

Janmar case study case analysis

Education



The US paint industry is divided into three broad segments: architectural coatings, original equipment manufacturing (OEM) coatings, and special-purpose lacquers. The paint industry is a maturing industry. In 2004, sales were estimated to be slightly over \$16 billion and an average growth of 1-2% per year. Architectural Paint Coatings Industry The industry estimates that architectural coatings and sundries (brushes, paint removers, thinners, etc.) created sales of \$12 billion in 2004. The architectural paint coatings segment is also considered to be projected between the 1-2% increase per year.

The demand level for this segment is reflected by the level of home improvements and redecorating, the sales of new and existing homes, commercial and industrial construction. Competition Competition within this segment has been a result of slow sales growth and new government regulations. The number of competitors has decreased by 40%; however, major competitors with low prices have come into place such as Sherwin-Williams and others who account for 60% of sales within the segment. They market paint under their own names as well as for private retailers.

Architectural Sales Breakdown and Consumer Purchase Behavior About 50% of architectural sales are sold under private controlled brands such as Sears and Wal-Mart, 36% of sales are sold in specialty paint stores, and 14% are sold in hardware and lumberyards. There are three types of buyers of architectural paint which account for percent of total sales: " Do It Yourselfers" who account for 50%, professional painters who account for 25% and contractor/government sales who account for 25%. Home Improvement Research indicated that the " Do It Yourselfers" have increased the product line carried by retail outlets and spend on average \$74. 0 per

purchase on architectural paints and \$12 on sundries. JanMar Coatings, Inc. Company JanMar, Inc. is a privately held corporation that produces and markets architectural paint under the JanMar brand name. They also sell sundries and operate OEM coatings. The company's architectural coatings and product sales totaled to be \$12 million and \$1. 14 million in net profit before taxes in 2004. Dollar sales have increased at 4% on average for year for the past decade. The company distributes in 200 independent paint stores, lumberyards, and hardware outlets.

They service 50 counties in the Dallas Fort Worth Area and Non-Dallas Fort Worth Area. Of their outlet sales, 40% is based in the 11 counties within the Dallas-Fort Worth area while the remaining outlets are in the surrounded non-Dallas Fort Worth area. Of the industry findings, 70% of sales in the Dallas Fort Worth area are to professional painters who account for 25% total sales while 70% of sales in the Non Dallas Fort Worth area are to " Do it Yourselfers" who account for the 50% of total sales. (See exhibit 1. 1).

JanMar Coatings, Inc.

Company Current Situation. Competition has accelerated in recent years at the retail level and JanMar Coatings, Inc. is the highest priced paint in their service area. Therefore, JanMar, Inc. is in need of how and where to deploy corporate marketing efforts among the various architectural paint coatings markets in the southwest United States area in a cost effective way to increase market share, revenue, and awareness. Four Proposed Tactical Strategies Given by the Vice Presidents Among the four proposed tactical plans from the different vice presidents at JanMar Coatings, Inc. the solution to the problem is the Vice President of Sales strategy of increasing the sales

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force and here's why: 1) Increasing the advertising budget through television could have a positive effect because of the current 25% awareness to consumers who purchase paint. However, research shows that consumers choose a store location before choosing the brand and 70% of the consumers reached through advertising are not buying paint. The advertising budget is already 3% of sales, so in 2004, the advertising budget was \$360, 000 which is reasonable for selling paint.

To efficiently create awareness, JanMar would need to produce a cooperate ad with a retail outlet to get the buyer in the store. They would also need to increase sales by 8. 3% or \$1 million to cover the cost of increase in advertising. (See appendix 1. 2). 2) To make a price cut of 20% would be unreasonable considering the costs of JanMar are unlikely to go down. Cutting price by 20% with the same variable costs would bring their contribution margin down to 19%. To get the same net contribution of \$4. million using their current new contribution margin, they will have to generate \$22, 105, 264. 16 in sales which is far above their past sales of \$12 million and creating more volume to increase sales at this lower cost is not feasible which just one manufacturer in the Dallas Fort Worth area. (exhibit 1. 3) JanMar needs to focus not on cutting prices but positioning themselves differently from competitors as a superior quality and service company since they are a privately owned, focused just in the market of southwest United States.)

Increasing the sales force could have a positive effect if the sales representative is assigned to the non Dallas Fort Worth area since account penetration there is only 16% and focusing on the " Do it Yourselfers"

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because of the amount of sales they accumulate in that area. The amount of sales revenue needed to cover the cost of the one added sales representative of \$60,000 base salary is \$171,428. (See Appendix 1.4) This amount of sales needed to incur this cost will be easy to achieve since the sales representative will be focusing on sales in the new area.) JanMar has continuously controlled their 35% margin and costs even with added research and development. However, there are more competitors on the rise at big retail outlets such as Sears and Wal-Mart that the "Do it Yourselfers" will fall for if not guided properly. Therefore even though JanMar will be profitable if they keep everything the same as how it is with controlling costs and guarding the margin, they still cannot predict the future and there is growth within the marketing of 1-2%. Recommendation The problem that lies at hand is that there have only been five added accounts in the past five years.

The account penetration in the Non-Dallas Forth Worth area is only 16%. With an added sales representative reaching out to the Non-Dallas Forth Worth area where half the sales and most the dealers already exist, they can focus solely on the retail account and "Do it Yourselfers" who contribute \$6 billion to the total market sales per year of architectural products. (Appendix 1.1) The sales representative will focus on the "Do it Yourselfers" in the non-Dallas Forth Worth area since they accumulate 70% of sales in that area as it is.

We do not want to focus on the professional painters since 70% of our sales already comes from them in the Dallas Forth Worth area, and professional painters will chose our brand as it is because of the quality and knowledge

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and service of our representatives. We have to focus on reaching out to the “Do it Yourselfers” through retail accounts which is what the new sales representative will do. “Do It Yourselfers” 1) pick their project and product, 2) they gather information, 3) decide on the store, and 4) decide on the product they buy.

So through a four step decision process of a “Do It Yourselfer” is where the sales representative will come into the picture to push them along to make the decision of choosing JanMar’s brand. Even if the sales representative made no new sales (which would not be the case if hired properly) and only was paid his salary, JanMar, Inc. still would still make \$1, 080, 000 net profit before taxes which is smarter than implementing an added advertisement budget strategy, or cutting the price by 20%, or staying the same. It is better to have more people working in order to reach out to consumers and sell the product and brand.

Sales representatives can truly connect to the “Do it Yourselfers” through their knowledge and passion; rather than just focusing solely on a mass advertising plan that wastes money reaching out to people not even needing paints or cutting the costs so low that it takes away from the superior quality aspect. Therefore, I suggest that you hire a new sales representative because this option will be the most cost effective way to increase market share, revenue, and awareness in the architectural paint coatings marketing in the Southwest United States.