The role of consumer behavior in marketing decisions

Business, Marketing

Levis Strauss is one of the most successful apparel companies in the United s. The firm has a long history of service in the marketplace since the company was founded back in 1873 (Levisstrauss, 2011). One of the main marketing advantages of being in business for so many years is that the company has built a tremendous brand value over the years. A branding strategy has multiple advantages including the ability to charge a slight premium price on all merchandise sold by the firm. Another great attribute of having brand recognition is that it makes it easier for a company to introduce new products. Your firm currently has on the table a project proposal for the introduction of a new line of men’s and women’s suits. The strategy despite moving away a bit from the traditional apparel products offered by the company is an excellent idea that can help the company increase its sales and profitability. After performing an internal assessment of the company and interviewing several key decision makers I realize that the project proposal is currently not being viewed as a good idea by a lot of members of the executive management team. The first reaction to the project by the executives does not surprise me since their opinions are currently based on resistance to change. Resistance to change is based on an attitude or behavior that shows unwillingness to make or support change (Schermerhorn & Hunt & Osborn, 2003). It is normal to think that selling suits might not be something the company should do since the firm has never done so in 138 years. The company cannot stay stagnant since in the 21st century product innovation has become a critical success factor. The introduction of suits has a huge market. The product should be introduced to target the upper middle class which composes 12. 5% of US workforce

(Udel). Most Levis products do not target this demographic class directly. The introduction of the new line of suits has tremendous potential to improve the financial performance of the company. The typical Levis products are jeans. These jeans sell in the price range of $25 to $50 per unit. The new product idea has several advantages over selling jeans. The suits would sell in the price range of $150 to $400. Each suit sold would generate the company per unit at least six times more in revenues in comparison with a jean. The contribution margin per unit in suits is much higher than the sale of jeans. The suits were assessed by the marketing team as a product of equal quality than the competition that can be sold at similar prices. Due to the company’s supply chain superiority it is highly likely that Levis will be able to manufacture these suits at a lower price than the competition. My recommendation is to introduce the suit product line at the same price than the competition. There is no reason to attempt a lower price strategy at first since profits will be optimized at a higher price point. Since the company would not depend solely on the success of its suits product line due to its immense product variety, Levis can implement different pricing strategies for its suits when the product reaches its growth and maturity stages. The flexibility and options the firm has for the suit product line are greater than what company’s dedicated solely to selling suits can do. Levis in the future can lower the prices of its suits below the competition to increase its market share in this segment of the apparel industry. When introducing new products it is important to consider that companies must be well financed so that the company can stay afloat until the product becomes a success (Perner, 2010). This financial constraint should not be a problem for Levis-

Strauss since the firm generated sales of $4. 4 billion and net income of $157 million in 2010. Levis Strauss has to continue to innovate to stay on top of the apparel industry. The idea of introducing a new product that can be sold at a higher price per unit should be embraced by the company because these types of products generate greater profit per unit than lower priced products. A new line of suits for females and males is a product idea that does not interfere or adversely affect any of the other product lines the firm manufactures. The product would only add prestige and value to the firm. The risks associated with the strategy are low, but the potential payoffs of successfully implementing the strategy are outstanding for the company. It is my professional opinion that that firm should reconsider its position of the suits product idea to accept the idea and immediately begin production of the suits. References Levisstrauss. com (2011). Heritage. Retrieved September 21, 2011 from http://www. levistrauss. com/about/heritage Pernel, L. (2010). Introduction. University of Southern California. Retrieved September 21, 2011 from http://www. consumerpsychologist. com/cb_Introduction. html Udel. edu. Chapter 6 Notes. Retrieved September 21, 2011 from http://www. udel. edu/alex/chapt6. html Schermerhorn, J, Hunt, J. Osborn, R. (2003). Organizational Behavior (8th ed.). New York: John Wiley & Sons.