

Palladium doors, inc essay



**ASSIGN
BUSTER**

Identifying the problem: * Palladium Door, Inc wants to increase its sales goal to \$12.5 million for 2004 which represent a 36% increase in sales over projected 2003 year-end sales.

* During the planning process, a number of fellow executives had voiced concern over whether distribution approach used by Palladium Door was appropriate for the expanded sales goal. Richard Hawley is the director of sales and marketing felt that their concerns had merit and should be given careful consideration. Though he had considerable latitude in devising the distribution strategy, the final choice would have to be consistent with achieving the 2004 sales goal. His approach and action plan had to be prepared in a relatively short time to permit implementation in January 2004.

* The company projected year-end company sales were \$9.2 million in 2003 with a net income \$460,000.

* The company distributes its garage doors through 300 independent dealers that typically offer three different garage door manufacturer brands and 50 exclusive dealers that stock and sell only Palladium doors (exclusive dealer's service competing brands of garage doors in their market area.)

* A distribution facility operates at the company manufacturing plant. The company employs 10 technical sales representatives. 8 representatives call on independent (non exclusive) dealers twice a month on average. Two representatives call on the 50 exclusive dealers.

Pros and cons for different viewpoint had been voiced by Hawley's fellow executives:

* 1st viewpoint It is to increase the number of dealers in the markets currently served by the company to achieve the sales goal, that to increase sales by 2.4 percent so it would be necessary to add at least another 100 nonexclusive dealers.

Pros: * Adding another 100 dealers in present markets over the next years would be not easy and would require increasing in sales force that serviced the non exclusive dealers. * Increasing number of dealer's means increasing in sales and more expanding in market. * Raise awareness about product in customers minds.

Cons: * This plan had more merit in the long run of three to four years and they need this plan to be applied on this current year as increasing in its sales goal. * Their idea had merit as a long term distribution policy. * The direct cost of adding a sales representative was \$80,000 per year.

* 2nd viewpoint It's about development of a formal exclusive franchise program, since 27 nonexclusive dealers had posted such a possibility in the last year. Each of these dealers represented a different market, and each of these markets was considered to have a high potential and be a candidate for the new advertising and promotion program.

Pros: * The company would drop present dealers in their markets and not add new dealers. * The program could be implemented during the traditionally slow quarter of the upcoming year. (quick implementation) * The franchise program in these 27 markets could be served by the advertising and promotion program. * The other 50 markets served by exclusive dealers wouldn't be affected, since the advertising and promotion program was

already budgeted for these dealers. * The remaining 73 markets would also be unaffected except for increased advertising in 23 high potential markets.

Cons: * Dropping nonexclusive and focusing more on exclusive dealers, as they produced 70% of company sales. * Losing a part of market.

* 3rd viewpoint It's about reducing the number of dealerships without granting any formal exclusive franchises.

Pros: * 70% of company sales are produced by exclusive dealers without any franchises program. * Committing to any franchises program could limit the company flexibility in the future. * Improvement in sales force effort and possibly increase sales might result if more time is given to fewer dealers. * 50 exclusive dealers would benefit from the additional marketing spending.

Cons: * I don't see any cons as exclusive that are highly profitable to company is still the same * But losing benefit from franchise program.

* 4th viewpoint Voiced by several executives was not to change either the distribution strategy or the dealers. Rather, they believe that the company should do a better job with the current distribution policy and network.

Pros: * By additional investment in advertising and promotions, the company may focus on awareness campaigns about their brand, products and their competitive advantages over competitors. Cons:

* Not having a large number of nonexclusive dealers, not expanding like what franchises program will do.

I recommend the second viewpoint, as through their advertising and promotions the company will capture a high publicity for its products. Unaffected the existing exclusive dealers as they are the most important to company as they produce 70% from company sales goal. Also will sell and create new markets and sell products effectively. A franchise provides an established product or service which may already enjoy widespread brand-name recognition.

This gives the franchisee the benefits of a pre-sold customer base which would ordinal take years to establish. The company would drop present dealers in their markets and not add new dealers. Furthermore, these executives noted, the company's current contractual arrangements with it independent dealers allowed for cancellation by either party, without cause, with 90 days advance notification.

Thus, the program could be implemented during the traditionally slow first quarter of the upcoming year. If adopted, company executives believed the franchise program in these 27 markets could be served by the advertising and promotion program. The other 50 markets served by exclusive dealers would be unaffected. Since the advertising and promotions program was already budgeted for these dealers. The remaining 73 markets would also be unaffected, except for increased advertising in 23 high potential markets.