

1 The Development of Web Marketing Strategy at Scanima A/S

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The summer of 1998 was hot. From the window in his office, Holger Colding, managing director of Scanima A/S, watched a big truck. The truck was just beginning its long journey to deliver a Scanima mixer to one of the company's most important customers, a food producer in an agricultural country. Two of his young engineers, the production manager Claus D. Hansen and the IT construction and sales project manager Jens N. Andersen had just left his office. They had been asking the question he had heard many times before: "Holger, why don't we have a website?" The company already had a connection to the Internet for communicating with customers, partners and suppliers by e-mail; this was working fine. A trainee had been building a website for Scanima, but had left to go back to school without having finished the job. As a marketing tool, the Internet failed to impress Holger Colding. He could not see how his company could benefit from using a Web site to market their products. Through regular deliveries to multinational giants (such as the GEA Group, APV and Tetra Pak) in 135 countries, Scanima had achieved what few Danish companies had been able to do. They had won a number of very large customers who used the firm's mixing machines in their processing plants, and who displayed them in their sales catalogues. This paved the way for worldwide sales.

However, the latest development was that Jens had told Holger about a research fellow at the local University who was an expert in international marketing on the Web, and willing to help construct a Web site free of charge. There was nothing to lose, and Holger reflected that he had often said that having the latest technology was decisive in attracting the interest of potential customers. He looked back on the nine years since he set up Scanima in 1989 with 6 only employees. In 1998 Scanima had 60 employees so the company had developed well enough. Now the engineers needed his attention for new development opportunities, so he ended up thinking "let us wait and see." Some months went by before the issue came up again, when a potential agent asked for the address of the Scanima Web site. At that point the research fellow was contacted and the project was under way. Holger was doubtful, however, whether it was really a good idea to let Jens N. Andersen and the research fellow run the project.

In May 2001, Holger and Jens were ready to create a new version of their website, which drew on the earlier experience. Their discussions mainly concerned two fundamental decisions. The first was whether Scanima should hire an external agency to create the new website or develop it in-house. The second was to specify the requirements for improved functionality of the website, and to make sure that the necessary organizational support was in place.

1.1 Company Profile

The story of Scanima A/S is the story of a successful Danish entrepreneur who in 1989 sold his lifetime's work (Scanio A/S Aalborg) in order to spend more time with his family. Nevertheless, he was soon back with another small start-up company in the same field (the production of stainless steel machinery for the food industry). By 2000 Scanima had approximately 80 employees, of which one quarter were white-collar workers who mostly held an engineering degree.

Table 1: Key Figures for Scanima A/S

	<i>2000</i>	<i>1999</i>	<i>1998</i>
Gross Profit (1,000 DKK)	30383	25604	23108
Profit (1,000 DKK)	2557	2230	1395
Net Value	9003	6446	4215
Rate of Return	9	11	7

Source: Børsen Virksomhedsfakta

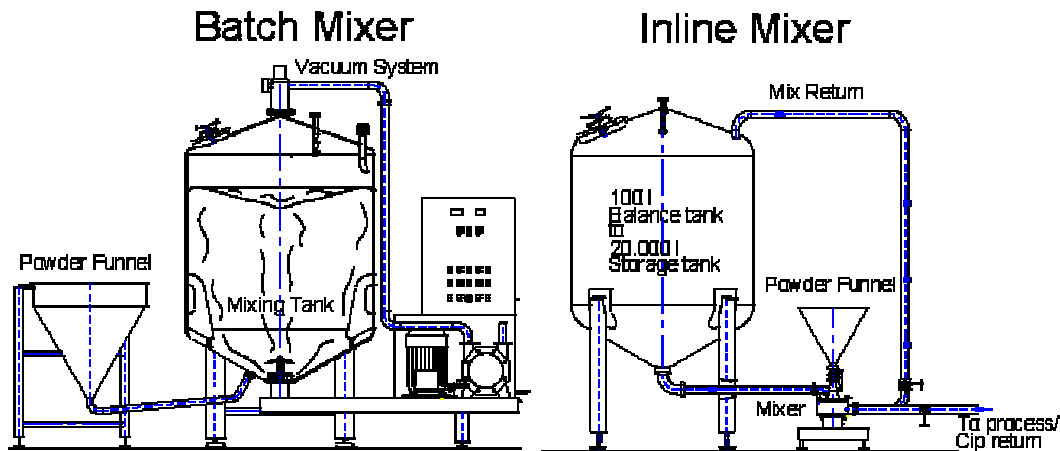
A comparison of Scanima and other Danish production companies employing less than 100 people (based on information provided by the credit information company "Købmandstandens") showed that Scanima ranked among the 25% best performing companies in terms of gross profit, and the top 50% in terms of rate of return.

1.1.1 Products

Holger Colding, the founder and managing director of Scanima, established Scanio in 1972. The company developed and manufactured processing equipment and machinery primarily aimed at the slaughterhouse industry. He managed the development department and took responsibility for product development of mixers, in order to find replacements/substitutes for the current products. When he sold Scanio, he took out a patent for the mixers. These products became the bread-and-butter business of Scanima.

In 1998 Scanima decided to market the mixers through the Internet. The mixers formed part of processing systems for mixing water and powder, and were primarily used in the food processing industry. Homogenization, emulsification and dispersal took a matter of seconds. Particles blended gently into the product. All powder and additives were drawn into the system by vacuum and the product could be fully de-aerated in an automated process.

Illustration 1: Principle drawings of the mixers



Originally the mixers were developed to make dairy produce such as cheese, yogurt, ice-cream, soft-ice and milk from milk powder. The unique thing about the mixers, however, was that they opened up many new applications. In Ireland a mixer system is used to produce a cough mixture. In South Africa the mixers are used for the production of a special hair gel that removes the curls from girls' hair. A British customer who once needed an hour to produce a ton of mayonnaise is now able to produce three tons a minute. Jam, toothpaste, cosmetics, medicines and ketchup are examples of other applications of the mixers, and fast food producers have recently begun to use the mixer systems for the production of exotic sauces. Mixers with similar capabilities could be found neither in Denmark or abroad. The mixers are bulky and heavy (the smallest of them weighing several hundred kilos), and they are transported on large trucks.

1.1.2 International Profile

One has to look back to the year 1972 to understand the internationalization process that Scania has gone through. From the beginning Scania operated in Germany, while competitors and other producers in Denmark were selling mostly to Danish slaughterhouses and food producers. Scania found that the German market had more potential than the Danish market. Nevertheless, it was generally believed that: "you cannot penetrate the export market unless you dominate the domestic market." By 1998, however, most producers of ham in Poland, Czechoslovakia, Hungary, Germany, France and the companies exporting the hams to the USA, used Scania products.

Holger Colding kept this international orientation when he sold Scania and established Scania in 1989. Scania has been internationally orientated from the beginning, and in 2000 the export share was 90%.

Scanima's international operations were primarily in the form of sales of sub-supplies to one large buyer (the mixers were used as components in more complex food production systems). Mixer systems were sold directly to this customer rather than through foreign agents, dealers or importers. The sales process will be described in the following paragraphs.

Scanima took care to develop personal relations and contacts in their interaction with the market. Accordingly, their international activities were based on close contacts with some large buyers of sub-supplies, and on direct sales to customers. Unusually, Scanima used other forms of interaction with the market rather little.

Scanima had formed a very close relationship with Tetra Pak in Sweden. Tetra Pak is an internationally orientated group of companies with 50% of the world market for machines for packaging milk products and combined products such as juice, chocolate milk, ice-cream. It was Scanima's philosophy that having a single large and dominating customer was not always an advantage. Scanima acted as a component supplier for Tetra Pak, which in return provided Scanima with market information. The power balance between the two companies was based on mutual dependence, without Scanima feeling inferior to Tetra Pak. Their mutual dependence rested on the common understanding that Scanima's mixers were faster than other mixers on the market. That enabled the buyer to set up a more efficient production process, which would in turn mean more packing machines, which would of course be produced by Tetra Pak. This is why Tetra Pak had an interest in introducing Scanima's products into the production process of the Tetra Pak customer. Scanima was aware of the consequences of that kind of relationship. The situation was that Scanima focused on product development and production, which together with a healthy economy and customer support would secure necessary credibility. However, Tetra Pak had a policy that their sub-suppliers should not be dependent on Tetra Pak.

It was not only the good relationship with Tetra Pak that had brought internationalization to Scanima's activities. Packaging producers such as Tetra Pak were not the only kind of customer to buy mixers. Food ingredient producers had been the indirect cause of the sale of mixers, and for that reason Scanima tried to introduce mixers to their laboratories. The aim of these laboratories was to convince customers that popular consumer products could be made out of their ingredients. Scanima had a shared interest with these companies. The faster the producer could manufacture (with the help of the Scanima mixer), the cheaper their products and the more they would be able to sell. Consequently the producer would have to buy more ingredients.

Scanima also found it important to sell directly to their customers, and to visit the companies and get new inspiration. The mixers were originally designed for making dairy products. The aim was to establish and maintain good relations with the food producers using the Scanima mixers. This also enabled Scanima to expand internationally. Without having any conscious marketing strategy, Scanima had managed to create a brand mark in which the name 'Scanima' was synonymous with

efficient mixing. The dissemination of the Scanima mixer through large groups of companies resulted in the internationalization of Scanima's activities through sales to the foreign subsidiaries of these companies. Furthermore, the contact with these groups also increased the sales to other, smaller, companies. These smaller companies recruited new employees who were familiar with Scanima mixers from larger companies within the same line of business, who then persuaded their new employers to buy from Scanima. Thus Scanima's international activities were furthered by close contact with large customers with experience of the Scanima brand mark product.

All three types of customers (packing machine firms, ingredient producers and foodstuffs producers) had contributed to the internationalization of Scanima's activities through their own networks. The first two types of customers used their own customers to sell the Scanima mixers, and the third type helped sell them by word of mouth marketing. The product was the primary focus. Quality *had sold itself*. The key issue for the business was continuing product development and optimization.

1.1.3 The Sales Process

Scanima did not have a separate marketing department. The mixers were marketed on the basis of the specifications and quality of the product, with the aim of introducing it to a company and then letting *it sell itself*. This existing "virus" marketing strategy was important for the development of future marketing strategies and for the kind of sales promotion utilized.

The sales representative was expected to have a solid knowledge of the products and of the potential customer's production processes so that they could spread the good news about Scanima mixers. This helped establish a dialogue with the customer. The ideal sales representative had a prior training in food processing or related technologies. They should understand, for example, that the amount of air mixed into ice cream is a matter of great importance, and be able to discuss changes to the product composition. Furthermore the sales representative should be able to make a good impression on the customer.

The sales representative therefore needed to be both product and process expert as well as salesman. It was also necessary for marketing materials and technical support to be in good order. Thus a sales representative could negotiate a deal and later return to Scanima to discuss customer-specific product modifications.

Scanima also used test mixers in the sales process to convince the customer of mixer quality. These test mixers were sent to customers all over the world. If there was any doubt whether a particular job could be done with the mixer system, it was far easier to let the customers try out the mixer for themselves. Interest in the test mixers was considerable.

The sales process, then, was lengthy and involved many parts of the Scanima organization. The sales representative was the key to managing the relationship.

They visited the customer and accommodated for physical and managerial distance. A sales representative with the correct background understood both technical language and company culture and could therefore solve problems that arose.

It was generally believed that the required quality standards for mixers differed according to cultural and national differences. Customers in Japan and Germany especially, required high quality products.

1.1.4 Market Knowledge Acquisition

The market knowledge acquisition was focused on finding companies that could benefit from the mixers' qualities. Thus market analysis and sales activities were closely linked.

The market information that Scanima obtained from Tetra Pak helped promote sales. At the same time, the close relationship with Tetra Pak also made Scanima examine thoroughly Tetra Pak's relations with potential customers. In other words, the marketing effort was very much based on creating and maintaining close relations rather than on planned market strategies.

The Scanima marketing style was to build up long-term personal relations with customers through enlisting important individuals and developing their co-operation, and then to use those contacts to obtain more knowledge about a given market. It was rather more a matter of listening to the experiences of others, than carrying out formal data collection.

1.2 Creating the First Version of the Website

The original idea for the website was to create a platform for Scanima's international customer support and sales and marketing activities. This could speed up the firm's internationalization process by developing existing customer relations and creating new relationships.

Selling activities were to be supported by web pages which the salesperson could use as reference for more information; the salesperson would personally handle enquiries coming via the website. In addition, existing international agents and potential agents were to be supported by more information from the website. Potential customers could contact Scanima on the basis of this information. A further intention was to take the pressure off Scanima's technical support team by helping existing customers solve their own technical problems. Direct initiatives to increase sales were taken later in the creation process.

The core website team consisted of Jens and the research fellow. Holger Colding was also a key figure, though not directly involved in the process. On the periphery of the team were Claus D. Hansen and Kim A. Christensen who acted as discussion partners and generated ideas. Finally, Holger Colding's two sons Peter Colding, purchasing manager, and Lars Colding, after-sales manager, followed the process from the sideline.

The research fellow designed the action plan:

1. Background and starting point for the website
 - a. Understanding of Scanima's products and resources
 - b. Information searching in relation to country, competitors, customers and suppliers
 - c. Scoping
2. Prototyping
 - a. Reflection on observations of website use
 - b. Website scenario generation
3. Invitation to tender for website
 - a. Information searching in relation to suppliers of websites
 - b. Interpretation and analysis of offers received against scenario
4. Creation and marketing of the website
5. Reflection on website use

The research fellow developed the action plan as a checklist for important actions. Originally the process was intended to be iterative: a process repeated several times until the website is established, where the different steps of the action plan influence each other. This process was intended to enable Scanima's employees to handle the further development of the website. However, the development was not as easy as expected, and it took a different route.

1.2.1 Background and Assumptions of the Website

The original idea was to use everyday life at Scanima as a starting point. The first steps in the process were the acquisition of information about the products and resources, but information was hard to find. Scanima had no written strategy and the product brochures were out of date. Primary data had to be collected. This was done through dialog with Scanima employees. Another difficulty that had to be overcome was lack of trust, but gradually mutual respect and understanding were created. It became clear that:

- The mixing equipment was the focus product.
- Scanima wished to dedicate a the minimum resource to the website.
- The development of an Internet strategy would be the first written marketing plan in the history of Scanima.

The website would have to be written entirely in English, because of the skills of people at the company. One language would reduce the maintenance workload.

The next step was to research competitors' websites. The research fellow compiled a list of competitors and categorized the competitors according to the concepts "brochure, manual and shop"¹. The assumption behind this activity was that

¹ Using the Brochure strategy the interaction ends when the current or potential buyer has read the information, unless the buyer chooses to contact the company. The Manual strategy is based upon guiding the buyer in solving his problems. Guidance means that the buyer actually depends on the assistance provided by the company's Web site. The Shop's interaction pattern is a very complex process to make a customer able to buy and/or use the product.

current and potential customers would compare Scanima’s website with its competitors’ websites.

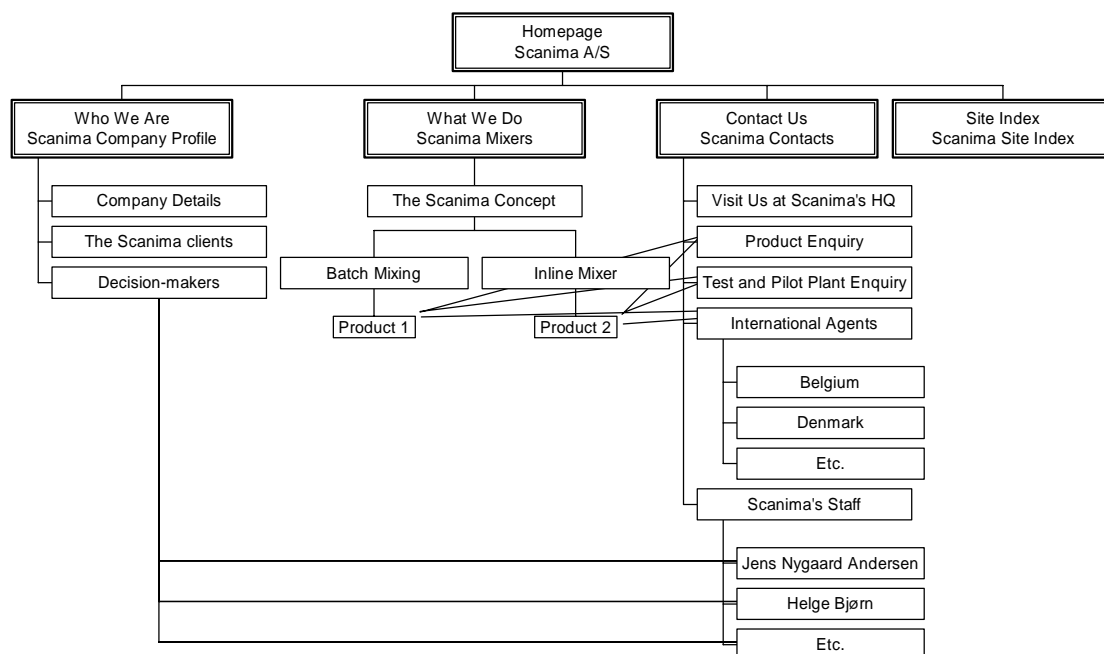
A similar process was carried through with the focus on the customers using an extract of Scanima’s customer database to provide a list of customers. The assumption here was that customers would compare their own websites with the Scanima website.

The investigations revealed that the Scanima website would have to be in English, and should adopt the brochure or manual style, since these were widespread among competitor and customer websites. The conclusion was that the Scanima website should be developed as an information channel for the customers, and as a guide for customers with problem solving tasks.

1.2.2 Prototyping

The website prototype was developed in three parts: “Who We Are”, “What We Do” and “Contact Us”. Illustration 2 shows the structure of the website. The underlying idea was that potential customers would first acquire information about Scanima (Who We Are) and the products (What We Do), and then contact Scanima (Contact Us). For existing customers the starting point of the interaction would be the “Site Index,” which would help them find required information and/or use the contact functions.

Illustration 2: The Structure of the Scanima Website

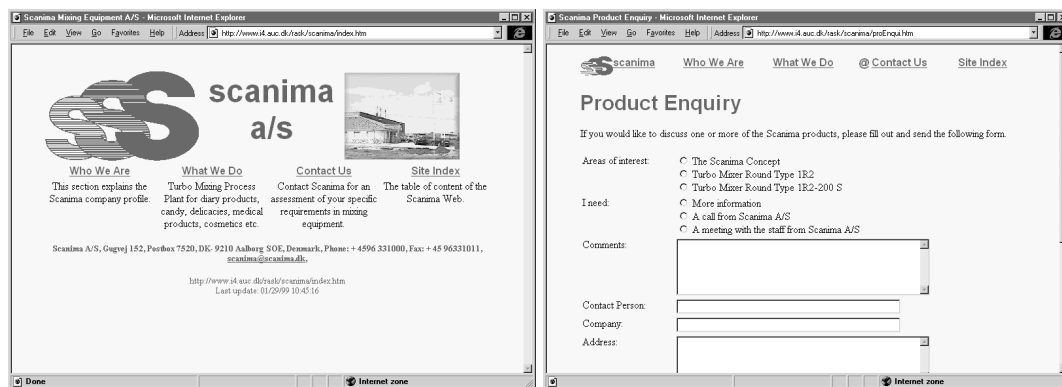


The web-master was new to the job, so the website had to be simple and easy to maintain. Pages were kept simple, with sparse use of graphics and short texts to speed up screen updating. Consequently customers with various kinds of Internet

connections would be able to use the website. One of Scanima's international agents tested the website and gave a very positive response: "My first impression of the Scanima Internet site is very positive: the colors are friendly and navigating from one page to another is very fast. Well done." Short pages also had the advantage that the resulting web-statistics might give a precise picture of the interests of customers.

The managing director approved the design and structure after discussions about colors, navigation bar and content (with Scanima trying to put themselves in the customers's place).

Illustration 3: Examples of the design: Start and exit pages



Approval was given in a meeting at which Jens, the research fellow, Claus and Kim were present. The sales director suggested adding an extra section called "Why Scanima," with a focus on explaining that:

- Scanima was synonymous with "all in one process".
- Scanima was among the four biggest companies in the industry.
- No mixer specification was too difficult for Scanima
- Scanima was flexible
- Scanima is here to stay

However, the Sales Director was too busy to provide the information for this additional section, so "Why Scanima" was never written. The production manager suggested a page that clearly showed the Scanima Mixers to be much faster than the competitors' products. The managing director and the sales director were not happy with that idea for several reasons. The speed of the mixing process was very dependent on the type of product the mixer had to produce, and competitors would get important commercial information. A better solution would be to give the customers the opportunity of testing the equipment. The website already supported this since it was possible to order a test-mixer.

Despite the discussions, no changes were made to the prototype website before it was launched in March 1999.

1.2.3 Tendering for offers to build the website

Scanima was in no hurry to find a web design firm to develop the prototype into a fully functional website.

Scanima did not try to find a new supplier, even though the present Web-hotelier was performing badly and expensive. This company also supplied Scanima's IT-equipment and software, and their choice of supplier was based on existing personal relations rather than on comparative assessment of alternatives.

1.2.4 Creation and Marketing of the Website

Marketing of the website was undertaken by submitting the website to search engines on the Internet, and by making sure that all employees added the URL to their e-mail signature.

1.2.5 Reflection on the Usage of the Website

The supplier of the Web-hotel had difficulties providing Scanima with reliable usage statistics. After a while the problems were solved anyway, but a formal reflection process using web statistics never became routine in Scanima.

During the summer and fall of 2000, there were about 20 product enquiries via the website. They resulted in two orders worth around one million Danish Kroner. When Scanima compared the value of the orders to the cost of the website (approximately 10000 Danish Kroner), the evaluation of the website suddenly became very positive.

Scanima was now ready to consider how to expand the website so that it could become a serious vehicle for growth.