

Summary of the case and situational analysis



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Neptune Gourmet Seafood is the North America's third largest seafood producer. They are having tagline "The Best Seafood on the Water Planet" and they adhere to that. In order to preserve the company's premium image, Neptune had made a huge investment in new technology to improve catching processes to be more efficient. However, this has led to the problem of piling up the inventory. The problem of excess inventory can cause numerous deficiencies such as tight up of cash and loss of margins. To cope with this problem, Rita Sanchez comes up with a strategy of cutting down the price in the premium brand of Neptune called Neptune Gold. Jim Hargrove, the marketing director of Neptune Gourmet Seafood, refused the proposal, because he worried that the price cut strategy will damage the premium product image. In order to maintain the Neptune's reputation, Sanchez recommended a plan of launching a new mass-market brand. This can help Neptune decrease the inventory by adding more customers for Neptune especially to those customers who are sensitive to price. However, Hargrove fears that an inexpensive brand would cannibalize the company's premium line and also lead to price war by its competitors. This issue was taken up for discussion at the Marketing and Operations Council meeting of Neptune. During the meeting, each executive has a different opinion, some agree with Sanchez while others take the side of Hargrove in disagreement of the proposal.

Problem Statement

Neptune Gourmet seafood failed to analyze the problem correctly and was actually suffering from marketing myopia. They are focused only on the supply side by increasingly investing in improving their product and supply, but

they are unable to view the challenges arising from market side. Neptune is now accumulating excess inventory. It means that the company is facing a problem with oversupply for existing demand. Therefore, Neptune has to come up the solutions to dispose this excess inventory and also profitably exploit a supply increase.

Criteria of the Problem

Neptune needs to find the most efficient solution to sell its excess inventory without affecting its brand image.

Options to the Problem

Market penetration- Go for a price cut of around 40- 50%

Product development- Launch a new brand (Neptune's Silver) with low price than the existing brand (Neptune's Gold) to existing market

Market development - Introduce the existing brand (Neptune's Gold) to a new market

Diversification- Launch a new brand with low price than the existing brand to new market (such as South America and Central America)

PRODUCT

New

Existing

MARKET

Existing

New

Evaluation of the options

Options 1: Go for a price cut of around 40- 50%

Pros:

Lowering the price may seem to be a viable solution; it could be a quick strategy to gain high sales volume.

Cons:

Dropping the price may only be a temporary or short term solution to Neptune. The customer may expect the prices to remain low for a long term. They are not ready for the subsequent rise in the price and when it happens they might switch to a competitor's product.

When a company lowers its prices, it will send wrong signals to customers that it has been overcharging them in the past.

If Neptune made a reduction in price, their competitor will try to meet the challenge by lower down their price as well; this could lead to a price war in the industry.

It may destroy the image of Neptune; customer will think there's something wrong with the fish.

Options 2: Launch a new brand (Neptune's Silver) with low price than the existing brand (Neptune's Gold) to existing market

Pros:

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Launching a new mass-market brand is a long-term strategy that could enhance Neptune's profits without endangering its hard-earned brand equity.

Launch a new brand could generate opportunity for Neptune to bring in new customer.

Launch a new low-price brand and capture as much share of price conscious customers before any other player made entry into this segment.

It could broaden the pie for the entire seafood industry as well as carve out a generous slice for itself.

It allows Neptune to operate at its full capacity serving all segments.

Cons:

The new brand may cause negative impact to their existing brand or cannibalize the company's premium line.

Options 3: Introduce the existing brand to a new market

Pros:

It can sell to those areas that do not have seafood supply.

It can help Neptune increase demand by attract new customer from the new geographical area.

This could consolidate Neptune position at other market as well as make it a nation player.

Cons:

It may contain risk since they have no experience on the new market.

It often takes a long time for the customer in new market to recognize Neptune product.

It may be costly to introduce and communicate Neptune's product and to enter the new market.

Options 4: Launch a new brand with low price than the existing brand to new market (such as South America and Central America)

Pros:

By target another different segment with new brand so that the sales will not be cannibalized with the existing brand and reputation of the premium-line will not be affected.

Increase market power, surplus earned by another way that competitor may not be able to.

Cons:

It may contain high risk because they do not have experience on the new market and the new low-price product may be not accepted by the customer.

It may be high cost and takes time to enter the new market.

Decision

After analyze the benefits and drawbacks of the 4 different options, we can see that launch a new mass-market brand would be the most attractive decision. However, the decision of the case needs to depend on the scenarios: whether it is an industry wide phenomenon or it is Neptune's specific problem.

If it is only the Neptune's specific and temporary problem, then I would suggest Neptune selling their excess inventory to wholesalers operating without their brand name in some other market places so that it will not diluting their brand equity. If it is industry wide phenomenon, then I would like to recommendation Neptune to go for a proactive strategic by launch a new lower-price product because it is certain that future war between the players will be based on price. By launching a new brand, it not only helps Neptune address its immediate inventory problem but also enable Neptune to sustain its competitive advantage and better compete with their competitor in the future.

Recommendation

If Neptune launches a new branch with a totally new look and lower price than its existing brand (Neptune's Gold), Neptune could launch a campaign to introduce and communicate their new-line to the customer. They can increase the consumer's consumption by educate them about the nutritious, taste and benefit of the seafood that they produced. Moreover, by launching this campaign combined with the positive worth of mouth, when people listen to their friends and family about the Neptune's product, Neptune can

able to reach more customers and encourage them to consume more of the products.

Neptune should highlight the differences between the new brand and Neptune's Gold to avoid muddying Neptune's gourmet image. However, the company should not label their new-line as low-price product; it should position it as another high-quality product but with a cheaper price.

Furthermore, Neptune can label the new brand package with 'Supplied by Neptune,' which would provide an implicit quality assurance to consumers.

To market the new brand, Neptune can place it at the entry-level customers shop and sell it through mass-market national or regional supermarkets and big box retailers that sell fresh-food.

Besides launch a new mass-market brand, Neptune can generate incremental sales in another way. Neptune could encourage restaurants and wholesalers to buy more by offer a discount to them when they purchases extra quantities of what they had purchased in the previous order. Since it only applies to additional sales, Neptune only sacrifices little profits from this strategy unlike the first options that suggest by Sanchez which will cause a huge loss for the company.

Conclusion

In my opinion, the pileup of inventory is not a temporary problem to Neptune. This is because the excess inventory is cause by the investment in new technology combined with the effect of new fishing regulations.

Therefore, I would suggest Neptune to launch a new mass-market brand to cope with this excess inventory for a long term purpose. If Neptune worried

that it will affect the reputation of its premium line or cannibalizing the existing brand, then maybe they can go for the entirely different market places to launch this new brand.