

Montague case essay

[Business](#), [Marketing](#)



The channel with the greatest potential for profit and should be pursued is the online and corporate programs. Currently this channel has accounted for 10% of US sales and I believe it has a very strong potential to increase in future years.

Montague has been contemplating about increasing their activity in this area and this is a very good idea. As Montague hasn't really done much advertising and marketing of their products online and so if they were to pursue and be aggressive, more people will be aware of their products and be able to purchase it right off from the website and have the product shipped instead of having to go to a lot of trouble to go to a shop and purchase it physically. Beside the added benefit of the folding mechanism, when the product is shipped, it's already assembled and ready to go so the consumers won't have to worry about assembling it.

At the same time by using online and phone order sales, Montague will be able to earn all the profits it makes above the cost whereas by using other channels, they have to share commission of the profits. Therefore by using this channel, Montague may be able to lower the selling price of the bicycles as they will be earning more profits compared to before and can afford to reduce the cost. The corporation will also not have any problems of trying to demonstrate the folding mechanism or that their product won't stand out compared to the other bicycle products. By having their own website their product will definitely stand out. For the demonstration, they can incorporate a video into the website that shows exactly how the folding mechanism works quickly and without any mistakes whereas in bicycle dealers there's a

high chance that the sale reps might fumble and not really show the efficiency and convenience of the product like it's supposed to.

Also through the online distribution channel, Montague doesn't have to face direct competition like in bicycle dealer shops or worry that their product will not be seen or that the dealer will push to sell certain brands consumers. The online channel allows for greater flexibility in that Montague can sell various models of their products and be able to cover all their consumer segments from commuters to bicycle enthusiasts and fulfill their need in buying a bicycle type to suit their need. Comparing the 1999 and 2006 US market share for online distribution, the ratio of dollar share/unit share has increased from 1.6 to 2.

333, which means that there's great potential to increase dollar share if more units are sold through selling online. On the other hand, I believe that the automotive partnership distribution channel is of the least value to Montague because even though it's a steady source of income and represents 30% of US sales, this distribution will become obsolete in the future. As more car companies such as BMW and Mercedes Benz are producing their own line of non-folding bikes, the barriers of entry into this channel is relatively low. These companies will of course try to sell their own product to the customers rather than selling Montague's products and therefore competition from competitors and substitute of the products will be very high. Due to this factor, I believe sooner or later the percentage of sales through this channel will reduce drastically. Also with the automotive

partnership, the Montague bicycles are being marketed as the car companies brand eg.

BMW so Montague is not getting the brand recognition that it should for the products they developed and customers will not be exposed to the Montague brand. However, this distribution channel is not totally of no value in that if Montague is able to strike a deal with car companies that doesn't have their own line of bicycle products once in a while, it can be a great source to sell more and earn extra profits for the company. In order for Montague to increase profits and brand awareness to consumers in the future, it's important for the company to conduct an aggressive advertising campaign as well as focusing on distribution channels that has the potential to increase dollar share/unit.