

# Craig rogers

Finance



Craig Rogers 0169509 EM 476 Case# 5 - Le Petit Chef Brigitte Gagné, Le Petit Chef's new director of Microwave R&D, is in the process of deciding the product development agenda for the next year. She has a pressing deadline to meet — the executive board is meeting in Paris tomorrow to review her choices. 1. What should Gagné do? Specifically, which projects should she fund and why? How should she handle the executive meeting? In the short term there are several projects Le Petit should possibly fund. The first being the joined project for "Cost reduction of the Eglite' to develop a low-cost low-end Fratnite' line". This would have marketing and R&D working together and keep the company afloat as a cheaper alternative for both the company and customers. The next would be to add a larger cavity model to the Liberte' line, this would reduce spending on non-standardized components used. In the Long term there are also two projects Le Petit could benefit from funding. First being to fund the implementation of Fuzzy Logic Controller into the microwave oven. This feature provides differentiation of Le Petit's product and its competitors which would presumably help increase sales. This implementation would also not be very difficult considering something similar has already been done by Japanese and European companies in washers and dryers. And the second is to fund the development of a more powerful magnetron. This would also add further differentiation and not be that difficult to implement. She should prepare for the meeting by compiling the facts on the several projects she is looking to fund. She should go into detail about the company's poor performance and the recommendation of differentiation and lower-end options and how these will effect the company's financial situation. The director should also continuously bring the conversation back to her over all goal of re-

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establishing Le Petit Chef as the premier French Chef microwave. She should possibly even look into setting up a kitchen like work station to show some of these ideas to the executives. 2. What factors explain Le Petit Chef's poor performance? What actions would you recommend to remedy the situation? The biggest factor of their drop in performance was competition. The lower-end microwaves introduced to Europe from Asian manufacturers caught a lot of attention and took away from Le Petits's sales. The company tried to counter this by overspending on promotions and advertising which further expanded the drop in net gains for the company. On top of these issues, the price of the microwave was dropping every year cutting even further into profits. Also, with limited R&D, the company attempted to introduce too many new products into the market.; with on going projects as well as others sitting in the pipeline so to speak, they were really over extending their capabilities and Le Petit was too small to keep up larger more well funded companies. In order to deal with this Le Petit needs to develop and create a niche (more differentiated) product. This will set them apart from competitors and can be done on the more high-end level of the market. Focuses on a specific part of the market would narrow the scope for R&D and selecting high-end means that profit margins from sales will be rather large. Since the scope is narrowed, the company can focus on better standardization with certain components and features that offer this competitive advantage brought on by differentiation.