**Marketing Director**

****Introduction**

*Nicholson plc* is a specialist manufacturer of taxis that has been in business for more than 50 years. The company operates two factories, the original one is based in the West Midlands and the other is in the North East. Nicholson plc’s taxis have a reputation for exceptional quality and reliability.

In recent years, the company has suffered from falling sales and a decline in profitability. This has been due to:

* A fall in demand in the UK taxi market because taxi firms are replacing their vehicles less regularly
* An inability to compete with cheaper overseas competitors
* A lack of innovation in terms of developing new car models.

Nicholson plc’s Chief Executive, Peter Nicholson, is the great-grandson of the founder of the business. Peter’s objectives for the business are to rejuvenate the brand and to achieve an annual profit of at least £15 million by 2018.

When studying the automotive industry, Peter observed the development of the Nissan ‘Leaf’, the first mass produced electric car. He believes that the development of electric vehicles (EVs) has great commercial potential.

Secondary research suggests that by 2020, 10% of the global car market will be made up of EVs. The main reasons for the predicted popularity of EVs are:

* The rise in fuel costs forcing consumers to look for more efficient alternatives
* Greater awareness amongst both consumers and governments of environmental impact of vehicle exhaust emissions.

As a consequence of these factors, the vast majority of car manufacturers intend launching their own range of EVs in the next few years.

Peter believes that Nicholson plc should consider developing an electric version of its traditional taxi. Given the recent decline in demand in the UK, he feels that they should expand the market by also targeting customers in Europe. He has therefore asked his board of directors to research their different functions (Marketing, Finance, Human Resources and Operations) and bring their findings to a meeting where a final decision will be made.

**Marketing Information**

As the Marketing Director, your task was to research the market. You therefore sent a questionnaire out to Nicholson plc’s existing customers. The results can be seen below:

**Figure 1**

**Figure 2**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Agree %** | **Neither agree or disagree %** | **Disagree**  **%** |
| **Would seriously consider buying an electric taxi** | **42** | **37** | **21** |
| **The limited mileage of an electric taxi would be a concern** | **65** | **27** | **8** |
| **Would be prepared to pay a premium price for an electric taxi** | **7** | **27** | **66** |

**Additional information:**

The price of an electric taxi would be £10,000 more than the current version.

**Operations Director**

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**Operations Information**

C:\Program Files (x86)\Microsoft Office\MEDIA\CAGCAT10\j0285360.wmfAs the Operations Director, you are responsible for investigating whether or not the business has the resources to be able to develop and manufacture these new electric taxis. You have conducted some research into this and found out the following:

It will cost £10 million to convert the factory to make it suitable for the production of electric taxis.

The factories will be able to manufacture a maximum of 900 taxis per year.

The current rate of defective products is 10%, up from 6% the previous year.

Peter has suggested that, given the decline in demand in the UK market, the company should also target other parts of Europe. You have concerns about this as Europe is a completely different market, with different cultures and expectations. You also have concerns about the quality of employee’s work and whether or not they will be able to develop the skills to produce a new type of car and adapt to using the new machinery that will be needed quickly enough.

**Finance Director**

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**Finance Director**

****As Finance Director, you need to take the costs and profits of the venture into account. You have some concerns about this:

Your first concern is that high-technology products, such as electric cars, have a short product lifecycle. This is because new technology is developed at a fast rate and this renders older models obsolete. Therefore, it is important that if the electric taxi venture goes ahead, the business is able to sell enough taxis to earn back the £10 million it would cost to convert the factories. You believe that the company would need to earn this £10 million back in 4 years to make the venture a success. By your calculations, the company will actually achieve this in 3 years, 6.9 months.

You also estimate that there will be many other costs and that a significant budget will be required for the research and development and marketing costs. Due to falling demand, the company has not been performing well in recent years and therefore may struggle to raise the finance for such a risky venture.

You estimate that the project will generate an average profit of £3.8million per year in addition to the profit made from the traditional taxi designs, which was £8 million in 2012 and £5 million in 2013.

**Human Resources Director**

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**Human Resources**

As Human Resources Director, you are responsible for managing the staff within the business. The move to convert the factories so they can produce electric taxis as well as the more traditional models will have a huge impact on the staff within the business. They will be required to adjust their existing working practices, learn new skills and adapt to the use of new technology.

You have analysed some data on the performance on the staff so you can make a judgment on whether you feel they could handle all these changes:

|  |  |  |
| --- | --- | --- |
|  | **2012** | **2013** |
| Labour turnover per year (% of staff leaving during the year) | 5% | 9% |
| Average number of days lost due to sickness per employee per year | 7 | 12 |
| Defective products (products that have been returned as they are faulty). | 6% | 10% |