

# Tupelo's dilemma<sup>1</sup>



**ASSIGN  
BUSTER**

Tupelo's Dilemma1 What type of competitive environment does Electronic face? Why do you say so? Retailers look at their total sales revenue to increase so as to bring about increase in their market share. In the case of Electronic City; as a retail chain, it was facing a high-end competition due to sheer increased number of competing national chains. Due to the intense competition in the market for electronic appliances the market share for most products is stated to be 'low'. Hence, it can be understood that Electronic City was facing quite a stiff competitive environment, one that is quite difficult to pass by for most of the regional retail chains.

2. What can you say about the management style of the VP of Marketing in the case? Is it appropriate? Why, or why not? The management style of the VP can be said to be quite remarkable, because he applied the techniques of Lateral thinking of trying to increase the sales and consequently increase the profit margin on the HDTV's. Due to the intense competition of the margins on HDTV's it can be quite demoralizing for any company. The VP's decision can be called timely, by not laying much thrust on the strategy per se, but the decision to act in a timely manner and reduce the gap which he found through the Warranty Extension Contract.

3. Define any Ethical Issue that you perceive in this scenario. The one hitch that one finds in this strategy for marketing is that the salespersons are compelled to make a sale under any circumstances. Which means that the customers are treated as baits in the web of Marketing and Market share. The canned presentation approach hardly leaves any scope for the customer to exercise his discretion be it for a good product or a subversive quality product. Secondly, the strategy that Electronic City has put forth before the customers impels them to buy the appliances, which means, they are blinded by the fact that a good '

Extendable warranty' is not the only thing that is required when buying a product. May be this strategy may hide some flaws of the HDTV because of which the customers are going to land up spending more rather than saving money on making this deal with Electronic City. 4. Should Phil become more adept at predicting which of his customers will likely buy the warranty—say he goes from 80% accuracy to 90% accuracy—will this impact his incentive pay? Explain your answer. Phil's acute observation of the customers is believed to be extraordinary. Should this skill increase from 80% to 90%, it is sure to impact his incentive because this means he will be able to predict which are the customers he should be spending more time on explaining the products to and who should be left at their own accord. This skill would be very beneficial for Phil, since he had learned the 'trick of the Trade' sooner than he had expected. 5. How do the comments/reactions of each of these people shape Phil's thinking regarding his job? a. Maria b. Dr. Smith c. Fr. George Phil Certainly was ecstatic about his job, and what began as a dinner table conversation turned out to be praises for Phil's achievements over the years. Firstly his growing bank balance was motivation enough and then he realized that his abilities were extra ordinary and hence he was happy with himself. Let's look at each other the Comments / Reactions about Phil's Job. a. Maria: Maria's remark was quite short, but it probably would inspire to tell his story to a lot more people since this may be one of the first times when he is receiving such comments about his job. Phil may be inspired to write a book on his Professional Success. b. Dr Smith: Dr Smith give Phil a slight 'turn of event' since, he pointed out the problem of selling the HDTV's to Professionals and Youngsters. Well, this would certainly make Phil think of newer strategies to

convince customers from that kind of a profile. c. Fr George: Father George's response was something else, it was above the arguments of Phil's job, achievements etc. It was about, if Phil Himself wouldn't but the HDTV he was selling, in that case how he feels about buying the new product. Father George had found an intrinsic paradox in the situation. This remark would certainly get Phil thinking, but there is no saying as to what will be the product of this thought. It could be mere contemplation or it could result in changing his job. 6. What will Phil do when he returns to work next week? Why do you think so? Phil has certainly done some contemplation about his job. There are a few things he may do; one is improve customer relations, trying to increase his sales doing some real service to the customers. He could go back to doing his job in the regular manner that he does, but that's unlikely since Phil doesn't seem like a person who ignores others' remarks. He may try to reorient his team by making them focus on the other needs of the customers and not just focus on sales. The reason he would do that is because increasing the sales is not the only way to increase sales is something that he has realized due to the dinner-table conversation. There were people who were inspired by him, people who questioned him and people who mocked him. Taking the cue he will take steps that will increase the sales of his company in actuality. 1. What is the dollar amount of warranty extensions that Phil sold in January 2007? i) He received the money for the month of January which was 360. 40 as his incentive pay for selling warranty extensions during the period. ii) Salespeople are trained to push the warranties at the point of completing a sale and earn a 10% commission on their respective monthly total of warranties sold. Therefore, dollar amount of warranty extensions that Phil sold =  $360.40 \times 10 = \$3604$

2. Estimate the dollar amount of HDTV sales that he generated in the same month, assuming that he was able to sell warranty extensions in roughly 55% of eligible transactions? i) The price for a warranty extension is a flat rate of 8% of the sale price. The Dollar amount of warranty extensions that Phil sold  $\times 100/8$  = dollar amount of HDTV sold with warranty extension. Now, dollar amount of HDTV sales = dollar amount of HDTV sold with warranty extension  $\times 100/55$  (because he was able to sell warranty extensions in roughly 55% of eligible transactions) 3. Suppose that the number of HDTV sets sold in 2007 is projected to be 4% more than the number sold in 2006. How much profit can ElectronicCity expect per-store in 2007 from its warranty extension business? (Assume that the average selling price of an HDTV set in 2007 remains the same as in 2006.) i) The company's sales records show a volume of \$710. 7 million in revenues from sales of 320, 000 HDTV units sold nationally in 2006. ii) ElectronicCity, a "big-box" retail chain of 160 electronics and appliances stores scattered all over the East Coast and some Southern states. Therefore, number of HDTV sets sold in 2007 =  $(104 \times \$710.7 \text{ million})/100$  Exact number of units with warranty extension is not given. Hence, the profit from warranty extension cannot be calculated.