

Key points for Carvel ice cream case

Business



Key Points for Carvel Ice Cream Key Points 1. Dairy products are not very popular in China. Health concerns and a large lactose intolerant population are obstacles Wang must consider. 2. Carvel has a very limited (\$20, 000) advertising budget for the year.

Radio and television advertising are ruled out by the low budget. 3. Several segments of the Beijing population are potentially promising to Carvel. The three most attractive segments are (1) middle and upper class Chinese professionals, (2) “ little emperors” (children in one-child homes, who tend to be spoiled by parents and grandparents), and (3) expatriate residents. .

Costs of Carvel products could be reduced by 5% by whipping more air into the ice cream, but this might compromise Carvel’s image for quality products. 5. Wang is considering introducing a new product, the “ Piece of Cake” (a small, single slice of ice cream cake) to provide an inexpensive introduction to Carvel’s cakes to Chinese consumers. • Carvel’s products are available in Carvel retail stores (4 full-service and 6 scaled- down outlets), high-end supermarkets (25 accounts), local supermarkets (25 accounts), bakeries (40 accounts), and restaurants and bars (60 accounts).

Case Questions 1. Carvel’s new Beijing manager, Steven Wang, has not yet formulated his pricing and product policies.

What advice would you give him? Should Wang reduce Carvel’s prices, perhaps by reducing product quality? Wang needs to carefully consider the position of Carvel’s products vis a vis Baskin-Robbins and Haagen-Dazs products. This is key, developing appropriate product and pricing policies.

Also, Wang needs to consider longer term implications of product and pricing decisions.

If Carvel is committed to the Chinese market (as it seems to be) the product and pricing decisions Mr. Wang makes need to build for the future and not simply maximize current year sales.

Do you agree with Wang's deemphasizing sales to Beijing's expatriate community? Given the small percentage of expatriates as part of Beijing's overall population, allocating too much of the limited advertising budget to target such a small group may be short-sighted. Furthermore, there would be little or no spillover from advertising to expatriates into the rest of the Beijing population.

In the long run, it probably makes sense to build product awareness among the Chinese population of Beijing. 2. What changes would you make as to how Carvel distributes its products in Beijing? Should it emphasize sales through Carvel retail outlets? Should it shift to bakeries or wholesalers? Defend your answer.

Given the somewhat limited information on the profitability of each of the outlets, students will find it hard to give a "definitive" answer to this question.

Following are some points that should come out in the discussion:

- Retail stores are a means of achieving all retail segments and should provide the fullest picture of what Carvel stands for. This suggests retail stores should all carry a complete (or very wide) range of Carvel's products.
- High-end supermarkets tend to concentrate on the expatriate market and probably

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would not need to carry products (such as Piece of Cake) geared to other market segments. Bars and restaurants may be the most suited for the smallest sized product offerings (Piece of Cake and Little Love), since they will tend to be consumed on the spot. Regardless of other distribution decisions made, Carvel needs to restructure the way its representatives are compensated for signing on new accounts.

Premiums should be paid for accounts that will be more profitable and easy to manage. 3. Carvel's advertising budget is extremely limited. Where should Carvel advertise? The Shopper's Guide, leaflet, and Entertainment Guide all could help boost Carvel's sales.

Since each option reaches a different target market, Mr. Wang may find it necessary to spread his spending across the alternatives.

The message should be specifically tailored to each communication medium. Spending should reflect which segments Mr. Wang feels are the most important to Carvel's long-term profitability in Beijing/China. Given that no decisions have actually been made, this question provides an opportunity to encourage students to think creatively and come up with alternatives that go beyond what is included in the case. Any suggestions should be very low cost.