

OnLine Case 16.4

Black Cat & Standard Fireworks

Standard began manufacturing fireworks in the UK in the 1890s. It was able to remain independent for nearly 100 years. By the 1960s the number of UK producers had declined to 11, and Standard was one of the largest. In the mid-1990s, with factories in Huddersfield and Doncaster – as well as a joint venture in China – it was the only UK *manufacturer*. Standard (with its subsidiary, Brock) had some two-thirds of the UK market; imported brands such as Astra and Black Cat, mostly from China, but with some from Hong Kong, constituted the remainder. Europe has imposed tighter regulatory standards than the Far East, where labour costs are also lower. Simply, UK manufacture became less profitable than production in China. The quality of UK and some European production remains high in the case of the more sophisticated fireworks; for lower-price items quality differences are not an issue. Quality control is always important.

In the 1990s Standard had 17,000 customers in the UK, many of them small, independent retailers, who buy over 80 million fireworks each year. The UK's biggest demand for fireworks is on 'bonfire night', 5 November each year, which marks the anniversary of Guy Fawkes' ill-fated attempt to blow up the Houses of Parliament. Historically Standard's team of (eight) salesmen collected provisional, indicative orders all through the year, confirmed orders tend to be placed during October for immediate delivery. Virtually all deliveries are made in the three to four weeks which precede bonfire night; all payments are due in late November. For many years the company was very profitable, but this would change with competition.

The company was controlled by its founding family for over 90 years before it was acquired by the mini-conglomerate Scottish Heritable Trust in 1986. SHT's other businesses included hospital beds, golf clubs, sock manufacture and gravel pits. Standard acquired its competitor, Brock, in 1987, and chose to utilize the Brock brand for the fireworks that it manufactured in China. Standard was bought out by its managers in 1992 but then sold to its Hong Kong-based rival, Black Cat, in 1998. Black Cat already had a UK base in Burton-on-Trent which it set about consolidating on to Standard's Huddersfield site. The company is now called Black Cat Fireworks.

Historically, Standard decided what it would make in any one year, and essentially told its retail customers what they could have. This disappeared. Production took place mainly between January and September; Standard did not manufacture any fireworks in November and December, the last two months of its financial year. The product mix, and the numbers of each firework, were initially based on the previous year's delivery pattern, and then adjusted in line with the indicative orders received. Production was constant, rather than loaded at the end of the period, and there were no night shifts. Safety considerations ruled out a last-minute rush. It was a 'one-shot'

business, with little opportunity to alter the product mix at the end of the cycle if forecasting has been poor.

Fireworks were not produced in the UK in a 'typical' factory, again for safety reasons. Teams of one to three employees worked in small huts which were geographically separated on the site. If there was an explosion, the hut roof was designed to blow upwards and the sides outwards; only a limited number of people were at risk. Gunpowder was delivered in small quantities to each hut on a regular basis, and finished products taken away for storage elsewhere. Transport was by rubber-wheeled hand carts; there were no petrol-driven vehicles within the confines of the production area. The amount of gunpowder and fireworks that could be stored in any one building and on any one site was regulated and restricted. Standard hired secondary storage facilities near Gretna Green and in Staffordshire.

Standard could not physically distribute all of its fireworks itself during October. It had to hire capacity from independent carriers. Standard delivered large loads to the carriers who then took the fireworks (in small packages) to the retailers. Co-ordinating this network was critical for success. In one difficult year, for example, there were problems with one carrier who was simply unable to deliver the packages on time; given the tight deadlines, this constituted a crisis for Standard.

Managing the cash flow was also critical. The bulk of Standard's inward cash flow was in November; by February the cash reserves had been spent and the overdraft then grew steadily and remorselessly until the following November. There was some limited flexibility in that low-cost fireworks could be manufactured early in the cycle, leaving the most expensive ones until the end.

All production is now based in China; the UK sells, stores and distributes. Operationally in the UK it has been seen as important to try and move away from a reliance on November 5th, although this will remain a key date for years into the future. The New Years Eve celebrations at the turn of the new millennium helped persuade people to buy and light fireworks on other occasions – and there is evidence this trend has grown. From the point of view of Black Cat it is less of an issue – they supply a global market and celebrations are at different times.

Questions:

Do you see it as inevitable that the UK would cease to manufacture fireworks along the lines that it did?

Given that most European manufacturers focus almost exclusively on high added value (and premium price) display fireworks, what is the future for Standard/Black Cat?

<http://blackcatfireworks.co.uk>