

Marketing strategy case

Business



What are the subjective (qualitative issues) What is the overall risk involved?
 (Establish relationships with retailers, another risk is can they sell to the
 retailers carpet at the same price as the wholesalers? Financials: Wholesaler
 = of something Dealing with 7 wholesalers so need 7 distribution centers.

How much it costs to lease those? (4) Total sales calls / how much one
 person can do = how many sales reps needed? Sales managers = how many
 one sales manager can handle divide/ sales rep x cost of one sales manager

Sales administration = 40% of total sales Inventory carrying cost = COGS x .
 72 = residential sales / 4 avg on hand x 10% (If its direct, they have to hold
 inventory on hand, so its a cost) Receivables carrying cost = $67.5 / 4.06 \times$
 10% (disadvantage of going direct is those receivables) sales = $75 \times .72$
 $54M \cdot 25 = 67.$

$5 = 54$ million dollars is sales to the wholesalers so $67.5 = .80$ so $1 - .80 =$
 Wholesaler margin = 20% Might have to drop a couple percentage to
 wholesalers since they are finding other groups etc...

receivables = $54 \text{ million} / 4.06 \times .0 =$ Transportation = $67. \times 4\%$ * If we are
 able to go direct we could make 13.5 million which wholesalers were making
 If we want to do that, we need to hire sales force, how long will it take, what
 will our customers say in the mean time - maybe we can give them better
 pricing for the wait? then we'll need to reduce the 13.5 profit a little, and
 etc.

.. (Qualitative side Risk that wholesalers will drop you) There will also be a 4-6 month period where no sales occur. Part of the action plan is to eliminate some smaller accounts or increase their sales.

NOTES: (considerations for action plan) Consider product development Do you produce the same price range? Or we say we want to produce cheaper or super premium carpet? We want to become a niche operator.

After reviewing the quantitative and qualitative information presented in this case, and assuming my calculations are correct, I would recommend that the company go forward with establishing their own distribution centers or wholesale operations. According to the Company's June 30, 2000 Financial Statement, the company has approximately \$27 Million in current assets.

Assuming that a portion of their current assets is in the form of cash, the company could front the \$17.4 Million and retain the \$15.4 Million that would normally be spent on their current wholesale strategy, therefore only costing the company approximately \$2 Million more than status quo for this endeavor. This option would also allow Masterton Carpet Mills, Inc.

more stability due to the lack of intermediary conflict and instability within the external environment. Also, the company should be able to build economies of scale after a couple years, which would lower this \$2 Million differential per year.