Barbie goes to china

Business

The impact of the recent global financial crisis is vividly seen in the reaction that consumer brands and retail stores are having with regard to their survival. In Europe, the reaction has been drastic, with automobile manufacturers offering huge discounts and trade ins just to boost their sales. In the United States, manufacturers have slashed their prices and offered massive discounts. While there is nothing fundamentally wrong with reducing profit margins to increase or improve earnings, this could be a problem in the long run because it can result in a deterioration of the brand image.

The conundrum that exists now is the decision that companies must make regarding improving expenses in the short term and brand image in the long run. The article entitled, Barbie Goes to China, provides and interesting take on this puzzle that companies are now facing. Using the example of Barbie, the authors cite the struggles that Mattel has had in the American market. It shows that there has been a decline in Barbie sales because of the image that has been attached to the brand. There is no room for Barbie to change the way that she is perceived.

This in turn affects the marketability of Barbie, especially in the United States market. Instead, what the article suggests is that the focus should be on maintaining the brand image. Citing the moves that other companies have done, the emphasis falls on being able to choose between sacrificing brand image and maintaining a profit. Several companies have decided to do a mix and offer discount sales for certain items while keeping other items full priced. In relation to Barbie and Mattel, there is a unique opportunity for the company to capitalize on the growing Chinese market and create a new brand image for itself.

From a marketing standpoint, there are two important lessons that can be gleaned here. The first is that there is nothing wrong with trying to survive, particularly when the economic crisis has promised to be deep and widespread. In an effort to prevent a total loss, companies have capitalized on the public’s perception and reduced their prices while presumably offering the same quality goods they have always provided. In the same vein, they have tried to protect the image by putting less emphasis on the profit margins and more emphasis on their products.

It is also in this part where the brand image that has been created is crucial because it could be detrimental to the brand in the long run. The second lesson to be learnt here is that there are other options. There are several layers of customers and the top tier and loyal customers are not averse to supporting their favorite brands. Top brands such as Mattel need to understand that during uncertain times the one thing that you can count on are the loyal customers. They are willing to overlook the overpriced goods as long as they get what they want. This is what brands need to take advantage of.

While there is certain merit in these assertions, it is wise not to forget the economic fundamentals that are applicable. It can be said that the loyal clientele will always be there but this is not always the case. The reaction is so much more different when one examines an inelastic good and one examines an elastic good. Demand can be inflexible to changes in income if the good is inelastic but it can flexible when it comes to elastic goods. When people need to decide between Barbies and Guccis and buyingfoodor paying their mortgage payments, it is a whole different dynamic and the lessons embodied in this article may no longer hold.