

19. Razzle Dazzle (RD)

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| A. Define the term brand value. | 2 |
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This can be defined either as the value of a brand if it were to be sold, or the premium that customers are willing to pay for a brand over a generic alternative.

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| B. Explain an advantage and a disadvantage of RD expanding its product portfolio to include baby clothes. | 4 |
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Advantages may include, but are not limited to:

- It's a high growth area in relation to some of the other products that RD is selling.
- Most of RD's customers are women, and they're thus more likely to be shopping for baby clothes than if more of the customers were men. Customers are also more likely to be wealthier than average, so there's a chance that RD could sell higher end baby products for which the profit margins would be high.
- It gives people an additional product to shop for when they're at RD, and thus makes the shop stand out from other local places that focus more on jewelry. Some of these products might be purchased as add-ons if women were originally going to the shop to buy something different like jewelry, clothes for themselves, etc.

Disadvantages may include, but are not limited to:

- At some point the store could have too many products and thus customers would lose a sense of what kind of store it actually is. Is it a jewelry store? Clothing store?
- It's likely that RD's baby clothes would be more expensive than would be found at other merchants in stores or online, because of their association with a jewelry and accessory store. Even though the clientele tends to live in wealthier areas though, they may not want to pay more for baby clothes because they're worn for so little time and parents need so many clothes in a short amount of time that they're often looking to clothe their kids more affordably.
- Profit margins on clothing are probably much less than on jewelry, even if they're priced higher than the average baby clothes item.
- This could take up more room in the store that could perhaps be reserved for more profitable products. There is a physical limit to what you can carry.

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| C. With reference to RD, explain competitive pricing. HL ONLY | 4 |
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When a firm prices its goods or services similar to competitors in the market, including raising or lowering them as necessary based on market developments.

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| D. Explain an advantage and a disadvantage if RD were to use premium pricing relative to other local jewelry stores. | 4 |
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Advantages may include, but are not limited to:

- Premium pricing means high profit margins on items.
- It serves as a unique selling point; trying to compete on price with online merchants is difficult, as the case study indicates. Using premium pricing would allow them to set the

tone of it being a more upscale store in which customers may be willing to pay more for all items, not just jewelry.

Disadvantages may include, but are not limited to:

- It quite obviously may not work. If customers have other options locally, they may go there, or shop online.
- RD doesn't make its own products; it uses wholesalers for many items that it carries, which means that it's not stocking items that customers couldn't just find elsewhere. In that environment it's harder to charge premium prices.
- They make more profit overall if they sell a higher volume of lower priced items.

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| E. If RD wanted to sell a new necklace for a 200% markup, and RD gets the necklace from a supplier for \$95, then calculate the price at which RD would sell it. | 2 |
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$$95 \times 2.0 = 190. \quad 190 + 95 = \$285$$

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| F. Explain an advantage and a disadvantage of RD using wholesalers to source its products. | 4 |
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Advantages may include, but are not limited to:

- Wholesalers probably have more direct relationships with manufacturers than RD would on their own, so a wholesaler may have the ability to get things more easily than RD would.
- Wholesalers may be able to get things to RD quicker than they otherwise would, because the wholesaler could have items in stock ready to go, whereas if RD ordered from individual manufacturers, the shipping time would take longer.

Disadvantages may include, but are not limited to:

- Wholesalers are an intermediary between RD and whoever produced the goods, so by going through an intermediary RD may be paying a higher price.
- Wholesalers may carry less variety or be less able to meet specialized orders than if RD went directly to the producers. By using a wholesaler, RD is putting itself in a position to be less unique in what it carries.
- Wholesalers may also require RD to make purchases in minimum quantities.

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| G. Explain two challenges for RD in the process of delivering online orders to customers. | 4 |
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Answers may include, but are not limited to:

- Elanor and Adrian are the only full time employees, so it's likely that a lot of the work falls on them, and their best value to the business may be managing and/or completing other aspects of the business.
- It's nowhere near as efficient as large online merchants are, because of the lack of capital, automation, volume, etc.
- For those reasons, their processes probably make it very hard for them to be price competitive on shipped items.

- It could greatly lengthen the time it takes for a customer to get an order because of the reasons outlined above, but also because an alternative may have been to have it shipped directly from a manufacturer or wholesaler to a customer.
- The hands-on nature of their processes means that it's more likely that they'd make an error in shipping an order.

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| H. Evaluate the appropriateness of RD's marketing mix. | 10 |
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Positive aspects of their marketing mix may include, but are not limited to:

- Online shopping is still a minority of overall retail sales, so having the physical presence of their store will meet a lot of customers' desires.
- Having the owners be a regular part of working at the store can help with customer service and relationships
- While the online store doesn't seem to be helping all that much, it also may be increasing their store's exposure, and even if customers just use the website to look at availability of products that they'll then buy in person, it can serve as a promotional tool.
- Competing against online merchants for any one product category like jewelry or women's clothes can be difficult, but RD has a fairly wide product portfolio that may increase the sales of multiple products.
- The lack of brand awareness for jewelry may mean that physical stores have an advantage, because workers can talk to customers and explain things or convince them to make certain purchases, rather than for product categories in which well known brands are important and thus customers just want to find the cheapest source of the product.
- The case study shows that they are probably able to charge higher price markups on products through the physical store than if they did more/all of their business online.
- Elanor is suggesting that they do MORE social media and search engine promotion, meaning that they probably already do at least some of this. Thus, they're using both ATL and BTL methods.
- People are finding the store through word of mouth and digital maps, which are free forms of promotion.

Negative aspects of their marketing mix may include, but are not limited to:

- The online store only makes up 5% of sales, so it's really questionable how much this helps. If only 30% of customers know about it, then it doesn't seem to be very well done or important to customers. It could be a waste of time and money.
- Their shipping method simply cannot compete with online merchants. It's not efficient, and it probably can't be done very cost effectively. It's possible that they could do a better job with the online store and shipping if they used a service like Shopify.
- The product portfolio might be too varied, with them not being great at any one thing.
- It's hard for them to compete on price with online merchants. Even if they had no online store, they'd still be competing with online merchants.
- They don't seem to do much promotion. That saves money, but could really hold back revenue.
- Relying on wholesalers may mean that it's harder for them to stock more unique products, and that they're sacrificing some of the price markup to those wholesalers.

