

Jones-blair company essay sample

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The executive group of Jones-Blair Company needs to decide where and how to deploy corporate marketing efforts among the various architectural paint coatings markets served by the company in the southwestern United States. Specifically, this area is defined as the 11 counties making up the DFW area and the 39 Non-DFW counties. This is the most important problem stated in the case because all the details directly or indirectly support this problem statement, and the various vice presidents of the company have met numerous times to come to a consensus regarding this issue. It is critical to decide who they should target, which areas to target, and how they are going to target the selected group/groups.

Situation Assessment:

Jones Blair performed well in 2004, but since they are now the highest priced paint in their service area, their performance and overall profitability in 2005 will rely heavily on where and how they allocate their marketing resources. Overall architectural paint sales are expected to increase 1-2% this year. With a conservative estimate of 1.5% growth on top of the \$12 Billion dollar paint and sundries market for 2004, the result will be a \$12.18 Billion market for the entire U. S. for 2005 (Figure 6).

From the expanded analysis in Figure 27, it is clear to see that Non-DFW sales have been trending up whereas DFW sales have been trending down over the last four years. In fact, 2004 had an increase in Non-DFW sales of 13.44% and a decline in DFW sales of 5.63% with respect to the previous year. These figures are hard to ignore, especially when 90% of the growing Non-DFW area sales are from DIY'ers, and Jones Blair only sees 70% of their

sales in the Non-DFW area coming from DIY'ers (Figure 18). This clearly means that Jones Blair should target their marketing resources on this demographic.

Additionally, professional painters make up 25% of the architectural paint market (Figure 9). In the DFW area, 70% of all sales are made by these professional painters, resulting in \$33.6 Million in 2004 (Figure 28). This is a hard market to ignore, even if the overall DFW area sales are declining since we do not have information on how the professional painter segment is impacted. If possible, it would be suggested to gather this information through further market studies and analysis. Also, professional painters are repeat customers that tend to have a high customer lifetime value in comparison to DIY'ers who typically buy paint once every 4 years.

Consequently, Jones Blair should allocate some of their marketing resources and some time from their sales reps to ensure they target and capture more of this market segment.

Regarding the VP of Advertising's proposal, (Figure 21), a proposed plan focusing on increasing presence among the DIY'ers is pertinent since that group comprises 50% (Figure 9) of the architectural paint market overall, but Non-DFW areas have been growing over the last 4 years whereas DFW total sales have been declining (as mentioned earlier in Figure 27). Non-DFW area sales grew 13.44% from 2003 to 2004.

Even a conservative approach continuing that trend, and assuming 5% growth combined with the fact that the 90% of all Non-DFW sales were made by DIY'ers would highlight the fact that you need to focus on DIY'ers in the

growing Non-DFW areas as opposed to those in the declining DFW area. With this 5% conservative growth estimate, sales dollars in the Non-DFW areas for 2005 would be \$33.6 Million. Capturing 15% or 25% of that market alone would result in sales revenues of \$4.54 Million and \$7.56 Million, respectively for Jones Blair. If increased marketing efforts were able to be converted into even more market share, 2004 total sales revenue for Jones Blair could potentially be exceeded by sales in this market alone.

When it comes to the VP of Operations proposals, he focuses on DIY'ers and cutting prices by 20%. A price-cut of this magnitude would have resulted in a negative net profit for 2004, assuming sales numbers were the same. This isn't fair since a reduction in price would increase demand. That being said, a break even for last year would entail a 27% increase in sales revenue and a 59% increase in gallons sold (Figure 22). Therefore, assuming current capacity limits would not be exceeded; this suggestion does not fit Jones Blair's core competencies and should not be pursued.

The VP of Sales brings up some very good points in his proposal. Focusing on the Non-DFW area is consistent with where the market seems to be growing the fastest (Figure 27). It is also consistent with where the majority of Jones Blair's current dealers are located (Figure 18). Stating that sales reps need to be more aggressive is an understatement, based on the fact that Jones Blair's reps only opened 5 new accounts in the last 5 years resulting in a market penetration of just 16%. From the SWOT analysis, this is an opportunity that cannot be ignored. Using 2004 data with higher fixed costs for a built in safety factor results in just over \$ 9 Million in sales required to

break even. Therefore, adding an additional sales rep is logically a correct thing to do, especially since the added sales could be much higher than the conservative figures presented in the analysis section. Hence, recouping the 350K within one year's timeframe seems highly probable and potential for significant increases in profits is strong.

Financially speaking, the VP makes some points in his proposal that could make people question his credibility (This is why his stated Contr. Margin of 35% is suspect, in my opinion). Evaluating his suggestion of maintaining the status quo results in Jones Blair's potential to lose market share. Since the company is already maxing out on their price point, they need to somehow combat increased R&D expenditures along with material/labor costs. "Doing nothing" ignores this and completely neglects capitalizing on the growth of DIY'ers and the Non-DFW areas. This in turn gives competitors an advantage in gaining additional market share. The only sensible thing to do is to focus the marketing budget on areas of high growth potential, and the VP's proposal ignores this. Therefore, the concept of maintaining the status quo should not be supported by Jones Blair.

Overall, the president raises some very good points when it comes to his quick evaluation of proposals currently on the table. These are further addressed in the analysis section.

Recommendations:

In agreement with the analysis section below, it is proposed that Jones Blair should primarily focus its corporate marketing efforts on the "Do-It-Yourself"

market in the Non-DFW area. This will be accomplished through a hybrid plan including hiring an additional sales rep and providing more incentives/bonuses for current sales reps depending upon a weighted system for both quantity of new customer accounts and profitability of those new accounts (to account for a rep gaming the system, and just getting people to sign up to “boost” his commission). In addition to this, the professional painter should not be ignored since they comprise 70% of the DFW total sales, and Jones Blair paint is a good fit for their needs. Sales reps will also now be responsible for soliciting business through current and potential new dealers with respect to the professional painters.

Considering they had plenty of time to “oversee” a store when an owner had to run an errand or two and the fact that they only opened five new accounts over the past 5 years, targeting professional painters is now a responsibility of theirs in which they will be evaluated quarterly, effective immediately. To increase awareness, especially within the DIY group located in the Non-DFW area, possible limited edition referral coupons will be offered and handed out to the current hand-selected customers with accounts.

These coupons will offer discounts based on how many people they get to sign up and how much the new referrals spend. This would substitute as a significantly cheaper alternative to newspaper and catalog ads in Non-DFW areas suggested by President Barrett, and would more precisely hone in on potential customers since the “good word” will be spreading from those who already have profit-generating Jones Blair accounts. Therefore, the good word about Jones Blair would be spreading mouth to mouth amongst friends

and family, thus having the highest probability of gaining a new customer account and adding to the company's gross profits.

With any plan, there are many dynamic variables that could quickly change a great idea into a poor idea. Therefore, a Plan B is also suggested along with recurring weekly meetings to evaluate how the company's new course of action is performing. If for whatever reason Plan A does not seem to be working the way we forecast, then Plan B will go into effect. This plan entails hiring sales representatives that work 100% on commission. One caveat would be to ensure qualified candidates are selected through the hiring process because Jones Blair would not want anyone but a knowledgeable and professional sales associate representing the company's good name.

Also, the top 2 or 3 salesmen could be brought into a meeting to see if anyone would want to work on 100% commission, but it would of course be at a much higher commission rate than the current 1%. Potentially, this rate could be adjustable so even more incentives would be in place once the company passes their break-even point for the year. If accepted by more than one individual, Jones Blair could further incentivize the sales reps by providing additional bonuses as long as their sales figures justify and cover it. If nothing else comes to fruition, the company may have to pay for data or do some field research regarding DIY'ers/Professional Painters and where/how to best advertise.

Keeping these recommendations in mind, it is also important to make sure the company is doing their due diligence to properly safeguard against new and emerging threats. To ensure that the company executives do not lose

sight of this, reviewing/modifying their SWOT analysis will take place at least once per month. Some opportunities to constantly monitor would be to seek out more outlets that will sell only Jones Blair paint, and have more cooperative agreements that result in symbiotic relationships between the distributor and supplier.