Individual Assignment

Parker Pen Co.

INTRODUCTION

After years of being run as a completely decentralized company whose managers in all corners of the world enjoyed a high degree of flexibility, Parker Pen Co., Janesville, Wisconsin, was forced to re-examine itself. The company had enjoyed decade after decade of success until the early 1980s. By this time, Parker faced strong competitive threats and a deteriorating internal situation. A new management team was bought in from outside the company – an unprecedented step for what had been until then an essentially family-run business. At the March 1984 Palm Beach meeting, this new group of decision makers would outline a course of action that would hopefully set Parker back on a path to success. The men behind the new strategy were supremely confident of its chances for success – and with good reason. Each was recognized as a highly skilled practitioner of international business and their combined extensive experience gave them an air of invincibility. They had been recruited from larger companies, had left high-paying, rewarding jobs, and each had come to Janesville with a grand sense of purpose. For decades, Parker had been a dominant player in the pen industry. In the early 1980s, hoe-ever, the company had seen its market share dwindle to a mere 6 percent and, in 1982, net income plunged a whopping 60 percent. To reverse this decline, Parker recruited James Peterson, an executive vice president at R.L. Reynolds, as the new president and CEO. Peterson hired Manville Smith as president of the writing instruments group at Parker Smith, who was born in Ecuador and had a broad international background, came from 3M where he had been appointed division president at the tender age of 30. Richard Swart was vice president/marketing of the writing instruments group. He spent 11 years at the advertising agency BBDO and was an expert on marketing planning and theory. Jack Marks was head of writing instruments advertising. Marks came to Parker from Gillette, where, among other things, he assisted in the worldwide marketing of Paper Mate pens. Rounding out the team was Carlos Del Nero, manager of global marketing planning, who brought with him considerable international experience at Fisher-Price. Each of these men was convinced that Parker would right itself by following the plan they unveiled at Palm Beach.

A BRIEF HISTORY OF PARKER PEN

The “Rolls Royce” of the Pen Industry The Parker name has been identified with pens since 1888 when George S. Parker delighted ink-splotched pen users everywhere by introducing a leakproof fountain model called the Parker Lucky Curve. Parker Pen would eventually blossom into America’s, if not the world’s, largest and best-known pen market. Parker’s products, which would eventually include ballpoint pens, felt-tip pens, desk sets, mechanical pencils, inks, leads, erasers, and, of course, the fountain pen, were also known for their price tags. In 1921, for example, Parker introduced the Duofold pen. The Duofold, even though it was comparable to other $3 pens on the market, was extravagantly priced at $7. Parker was able to charge a premium price because of its reputation for quality and style, and its skill in positioning products in the top price segment.

Parker’s position as America’s leading pen marker was solidified during the years when the pen was mainly viewed as a gift item. High school and college graduates in the 1940s and 1950s, for example, were quite likely to receive a Parker “51” fountain pen (priced at & 12.50) commemorating their achievement. Indeed, it was with a “51” that General Douglas MacArthur signed the Japanese Peace Treaty in 1945. Parker’s stylish products and high profile name would keep it at the top of the pen market until the late sixties as well as a few foreign brands, knocked them out of first place once and for all. Of course, Parker would not have lost its hold on the market had it not made some oversights along the way. In addition to a more competitive environment, Parker failed to come to terms with a fundamental change in the pen market – the development of the disposable, ballpoint market. When Parker unveiled the $25 “75” pen in 1963, it showed that it remained committed to supplying high showed that it remained committed to supplying high priced pens to the upper end of the market.

As the 1960s wore on, a clear trend toward cheap ballpoint and soft-tip pens developed. Meanwhile, Parker's only ultimately successful addition to its product range in the late sixties was the "75" Classic line, yet another high-priced pen. A Brief Flirtation with Low-Priced Pens Parker did, however, make an effort to compete in the lower price segment of the market in the late 1960s only to see it fail. In an attempt to capitalize on the trend toward inexpensive pens, Parker introduced the T- Ball Jotter, priced at $1. 98. The success of the Jotter led it to move even further down the price ladder when it acquired Eversharp. Whereas the Jotter had given Parker reason to believe it could make the shift from pricy pens to cheap pens with little or no difficulty, the Eversharp experience proved to be different. George Parker, a grandnephew of the company's founder and president of Parker at the time, stated the reasons for the Eversharp failure, as well as its consequences: All the market research surveys said go lower, go lower, go lower, that's where the business is. So I said, 'Go lower? Fine. But we don't know how.' We bought Eversharp and tried to run it ourselves, and we couldn't do it. Our people just couldn't think in terms of big units, and they didn't know how to sell people on the lower-priced end of the business – grocers, supermarkets, rack jobbers. The result was, Bic and Paper Mate were cleaning up in the lower-priced end, Cross in the high, and Parker was getting up, but our costs went up faster, and our profits were squeezed.

The 1970s: The Illusion of Success Despite the difficulties Parker encountered when it left its niche in the upper end of the pen market, the company experienced a healthy period of growth and profitability for most of the 1970s. Demand for its products remained strong, and its worldwide markets expanded significantly due to a rise in consumer income and increasing literacy rates in much of the Third World. Parker also chose to diversify during this decade, and its most noteworthy acquisition, Manpower, Inc., proved to be a temporary-help firm, Parker was the slightly more profitable of the two. With the boom in temporary services in the late seventies and early eighties, however, Manpower eclipsed Parker in sales and earnings and eventually subsidized its parent company during down periods. Why did parker fall from its position of leadership in the writing instrument market" there were many reasons, and one of the most important was the weakening of the U.S. dollars. At its peak, Parker accounted for half of all U.S. exports of writing instruments and 80 percent of its total sales came from 154 foreign countries. Parker was especially strong in Europe, most particularly in the United Kingdome. When sales in the strong European currencies were translated into dollars, Parker earned huge profits. The downside of a weak dollar, however, was that it gave Parker the illusion that it was a well-run company. In fact, throughout the 1970s, Parker was a model of inefficiency. Manufacturing facilities were dated and inefficient. Production was so erratic that the marketing department often had no idea what type of pens they would be selling from year to year or even month to month. Under the leadership of George Parker, nothing was done by company headquarters to update these facilities or to develop new products. As a result, subsidiaries and distributors around the world saw fit to develop their own products. By the end of George Parker's reign, the company's product line included 500 writing instruments. That distant subsidiaries would have the leeway to make such decisions was not at all unusual at Parker, for it had long been known as one of the most globally decentralized companies in the world. Decentralization, in fact, was something that Parker took pride in and considered to be vital to its success as a multinational. Yet it was this very concept that Peterson and his new management team would hold to be responsible for much of what ailed Parker Pen.

PARKER'S GLOBAL OPERATIONS BEFORE PETERSON

In addition to having a hand in manufacturing and product-line decisions, Parker's subsidiaries developed their own marketing strategies. More than 40 different advertising agencies promoted Parker pens in all the corners of the globe. When Peterson came to Parker, he was proudly informed that the company was a "federation" of autonomous geographical units. The downside to the “federation” concept, Peterson though, was that home country management often lacked the information needed to make and coordinate basic business decisions. Control was so completely decentralized that Parker didn’t even know how many pens it was selling by the time Peterson and his group arrived. On the other hand, decentralization obviously had its positive aspects, most noticeably in the field of advertising. Pens mean different things to different people. Whereas Europeans are more likely to choose a pen based on its style and feel, a consumer from a lesser-developed country in the seventies viewed the pen as nothing less than a badge of literacy. In additional, tastes varied widely from country to country. The French, for example, remained attached to the fountain pen. Scandinavians, for their part, showed a market preference for the ballpoint. The logic behind having so many different advertising agencies was that, even if it appeared to be somewhat inefficient, in the end the company was better off from a sales standpoint. Some of the individual advertising agencies were able to devise excellent, imaginative campaigns that struck a responsive chord among their local audiences. One example was the Lowe Howard-Spink agency in London. The Parker U.K. division became the company’s most profitable during the tenure of the Lowe agency. An example of its creativity is an ad is a picture of a dead plumber, on his back, with a giant Parker pen protruding from his heart. Part of the text is as follows: Do you know plumbers who never turn up? Hairdressers who missed their vocations as butchers? Drycleaners who make your stains disappear – and your clothes with them? Today, we at Parker give you the chance to get your own back. Not only are we offering a beautiful new pen called the Leque which owes its deep luster to a Chinese technique 2000 years old, but we are attempting to revive something that went out when the telephone came in. The well-armed, witty, malicious dart. Although the Parker U.K. division was a success, however, the company’s general inefficiencies, loss of market share, and lack of strategic direction were finally revealed in the early 1980s with the rise of the U.S. dollar.

Parker’s financial decline was even more precipitous than the dollar’s increase. When the huge 1982 losses were registered, Peterson was brought in from R.J. Reynolds to try and turn things around for Parker. He decided that every aspect of the company needed to be closely examined, not the least of which was Parker’s decentralization of global operations.

Questions:

1. What would you do if you were in James Peterson’s shoes in January 1982?

2. What changes, if any, would you make in Parker’s marketing strategy? Include a SWOT analysis.

3. Which aspects of Parker’s structure would you discard? Which would you keep?

4. Assume that you are James Peterson and you have just hired a new management team composed of highly qualified executives from outside companies. You and your new team are convinced that you have the solution to Parker’s problems but there are many hold overs who disagree with you. How would you implement your plan? To what extent would you incorporate the views of Parker management into your plan?

Minimum 800 words (include word count) to stephen@empresarios.com by 1300 Friday Aug 29, 2014