

Regal electrogas essay



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Mr. Asad Ali is the sole proprietor of Regal Electronics. Regal Electronics manufactures several products, one being dessert coolers. For several years, Ali has established his dessert cooler brand to be a high quality product in the mid-level price range. In 1987, the government announced additional taxes that would drive up the price of dessert coolers (and other products). Ambassador, a higher-end competitor of Regal, increased their prices and the lower-end competitors followed. When the tax decision was unexpectedly reversed, Ali was raised with the issue of maintaining the somewhat new price increase (of 65 Rs) or dropping prices down to the original cost of the cooler, 1000 Rs. Ali is faced with the difficult assessment of how to exploit market conditions for increased profits without having the advantage of enough time to consider the optimal pricing strategy .

Since there are a large number of competitors currently in the industry, pricing can be a valuable tool . Regal is currently positioned (in the middle) of all of these competitors, not a bad place to be. He is not at the bottom, and there is still room to grow.

Ambassador is the industry leader and has the most equity; and thus, the one to watch. What this means is that the name Ambassador is recognized in the industry, people will spend more just because of their name. They are recognized by consumers and trust that they are getting added value with their product. This allows Ambassador to charge higher prices for their products. Ambassador has done a great job of establishing its name in the industry. Many smaller competitors will follow the lead of Ambassador.

90% of Regal's sales take place between the months of April and mid-July; with the decision to change prices taking place at the end of June. Given that it is so late in the sale season, Ali will have only ~3 weeks to meet his goal of 1, 000 units. Even with a forecasting and planning team in place, it is not a simple task determining what your competitors will do. I would recommend Ali to drop his price. Instead of his original price increase of 65Rs, I would tell him to charge just 45Rs. Worst case scenario, Ambassador will drop their prices to the original cost of 2200 Rs/ unit. Given Ambassador's position as industry leader, I would think this is highly unlikely, they have no reason to drop their price. Again, people will pay for their name.

Assuming Ambassador keeps their price increase of 100Rs, I would expect most if not all of the competitors to keep theirs also. This price gap between Regal and the 4 (excluding Ambassador) more expensive manufacturers may be enough of a price difference for customers to seriously consider and purchase the Regal brand. There is a small chance that the bottom manufacturers' prices will fluctuate over 100Rs, if they do, there is a better chance that the prices will be high enough for these customers to make the jump up to Regal.

Ali aimed to increase the volume of coolers to 1, 500 units a year over the next two to three years (Regal ElectroGas: Price leader or price follower, 2008, p. 3). His long term goal was to have the market share, and he saw cash flow as the primary constraint. Depending on the results of the price increase, Ali may have some extra monies laying around to assist in the company growth. Going forward, I would highly recommend that Ali revamp his marketing strategy; he should start by taking the following steps:

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1. Find the cost with the risk adjusted benefits for dessert coolers, how much can consumers spend without feeling the pinch and questioning the value. This can be done by market research and partnering with customers instead of looking at them as adversaries.
2. Competition is based primarily on price, image, and appearance. Get the market first “ underprice and over deliver to take the market by storm”. Move price point up by layering the product with other things (Streeter).
3. One brand cannot appeal to all the segments of an industry. Adjust product line so that there are solutions available to the low- end, as well to the premium user. Use price to drive adoption, your path to success, pricing higher will give Regal more money to spend on marketing and sales; focus on revenue.
4. Finally, Ali should reconsider the channel design considerations. “ Regal followed the general industry practice of selling products through three or four retailers in every major market center. Delite had its own retail outlet . Regal may want to plan for this in the future, once their capital is up. A store front (or on line store) will; capture another stream of customers; foot traffic, it will be a cash business as opposed to collecting on just credit, and it will also give you the opportunity to have a physical presence in the area and those customers will begin to know the brand better.