

Entry of Scania into Australia

The Company and the Product

Scania is the biggest of three divisions within Saab-Scania AB. It has its main factory in Sodertalje, Sweden. Its product line consists of heavy trucks but also buses and industry and marine engines. Its line of trucks contains the front built G, P-, and R-trucks beside the Torpedo built T-trucks. The Scania brand has a long history. Its first truck was produced in 1902. Its internationalisation started with the establishment of a company in Brazil in 1957. Today Scania is represented in about 80 country markets throughout the world. Its primary competitive means, it would argue, is the product. Scania strive to be at the leading edge in terms of safety and production techniques. The entry into the Australian market dates back to the 1970s.

The Entry

In 1966 Scania produced its first right hand drive truck which had been developed for the British market. After its entry into the British market, Scania directed its attention to other left hand traffic markets such as Malaysia, Indonesia and Australia. As head office they carried out some traditional desk research. The technical and general managers visited the Australian continent in the beginning of the 1970s. Their main task was to find an agent. The company's policy was first to try to find local organizations which could meet certain specified criteria. Saab-Scania's daughter company V.A.G. Sweden AB was a general agent for Volkswa-gen (VW) cars in Sweden. Through contacts with VW in Germany, Scania made contact with VW's representative in Australia, Clyde Industries. This company was both assembling and selling VWs, as well as being a locomotive producer. Clyde Industries seemed to be a possible candidate for the agency. Another two or three alternatives were investigated, but Clyde was deemed to be the best even though it met only half of the desired criteria. Australia had by then a well established heavy trucks industry and the best agents were already engaged by other manufacturers. There were about 25 competitors. Most of these were American and Japanese, but Mercedes-Benz and Volvo were also in the market. The customers could be divided into two groups: major customers such as oil companies and transport firms, 'fleet owners', and

single truck owners, A specific feature of the Australian market was the desire of the customers to assemble their own cars using components from all possible suppliers. In 1971 Clyde Industries was made the general agent. Contacts between Scania in Sodertalje and Clyde in Sydney were sporadic. The management of Scania thought that an Australian importer and Swedish quality would be unbeatable. It turned out that the product was insufficiently adapted to the Australian market. The first year ended with only 38 trucks being sold. Clyde wanted to withdraw from the venture. The agreement was terminated the same year. Two alternatives remained: to leave the market or to start a sales subsidiary. Both would be difficult. The company choose the latter and moved to Melbourne. It appointed a chairman of the board who had lots of industry contacts and a good social reputation. The appointment was arranged by the senior Swedish industrial magnate, and owner of the company, Marcus Wallen-berg. With the help of the chairman of the board it also found an Australian manager who had previously worked for a competitor, the American producer Kenworth. This was in 1972 and meant a new philosophy for the firm. It thought a native born Australian would have a better chance of creating trust. But no progress was made. The problems became more frequent in number and worse in scope. There was the oil crisis. There were problems in adapting the sales pitch to the market's requirements. There were communication problems between the local manager and the sales people and with the head office. In 1975 head office wanted to have the local manager replaced. In 1976 a new Swedish manager was appointed. This improved the communication with the head office which was then convinced of some of the important local market demands. Product adaptations, improved repair service, rationalizations within the sales force, manager involvement in the build-up of customer relationships and, later on, local assembly, helped a great deal. The development of other relationships, including a joint technological development project with among others Mobil Oil Australia and an Australian tank producer, Hockney Alcon, turned out to be strategically sound moves. The end of the 1970s saw an expansion in sales and in the beginning of the 1980s the situation was stable. In 1983 and 1984 Scania was awarded 'Truck of the Year'. In 1985, 542 trucks were sold which gave them a market share of 8.9%, the fifth biggest in the Australian market.

Questions

1. What were the major firm & market characteristics and how did they affect the company's international strategy?
2. How were the chief executives appointed in the overseas market?
3. What were the key strategies of the company?