Clique: marketing and shelf space

Business, Marketing

Additional consumer-targeted marketing programs d. Direct money towards more effective retail display and positioning and co-pop advertising e. Price increase of 6% which would result in 1% reduction in sales f. Instant coupons g. Assumes UP of Sales is wrong in asserting that a reduction in shelf space and increase of sales for competitors will be the result of following this price increase and discount reduction plan. 2. Follow UP of Sales a. Reduce Consumer advertising and fund " retailer oriented" MAD b. Reduce advertising spending by 30% c.

Sales team would control MAD - d. Create custom deals for specific accounts e. Assumes the result will be increased shelf space and overall market share, leading to greater sales and overall profit though a lower gross profit margin f. 3. Incorporate recommendations of both the UP of Marketing and the UP of Sales a. Use MAD funds to take more shelf space from competitors b. Increase price by 6% c. Reduce advertising spending by 30% d. Allow Sales and Marketing Joint control over MAD e. Focus heavy discounting during the back-to-school period

Relevant Information: Industry Current 20 million pens were sold in 2012 in the United States $5. 5 Billion was spent in manufacturing costs 2% projected growth annually for the industry is tied to expected population growth Customers 85% of customers knew that they wanted upon entering the store, however point of sale displays and merchandising were still heavily influential 65% of U. S. Consumers purchased 3 or more pens/pencils two times per year 100% of businesses bought 10 or more pens and pencils three times per year The Back-To-School period is from July 5 through September Is 1. % of U. S. Customers use coupons when purchasing writing utensils Clique Brand Known for its utilitarian design and its always ready ink supply Clique pens don't require several strokes, this has been their " secret sauce" Marketing 15% advertisement 30% consumer promotions / price off deals / coupons " available at Target" Distributed through Free standing inserts (Sunday papers) Special marketing events In store displays Cash register receipts 55% trade promotions Joint Promotions Notebook and stationary suppliers (pen and pencil pack)

Increase cost 10% Competitors Cliques main competitors are BIG, Scripts, Pent, Pilot and Permeate, almost all of which have nearly 50 years of experience in the writing instrument industry Sales Outlets Supermarkets Mass Retailers Drug Stores Warehouse Clubs Department Stores Specialty Stories Identifying Best Alternative For profits to increase and revenue to grow change is necessary which can be achieved through a implementing the recommendations of the VSP of Marketing and Sales.

The key points of execution would be a 6% increase in price, a shift to nonuser-oriented MAD, purchasing more shelf space from retailers and reducing the amount spent on advertising by 30%. Based upon the qualitative data contained in the case, the 6% increase in price would result in a 1% decline in sales, however the shift in consumer oriented MAD could generate an additional increase in sales of 5% which would offset the decrease that would be a result of the price increase.

In evaluating the recommendations made by both Logan Chem. (UP of Marketing) and Ross McMillan (UP of Sales) there was a resounding consensus on their needing to be change in " giveaways" to retailers and budget allocation, specifically how " market development funds" (Meds) are controlled and allocated as well as the amount of money that is spent on advertising. The current model has allowed retailers to be the real winners, with key pieces of empirical evidence that help us understand.

The industry norm " giveaways" have included: warehouse allowances, stocking fees, volume allowances, in addition to others. Though these have been viewed as necessary in order for stores to carry products, they undermine profit margins and ultimately create a constant bidding war that does a disservice to the manufacturer. By focusing the discounts and allowances on the consumer, Clique will be better suited to determine its destiny. I would reduce trade and allowances to 5. 15% rather than the previous 10. 3% which has been growing annually.

With the Marketing and Sales department Jointly steering the ship, relationships could focus on businesses who make all of the purchases in bulk. By finding out exactly what they like out of their products and the volume they need, Clique's marketing and sales forces could raft direct deals and incentives for the business which they also would be able to monitor in order to evaluate effectiveness. With research indicating that the value of pens and pencils amongst recognizable brands to consumers is sometimes indistinguishable, I believe direct contact promoting discounts to the consumer will bring added value.

By reducing the advertising budget, there will be more money freed to make such direct allowances and discounts. This additional capital should also be deployed to purchase more shelf space from retailers. Once the real estate as been purchased directly (shelf space) the retailer will likely be more comfortable with the eliminated discounts and allowances since they have received compensation up front. Starting with the basic costs, the tested pen and pencil set, delivered is $. 46, which is then wholesaled $. 4. This yields $. 48 of profit and a 51% profit margin. However with the typical trade discounts (to Staples for example) consisting of a 5. 5% volume allowance, 3% warehouse allowance and a 1. 5% stocking fee, the gross profit margin is reduced to 45%. When Ferguson met with retail buyers about a change in he way discounts were administered, they indicated that a change would require them to increase regular retail prices by at least 5% in order to maintain their gross profit margins.

Logan Chem. proposed a price in increase of 6% would cause a modest reduction of sales by 1%. By reducing the amount of trade discounts and by increasing the price, Clique would see an increase in gross revenue and its profit margin. Clique currently has been selling of its products on some type of deal even though there is only an 8 week formal back to school sales period indicates a robber with its sales people and the additional deal " they felt they needed to make" to get an order.

Schools are obviously a huge component to the " back to school" sales which account for 18% of the industry sales. By partnering with schools via sponsorships and perhaps offering direct discounts or partnerships, this should increase the chances that the Families and the students will be incentive to purchase Clique products. Positioning Create less " price war" environment with retailers and focus differentiate one's self directly to customers which will be further beneficial with the additional shelf space researched.