Case study example

Business, Marketing

Signode Case Study The decision on pricing of their products involves a conflict between their requirements to increase or maintain profit margins and to win customers so as satisfy their needs for the generation of as much capital as they can (Jain & Khanna 158). Steel consumables revenue is at $133 million with an existing margins percentage of 36. 5. An increase of 6. 8% on material cost led to $8. 4 million burden for the company. In this case, the company can either absorb burdens through a reduction of the margins or increase prices. Their past experience indicates that the substitute products and price increases led to a drop of 10% in their market share. Therefore, one can assume that price increases will result in a reduction of revenues by 10%. Gross revenues are calculable for a number of options including; price flex, keeping a constant price, and an increase in price (Jain & Khanna 158). The biggest gross margin will be given by increasing prices, which Signode should do to maximize on their gross margins.

While large and national markets segments have low profitability, Signode needs to ensure its existence as a supplier of steel strapping. If this is lost, getting it back will be a tall order (Jain & Khanna 159). To maintain their current market segment and the loyalty of customers, they should improve the perceived value of the clients who get customization in terms of strapping equipment, tools, and material. Since their competitors have lowered their process below Signode, reduction of price will not result in retention or gaining of market share. Signode could also lose their customers to Bentley or Alpha; therefore, it is essential to differentiate themselves from their main competitors. They should maintain their market share through differentiation from its competitors by taking advantage of customization

(Jain & Khanna 159).

Work Cited

Jain, Thomas. R. & Khanna, Owen P. Business Economics. New Delhi: V K

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