

## Case Study for Chapter 1

### C.A. Papaellina & Co. Ltd.

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Cyprus is an island in the Eastern Mediterranean, perhaps best known as a holiday destination: the party-and-package holiday resort of Ayia Napa, the Troodhos Mountains, the family resort of Paphos in the west, and the ancient Greek and Egyptian ruins on the island are world-famous. Cyprus has a considerable military presence also: since 1974, the island has been divided between the Turkish Cypriots in the North, and the Greek Cypriots in the South, with the United Nations maintaining an uneasy truce between the two along the Green Line, which divides Nicosia in two. The island's strategic situation, close to the Middle East, means that the British Army and the RAF maintain large bases on the island at Akrotiri and Dhekalia.

Cyprus has a small population (around 760,000 people) but is economically highly-successful, with a high standard of living and low unemployment (around 3.4%). It thus represents a desirable, though small, market for most consumer goods. The island is small: the Greek part of the island is less than seventy miles from end to end, and around thirty miles wide at the widest point.

C.A. Papaellina & Co. Ltd. is one of the island's most important distributors. CAP was founded in 1930, and has since grown to the point where the company distributes into most of the retail outlets on the island. The company is well aware of the peculiarities of the Cypriot distribution system: for example, the island has many small street-corner kiosks which sell everything from newspapers to bootlaces, as well as several huge hypermarkets (retail stores of over 5000 square metres selling area). CAP handles many international brands, such as Chanel, Davidoff, Jean Paul Gaultier, Kleenex, Lucozade, Ribena, Aquafresh, Maclean's, and even Tabasco Sauce. In 2002, the company opened its new pharmaceuticals centre, and in 2001 it signed a contract for new warehouse software worth CYP170,000 (approximately \$300,000). This software was supplied by the UK software house, JBA Automated Systems of Durham.

CAP is divisionalised into five separate areas. These are:

1. Personal care and household products.
2. Consumer health care products.
3. Paper products and foodstuffs.
4. Cosmetics and Fragrances.
5. Pharmaceuticals.

CAP employs 150 people, runs its own sales force, and supplies in every retail sector in Cyprus. This means that the firm is equally able to supply huge hypermarkets and corner kiosks – in itself, this presents considerable logistical and accounting problems. Using its own fleet of trucks and vans, the company distributes throughout the Greek portion of the island.

Because the Cypriot market is so small, distribution chains are short and are often integrated: CAP owns 30% of the AlphaMega Hypermarket in Nicosia, 100% of Beautyline (the cosmetics retail chain) and 50% of Demetrides and Papaellinas, the distributors for the Swiss pharmaceutical giant, Novartis. CAP opened its own specialist pharmaceutical distribution centre, PharmacyLine, in March 2002. This distribution centre can carry out daily deliveries to every pharmacy in Cyprus, an important service considering that many medicines have extremely short shelf lives, or may be in infrequent demand and therefore may not be stocked by the pharmacies.

Foreign companies appreciate the way CAP uses its intimate knowledge of the Cypriot market to facilitate distribution. For example, CAP has a re-labelling and re-packing unit in which imported products are re-labelled in Greek to meet local labelling requirements, and if necessary are also

repackaged. CAP's knowledge of the local distribution systems means that the company is able to distribute in bulk to hypermarkets with the same ease with which its small vans distribute small quantities to kiosks: the mountainous topography of Cyprus, and its constant influx of foreign visitors, present special problems which only a local firm can solve.

Cyprus is a small island dependant on foreign trade. It can no longer be self-sufficient, but it is rich, so it imports most of what it needs from day to day, and exports some agricultural products and a lot of tourism. C.A. Papaellina is at the forefront of facilitating this exchange.

### **Case study questions**

1. What categories of salesperson would CAP need to employ? *CAP needs missionary salespeople for dealing with pharmaceuticals, order-takers for dealing with supermarkets, delivery salespeople for the kiosks, and creative salespeople for opening up new accounts.*
2. Why would a foreign firm use CAP rather than employ its own salesforce? *Using CAP means that the foreign firm already has access to a wide range of distribution, and will almost certainly save a great deal on the costs of personal selling since CAP has economies of scale: CAP's salespeople carry a wide range of products.*
3. How might personal selling fit the promotional mix for CAP? *Personal selling is likely to be the major component of CAP's promotional mix, because the company is in a business-to-business environment.*
4. How might the salesforce help in locking out competition in Cyprus? *Because the salesforce has a very wide range of products to offer customers, other firms are effectively locked out because they would be unable to match CAP's offering. Also, customers become confident of dealing with specific salespeople and are often reluctant to change.*
5. Given the predominance of the Internet in international business, why is it apparently so difficult for foreign firms to bypass firms like CAP? *Apart from language issues, which present considerable difficulties in a country such as Cyprus, there is also the problem of dealing with the geographical and business structures of the island. Local knowledge is essential: the Internet cannot provide the depth of knowledge CAP can offer.*