer focused culture.” Robert Botright, Regional Supply Manager, AMEC.

“We are attracted to Speedy’s willingness to discuss how they might innovate their processes to help meet our needs and those of our client.” Chris Dyson, Supply Chain Director, Carillon Regional Building.

“Speedy encompasses the very best of industry initiatives, providing us with added value and continuous improvement at an energetic pace.” Graham Edgell, Group Procurement Manager, Morgan Sindall.

Summary

Speedy Hire’s successful business and marketing strategies have ensured that it is well positioned to grow its share of the UK hire market. The company is quoted as saying that its principal markets remain strong and the mid-term outlook of their businesses is positive.

The organisation’s success is largely attributed to staying close to its customers and understanding their needs. Many of Speedy Hire’s customers regard its brand and its proactive approach to health and safety as the gold standard in the tool and equipment hire business.

There are still opportunities for growth and expansion, both geographically and in the range of products and services offered. As the leading consolidator of the UK market, Speedy Hire is mindful of new and profitable market opportunities as they emerge.

Speedy Hire is keen to develop more long-term relationships with its customers and suppliers and to invest more in its business, products and people. The company is confident of its ability to achieve growth, success and sustainable profitability.

Possible questions

- 1. In the light of recent acquisitions, what branding strategy should Speedy Hire adopt to maximise sales and profitability ?**
- 2. Prepare a communications plan which will increase sales and profitability for Speedy Hire across all its target markets**
- 3. What branding and positioning strategy should Speedy Hire adopt to improve its appeal to business customers?**
- 4. Devise a marketing plan to make Speedy Hire a leading player in the plant and tool hire business**
- 5. Prepare a relationship marketing campaign which will effectively increase Speedy Hire's customer loyalty and their lifetime value.**
- 6. Speedy Hire is at a critical point in its development and growth. Produce a strategic marketing plan which will ensure increased revenue and negate the marketing strategies of domestic and international competitors within the plant and tool hire business**
- 7. Prepare a corporate social responsibility charter for Speedy Hire in the light of the growing importance of environmental and ethical issues**
- 8. Devise an international marketing plan which will enable Speedy to expand its profitable operations overseas**