

# Australian marketing projects



Report of Entries  
Hoover Award for Marketing  
1967

## MAJOR AWARD

# Zip Heaters (Aust.) Pty. Ltd.: 3

## Marketing Against a Myth

For many years it has been a cherished belief of Australians that we are a very clean people and that everyone takes at least one hot bath or shower every day. Certainly by 1962, when this story really begins, any suggestion to the contrary would have been met with widespread derision, for this belief had become part of our national mythology. Was it true? Zip Heaters found it was not and located for itself in New South Wales a healthy market for its products amongst homes without running hot water or with only primitive means of heating water.

### THE EARLY DAYS OF ZIP

Zip began in 1946, when there was obviously a good market for its two products, which were then electric bath heaters and boiling sink heaters. The product ideas, technical know-how and the name Zip were brought from New Zealand by the founder who had successfully sold heaters in New Zealand during the depression of the thirties.

He began manufacturing in Sydney with a boiling sink heater and then developed a bath and shower heater to be sold to sub-standard dwellings as a replacement for chip heaters. These electric heaters were cleaner and better than chip heaters and, as all durable goods were then in short supply, they were not hard to sell.

For several years Zip existed on the fundamental and prac-

tical principle that they made a few heaters, went out and sold them, then made a few more and sold them, all out of a little 20' x 20' garage in Elizabeth Street, Sydney. The sales level was determined very simply by financial resources and production capacity.

The company progressed steadily so that by 1959, in order to meet a growing demand and to improve its production capacity, it was necessary to move to a 6,000 sq. ft. factory at Marrickville.

The founder was then nearing sixty years of age and wanted to retire and realise on the asset he had built. He disposed of his business to a young man of twenty-seven who committed himself and his family to terms which required the repayment of substantial borrowings over ten years. The sale was completed in January, 1962 and the new proprietor took over in the middle of March, 1962, as Managing Director.

### IMMEDIATE PROBLEMS FOR THE NEW MANAGEMENT

The new management had inherited a business which seemed and was sound, but it still carried the indelible imprint of its humble beginnings. This gave rise to many immediate and long-lasting administrative, organisational and human problems of the kind that can bedevil management and retard a company's growth.

Zip Heaters (Aust.) was the most able creation of the founder and but for him would not exist today. He had built a profitable company, by initiative and effort and largely by a great personal consciousness of overhead. He made a point of giving the impression, particularly to the staff, that he had to *battle to make a quid*. Every item of expenditure was kept under stern scrutiny at all levels of the operation.<sup>1</sup>

<sup>1</sup> As an engaging but most pointed illustration the present Managing Director cites a conversation overheard between the founder and a factory hand:

'Can I draw 2/6 from petty cash?'

'What for?' came the reply.

'For some nails to build a bench.'

'What do you want the nails for?'

'Because you told me to build a bench, Mr.—'

'Use your imagination, fellow, run down the road and pull them out of a fence, but you certainly don't buy nails.'

The new Managing Director knew nothing about the hot water industry and asked the founder to stay with the company until the end of 1962. This seemed a wise thing to do, but it tended to confuse and divide the staff in loyalty, and lack of knowledge by the new young Managing Director hindered the task of getting Zip into shape to carry out radically different and progressive plans.

#### *THE PATTERN OF SALES AND GROWTH, 1946-62*

For fifteen years the company had made and sold electric sink heaters and bath heaters. In 1962 it still depended almost entirely on these two products and its level of sales was steadily growing.

How had the company got as far as it had?

Perhaps the most important reason was that the founder had gradually come to realise that he was making something that thousands of people wanted. That there could be such a wide-spread need was obvious to Zip because it had started in, and had remained conscious of, a wide arc of probably the worst sub-standard housing in Australia, stretching from Surry Hills through Newtown, around to Balmain. Zip had also learned, by a process of trial and error, that it could sell its heaters in other areas, too, particularly in country towns.

#### *NEW MANAGEMENT AND A NEW APPROACH*

Before completing his deal with Zip the new proprietor had gone to a leading market research firm and asked, "What can you tell us about hot water systems?" From a quite limited survey one striking fact emerged: Zip had only a tiny percentage of the hot water market. This fact led him to the conclusion that it should not be hard to get more sales, perhaps double or even treble Zip's 1961 level.

To check this conclusion he spent weeks talking to people in Sydney's sub-standard housing belt. He describes what he found:

'Coming out of the motor trade where one came into contact with a lot of wage-earners, I used to ask, "How do these people heat water for baths and showers?" I

was most surprised to find that many, many people heat their water in coppers, with chip heaters or by siphoning water from a copper across to a bath. This was going on in Sydney! They certainly did not bath every day. This was a magnificent market for our bath and shower heaters and our sink heaters. When I drove through that belt of terraced houses in Sydney I always used to say to myself, "Hot water, hot water, hot water, *no* hot water." One in four homes, I used to guess. I did not have any substantiated facts to back this up except my own observations and the valuable experience of the founder in coming into contact with so many people who did not have hot water.'

The new proprietor set as the main goal of the company the building up of profits and assets so that the company could be brought to public company status and as such be developed into a readily saleable asset. This goal was set because the new proprietor believed that it could be very difficult to sell small businesses and he wanted to maximise the protection he could give to his investment.

The objective set for the company therefore was to lift and maintain profits to a level whereby they could be capitalised at a figure above \$200,000—this being a minimum requirement which had just been imposed by the Sydney Stock Exchange. This objective meant that Zip's net profit after tax had to be lifted very substantially (see page 16), and maintained at the increased level for a further two years. It was planned to reach this objective within five years.

This was an ambitious plan. Zip was at that time weak in fixed assets, premises for instance being rented, but pre-purchase investigations gave the management confidence that it could be carried out.

To set a firm objective with very good reason was one thing; to achieve it was quite another as the new management very quickly discovered. The important point here is that this profit objective provided the focal point for everything Zip did from then on.

The new proprietor moved into active control of the company, as Managing Director, in March, 1962. A difficult and

uneasy period followed for all in the company. The Managing Director had to set about learning as much as possible about the hot water business as quickly as possible. His executives, the Sales Manager and the Factory Manager, were much older men, who had worked long and hard for the company and were proud of its achievement. Quite reasonably they found it hard to accept the direction of a man hardly half their age, especially when they knew that they had the knowledge and he didn't.

For well over a year the company was in a state of ferment, almost upheaval. However, by the end of 1962, the basis of a plan to reach the first basic profit objective had been formulated.

### EARLY BASIC DECISIONS

It was decided that Zip had to do these things:

1. Reorganise the management so that the executives could do their jobs efficiently.
2. Create a thrusting modern image for the company.
3. Make better products and a wider range of products.
4. Base its selling strategy on
  - (a) the clear definition of and systematic attack on hot water market categories,
  - (b) concentration on the persons who could influence prospective buyers in their buying decisions.
5. Sell heaters to pre-set sales targets.

It quickly became understood throughout the company that these things had to be done and had to be done well because it was intended to realise the company's believed market potential and reach its first profit objective.

It was imperative for management to conserve its limited cash resources to finance sales. The guiding principle was that sales had to go up but overheads be kept down. Keeping overheads down in the past had meant, among other things, loading the Sales Manager and the Factory Manager with all kinds of odd and extraneous duties. The Sales Manager sold on the road, wrote and made up advertisements, built sales stands, etc., whilst the Factory Manager was designer, purchasing officer, testing officer and supervisor of the ten or so men in the factory.

zip

## Controlled mains pressure heaters

### They never run cold — no matter how long you leave the tap turned on! \*

It's a very first from ZIP — continuous hot water to every outlet in your home! ZIP's Diverter Tube keeps the hot water coming — gallon after steaming gallon. Yet this startling new ZIP system costs no more to run. Order a ZIP right now and never run out of hot water.

#### All sizes available

For small houses, flats and units, choose ZIP 10, 12, 15, 20 or 30 gallon models.

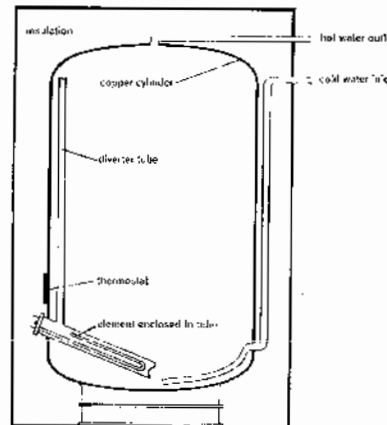
For Off-Peak use in larger homes, choose ZIP 40 and 60 gallon heaters.

The 40 and 60 gallon heaters are available with booster elements, which can be connected to continuous rating.

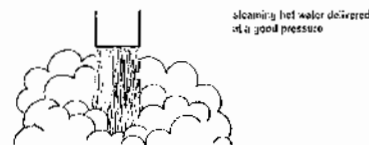
\*These heaters are designed to give a permanent flow of hot water at a temperature in excess of 123°F at a flow rate of 1 gallon per 2 minutes only a few minutes after the heater is switched on, with an element rating of 3.5kw.

#### Why these ZIPS never run cold

Exclusive patented Quick Recovery Diverter Tube percolates the water straight from the element to the top of the tank. The hot and cold water never mix — you get a continuous supply of steaming hot water straight from the element. Totally automatic and foolproof.



Water pressure from a 10 storey building — that's some pressure — about 40 pounds per square inch of it! And that's the pressure you get with the new ZIP. Water is delivered without splash or waste, to every tap in your home. Mains pressure in some city areas is less than 50psi, in others it's more. But ZIP is designed to operate just as efficiently, no matter where it's installed.



#### Glamour styled, engineer designed

ZIP Controlled Mains Pressure Heaters fit just about anywhere. In cupboards and ceilings or on the floor. ZIP'S compact square-line styling fits flush against walls, accurately into corners. You'll love the beautiful baked enamel finish. And a lifetime from now, you'll still be glad that ZIP was constructed from copper.

See overleaf for specifications.

for Zip, because coupon leads in many cases enabled Zip to give dealers their first sales.

The dealers themselves were cultivated. Zip took particular pains for example to give service to country dealers with the furnishing of sales leads, usually *adopting* one or perhaps two dealers in each town. The whole company enthusiastically took up this approach: 'How can we make a profit for the reseller?' rather than 'How can we sell to the reseller?'

In every way, customers, dealers, specifiers, were made to feel that they were dealing with a fresh modern company.

### NEW PRODUCTS

The next thing to get moving was new products.

Zip had fair technical knowledge; the manufacturing plant was small and limited in its capabilities; but capital resources were strained so that there were serious limitations on what Zip could hope to do.

In 1962 Zip made bath and shower heaters, sink heaters, a boiling unit for the sink and some low-pressure heaters for country areas on tank supply, and an occasional larger heater. Zip could not make anything that was not low-pressure because it did not have the plant.<sup>2</sup>

Mains pressure hot water systems had evolved post-war to become the normal installation in the average good home. Zip could not be in this market without new products and new plant.

How were new products to be found or developed? The Managing Director says this: 'When I went there (in 1962) I was told that new products just evolved. I found this hard to believe but I can understand it now, looking back on it, because new products do just evolve, especially if you are small and have limited resources. You realise that there is a need and you have to find an answer to it; you realise that if we can combine such and such a feature out of 1, 2 or 3 items you eventually come into and finish up with a new product.'

'The answer came from thinking about the reseller and the problems he had in selling to the customer.'

<sup>2</sup> A low-pressure heater needs a feeder tank or pressure reduction valve to break down normal mains pressure.

In the past Zip had sold bath, shower and sink heaters, mainly through electrical retailers. But the retailer did not like hot water units because the first thing the customer wanted was to get the heater installed; the retailer could sell the heater but usually not the installation. So Zip faced the problem: 'How can the electrical retailer get the heater installed in the customer's home?'

The solution was simple, yet ingenious, and was found by persistently ferreting around amongst users, retailers, and finally tap manufacturers. Zip found that almost 100% of people who were prospects for a bath and shower heater had one cold water tap over their bath. Tap design had not changed in half a century and all of these taps were a standard  $\frac{1}{2}$ " or  $\frac{3}{4}$ " bibcock. Zip saw that the first job was to find a means of connecting the customer's tap to its heater. Zip then improvised a fitting that fitted any standard tap in New South Wales. It was able to patent it and did, securing thereby an exclusive product advantage. Another fitting was designed to go into the heater and the two fittings were connected with a 4' length of hose. The Zip shower and bath heater could now be connected to a cold water tap in almost any New South Wales home in a few minutes. A kit was also developed for the sink heater so that the one cold water tap was not lost to the user, but now, through the heater plumbing kit, it became two taps—one hot and one cold.

Happily the Sydney County Council had, about a year before, approved the connection of flex and plugs to appliances with ratings up to 2.4 kilowatts or 10 amps. Zip bath heaters rated 2,000 watts, so could draw power from a three-pin plug.

So a kit was developed, a do-it-yourself installation kit, with which anyone could connect up a Zip heater and have it operating in about ten minutes. The bath and shower heater itself simply stood on the floor, with outlets over the bath.

The new kit opened up completely new prospects because Zip could walk into any electrical retailer and say, 'Do you sell hot water?' and when they looked back in a dark manner and said 'Of course not', as many did, could answer: 'You don't have to sell installation, you don't have to arrange installation—you can sell it with this little kit here, because

anybody can install our water heater in ten minutes or so.' It worked and gained for Zip many retailers and many new customers.

Zip now began to widen the range of products offered with the installation kit. A shower heater was redesigned to be hung on the wall over the bath or near the shower recess and to be connected to cold tap and power point with a do-it-yourself kit. A new sink heater was then developed again with its own special installation kit and a range of attractive colours was promoted so that prospective customers could choose a Zip heater to match a favourite colour scheme.

With these developments Zip kept the bath heater market largely to itself and ran its own sales up rapidly. It avoided collision with the big manufacturers as far as possible, but knew it had sooner or later to get into the normal hot water service sales and began to develop a full range to do this.

#### *NEW PRODUCTS TO DEVELOP THE COUNTRY MARKET*

The new management at Zip had begun to appreciate fully the principle which had guided the original owner—supply a product which fulfils a customer need. This became the guiding principle in the new product policy: first find a hot water need and then make the product which does the job.

For example, in New South Wales it is compulsory for dairies to have supplies of boiling water to sterilise milk cans and dairy equipment. In addition hot water is essential for general dairy use. Zip designed a special dairy heater to provide both hot water *and* boiling water. A particular feature is that this heater can be set to boil only the exact amount of water needed.

Zip had always had good sales in country areas. During the late 50's and early 60's electric power was reticulated to New South Wales rural areas very quickly. In 1963, the company's Sales Manager in a talk with County Council officials at Albury, found that with the extension of power all the way down the Murray, people could convert most appliances to electricity. One exception was slow-combustion fuel stoves. These had, as normal equipment, a storage hot water system. They were expensive installations, ideal for the winter but a

problem in the summer, because if they were closed down in hot weather the home had no hot water.

The problem at first sight seemed to be to devise an economical cheap way of getting an element and thermostat into the existing tank. The Zip solution was to put the element and thermostat into its own small tank so that it could be mounted adjacent to the existing slow-combustion tank, connected with the flow and return pipes and so electrify the hot water cylinder. This allows the fuel stove to be switched off in summer. Many County Councils in country areas were persuaded to grant off-peak rating for this particular type of booster.

The active and deliberate pursuit of this new product policy of 'find the need, then design and make the product to meet it' led to a rapid expansion of the Zip range.

By the end of 1963 Zip felt justified in making the advertised claim: 'Makers of Australia's largest range of electric hot water systems'.

#### *FROM 1963—A NEW MARKETING STRATEGY*

Early in 1963 Zip laid down its marketing strategy in clear terms.

These were:

1. Locate consumer needs in the field and develop new products to meet these needs.
2. Attack the hot water market segments in New South Wales systematically. These segments were:
  - (a) the electrical retailers and wholesalers;
  - (b) metropolitan and country County Councils (the majority of whom sold hot water systems);
  - (c) project builders, buying direct themselves or through their own buying houses;
  - (d) builders' supply stores;
  - (e) architects.

## A SYSTEMATIC ATTACK ON THE HOT WATER MARKET

Zip knew that it must deploy its forces to attack one market segment at a time, whilst quietly cultivating the others.

Attention was first turned to the electrical retailer. Retailers did not like hot water systems because of the problems of installation. Zip faced up to this problem: how to give the retailer what he wants. Zip removed the installation problems, as has already been described, by supplying heaters with a simple do-it-yourself kit. Zip heaters could now be sold like any other electrical appliance. For a start, with good selling attention, this was enough in the metropolitan shops. They were enthused and sales went up. But it was not enough in the country.

Zip had had a lot of experience in the country and reasoned that the country retailer needed and appreciated help. So when Zip gave a 50% subsidy for local advertising it arranged to do the ads and put them in for the retailer. Zip gave the retailers display boards, not to display the heaters which are big enough to display themselves, but so that the retailer had the story right beside the heater.

Zip had found that the country retailer was less margin-conscious than the city retailer but he was more harassed, too. He had to be given help with both selling and merchandising, so a van was fitted with dummies or cut-downs of the whole Zip range as a mobile showroom. This made it quick and easy for the salesman to show his range. It was unusual, so the retailer remembered. The mobile showroom was stood outside shops for a day or several days at a time to help him sell. It was lent to many retailers for country shows. This scheme lasted for about eighteen months, with only one country salesman, but the whole State was thoroughly covered.

Zip now stood well with the retailer and began to look more closely at the other segments, and for hot water systems as well as heaters. One of the biggest outlets was the Sydney County Council which had nine showrooms in Sydney. Zip wanted both

a share of the Council's sales and the prestige of official Council recognition and decided to make an all-out effort to get them. The Council seemed mainly interested in full hot water systems and also had to be convinced on technical grounds to accept Zip bath and shower heaters.

Zip quickly made the models the Council *would* approve and sell, met the Council specifications, had them submitted and approved, only then to find that Council salesmen were just not interested. They had hardly heard of Zip and did not know its products.

Zip decided to introduce itself to the Council salesmen in such a way that they would remember Zip Heaters. This was done by chartering a Fokker Friendship aircraft and flying nearly 150 of them over Sydney at night. Sydney from the air at night is a memorable sight and not many of the salesmen had seen it before. They were taken up in two half-hour trips, at a cost to Zip of £75 per trip and then given a buffet meal at the airport. The total cost was about £300. The salesmen were impressed, as sales soon began to show. Eighteen months later, as a brief refresher, Zip took the Council salesmen for a trip on Sydney Harbour on the Hydrofoil within a month of its arrival in Sydney. All of these promotions, the mobile showroom, the flight over Sydney, the harbour cruise, were followed up by intensive, hard slogging sales work.

For three years Zip concentrated on opinion leaders who could influence heater sales and always endeavoured to keep out of the hot water *rat-race*. It had tried to keep the price of its heaters higher than competitors, and maintain high margins, but always by offering something extra which made the reseller's job easier. The do-it-yourself installation kit solved the installation problem for the electrical store, better heaters were developed to meet the needs of County Councils, and a special booster was developed for slow-combustion stoves in the country.

The results showed in remarkable sales increases and good profits.

## SALES IN TOTAL UNITS

1961-2	100 (base)
1962-3	124
1963-4	179
1964-5	211
1965-6	239
1966-7 (6 months)	148

## NET PROFIT AFTER TAX

1961-2	100 (base)
1962-3	139
1963-4	190
1964-5	211
1965-6	209
1966-7 (6 months)	215

## NEW WORLDS TO CONQUER?

By 1965 Zip had reached its original profit objective and was well entrenched in two market categories—electrical retailers and County Councils. The company was pleased with its successes was the contract for the supply of over 250 units to—and began to look at the other market categories where the market volume was very big—project builders, builders' supply stores and architects.

These outlets were mainly to a market for full hot water systems. Zip was already making some of these and supplementing its range with systems bought in from other manufacturers. It began to offer this range in bulk, at discounts, to builders' supply stores.

Zip saw many opportunities in larger project building. It was now a very healthy but still small manufacturer; it reasoned that it could afford to trade some profit for prestige to build the name *Zip*. It obtained several large contracts but in sacrificing profit never sacrificed product quality. One of its notable successes was the contract for the supply of over 250 units to the Mowl Memorial Village and the Nuffield Garden Village—senior citizens' retirement homes—at Castle Hill.

This activity enabled the company to approach architects. It had tried over the years with little success. But Zip had

learnt that architects require specialised selling, that they do not wish to be harassed by calls, that they require technical information of a nature far more extensive than retailers or builders, that they require performance details and above all expect quality.

The installation of Zip products in prominent projects around Sydney opened the way for a general approach to architects. It was Zip's belief that architects had a multitude of products to specify and that once a manufacturer's products became written into the general specification of architects, it would remain. The main selling approach decided on was through lunch hour trade viewings at city hotels. Only now are orders slowly being obtained.

1965, then, saw Zip in determined moves into all market segments, with an approach appropriate to each segment and specialist salesmen for each one.

## GROWTH WITHOUT REVIEW

By January, 1966, Zip could look back on a series of remarkable sales increases. It had grown from 6,000 sq. ft. of rented premises to its own 20,000 square feet. Staff was adequate. The Sales Manager had been appointed Manager of the company and through sheer ability and skilful delegation was spending 60% of his time amongst the customers. The early profit objective had been met; the company was confident.

However in February, 1966 an unexpected and unwelcome thing happened. The company received its financial result for the period July-December, 1965, and whilst sales had increased, net profit had not.<sup>3</sup>

Slowly over the ensuing months the cold realisation dawned on the company that it had done the very thing it knew it must not do. It had neglected its own lines, its own market preserve, for the building market with its big volume lines and lower margins. At the same time all margins had been affected by an increase in the prices of raw materials, mainly copper.

Fresh thinking was urgently required for the company to realise the profit growth planned for it.

<sup>3</sup> At this time a complete profit and loss statement was drawn up only at six-monthly intervals.

## ZIP REVIEWS ITS SITUATION

Zip reminded itself of its original profit objective. The source of its past profits had been bath heaters and shower heaters, but it was known from official statistics that total sales of these heaters in New South Wales had been declining for several years. Zip sales had gone against this trend (Tables p. 16) and management began to wonder how long the company could continue to do this. It seemed that if Zip were to stay in the hot water business it would have to increasingly involve itself in making and selling full home hot water systems. This created a difficult dilemma for Zip as its recent experience had shown this part of the market to be much less profitable than heaters. It was decided that a division of products was essential. Bath, shower and sink heaters were deliberately separated for planning purposes from full home hot water systems, of which the most popular type was known in the industry as the *mains pressure heater*.

It was agreed that:

1. Zip could not survive on volume sales from the building industry with mains pressure systems bought in from other manufacturers.
2. If it made its own it would have to compete on price—it seemed.
3. It could not afford the costly plant needed to make mains pressure cylinders.

Was there a way out of this dilemma? The answer had to be found in consumer benefit and the product.

### THE ANSWER—'CONTROLLED MAINS PRESSURE' HEATERS

The questions started. What was mains pressure? One knew that it varied from 22 to 200 lbs. per square inch.

Why build cylinders to withstand 200 lbs? Because other manufacturers did!

Was this the only way? The answer came: No. Let's reduce the pressure to about 40 or 50 lbs. per square inch, with a reduction valve, and build low or medium pressure heaters with

existing plant. Zip could then offer a heater to compete with mains pressure types. It called its new idea *Controlled Mains Pressure*. At best this about put Zip on a par with its big competitors. What else could Zip offer whilst keeping to a competitive price?

One of the earliest Zip product features had been the diverter tube, invented in New Zealand thirty years before. Zip had held the patent rights in Australia and used the diverter tube in its bath and shower heaters.

In every hot water system the element is put at the bottom of the storage cylinder and using the scientific principle that hot water rises, the hot water is drawn off from the top of the cylinder. The Zip diverter tube takes the hot water straight from the element to the top of the cylinder and so the hot water does not have to trickle up through the colder water. The advantage of the diverter tube is best illustrated by the fact that a ten gallon heater with a diverter tube will deliver thirteen gallons of water at a temperature greater than the first gallon of the same heater without a diverter tube.

Here was the answer: Zip could build units the same size as its competitors but with much higher efficiency. At the same time, applying the basic principle of better meeting a user's needs, Zip built into builders' hot water systems everything it could to help the builder save time and money in installation. Every system must have an expansion valve, so Zip built one in; every system on an electrical circuit must have an isolating switch and by building in all these components Zip found it could save the builder an average of \$8 in installation costs.

By mid-1966 Zip had a product with which it could compete with the major hot water system manufacturers, with which it could get good volume, but with gross margins consistent with the profit objective.

### SUPPORTING ZIP'S TRADITIONAL MARKET

Meantime Zip had restored full attention to its traditional market—bath, shower and sink heaters. It asked itself, 'How big is this market?' Sales were again very good in heaters, but perhaps the market could be exploited better.

Zip had in the past confined its advertising to small press

appearances using coupons to select prospects. The company turned to its advertising adviser who from a belief that the product could and should be demonstrated, proposed the use of television. This was accepted and on a \$5,000 budget Zip bought time on four Don Lane programmes plus 20-second video-taped commercials spread over seven weeks. The bath heater, the basic product of the company, was the only product to be advertised. Sales showed no immediate increase although they went up by 5% later in the year. This was a disappointing result but later the reasons became apparent.

### RESEARCH UNCOVERS A NEW MARKET FOR ZIP

Management again became aware that to help forward planning, it needed to know a great deal more about its market potential for bath and shower heaters.

It commissioned a survey to help answer the question: 'How can we sell more bath heaters?' This survey was based on a sample of homes in Sydney but clearly was ill-advised since by its nature it did little more than confirm what Zip knew, i.e. that a market was certainly there.

Another research consultant then recommended a different survey approach—a smaller scale qualitative study of consumer attitudes to find out what made people favourably or unfavourably disposed towards bath heaters.

This survey brought to light a remarkable fact: that actual purchasers of bath heaters bought them because they *had* to, but that many others who were prospects, were scared off by the very word 'bath heater'. To these people bath heater meant 'obsolete', 'old-fashioned', 'chips' and 'gas', fear of 'blowing-up', 'green stains'. As one woman put it: 'They don't have any part in the modern bathroom.' However, the research report said of the Zip product: 'It is technically good, well made, and clean and modern looking.' 'It would not be, nor look, out of place in most Sydney homes,' and went on to advise that 'the product should never be seen, described, nor illustrated as a 'bath heater', but as 'a modern looking, efficient, clean and relatively economical means of supplying hot water in the home under a variety of conditions and for a variety of purposes. And it is portable.'

Expensive television advertising had promoted a concept which people would not accept and to that extent was wasted. Quickly and radically the expression *bath heater* was dropped from the Zip product and Zip thinking. Zip heaters became known as *Portable Heaters for Baths and Showers*.

The research report analysed possible uses for Zip heaters and indicated that there was a whole new market amongst families who had just one bathroom but great pressure on bathroom facilities.

The concept was to promote *bathroom-and-a-half* to people who needed to add to their bathroom facilities. It was a modern approach offering a modern product to people who, in tens of thousands, needed it.

The company had been too close to its own problems. Suddenly its image could be lifted right out of the murkiness of bath heaters. Zip finally shed the last remnants of its back-yard days. This point was brought home by the *audited net profit for the six months ended December, 1966 which exceeded that for the whole of the previous year*.

### CONCLUSION

When Zip changed hands in 1962 it had a staff of sixteen and 6,000 sq. ft. of rented premises. Today it employs forty-nine people in 20,000 sq. ft. of its own premises and sales of units are running at three times the 1962 level. This has been financed since 1962 solely by shareholders' funds and bank accommodation; no additional capital has been introduced. It has a new modern image, a host of new products and makes the biggest range of hot water systems in Australia. It is still a small company, but strong, virile and sure of its future.

Zip is now planning for the next five years. It will continue to do what no one else in New South Wales has been able to do—give efficient cheap hot water to people in sub-standard houses; it can compete in the tough market for full hot water systems; it has a whole new market to develop in *bathroom-and-a-half*.

This story of Zip Heaters is the story of a small company which refused to be shouldered aside by powerful competitors. It is a story of success, success which has come by trying to keep to two principles:

1. A specific profit objective based on a reason to seek profit;
2. Trying to find out what people want, making it and selling it.

## EXPORT AWARD

# Standard Telephones and Cables Pty. Limited: 4

## Export of Australian Electronic Equipment

Since 1962 when Standard Telephones and Cables Pty. Limited made its first essay into the export market the company has achieved a continuing and spectacular increase in the volume of sales, until today STC ranks as one of Australia's largest exporters of manufactured goods.

Having met with successes in Asia the company's export efforts have steadily expanded to Europe, Africa and the Americas, and it is now successfully operating in this highly competitive field in all continents of the world. Having made a thorough study of the various markets and appraisal of the future needs of the developing countries, STC embarked on a carefully planned Research and Development programme which has resulted in the production of a range of equipment specifically designed to meet the present and future needs of the developing nations.

This policy is now paying dividends as evidenced by the penetration of markets previously considered as the secure province of European, Japanese or U.S. manufacturers.

The practical result of these activities is disclosed in the following excerpts from the STC Export Report for 1966.



