

Brand awareness

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



In 2003 Palladium Door, Inc. had \$9.2 in total sales and a net income of \$460,000. Cost of goods sold accounted for 75% of net sales. During the last 10 years, Palladium sales grew each year at a greater rate than the industry average. Overall, Palladium has a market share of 2.6%. Based on a consumer survey, customers rate garage doors based on price, quality, reliability of the installer, and visual appearance. Steel garage doors are preferred over wood doors at a nine-to-one ratio. Brand awareness in the garage door industry is not very strong across the board.

Only about 10% of potential customers are able to provide a brand name when asked. There are 10 technical sales reps: 8 reps call on 300 nonexclusive dealers twice a month and 2 reps call on the 50 exclusive dealers. Exclusive dealers account for 70% of sales which translates to \$725,000 profit per sales rep. Nonexclusive dealers account for the other 30% of sales which translates to \$6,250 profit per sales rep (appendix 1).

Commercially, Palladium offers sectional doors, rolling doors, motor operators, service and repairs, and industrial openers.

Residentially, Palladium offers garage doors, service and repair, spring and section replacement, and openers. Determinants of Strategic Options

Palladium Distributes garage doors and accessories through 300 independent nonexclusive dealers that service 100 markets and 50 independent exclusive dealers that service 50 markets. The 50 exclusive dealers are the sole source for Palladium in the markets that they serve. Palladium maintains two distribution warehouses that also serve as manufacturing warehouses to supply their dealers.

There is concern whether the current distribution strategy used by Palladium would be adequate to achieve the goal of increasing sales by 36%. The goal of increasing sales by 36% in 2004 is driven by the need to maintain the company's leverage with suppliers. An increase in sales volume would allow the company to purchase more supplies from its vendors, thereby securing their buying position. The strengths of the current distribution strategy are higher sales growth than industry growth, good exclusive dealer partnerships, and Palladium solely focuses on steel garage doors which account for 90% of the market.

The weaknesses of the current distribution strategy is a low market share of 2.6%, higher bid prices, and Palladium only added 50 new dealers in the last ten years. Alternative Analysis Alternative 1 Palladium Door, Inc faces four different alternatives in this case. Each of the four will be discussed, but the ultimate goal is to choose the alternative that will achieve 12.5M in gross sales for the year of 2004. The first alternative is considered the status quo.

This means that all of the current exclusive and non exclusive dealers will maintain their current positions within the company and maintain their current portions of the market with the relative growth factored in. This means the company is telling the existing dealers to do their job better with the existing policy. The exclusive dealers, on average, generate \$128,000 in sales per dealer [Appendix 1]. However, the total market only shows an average of \$116,089 in sales per dealer (\$348.5M/3002 Dealers). Therefore, this illustrates that the exclusive dealers have effectively tapped their markets, thus leaving little room for growth.

The non exclusive dealers average \$9, 200 in sales per dealer [Appendix 1]. In order for the company to achieve the \$12. 5M in gross sales, the non exclusive dealer would have to increase its per dealer sales to close to an average of \$20, 000 per dealer. This is highly unlikely considering growth is estimated to be 2. 4%. Alternative 2 The second alternative for Palladium would be to add 100 dealers to the 100 markets not served by exclusive dealerships. The assumption is that the exclusive dealerships would be unaffected. In 2003, Palladium has gross sales of \$9, 200, 000.

Palladium estimates that they will have an increase in sales of 2. 4%, bringing the total projected sales for 2004 to \$9, 420, 850. This is short of the \$12. 5M goal by \$3, 079, 150. Bringing in an additional 100 dealers would require each dealer to achieve 2nd Tier sales of \$30, 791. 50. This is also highly unlikely considering that the other non exclusive dealers are currently selling in the 3rd tier, \$9, 200 per dealer. Taking this alternative is unlikely to achieve the \$12. 5M in gross sales. Alternative 3 The third alternative for Palladium would be to reduce their dealer numbers from 350 dealers to 250 dealers.

There would still be 50 exclusive dealers operating in 50 markets, but there would only be 200 non exclusive members operating in 100 markets not served by the exclusive dealerships. Exclusive dealers accounted for \$6, 440, 000 in gross sales in 2003. With the estimated sales increase of 2. 4%, \$6, 594, 550, the gross sales needed by the remaining non exclusive dealers would be \$5, 905, 450. This would mean that the existing 200 dealers would have to take their operations from \$9, 200 in gross sales to almost \$30, 000

in sales, an increase of 300% in sales dollars. This is highly unlikely considering that they are operating in 3rd tier sales.

Overall, this alternative seems to leave Palladium well short of the \$12.5M in gross sales, less a 300% increase in gross sales from each one of the remaining non exclusive dealers. Alternative 4 The fourth and final alternative is to give 27 non exclusive dealers exclusive franchise agreements in 27 markets. The total number of exclusive dealers would be 77 operating in 77 markets. This entails that 2 non exclusive dealers on average would be dropped from the 27 newly-created exclusive markets. There would be a total of 296 dealers, 77 exclusive dealers in 77 markets and 219 non exclusive dealers in 73 markets.

For the year of 2003, the exclusive dealers averaged \$128,800 in gross sales. Given the project increase of 2.4%, in 2004 each exclusive dealer would average \$131,891 in gross sales. Given the increase in exclusive dealers the 2004 exclusive dealer's gross sales will be \$10,155,607. This leaves \$2,344,393 in gross sales to be covered by the non exclusive dealers to reach the \$12.5M gross sales goal. Per non exclusive dealer sales would be \$10,705. In 2003, the average non exclusive sales were \$9,200. This would require an increase in sales of 16%.

Overall, this alternative needs a little better performance from the non exclusive dealers than what they are expecting to reach the \$12.5M sales goal. Recommendation Our recommendation is for Palladium Door, Inc to adopt alternative 4 and increase the number of exclusive dealers by 27. This seems to be the easiest and only way to achieve the \$12.5M sales goal. To

achieve this, Palladium will need to increase advertising and promotional information in the new 27 markets. Palladium will want to perform measures on each market to make sure they are performing like planned, or the sales goal will not be achieved.