

Marketing and high end analysis flashcard



Situational Analysis February 21, 2012

1. On the Perceptual Map, all segments drift to the lower right. Which segment drifts at the fastest rate? Which drifts at the slowest? The High End Segment drifts the fastest because they want the newest, fastest, and smallest products. The Low End Segment drifts the slowest because they are more concerned with price and are ok with older, slower, and larger products. Below is a table showing the drift rates for all the Segments.

SEGMENT	PERFORMANCE	SIZE	DRIFT RATE*
Low End	+0.5	-0.5	0.7
Traditional	+0.7	-0.7	1.0
Performance	+1.0	-0.7	1.2
Size	+0.7	-1.0	1.2
High End	+0.9	-0.9	1.3

*Rounded to nearest tenth.

2. Each Segment's Ideal Spot shows the buyer's preferred coordinates within the circle. Why is the High End Ideal Spot to the lower right of the segment center? Why is the Low End Ideal Spot to the upper left of the Low End segment center? The Ideal Spots in each Segment differ due to the preferences of the consumers that make up the segment.

The Ideal Spot for the Low End Segment is to the upper left of the Low End Segment due to its consumers wanting a lower price, and their willingness to give up size and performance to achieve it. On the other hand, consumers in the High End Segment want faster smaller products and are willing to pay a higher price for them. This is why the Ideal Spot for the High End Segment is to the lower right of the segment. We must remember that as size and performance increase so does the price for the product.

3.

On a unit demand basis, the Performance Segment is growing at the fastest rate, 19.8% each year. In which round will demand for Performance products exceed the demand for Size products? If the current growth rate of

19. 8% is held constant year over year then the demand for Performance products will exceed the demand for Size products in Year 3. 4. Explain how increasing First Shift Capacity can reduce per unit labor costs. Increasing First Shift Capacity can reduce per unit labor costs because First Shift Capacity is cheaper than Second Shift Capacity and Overtime.

If we are able to increase the amount the First Shift can produce, then there is less of a need for the Second Shift, which is paid a 50% premium. The same holds true for overtime. The more capacity in the First Shift the less we have to rely on overtime, which is also a 50% premium over First Shift pay.

5. Automation reduces per unit labor costs but it has two disadvantages. What are these? The two disadvantages of Automation are that it is costly (\$4 per point increase in Automation per capacity) to finance and as Automation increases repositioning products in short distances on the Perceptual Map becomes more difficult. . A product's margin is determined by subtracting its manufacturing costs (labor and material) from its price. Logically, higher prices and lower labor and material costs result in higher margins. Keeping in mind the Customer Buying Criteria, how would you increase margins for a Low End product? How would you increase margins for a High End product? Hint: The criteria can be found in the Capstone Courier Market Segment Analyses. In order to increase the margin of the Low End products we would sell older aged products that have lower production.

From the Segment info we see that consumers in the Low End market do not stress these two characteristics. Also, as we have learned the lower the performance and larger the size the lower the costs. We cannot increase the price drastically in this market because price is a major issue for consumers

in the Low End market. On the other hand, consumers in the High End market are not sensitive to price. In this market we are able to increase prices in order to improve our margins. 7. The Consumer Report indicates how customers perceive your product offerings.

For example, Reliability (MTBF) is very important to Performance customers. What is the current MTBF for your Performance product? Given the desired range for Performance customers (found in the Buying Criteria) how many hours would it need to be raised to receive an “ A” on the Consumer Report? Our company’s Performance product is called Aft. The product currently has a MTBF of 25, 000. Last year’s MTBF range was 22, 000 – 27, 000. In order for our product to receive an A on the Consumer Report the MTBF for Aft would have to increase by at least 333. 33 hours.