

# Fisherman's friend product line strategy essay



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Assignment 2 Product-Line Strategies 1: The chewing gum increases the brand awareness of the parent brand. This leads to an increase in demand for both the chewing gum and the lozenge. This could mainly happen in two ways: Firstly, the release of a new product can remind customers about the brand and thereby lead to an increase in demand. Secondly, the customers that buy the chewing gum might be tempted to try the brand's lozenges as well. 2: Before the release of the chewing gum, the sales of 1 lozenge resulted in: 8. -4.

5 = 4 SEK. The primary demand has now increased from 100 to 110 (index). Furthermore, 1 gum results in 8-4. 5 = 3. 5 SEK.

The primary demand for the gum is 30 (incremental revenue through switching from competitors). However, 20 % of the lozenge buyers will switch to the chewing gum (first order cannibalisation). This will result in a decrease in demand of lozenge to 88 ( $110 \cdot 0.2$ ).

8) and increase chewing gum demand to 52 ( $30 + (110 \cdot 0.2)$ ). Finally, 5 % of the primary chewing gum users will switch to lozenge. Thus, the net demand of chewing gum is 50. 5 ( $52 - 30 \cdot 0.05$ ) and net demand of lozenge is 89.

5 ( $88 + 30 \cdot 0.05$ ). This results in:  $50.5 \cdot 3.5 + 89.5 \cdot 4 = 534.75$  which is a 134.

75 increase. This means that the potential profit from the introduction of the chewing gum is positive. We say "potential profit" since fixed costs aren't mentioned. Therefore it is impossible to say if the gum is generating enough income to cover the potentially increased fixed costs after variable costs have been deducted. Furthermore, nothing is mentioned about possible

erosion of future brand value of the core brand due to product line extension. However, if we assume that the fixed costs are covered/non-existent and that the introduction hasn't eroded the brand value of the core brand, it is clear that the introduction of the chewing gum has been successful. 3: The Fisherman's Friend product brand stands for strength and toughness. One way to increase profits by a new product would be to introduce a new "premium" lozenge.

This would follow the trend that many other companies have used lately. The introduction would not only have the potential to increase profits on its own, but also increase the popularity and awareness of the other products carrying the "Fisherman's Friend" brand. Our suggestion is "Lofthouse's Fisherman's Friend Filled", a two component lozenge with a hard shell and a liquid center.

The name would be in line with the naming of the previous products where the corporate brand is combined with the range brand and a minimalistic and descriptive product line brand. Furthermore, there are a lot of flavor possibilities for the cover, like the current cherry, but the liquid filling has the typical Fisherman's Friend extra strong taste. The consumer can either enjoy the lozenge in an old fashioned way or bite into it and at once experience an extra strong refreshing sensation. The new lozenge would come in a rusty looking metal box to signal its exclusivity while still being true to the roughness of the product brand. The variable costs of the product shouldn't necessarily be much higher than the original product. Nevertheless, it is paramount that the pricing still is kept above the original lozenge. This would signal its exclusivity and increase its chances of grabbing attention.

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Furthermore, the higher price would make the product serve as a reference point making the original product seem cheaper and thereby increase sales (like in the Braun example).

We can assume that the production costs, thanks to the improved package and changed product, will be increased. This could result in that variable costs increase from 4.5 to approximately 6 SEK. However, since pricing should signal its premium quality the price should be increased from 8.

to at least 12 SEK (increase in production cost + price premium).

Furthermore, the introduction of this new product could possibly have the same effect as the introduction of the chewing gum on brand awareness and popularity. Resulting in a primary demand increase of the original lozenge of 10 %. Nevertheless, the primary demand for this new premium product would most likely be lower than the original product. How much lower is difficult to say, but if we assume that the primary demand is only one third of the primary demand for the chewing gum we should be on the safe side. This is due to that the new product is more alike the original lozenge than the chewing gum.

Furthermore, the switching between the new and the old product could be very high. It is very difficult to expect what will occur in the market without testing, but it should be possible that, by experience from the introduction of the chewing gum, that the users of the original lozenge switch to the new premium product by approximately 40 % and that the users of the premium product switch to the original by approximately 10 %. We assume this higher amount of switching since the new and old lozenge are more alike than the

old lozenge and the chewing gum. It is unlikely that any major switching would occur between the new premium lozenge and the chewing gum. Thereby we ignore this switching. However, the introduction of the new product could potentially raise the demand for the chewing gum as well. However, to not be overly optimistic we assume this increase in demand is zero.

For the sake of simplicity we assume that the primary demand of the original lozenge is 100 before the release of this new product. This results in that the net demand for the new product is:  $10+44= 54$ . The net demand for the old product is:  $66+1= 67$ . The end result from introducing the new product would be:  $54*(12-6)+67*(8$ .

$5-4. 5)-4*100= 192$ . The new product should thereby, if we as before ignore potential increases in fixed costs and erosion of the core brand, be a successful way to increase profits and growth. We thereby recommend that a new product positioned in the premium segment called " Lofthouse's Fisherman's Friend Filled" with a price per unit of 12 SEK should be introduced.