

Case study- culinarian cookware

Education



1. Describe consumer behavior in the cookware market. How is cookware bought? How is it sold? What are the implications for Culinarian's marketing strategy? Cookware was bought either by piece or in a boxed set. Below are two graphs about how cookware is bought and sold. How is cookware bought: How is cookware sold: Implications: There is a big potential in mass merchandise outlet, which has not been explored yet. Enhance cooperative relationships with a department store, because this is a very important sector with a large share in both purchasing and selling. Direct sales don't have a large share (only 5%), and the percentage that people buy through this channel is almost zero, so we need to consider if direct sales are necessary. A large share of cookware is sold in 75 local specialty stores (27%), and we need to reduce the sales of this channel. Target customers should be women from 30-55 with a household income of over \$75, 000.
2. What are Culinarian's strengths and weaknesses? Why has the company been successful?

Above all, the company has very clear four strategic priorities. Furthermore, good execution is very important. Strategies play like a guideline, and all marketing and sales activities are launched under this guideline. Then, the company did a good job of preserving its brand image with unparalleled product quality and advanced technology. Building strong relationships with retailers is another factor. The company offers a higher margin to retailers than other competitors, which stimulates the retailer to push the sales. Finally, Culinarian is quite clear about their target customers, who have high-income, so their advertising is very effective that they focus on magazines and newspapers targeted at the high-income audience.

3. Was the 2004 promotion profitable? Calculate the profitability using Brown's logic and then calculate profitability using the consultant's model. How would you calculate profitability? My conclusion is the 2004 promotion was profitable.

Using Brown's logic

- Actual units = 184987
- Forecast units = 59871
- Variable costs = 38. 4

Incremental contribution impact = $(62. 4 - 38. 64) * 184987 - (72 - 38. 64) * 59871$
 = 2397995.

Using the consultant's model.

- Actual units = 12938. 6
- Forecast units = 119504.
- Variable costs = 52. 05

Incremental contribution impact = $10. 35 * 129386 - 19. 95 * 119504 - 99332 + 39540 = -1104752$

My method Conclusion: the promotion is profitable Promotion period March to May Variable cost Both overhead cost and advertising cost should not be included in the variable cost, so my variable cost should be $38. 64 - (52. 05 * 7\%) = 35$.

I use the consultant's figure by the computer-generated model, which is 119504 Actual units Actual orders from March to May in 2004, which equals

184987 (47191+89423+48373) (62. 4-35)*184987-(72-35)*119504=
646995

4. Should Culinarian run a 2007 price promotion?

If so, what should be the specifics of such a promotion (e. g. , product scope, discount rate, timing, communicate) Culinarian should run a 2007 promotion. First of all, in 2006, Culinarian's CEO established four strategies for the company. The 2007 price promotion would be a very good implementation of the strategy. Moreover, the 2005 telephone survey shows that unaided brand awareness for Culinarian is 15% with household income under \$75000 and 25% with household income over \$75000(this figure is lower than its competitor Le Gourmand and Robusto). Finally, the cookware market in U. S. had been increasing year on year, so had been Culinarian's products, so there must be a great potential for sales growth. Details of the promotion
Product Scope They should run a promotion on product DX1 and CX1. First, SX1 and PROX1 are for advanced and professional chefs, so they are very high-end with smaller shares of the revenue.

Then, DX1 and CX1 take a lion share of the total revenue. Finally, discount on DX1 and CX1 would not affect the brand image as they are relatively low-end products with low price and technology. Timing They should choose April, May, and June as spring sales and October, November, and December as winter sales. May and June are wedding seasons, while November and December are Christmas time. According to the survey, 55% of the respondents received or purchased cookware as a gift. So I suggest there should be two price promotions in spring and winter.

Communications: Commercial advertisement on cook channels (39% watch television cooking shows and 18% purchase cookware seen on television cooking shows) Direct support to retail stores such as displays and sales staff (30% stated that they would be drawn to stores with attractive displays, and 25% preferred a full-service store) Enhance channel communication with mass merchandise outlet (32% of respondents bought cookware in mass merchandise outlet) Traditional channels, including TV, radio, newspapers and cook magazines. (10% said they might respond to TV, radio, magazine, or newspaper advertising). Discount rate: 20%