

Business -marketing executive summary



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team Executive Summary Samsonite, the world's most recognized luggage and bags brand, has always been in the forefront of innovation in its history of nearly a century. Our products evolved in tune with the travel industry, particularly air travel. Healthy growth of revenues over the years (over 1 Billion in 2007) and profit margins characterize our business, with the growth trends clearly emphasizing the European and Asian markets, while North America remains our biggest market.

Statistics from the International Air Travel Association (IATA) confirm the positive trends in the growth of passenger traffic between the US and Europe, and between Asia and US/Europe. Growth rate trends are in excess of 6 to 8%, especially in the later category. A feature of this traffic is the high component of the younger age group, the travel purpose being job related, while tourists and students make up bulk of the balance. Travel by middle class families, who are conscious of stretching their dollars to the limit on job and sight-seeing, is being witnessed.

Baggage allowance rules vary between the regions – while some countries restrict the number and size of the bags, others adopt limits on overall checked-in weight. Thus travelers have to be prepared for both contingencies! During peak seasons, baggage restrictions cause severe inconvenience, apart from costs, if one is not within the prescribed limits. The current practice of weighing either the individual pieces of luggage before packing or packing / weighing and repacking, is back-breaking indeed, and is one of the most stressful events before a family travel! In the absence of proper weigh scales at home, one is in for nasty surprises at the check-in counters.

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Taking this opportunity Samsonite is introducing its new product idea – bags with removable built-in digital weigh scales – an innovation extension to the existing product range. We call it ‘ Samsonite Weigh-IT’, keeping the customer profile in mind. The idea itself is not completely new since competitors like Ricardo Beverly Hills have already introduced similar products with good success. Thus it will be a variation of an already established product, which is in its growth phase and can be confidently expected to gain more and more customers in the next 5 years. Unlike the Ricardo fixed type scale with its potential for damage during airport handling and travel time, our product will be ‘ plug-in’ type removable after checking weight. This will be its USP.

Samsonite’s innovative design capabilities and worldwide marketing network will be tapped for success of the new product. Product pricing is not a major issue since the digital weigh scales can be outsourced economically. Of the total revenues, luggage products form around 67%, or about \$670 million and it is targeted that at least 10% or \$ 67 million of the sales can be generated in the very first year. In the subsequent years there will be growth both on account of product acceptability and market growth – a compound growth of around 20% per annum in the first 5 years, almost doubling the sales.

The new product is expected to improve the current overall profitability margin (EBITDA) of 12. 6%, in its individual product range and reach 20% because of its innovative features.

References:

International Air Travel Association statistics, Available at www.iata.org.

Samsonite Annual Report, 2007. Available at

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<http://us.samsonite.com/samsonite/investors/kfd/> as retrieved on November 10, 2007.

(EBITDA: Earnings before interest, tax and depreciation.)