

# [Case company inc( richard ivey school of business](https://assignbuster.com/case-company-inc-richard-ivey-school-of-business/)

Case Critique: BLACK FLY BEVERAGE COMPANY INC Black fly is enjoying a comfortable growth, their product has been well received by consumers and they have also benefited from positive feedback from the media. Now would then be a very good time to undertake an expansion as the company would take advantage of the momentum and exposure it currently has to introduce new products or features to the market.

Let’s evaluate the different options available to Black fly. First Alternative: Launching a new Flavour: Launching a new flavour of an existing product has been the most common expansion initiative taken by companies in the food and beverage industry. It is a conservative approach as it usually does no require a significant investment mostly because it benefits from economies of scale and often does not require any new equipment for the production as it is the case with Black fly beverages. Furthermore the company currently has enough capacity from a production perspective to support the expansion. However the main risk, as it was assessed by the company, is that the new flavour may “ cannibalize the original recipe” and will not result in an increase of market share but rather split sales between the products. The flavour is less likely to attract consumers and could only be an additional option to existing customers allowing them to choose or switch between flavours which does not increase revenues but rather keeps them steady.

Also, if we take in consideration the psychological buying process of consumers it has not been proven that consumers are more likely to purchase a product because it offers more than one flavour nor does it help a consumer revisit his choice if he did not like the product in the first place. Second Initiative: Creating a new product line ‘ Spiked Ice” The spiked ice is an innovative idea, a first in its kind to be introduced to the wine and spirit marketplace and like any new idea it is important to establish that it is also an opportunity. The LCBO being the largest retailer of alcoholic beverages in the world, it is safe to assume that it has the best knowledge of trends in the industry as it is almost the only channel of distribution of alcoholic beverages in Ontario. The LCBO is then the best resource a company can use when it comes to product/industry feasibility as it carries out a stringent assessment of quality, price and market potential for each new product. Therefore there is an opportunity and a market potential for this new product since the LCBO is willing to provide shelf space for the Spiked Ice, furthermore it has a provided a firm commitment for a 4 months order.

The “ Spiked Ice” also has the potential “ real” additional revenues since it is a different product and can also target consumers who are not typically fond of vodka coolers (i. e. consumers that prefer drinking beer but whom during the summer month would quench their thirst on a freezee with a vodka twist) Allowing the company to increase and diversify its customer base. This initiative however does require a significant capital investment to upgrade the production facilities and the company would be facing a significant loss should the product not generate enough sales however the company has commitment from LCBO for a large quantity which will also help them boost the roll out of the new product. Also from a managerial/organizational perspective the company has proven that it is capable of successfully undertaking similar projects.

I would recommend the company to launch the “ Spiked Ice” as it is the only option that has the potential to generate additional revenues allowing the company to truly expand by penetrating a different segment of the market share. Introducing a new flavour has a low potential as it does not target a new segment or customer base and will most likely not generate additional revenues however it is a good initiative that could be launched for retention purposes to increase customer satisfaction.