

Acme case study

Business



ACME Case Study 2011 CLASS NOTE: - WALKED THROUGH THE VARIOUS ANALYSIS SECTIONS - MISSING PROJECTED INCOME CALCULATIONS? - PROVIDED EXTRA RESEARCH, WITH REFERENCES - 4P'S? FULL DETAILED STRATEGY - IMPLEMENTATION (TIMELINE, TASKS)? ACME Case Evaluation This report analyzes the market potential of the dog shaped letter holder in the black, chrome and gold-plated coloring. Qualities and potential of the product include the following. The dog shaped letter holder has a huge target market spanning the entire globe since everyone could use a letter holder .

It has high potential demand and a huge profit margin. This means the letter holder gets a great return on any initial investment placed into it. The letter holder is durable, attractive and unique from all others in the industry making it difficult to imitate. Acme is an experienced company having been making letter holders for ten years with high economies of scales on them. This means that ACME can turn out a huge number of these letter holders at a very low cost.

A huge target market exists for this product ranging from dog owners to just about anyone working at a desk. Anyone would love this product to liven up their workspace. The letter holder does have a lot of competitors so it will have to be well priced and advertised to take a large market share. Though this really shouldn't be an issue with the high quality and brand name associated with ACME. The company has a huge potential market in front of them ranging from dog owners in Canada to just about anyone in the world who works behind a desk.

Loads of alternatives exist for making this product even better. Numerous recommendations have been made to make the product even more marketable and appealing to consumers. The only thing standing in the way of ACME becoming a global brand is more capital now. The following will describe why this product is an excellent source for future investment.

Section 2 Objectives of the report The main objective of this report is to convince management that not only is the dog letter holder going to be a frequently sold product; it will also be one of the top selling products for the company.

Over the course of this report it will be proven that the new dog shaped letter holder is a tremendous opportunity and that it is a product that's entering the market with vast, abundant and untapped potential. We are trying to prove that the product itself is not only a profitable one worth manufacturing and selling with extremely high profit margins, but also that it is a product that can be distributed globally since our target markets are all over the planet. This product is going to attract customers to buy this letter holder for them and their loved ones not only because of its letter holding capabilities, but since it is a dog shaped letter holder, it also appeals to those that are dog owners and animal lovers in general. Furthermore it is a product that will be competitively priced and will have the added competitive edge with its superior durability as a result of being built by a company with years of experience. **Section 3 Situation:** After examining Acme Bending Co. , it is clear that Robert Tomas, the sales manager of the consumer product division has developed his division as a producer and marketer of the company's own

branded products, distinguishing it from other competitors in the industry and making it unique and difficult to imitate.

Tomas has done this by, developing several unique designs for letter holders, flowerpot holders, key and pencil holders along with other novelties. Out of these designs, the letter holder that takes shape of a dog is the most promising yet. More impressively, Acme Bending Co. has had much success thus far in terms of getting the product out into the market. Acme Bending Co.

has already distributed its product to locate shops and chain stores so they have already have a strong piece of the market segment. Moreover, there seems to be a fairly large share of the market yet to be controlled or even be made aware of the products existence. With the low cost of the black dog shaped letter holders being only one dollar and chrome and gold holders costing only two dollars per unit to manufacture, the mark up is nearly seven to ten times the manufacturing cost meaning their base profit margins are between five and ten dollars per a unit. All in all, Tomas wants to aggressively push this new product into the market and is seeking expert opinions. Analysis: Organization: Acme Bending Co. is currently generating sales volumes of \$10 million per year, with much of the designated target market still to be penetrated, there is much promise for the dog shaped letter openers.

The company has been in business for ten years so they have a wealth of knowledge in manufacturing these wire shaped products. Further they have been manufacturing the same style of product for so long in so many

different ways their manufacturing costs should be much lower than their competitors as economies of scales beings to initiate significantly lowering their costs. Making them have the potential for extremely high sales with enormous profit margins. Buyers: It is clear that the majority of buyers for this product will be dog owners as the product would likely appeals to them the most. They should take care to focus primarily on those dog owners working desk jobs whether in a home office or at work.

This is just the kind of product people would want in this space to liven up a mundane atmosphere. Further even those working at desks without dogs would probably be interested in this product just due to pure attractiveness and usefulness of the product. Now the question to raise here is, “ are there enough buyers for letter holders shaped in the form of dogs, to keep generating revenues that Acme Bending Co. has already established? ” Well, looking into consideration that 100’s of units were sold to local stores in the local region is a great start. It is just the responsibility of Robert to lock down these deals once they are made at a competitive price. Firm prices must be established quickly if the product is to be successful.

Moreover, Canada’s estimated Number of Canadian Households with Dogs, 2002: 3. million and estimated total Number of Dogs held as Pets, 2002: 5. 7million (Dogs Canada) and the trend has increased since. Once the product becomes an instantaneous hit, Japan, Australia, the UK, France, Italy, Germany and the US are markets that will be easy to enter due to the amount of dog owners in each. (Figure 1).

Competitors At this time it is also a good idea to look into game theory in the sense that you are one player in the game and there is one other major competitor. With that being the scenario, Game Theory tries to determine optimal strategy for each player, again the player being Acme and its competitor, strategy is a rule or plan of action for playing the game (gaining the market share) and optimal strategy for a player is one that maximizes the expected payoff (rewards). In order to beat out any and all competitors, it is best if Acme Bending Co. uses the Dominate Strategy in which, Dominant Strategy is one that is optimal no matter what an opponent does. Basically; * A: regardless of B, advertising is the best * B: regardless of A, advertising is best Further, one of the biggest concerns going into the market is having cheaper knock-offs of the dog shaped letter holders from competitors such as convenience and dollar stores. However, this problem can be avoided simply by Acme Bending Co.

gaining the patent rights to their products. Also even if they can't get a patent and dollar stores begin to produce dog shaped letter holders the quality and brand name of ACME letter holders will have to withstand. Competitors may also seek to target dog owners and office workers exclusively which will give them a bigger section of the market segment. If competitors do choose to copy the product they may be able to do so quite competitively as they are currently selling letter holders at around 10.49 (Staples). Though this is high it does mean the dog shaped letter holder can be priced very competitively at ten dollars and still make huge profit.

Market The market for this product is a fairly wide spread market. Thanks to globalization, Acme Bending Co. products will be able to enter the global

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market place in the sense that it will be sold in major countries that have showed an increase in dog owners. By looking at Canada's figures alone, it is clear to see that there are well over 3 million Canadian dog owners.

Essentially meaning that without expansion into other parts of the world, there would be a potential market of 3 million plus and with the letter holders selling for a minimum of \$10 a unit, 30 million in revenues.

Further the market of people working in office settings ranges in the hundreds of millions. If even one percent of this market could be captured sales would be huge. With 1% of 100 million being 1 million * 10 dollars per unit is ten million dollars. With just 250, 000 dollars in overhead each year this is a phenomenal profit. The growth potential is also key to take into account.

According to statistics Canada, Canada's population grows on average 0.16 per year and out of that percentage, 0.06 are dog owners. This is a substantial amount of growth opportunity for Acme Bending Co. Further, it is also important to consider that dogs are pets in several regions of the world and if marketed right, the dog shaped letter holder could be able to grow from being a domestic product found in the local town to being an international agent with a brand name known around the world.

With Acme Bending Co. already having sold units to local shops, if they want to succeed and take a large chunk of the market share as planned then they will need to consider distribution and a distributor set up. To distribute the product may be quite costly. Optimally several major warehouses will be set up all over Canada and goods will be shipped from there to retailers.

Currently however the company remains too small for this kind of investment so goods will probably have to be shipped by truck.

Shipping costs from Winnipeg to major markets like Toronto will cost \$3, 036 per truckload. (Transport Canada). Or they may ship by rail for lower costs but no stops can be made as if possible when using trucks which may raise problems. Costs involved are shown in figure 2. However in a truck thousands of these letter holders could be fit so the cost per unit is actually very low.

Another option is to use Starting up for the first year, the distributor should be local. So the company could simply use a point of purchase sales system in order to cut out any logistics costs at all and simply focus on the product. On the other hand, if the company wants to sell its products in foreign markets this will lead to increased sales resulting in increased revenues, which should translate into increased profits. In order to accomplish this goal, Acme Bending Co. must first establish distribution channels in foreign markets.

Acme will have to decide on having a stocking and non-stocking distributor, having custom manufactured products, seasonal sales, perishable food products and limited number of potential buyers (Going Global). Further a very effective pricing policy would be distribution pricing. This will allow them to quickly enter foreign and distant markets. Really, to get started, you need to focus on an export marketing intermediary or setting up an international department, either or, the first goal is to get the product

launched and have it be successful domestically. Shopping habits are another key issue to take into consideration.

Will these dog shaped letter holders be the next big fad or will its trend stay for a long period of time? Statistics Canada reveals that on average, the Canadian pet owner will spend \$275 to \$8500 on their pets “ other” treats. Findings: Considering Acme Bending Co. ‘ s history and the amount of revenue generated to date, plus knowing the market and product they wish to promote, it is safe to say that there is a strong Canadian market. As a matter of fact, there is a strong international market as well. Analyzing the potential buyers and competitors in more detail will only give a better understanding of how successful the product will be, but as it is now, there is definitely a high success rate for the dog shaped letter holder. Section 4: Alternatives: One alternative is customizing specific breeds of dogs on the holder.

The pros to this alternative is, this will make the holder more unique and give the product a more sentimental value. The cons would be, more work for the artist to create the holders, a higher price to manufacture resulting in less of a rate of return is still selling them at 7-10 dollars each. When starting to promote the product, get a celebrity to help advertise it (Cesar Milan). Pro; a positively recognizable face with the product will help boost and encourage people to buy the product. The cons, this would be hard to contact the celebrity and also cost money not only for the celebrity to devote their time but also for the advertisement itself, whether it is a newspaper, radio, or television ad. Another possibility is to allow customers to customize their dog letter holders by making a spot for them to slide a picture of their dog in.

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That way they will be able to see their pet every day at work with them. The pro of this is that it seems like an excellent way to get consumers with pets to purchase the products. The cons are that it would make it harder to manufacture and non-pet owners would automatically have no interest in the product. Most likely this could just be another type of letter holder. So there will be some letter holders with this function added on and some without it. Another alternative is to spice the product up a little bit with some technology.

A microphone could come with the letter holder that is to be placed on the collar of your pet. Then a button could be placed on the letter holder. This way if the pet is to become lost the button could be pushed sending a signal to the microphone that the pet is lost. The microphone can then bellow out the address where the pet is to be returned to. Or if the company could get in contact with the humane society perhaps they could implement it with their system of pet registration.

That way if a pet is lost the signal could also be sent to the humane society and they would know immediately. The pros of this are that it would be a huge selling point for pet owners in pet safety. The cons are that it would be expensive and challenging to implement. Large R&D expenditures would be required to get this system up and running efficiently. Also this idea is a little bit extreme for a small letter holder making company.

Section 5 Recommendations: The key recommendation is to take the dog shaped letter holder to production and to market and try to drive sales up extensively with whatever marketing possible. It is important to capture a

large market share early on. One of the best ways to do so is to make sure the product is competitively priced since there are other companies that are trying to capture a large market share in this space. It has to be good the first time as consumers are rarely willing to give products a second chance. It is important to focus on growth while the product is in its infancy, and then turn the company's attention to profitability in the long term. On a related note, once sufficient financial statements have been generated regarding the revenue, expenses and profits/losses generated from the dog letter holder have been created by the accounting department, the idea of dropping of the gold and chrome letter holders should be discontinued depending on how much of the sales and profits they are responsible for bringing the company in relation to their cost should be seriously considered by the management.

If the statistics show that the majority of the money the company is bringing in from the black letter holders that are sold for less since they cost less to manufacture, yet still have the same quality and serve the same purpose, then that is all that the company should make. Although the total sales of the letter holders might drop, the product will ultimately be very profitable due to much lower expenses. Also, with no money invested towards the more expensive gold and chrome letter holders, there will be more money to invest in the black letter holders, whether that money goes towards producing more black letter holders or increasing the amount invested in advertising and/or R; D to make anyone of the numerous improvements to the product possible. This could also drop the price of manufacturing the product significantly, it will be all the more likely that the product is a

success and a staple of the company's overall revenues. Another recommendation is that a portion of the proceeds from every dog shaped letter holder sold should go to the aid of a dog related charity; this will strike a chord with our dog and animal loving consumers and will be more interested in buying our letter holder over others.

This approach will also improve product and overall brand awareness as well as brand image with the general public thanks to the improved public relations. This will help in making ACME a brand name letter holder with a very positive corporate image. Further ACME should create a “ brand name” for their Dog Shaped letter holder. One that put's an image of quality in people's heads. Then each year they should tweak and improve the design so the people who bought it the last year will seek the latest model and buy it.

This way there isn't a one time limit on consumer purchases consumers will constantly be cycling through each year and picking up the latest model. Acme has a great product with lots of extremely strong selling points. It has high profit margins, a huge potential market and many ways to improve it and make it exceptional. With some small investments now the potential for this product is limitless. Each year more improvements can be put upon the initial design making the dog letter holder a new and innovative product no matter how long it is around for. This product has the chance to hit the market big all the company needs is a little more capital now.

Appendix A [Figure 1] – Australia — Estimated Number of Australian Households with Dogs, 2002: 2. 8 million Estimated total Number of Dogs

held as Pets, 2002: 3. 972 million — Japan — Estimated percentage of Japanese Households with Dogs: 18. 3% Estimated total Number of Dogs held as Pets, 2002: 11. 137 million - Canada — Estimated Number of Canadian Households with Dogs, 2002: 3.

4 million Estimated total Number of Dogs held as Pets, 2002: 5. 7 million — United Kingdom — Estimated Number of UK Households with Dogs, 2001: 5. 3 million Estimated total Number of Dogs held as Pets, 2002: 6. 1 million — Italy — Estimated Number of Italian Households with Dogs, 2004: 4. 5 million Estimated total Number of Dogs held as Pets, 2004: 5.

8 million — France — Estimated Percentage of French Households with Dogs, 2002: 27. 8% Estimated total Number of Dogs held as Pets, 2002: 8. 8 million - Germany — Estimated Percentage of German Households with Dogs, 2003: 13. 3% Estimated total Number of Dogs held as Pets, 2003: 5 million (Figure 2) Sources: Petnet: Pet Ownership In Australia <http://www.petnet.com.au/statistics.html> Japanese Pet Food Manufacturers Association: 2003 National Dog and Cat Ownership Survey (in Japanese!) <http://www.jpffma.org/topics/topics0402.html> Japanese Pet Food Manufacturers Association (in Japanese!) <http://www.jpffma.org/> Dog Business Digest: October 2002 - The Dog Market <http://www.dog-digest.com/html/oct2002.html#1> AltaVista: Babelfish Translation <http://babelfish.altavista.com/GoogleAnswers/>: “ Number of cat owners - Worldwide”, answered by knowledge_seeker-ga <http://answers.google.com/answers/threadview?id=244443> SEBA: Newsletter March/April 2004 <http://www.elkbreeders.sk> <https://assignbuster.com/acme-case-study/>

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