

Toucon collections, inc. essay



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Toucon Collections, Inc. How might one describe the product-market matrix for Toucon's products? There are two types of products sold by Toucon. On the one hand there are the original artifacts mostly bought by truly knowledgeable collectors.

The import and distribution of those artifacts are Toucon's original business and account for the majority of total sales. Over the years Toucon has gained the reputation as a serious and reliable dealer in this field. On the other hand Toucon started selling replicas of artifacts in the mid-1990s. This was a reaction to the growing demand of replicas, especially by gift buyers and people looking for decorative items. The overall market for artifacts and replicas has grown over the last decade.

At the same time many new competitors have entered the market. Because of that Toucon faces supply problems and decreasing gross margins. How would one define Toucon's business? Toucon operates in a very particular market in which reliability is a key factor to success. Its main business is still the import of original artifacts. Therefore, Toucon has chosen a few exclusive distribution channels (speciality dealers, firm-sponsored showings, exclusive department store), so it can control the quality of its products in order to maintain its reliability. The business has been around for about 100 years which also helped to establish a national reputation as one of the most respected importers of artifacts.

Toucon's annual sales average about 25 million USD and have constantly been growing at a rate of 20% over the last decade. How would the mass merchandiser's offer affect Toucon's business definition? The offer of the

mass-merchandise department store includes a mandatory raise of replicas. This increase will have an impact on Toucon's business definition. So far, Toucon has focused on selling unique products to a relatively small group of customers. If it accepted the offer, the business definition would shift towards becoming a mass producer of replicas. As a result, Toucon might lose its reputation as a reliable importer of authentic artifacts, which could have a negative impact on the original business.

What is Toucon's distinctive competency? Toucon's main competencies are experience and reliability. Toucon has gained lots of experience in the artifact business during the last century. Through Toucon's careful verification of the authenticity of the artifacts, its customers can rely on the quality of the products. Furthermore, Toucon has established long-lasting relationships with many of its buyers in Africa and South America and distributors in the US. This also ensures a high quality standard of the products resulting in a nationwide reputation as one of the most respected importers of artifacts.

What is the apparent relationship between Toucon and its distributors and how might that contract affect it? The relationship between Toucon and its distributors is mainly based on mutual trust and reliability. The highly limited distribution channels make it possible to control the authenticity of the artifacts in order to maintain a high standard of quality. There is only a limited number of distributors and for many of those Toucon is the only supplier. The distributors benefit from this business relation, because whenever people want to buy Toucon's artifacts or replicas, they have to go to one of the limited specialty dealers.

By accepting the contract Toucon would be able to reach a greater number of customers through all the branches of the mass-merchandise department store chain. At the same time, Toucon's original distributors would lose their unique status. Therefore, their relationship would deteriorate. Under what conditions should Toucon accept the offer? Accepting the contract would add \$4 million to the annual sales of Toucon. Considering the present total sales of \$25 million this addition resembles a great chance to improve the business. Without accepting the contract it might be more difficult for Toucon to grow as a company in the future due to the increasing competition in this specific market.

We suggest following conditions that would make the contract acceptable for Toucon. First of all the contract has to be long term. Toucon would have to change its production portfolio if it accepted the contract which usually includes high expenses. A long term contract would ensure stable sales numbers and prices. Secondly Toucon has to make sure that it separates the replica business from the original artifacts business. Whenever replicas are sold in the department store they have to be specifically labelled as replicas.

This will ensure the unique status of the present distributors and Toucon's reputation as a reliable dealer of authentic artifacts. Without the separation the company will lose some of its present customers.