

Tipo de documento: Working Paper N°44

ISSN: 0327-9588



Traditional & Relationship Marketing can coexist: The BGH-Motorola research case study 1991-1995

Autoría: Pels, Jaqueline

Fecha de publicación: Septiembre 1997

La serie Working Papers de la Universidad Torcuato Di Tella consta de 63 documentos científicos publicados entre 1993 y 2001, cuyas autorías corresponden a prestigiosos y prestigiosas referentes de las Ciencias Sociales. La colección completa, puede consultarse [aquí](#).

¿Cómo citar este trabajo?

Pels, J. (1997). *Traditional & Relationship Marketing can coexist: The BGH-Motorola research case study 1991-1995*. [Working Paper. Universidad Torcuato Di Tella]. Repositorio Digital Universidad Torcuato Di Tella.

<https://repositorio.utdt.edu/handle/20.500.13098/12970>

El presente documento se encuentra alojado en el Repositorio Digital de la Universidad Torcuato Di Tella con la misión de archivar, preservar y difundir el acervo histórico de la investigación ditelliana

Dirección: <https://repositorio.utdt.edu>

UNIVERSIDAD TORCUATO DI TELLA

WORKING PAPER N° 44

**TRADITIONAL & RELATIONSHIP MARKETING CAN COEXIST:
THE BGH-MOTOROLA RESEARCH CASE STUDY 1991-1995**

Jaqueline Pels*

September, 1997

ABSTRACT: This is the case study of a turn around of managerial practices within a division of a large Argentine company, during 1994/5. The division goes: from a reactive to a proactive attitude, from an unstructured sales policy to an organized and planed marketing activity, and from just selling radios to selling added value to their clients: the dealers. The result was that by 1995 the turnover went from 3 million dollars a year to 6 million dollars.

This case study allows us to see the importance of working simultaneously with the direct clients (the dealers) on a relationship marketing basis and with the indirect clients (the end users) following a traditional marketing approach. Thus, showing us that not only both approaches may co-exist but also that in many cases they need to.

Marketing Case Study - Relationship Marketing – Traditional Marketing-

* Jaqueline Pels
Profesora de Marketing
Departamento de Economía Empresarial
Universidad Torcuato Di Tella
Miñones 2159/77
(1428) Capital Federal - Argentina
Jaquie@utdt.edu.ar
Fax: (541) 783 3220

INTRODUCTION

This is the research case study of a turn around of managerial practices within a division of a large Argentine company, during 1994-95.

The firm implemented three radical changes, in just 14 months time. First, they introduced a work methodology: moving from an unstructured sales policy to simultaneously apply a traditional marketing program for the end user market and a relationship approach to dealers. Second, they modified their attitude: from reactive to proactive. And third, they changed the business concept: from just selling radios to supplying added value to their clients. The result was that the turnover went from a historical 3 million dollars a year to 6 million dollars in 1995.

It is important to bear in mind four additional conditions. First, that as from 1990 the product suffered hardly no changes. Second, that the price the equipment was sold at was far above the price of their direct competitors. Third, that the Argentine political situation has been stable since 1991, and fourth, that 1995 was a crisis year for the Argentine economy.

Some colleagues could argument that the people in BGH simply moved from a Sales Approach to a Marketing Approach. I could agree with this remark if we were to consider a much wider perspective of the concept of marketing than that which we normally find in the traditional (Kotler) marketing books. As we will see, the marketing approach followed by the BGH managers has a lot of: relationship building, networking and value as activity saving and/or activity enabling.

We will start by briefly describing the country, the company's history and the competitive environment. Next, we will go into the history of the Radius division and the different changes that step by step were introduced and will sum up with what we may learn from this research case study.

THE COUNTRY: ARGENTINA

Argentina used to have a very closed economy. People bought what they found and producers sold what was convenient for them to produce. In the research case study this period is represented as the term under the management of Mr. Rodriguez. In 1991 president Menem with the economy minister, Cavallo, opened the economy and in two years the old way of doing business came to an abrupt end. Firms started doing business with foreign companies and imports almost tripled between 1990 and 1993 (see exhibit 1). People and companies quickly learnt how to choose and started appreciating the service dimension in the exchange process. By December 1993 BGH realised that if they wanted to break the historical sales limit of 450 units, they had to implement radical changes (from a methodological, conceptual and attitudinal point of view), and Waehener was brought in from Simens-Spain.

THE COMPANY: BGH

BGH is a traditional Argentine firm that has been in the local market as from 1910. It started in the household appliances business and in 1948 it moved into the communication business as well. Products have always been imported or licensed (for local production) from foreign firms such as: Motorola, Moulinex, Feders, General Electric, Telefunken and Fujitsu. At present some 700 employees work for BGH and in 1995 its turnover was 150 million dollars. Currently BGH is organized into 5 divisions (exhibit 2)

COMPETITIVE ENVIRONMENT: THE TWO WAY COMMERCIAL RADIO MARKET

The two way radio communication market in Argentina is subdivided into two markets: the amateur radio user and the commercial radio user. The market of commercial radios may be further subdivided into: trunking (or big systems), BLU (long distance radios) and conventional.

The commercial conventional two way radios may be ultimately subdivided into portables and mobiles.

The following competitors were present in the Argentine conventional two way radios market: Yaesu, Kenwood and BGH-Motorola

Yaesu's radio was born to serve the amateur two way radios market. It had lots of optionals and was addressed to an expert user of communication systems. Later, Yaesu started producing radios for commercial use but the image was still that of an equipment for experienced users .

Yaesu had no representatives in Argentina and worked through import agencies.

Kenwood was from a technical point of view a very good commercial two way radio thus it was Motorola's main competitor. It was positioned in the premium price segment.

Kenwood had a representative in Argentina but it also had independent importers that followed their own price policy.

BGH-Motorola's two way radio had been designed for the commercial market. Its target was the worker who knew nothing of communications but needed to send messages efficiently. This was highly appreciated by commercial users because it simplified the communication process.

From a technological point of view the Motorola radio is some 10 years ahead of its Japanese competitor. Motorola was using microchips while the Japanese were still using batteries.

Motorola had BGH as its local representative but as from 1994 they also opened a local office of their own so as to be able to provide further support to the dealers.

Exhibit 3 compares the characteristics of the two way radios offered by the three competitors listed above. In each category (mobile and portable) the standard radio of each competitor has been chosen to simplify the comparison.

THE HISTORY: RADIUS

In 1980 BGH controlled two firms in the communication business (see exhibit 4):

- SICOM, which was in charge of complex communication systems, trunking, microwave communication, rural communication, etc.
- RADIO MENSAJE, which offered a pagers services.

SICOM sold two way commercial radio equipment to government, police and other governmental institutions. BGH imported these radios and at that time BGH-Motorola was the only brand in the market.

In 1987 some importers brought Japanese amateur radios (Yaesu). These were much cheaper and satisfied the local market quality standards. Thus, Yaesu started to have a name.

By 1989 Yaesu's commercial line was introduced. This radio immediately had a very dominant role, stealing from BGH-Motorola the lower end of the market. At that time, Kenwood had slowly won the premium segment of the commercial radio market and BGH-Motorola was stuck in the middle. BGH-Motorola went on selling to their historical clients (police, military,...) which required some specific characteristics, such as military standards, that only Motorola radios provided.

In 1990 Motorola launched Radius, a new two way radio line. Radius included an ample choice of two way commercial radios (see exhibit 5). BGH decided to incorporate the new line. The products were, from a technological point of view, the best in the world and they allowed users, to access to certain functions that the other radios could not offer (i.e., rapid call, sell call, time out timer, VOX, touch code, quick call, etc.). BGH wanted to recover part of the lost territory and Radius seemed to offer a good opportunity to do so. BGH decided to give Radius some autonomy. Consequently, instead of making it depend from SICOM, it was included in RADIO MENSAJE which was a smaller and much more dynamic firm.

Mr. Jorge Rodriguez was appointed Sales Manager of Radius. His first decision was to hire two direct salesmen: Mr Ballesteros and Mr Amoroso. The type of clients they were asked to visit were present and potential end users of radio systems. The two salesmen had three months guaranteed salaries and after that period they were on a commission base. Rodriguez divided the city according to the post area codes and gave each salesman the command of: Go and sell !! After six months they achieved their first and only sale. It is important to remark that the delivery time, at that moment, was of 90 to 120 days: from the moment the client placed the order until he received the equipment.

Mr Amoroso gave the following explanation to justify this failure: with regards to the potential new end users of radio systems, he said that clients could take a long time to decide if they needed a radio and what specifications and brand they were looking for, but once they decided on a brand and model, they wanted it immediately and not in three or four months time. To make things even harder, the new users of radio systems normally needed technical assistance in terms of the overall communication system they had to install and Radius just offered the apparatus with no technical support. The combination of these two limitations made it almost impossible to sell to potential new end users. With regards to present end users of radio systems which they were trying to convert into Radius users, the main problem was price (Radius products cost almost twice as much as their competitors: \$700/900 Vs \$ 400/600).

In the meantime Mr Rodriguez was successfully selling equipment to some SICOM dealers that were already buying other communication products from BGH. When Mr. Amoroso noticed what Mr Rodriguez had been doing, he asked him if he could find new dealers in the provinces. Rodriguez accepted Amoroso's proposal and the latter started travelling. When Amoroso came back from his first trip he had sold thirty radios and had a new dealer. Amoroso stopped selling to end users and started travelling to the provinces to find new dealers. Two months later Ballesteros also started travelling and looking for new dealers as well. The new dealers used to work with BGH's stock, so they depended entirely on BGH's delivery capacity. Which was slowly improving but still had a 30 day lag.

The end-user market was finally abandoned by the Radius salesmen. Nevertheless BGH continued to serve important end users through SICOM.

By 1992 the business started to take off and a new salesman was brought in to join Amoroso and Ballesteros. Sales went from 30 to some 300 units per month.

BGH-Motorola was a clear market leader in segments such as: gas and oil extraction, government and police department since these needed some of the attributes that only the Motorola equipment provided (e.i.: rapid/quick call).

Other segments such as private security companies, taxis and trucks did not see the benefit of paying such high prices for functions that they would very seldomly use.

Simultaneously, BGH started to build up a stock. The stock allowed BGH to serve its dealers better. By buying more volume BGH obtained better conditions from Motorola and thus they managed to reduce prices by 10%, decreasing the price gap with competitors.

Amongst other improvements, a woman was hired to cover all the administrative work, a software was written to handle all aspects related to the reception and processing of sales orders and two annual seminars were organized for the dealers where they were told about the new products. However, at this point in time, no information was collected about the dealers nor about the end user's markets.

Mid 1992 Rodriguez was promoted to Sales Manager of SICOM and Amoroso was appointed responsible for Radius. For the next year and a half everything remained quite stable for Radius. Sales slowly increased up to a stable average of 450 units per month, taking into account both direct sales to end users (through SICOM) and indirect sales to dealers.

During 1993 BGH was restructured (see exhibit 2). As a result of the changes Radio Mensaje was partially sold to Motorola and Radius became part of BGH's new Communication Division (ex-SICOM).

After this swapping, Amoroso found himself once more under Rodriguez. However, Amoroso had no instruction and no coaching from his superior. The only information Amoroso used was the number of units bought from Motorola and the number of units sold to dealers or to end users through other salesmen of the Communication Division. Amoroso did not have a strategy, nor a commercial policy (no data was collected on market shares, on dealers profile or on the end user's markets), as a matter of fact, there was not even a clear price policy: discounts were negotiated each time anew with each transaction.

To make matters worse Radius, with its 450 units, suddenly became a very minor business within the Communication Division and consequently the company invested very few resources on it. In order not to lose the volume discounts Amoroso started buying less frequently from Motorola thus delivery time moved to 60 days and became a problem once again.

At the beginning of 1994, the top management of BGH was negotiating with Motorola a special contract that would state that BGH was to become Motorola's exclusive representative for Argentina. This was an extraordinary achievement since Motorola had no exclusive contracts anywhere else in the world. As part of the arrangement BGH had to guarantee a certain market share, present a clear marketing plan and hire professional management for the Communication Division.

BGH's CEO, Alberto Hojman appointed Juan Waehener, General Manager of the Communication Division. Waehener was brought in from Siemens Spain.

Waehener thus became responsible for Radius. Due to difference with the top management Rodriguez was invited to leave the company and nobody was appointed in his position. Amoroso was promoted to manager and made responsible for indirect sales (dealers). Three regional

managers were appointed for the three different areas, one in charge of the north, the other for the center and the last for the south of the country. They were responsible for handling the dealers in each region, with no salesmen under them.

Waehener immediately realized that most of his questions about the logic of the business had no answers. What was even worse, was that these questions had never been posed. His first decision was to professionalize his people, so he started distributing books and sending his staff off to seminars and courses. He conducted regular meetings to see how they were implementing the new ideas and tools they now possessed. This was the first time that a list of problems was written down and discussed. As a result, a first draft of possible solutions was suggested, short and long term objectives were set (see exhibit 6) and salaries became variable according to the fulfillment of these objectives. Some of these activities would be picked up, by the MSI (Motorola Shared Investment Plan), a couple of months later, in a more structured way.

In August 1994 , Radius still sold approximately 450 units per months. They had not been able to enter into any new end user segments. The argument Waehener heard most frequently was that the price gap was a high entrance barrier. Waehener decided to carry out a special promotion: “*Over & Out*” (“Cambio y Fuera”).

Over & Out was designed to induce non traditional end users to try the BGH-Motorola radios by eliminating the price barrier. It was designed to be a one month promotion in which end users could take their old radios to any dealer and change it for a Radius at a very low cost (\$400) up to a total of 1,000 units. The outcome was that to reach the 1,000 radios BGH needed three months.

The action was considered a failure. The debriefing showed that the reasons for the unsatisfactory results had both an operative and a conceptual origin.

From an operative point of view: incredible as it might seem, Radius hadn't built a special stock for this promotion. Therefore *new end users* who came in with their old radios had to wait for 60 days for the new apparatus. Another mistake was that Radius launched the promotion without

previously discussing it with the *dealers*, but requested the latter to support this activity. The point Radius missed was that the dealers saw no benefit in this promotion. Dealers were making a lot of money servicing the old radios, while the new machines had two years guarantee. At regular prices dealers found generous margins that justified the sales effort, but in this promotion they felt squeezed. After this action we could say that the credibility and relationship between Radius and its dealers reached its lowest point. Just as an example, Amoroso still remembers that some dealers hung up when they recognized his voice on the phone.

From a conceptual point of view: with Over & Out Waehener discovered that pricing was not the main problem. That what BGH-Motorola really needed was to re-analyze their relationship with the dealers.

At this time Waehener also realized, that not only the relationship with the local dealers was deteriorating but that some of the bigger dealers were buying directly from Motorola's wholesalers in Miami. These wholesalers had the same 5% discount as that of BGH (wholesalers sold radios in Miami at \$ 442 while BGH sold them in Buenos Aires at \$ 535). Waehener discovered that this problem was common to other Latin America representatives, so after some lobbying a joint Latin America complaint was presented to Motorola.

As a result Motorola decided to modify the discount to the Miami wholesalers (from 5% down to 3%) and planned the MSI (Motorola Shared Investment Plan) for their Latin America representatives which allowed them to reach up to an 8% discount. The MSI plan was to become operative in May 1995. Simultaneously Motorola decided to open a local office in Buenos Aires. Horacio Wener became Motorola's man in B.A. His responsibilities involved dealing with the relationship with BGH, supporting BGH in the service they gave the dealers and introducing the MSI program.

In the meantime, in October 1994, Waehener had hired Laura Bidone as marketing manager.

Waehener took full advantage of the help Motorola was providing and together with Wener they planned how to professionalize the management of Radius. They organised meetings with the people responsible for indirect sales, marketing and the three sales representatives. As a result a formal marketing plan was written: with a SWOT analyses, with short and long terms objectives and a budget. Responsibilities were assigned to each member of the staff.

Bidone's responsibilities included three main areas of activity. First, with regards to the 3 regional managers: she had to support Horacio Werner in a training program. Second, with regards to approximately 110 dealers: she had to clean the data base, to classify dealers and to define mutual obligations, to develop a feasible financing plan and to define a promotion plan. Last but not least, with regards to the end user markets: she had to pursue various market research plans in order to identify the various segments, to create an end users data-base and to organize a telemarketing program.

The Over & Out experience and the SWOT analyses of the marketing plan emphasized that one of the most urgent and serious problems was the highly deteriorated relationship with the dealers.

- The identified causes for this were:

1. Dealers saw BGH as their main competitor since the Communication Division still sold equipment directly to end users, naturally at more convenient prices (BGH-Motorola's price to dealers and other direct clients \$ 535, dealer price to end users \$ 704).
2. BGH had only tried to sell radios to them.
3. BGH had failed them in the past with promises that they had not fulfil (i.e., delivery time).
4. Dealers were basically concentrated on a certain geographical area, served all types of end users and sustained that they needed to offer their clients an ample range of quality/price so as to be profitable as a business.

- The main consequence was:

1. Dealers would disclose no information whatsoever, since they felt that they could not trust BGH.

2. Dealers would see BGH-Motorola's radio an additional alternative to the range of products they sold.
 3. BGH-Motorola had difficulties in increasing its sales above the 450 units per month, which represented approximately a 14% market share (no precise statistics had been kept).
- The actions to reverse the state of the relationship were centered on two guiding believes: first, that BGH was interested in the dealers' problems and second that BGH wanted to have clear and transparent relationships.

To transmit BGH's commitment to the first of these convictions (*BGH was interested in the dealers' problems*) the first thing Waehener did was to teach the regional managers to listen to the problem that each individual dealer might present and to try to find a solution to them in opposition to the current practice of just going out and sell. Next, a series of actions were introduced which gave the dealers technical and commercial support:

- a.-Dealers were given information about their clients (the end user) and the potential new end users were given a list of all their nearest dealers.
- b.-They were taught how to conduct mini market research studies.
- c.-They were distributed support material (demonstration packages).
- d.-Each dealer had a training track specially designed for him and the regional managers were responsible for conducting them (i.e., how to forecast their sales, how to classify clients, how to implement direct marketing, how to handle a data base, sales courses, etc.). Videos were handed out so that courses were made available to the dealer's salesmen and other personnel.
- e.-Dealers were invited to Seminars, these meetings helped to achieve several aims. Firstly, to try and avoid price wars. The concept behind this was that if dealers knew each other, there would be less of a price war at the end user's level. Secondly, to generate co-operation amongst dealers, for example a dealer from Buenos Aires might make a big sale at a national level and negotiate with local dealers who would benefit from offering the service. Thirdly, the seminars were used to discuss general information, such as, the advertising campaigns for each province (dealers were invited to give suggestions and participate in the

advertising), the evolution of the market share, the new training courses, etc. Later, by mid 1995, through the MSI plan a special instrument: the Tool Kit would be developed to help regional managers co-ordinate the seminars better.

- f.- In order to support the dealer's marketing activity, each regional manager conducted Workshops in his province between dealers, end users (which were invited by the dealers) and the BGH-Motorola people. In these occasions products were shown and the strategy and commercial policy for Radius was explained.
- g.- Because the number of alternative radios offered was very ample studies were conducted in order to identify the critical models that the dealer had to keep in stock and which could tolerate a brief period of delay (approximately 14-30 days). Dealers were now requested to keep a minimum stock equivalent to 15% of the dealers sales forecast.
- h.- To improve the delivery time, the Communication Division unified and improved its administrative software. This allowed a clear follow up of the individual orders, creating urgency channels and improving stocks management.

To transmit BGH's commitment to the second belief (*BGH wanted to have clear and transparent relationships*), Waehener realized that it was important to classify the dealers and clearly state the mutual obligations.

- a.- BGH-Motorola identified three categories of dealers A, B and R. In order to classify the dealers BGH took into consideration qualitative aspects (service that dealers gave to the end users, participation of dealers in workshops, quality of information exchanged, etc.), as well as the classical quantitative data (volumes sold, number of dedicated salesmen, dealers' respect for payment terms, fulfillment of sales forecasts, etc.). The total number of BGH-Motorola's dealers was reduced from 110 to 70.
- b.- Dealers were given discount points according to the category they belong to (i.e., category "A" up to 24% and category "B" up to 18%). Dealers knew exactly which were the requirements to pass from one category to the next.
- c.- An end users price policy was established. An end user price was defined and dealers could not make offers that were over a 5% below the price established by BGH (this was very

difficult to control). The additional discount points that the dealers could obtain should go and improve their profits and not to open a price war amongst themselves. Dealers should be led to compete mainly through the service they gave the end users.

d.- Waehener took the political decision of to stop selling directly to end users (let us remember that these sales represented approximately 150 units per month) . Instead end users were given a list of dealers they could buy from.

- The external elements that contributed:

The Argentine currency remained stable. Throughout the convertibility plan the exchange rate was locked in a 1 to 1 with the US dollar, so people and companies could plan their purchases, spend a bit more and thus buy better products.

- The result, by the beginning of 1995:

1.- now dealers knew exactly where they stood with regards to the BGH classification, and what they had to do to be upgraded. Thus they could objectively analyze the efforts required and benefits that could be obtained.

2.- dealers started seeing the benefits of BGH's marketing actions, and the new partnership attitude that had been developed. The average dealers saw their sales increase by approximately 30% in just two/four months time. As a consequence dealers started acting in a very co-operative manner. Slowly BGH started signing contracts with most of its dealers. The benefit that BGH-Motorola derived from the signing of contracts was that dealers committed themselves to fulfil certain standards of service, guarantee a control over the price to the end users, increase information exchange, would not buy from Miami wholesalers, assistance to training courses, etc. As a consequence BGH-Motorola was able to establish a clear commercial policy and a higher control of the distribution process. On the other hand dealers had access to higher discounts and a better logistic support from BGH-Motorola.

In April 1995 Horacio Werner introduced the MSI program. This was part of a standardized program for all of Motorola's Latin American representatives. The MSI plan had as its ultimate

aim to improve commercial conditions of the representatives (with regards to the Miami wholesalers) and to help Motorola's representatives to develop new end users markets through their dealers.

The MSI plan was an optional program. To stimulate the adoption of the plan, each topic of the program was assigned different points. If the Motorola representative (in our case BGH) reached a certain amount of points it was given up to an additional 8 % discount for all their future purchases.

The MSI program was based on a Traditional Marketing Approach. Motorola's representatives (BGH) were asked to:

- define the end users market potential. For example, this implied analyzing every city that had more than 500.000 inhabitants or 120.000 workers. If there wasn't a dealer there, BGH had to study the possibility of incorporating one.
- define their SWOT position in each end users markets and then to choose one of them for further development. BGH chose the transportation market because there they were weak in terms of both sales and the end users' perception of the benefits the Radius products offered with regards to their competitors.
- classify dealers, according to size, services offered, volumes sold, etc.
- implement a communication policy with regards to:
 - end users, a BGH-Motorola - dealers CO-OP program was suggested.
 - dealers, a booklet, which was called the Tool Kit, was prepared. The Tool Kit explained BGH-Motorola's objectives, described the functions and obligations of the regional managers with regards to the dealers, the type of studies the marketing staff would produce, the seminars that were being held, etc. The function of this booklet was to help the regional managers during the seminars with the dealers, creating a basis for discussions and providing a homogenous message to all dealers.
- carry out a price policy with regards to:
 - end users, dealers' price could not be more than 5% below BGH-Motorola's stated end users price.

- BGH had to try to sign contracts with the dealers with a transparent discount policy.
- make suggestions regarding product policy. Motorola would listen to BGH's suggestions but for 1995 no new products would be launched.
- follow an indirect sales policy. As a matter of fact, the MSI only gave BGH discount points if the sales were indirect sales. To help develop the indirect channel Motorola provided its representatives with training and asked the latter to teach the dealers.

Some of the MSI plan objectives coincided with activities that Waehener had recently introduced in BGH, such as the seminars, the workshops, the recent categorization of dealers and the definition of a long term strategy, so BGH took advantage of this and unified their current activities with those of the MSI program.

Besides the objectives set by the MSI program, Juan Waehener asked Laura Bidone (marketing) and Manuel Amoroso (responsible for indirect sales) for more structured information about:

1. the relationship between the dealers and the end user,
2. the buying process of the end users,
3. the logistic processes from the moment the end user placed an order until the radio reached destination.
4. the customer's satisfaction with the process (both dealer and end user),
5. how competition was reacting.

Waehener also suggested using the workshops and seminars for networking that is, trying to understand the different types of end users the BGH-Motorola dealers faced and trying to give cross recommendations so that all dealers could benefit from the experience of the others.

As a result of all these activities a better organization and the new relationship developed between BGH, the dealers and Motorola.

By the fourth quarter of 1995, in the middle of the Argentine recession (see exhibit 1), Radius reached a new sales level of 1100 radios per month. This is specially remarkable since the two way radio market contracted by 14.8 % for the full year of 1995(see exhibit 7).

It is also important to state that BGH-Motorola competitors reacted using the price variable. Yaesu's importers pulled the price down from \$600 to \$380, yet they could not stop the market share loss (see exhibit 8).

CONCLUSIONS

The case shows that the management style of Radius changed radically from Rodriguez to Waehener: changes occurred at 3 levels:

- From a casual selling to an organized and planned marketing activity. Both at the dealers level (relationship marketing -Waehener-) and the end users level (traditional marketing-MSI-).
- From a reactive to a proactive attitude. BGH went far beyond the MSI program.
- From barely selling radios they started providing added value to the dealers.

This case is interesting because it proves 5 important points:

1. that there is no need to raise a conflict between traditional and relationship marketing approaches. In this case the Motorola Shared Investment Plan (MSI) coexists with Waehener's actions related to developing relationships with dealers.
2. that a firm can move from an unstructured and negative relationship to a healthy long term partnership attitude.
3. that these changes may be applicable in any environment. Here the case has the benefit of occurring in Argentina: in 1995 the country entered the worst recession of the last 5 years and many industries saw their sales drop up to 50%. The main causes for the recession were the Mexican crisis and the local political problems (elections, etc.). BGH drafted its first strategic plan for Radius just two months before the Mexican Tequila effect reached Argentina. Nevertheless the changes introduced by Waehener produced impressive results. In the middle of the national crisis sales shoot up to an new average of 1.100 units per months by stealing market share from its competitors.

4. that any firm can go through these changes. Radius was a small resource line within a secondary division in a Latin American firm.
5. that changes may be implemented simultaneously in more than one dimension. This was demonstrated by Radius' staff which at the same time changed: method, attitude and business concept.

In addition, an interesting list of the procedures and steps adopted by the BGH people emerged from the description of the case study.

EXHIBIT 1

	'89 / '91	'92 / '94	'95
inflation rate	2.218%	9.6%	1,6%
growth rate	0.7%	7.2%	-4.4%
imports (mill. \$)	16,555	53,246	19,969
(average)	5,518	17,748	
exports(mill. \$)	33,910	41,839	20,893
(average)	11,303	13,730	

source: Indec & Ministry of Economy.

EXHIBIT 2

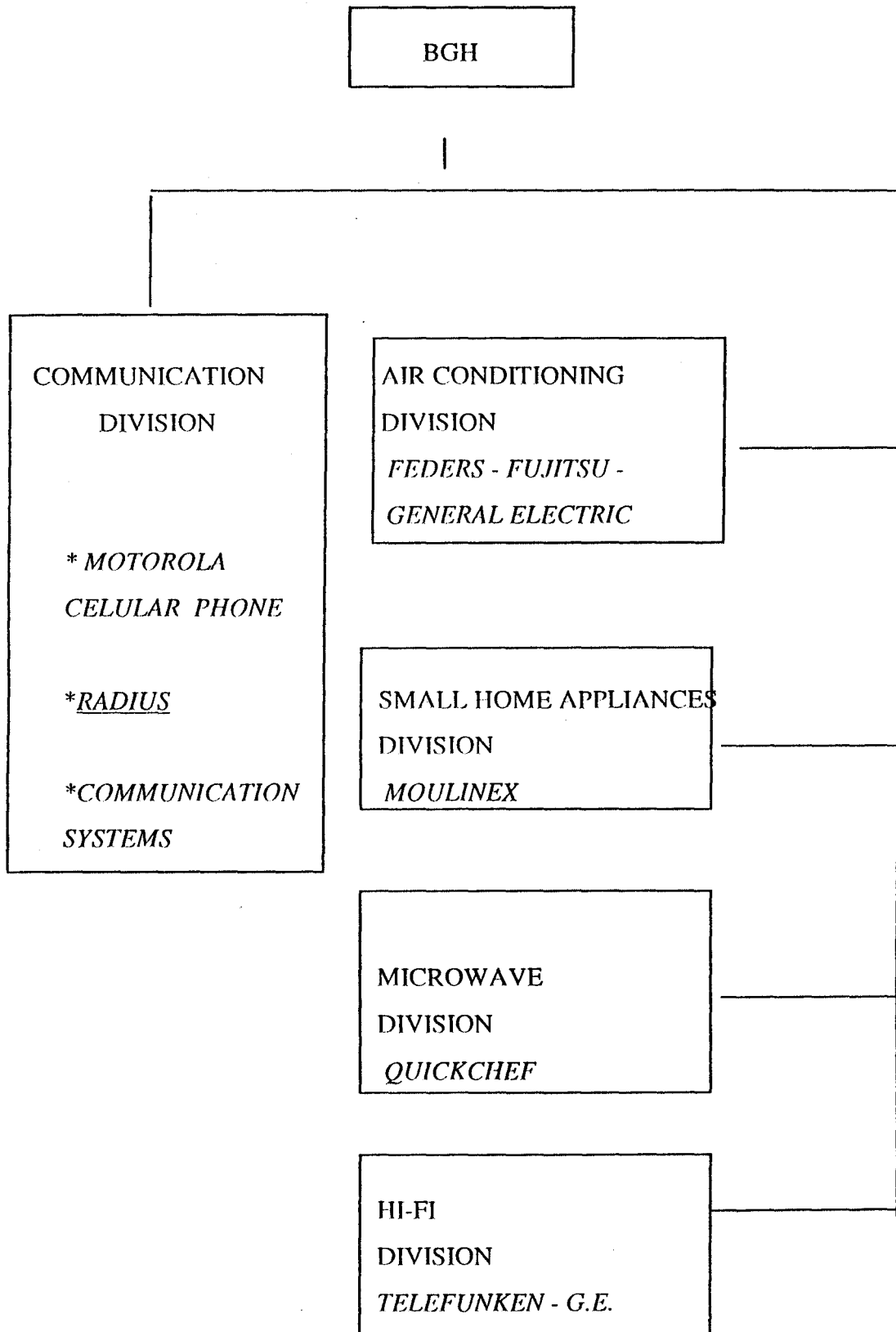


EXHIBIT 3

	<u>BGH-MOTOROLA</u>	<u>KENWOOD</u>	<u>YAESU</u>
<u>MOBILE</u>	flexible frequencies	2 frequencies	2 frequencies
	variable power	2 powers	programmable
	8/16 channels	16 channels	12/24 channels
	PL/DPL, TT	scan, DTSS	LED, T-out-T
	priority scan	CNT rating	priority scan
	Rapid call	guaranty : 1y	MIL-STD rating
	MIL-STD	price range \$590/650	guaranty : 6m
	guaranty : 2y		price \$550
	price range \$ 800/900		
<u>PORTABLE</u>	variable power	5 W power	variable power
	2/6 channels	32/160 channels	6 channels
	PC programmable	PC programmable	PC programmable
	touch code, PL/DPL	price \$480	MIL-STD rating
	quick call, MIL-STD		price \$400
	price \$ 700		

EXHIBIT 4

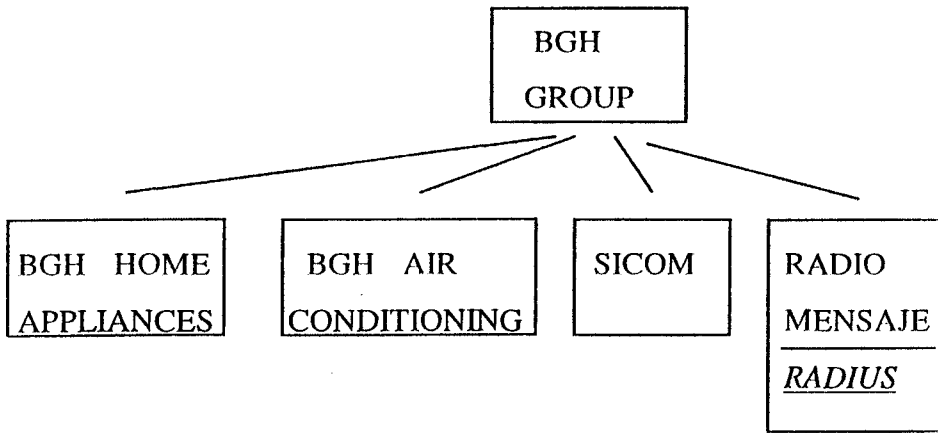


EXHIBIT 5MOBILE RADIOS:

RADIUS GM 300 SERIES: 8 - 16 channels, private line / digital private line, scan, on/off control, timer, rapid call, etc.

RADIUS M 120 SERIES: 2 channels, adjustable power, private line, digital private line, local or ample coverage, timer, led, frequency selection, etc.

PORTABLE RADIOS:

RADIUS GP 300 SERIES: 2 - 8 channels, scan, signaling, adjustable power, frequency selection, PL /DPL, time-out-timer, vox, touch code, led, quick call, sell call, PTT, etc.

VISAR: 16 channels, flexible frequencies, led, PTT, adjustable power, sell call, scan, double tone, military standards, etc.

RADIUS P 110 SERIES: 6 channels, quick call, touch code, private line, digital private line, sell call, military standards, etc.

MOTOROLA HT 1000: 2 -16 channels, smart PTT, adjustable power, ID, priority scan, compatible with other brands, ALT, microphone sound selection, etc.

EXHIBIT 6

Example of some of the first draft statements of objectives:

- long term objectives;
 - achieve a national distribution system.
 - obtain a 45 % market share.
 - add a service dimension to the present offer.
 - increase the product mix offered in Argentina.
- short term objectives;
 - try to make dealers sign an exclusive distribution contract.
 - improve the administrative procedure and control system.
 - reduce deliver gap.
 - develop pre-post sales services in order to increase customer satisfaction.
 - design a marketing/ sales training program for BGH's staff.

EXHIBIT 7

	1995	1994
Total market value in units	36.599	42.975
BGH-Motorola Market Share	26%	18%
Jan.	574	no data
Feb.	607	no data
Mar.	760	no data
Apr.	414	no data
May	674	no data
Jun.	554	no data
Jul.	604	368
Aug.	897	755
Sep.	1273	102 Over & Out
Oct.	1073	570 Over & Out
Nov.	1002	1047 Over & Out
Dic.	1110	627
<u>TOTAL SALES</u>	9542	8087

EXHIBIT 8

	1994	1995
BGH-MOTOROLA	8.087	9.542
YAESU	23.195	18.018
KENWOOD	2.728	2.507
OTHERS	8.965	6.532
TOTALS	42.975	36.599