

Business assignment

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



Pricing Concepts Assignments Answerable are listed the answers to the assignments available within the student view: 1. Why is merchandise so important to a Premier League soccer club? Why do clubs go into retailing and mail-order when their core business is football? Answer: It is important because: * it generates extra revenue over and above gate receipts, television rights, etc. There are particularly high margins to be earned easily * fans are willing to buy and to pay premium prices for something tangible connected with the club * buying from the club's own detail outlet, catalogue or e-tail store reinforces the connection * it helps to reinforce fan loyalty * it involves fans who cannot afford to go to matches or who live too far away * clubs spend a lot of money establishing their brand names and it is a natural marketing decision (as with any other big name brand) to want to extend it beyond the core product and capitalise on its investment and success.

Clubs have gone into retailing and mail-order because: * There is a serious market for their merchandise so why shouldn't the clubs get directly involved rather than letting their intermediaries have it all? * Premiership clubs have strong brand names in their own right and a retail/mail-order operation is entirely consistent with their core business as the merchandise forms part of the brand, allowing the fans to feel they are sharing a little piece of the club's success.

It all helps to extend the total brand experience from the pitch to the home. * Clubs can source and stock a much wider range of club-specific merchandise in their own outlets than a more general intermediary could/would. 2. What do you think are the internal factors influencing a club like Manchester United's pricing decision for replica kit?

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Answer: Internal factors: * Organizational and marketing objectives: the need to * meet and defend specified sales volume and market share targets * achieve growth targets * establish and reinforce corporate image within the market as a premium club with a world-wide following * exploit and extend success on the pitch while it lasts * maximize the value of non-price-sensitive customers * maximize income from licensing deals. Costs: the need to * contribute towards recouping investment costs in developing the club and its merchandise * cover distribution, marketing and other fixed and variable costs associated with merchandise * meet profit targets. 3. What external factors do you think also influence Manchester United pricing decision?

Answer: External influences: * Consumers' price attitudes, perceptions and sensitivity in the context of their needs and wants (see SQ below). *

Channels of distribution: covering the retailer's costs and mark up.

Competition: considering the going rate for this kind of merchandise and how Muff's is positioned against the competition. It could be argued that there is no real competition – would a MUFF fan buy a Derby County shirt just because it's cheaper than a Manchester United one? * Legal and regulatory: covering any purchase taxes due such as VAT and ensuring compliance with competition law etc. 4. What kind of factors are consumers taking into account when assessing the retail price of replica kit? Do you think they are sensitive to price or to the number of new kits that come out?

Answer: Factors could include: want teeny can Nora now long It is since teeny ought the last one * if the kit is a gift, its value compared with the importance of the recipient * whether it is likely to be more pleasing or appropriate than alternative gifts * perceived quality? * the extent to which

the buyer wants it! Buyers have not been very price sensitive because a football club is a passion brand, but only within reasonable limits. All the publicity and discussion about replica kit prices has raised awareness among fans and sales are generally falling.

However, looking at the terraces during a match, fans are clearly not inhibited or deterred from eying replica kit at all! But if kit gets too expensive or becomes obsolete too quickly, even the most ardent fans could rebel (whether the new rules mollify fans in the longer term or not remains to be seen). Then again, if a kid really really wants a MUFC shirt, then the parents will probably pay up even while feeling exploited. Intel's survey suggested that 43 per cent of parents felt that football clothing was too expensive and it would be interesting to know how many of them have actually bought replica kit despite that.

The number of kits could be more problematic. If a fan already has, for example, a regular Beckman shirt then there could be less sense of urgency to update it just because the design changes. Away strips are probably even less important to the fan. For the kids, though, there will be the street or playground creed issues and peer pressure to have the latest kit.

Nevertheless, the new 'two year' rule on the kit life cycle does take away some of the pressure on the fans. 5. Why do you think the kit prices listed in the table above are so similar from club to club?

Answer: It could be that they all watch and match each other's prices or that they all use the same supplier (let the students work out the flaw in that argument!). Does it amount to an informal cartel? There is certainly no

incentive to break ranks on price. The club shop is effectively a kind of monopoly with the club setting prices for a captive audience. Sports shops can make good margins on big name kit which is almost guaranteed to sell so again there is little incentive for price competition especially if the customer is not that price sensitive. Also, clubs are allegedly pressuring the supply chain to keep prices high.

In that case, as manufacturers are making replica kit under license, they would not want to lose them by being seen to disrupt the price structure by selling to discounters. 6. What kinds of factors would lead you to believe that prices should differ more? Answer: If the clubs are working independently you might expect prices to differ more because they all have different cost structures, including: * distribution costs * club retail store costs * staffing costs * assessment of consumers' loyalty and willingness to pay * merchandise costs * income from licensing deals I