1. Basic information

1) Company: Fisher-Price Toys, Inc. (Industry: Child toys)

2) Business dilemma: a rash marketing decision has to be made on carrying out whether a new quality product (product name: ATV Explorer) at exceptional high price or a new less-quality product at moderate price

2. Business dilemma

1) Key problem:

(1) price-point: Cost for a projected toy can't be made within budget, resulting in a much higher price ($18.5) than planned. High price disobeys the traditional brand image of the Fisher-Price company –less-than-$5 convention.

(2) Marketing strategy: launch the ATV explorer whether as an independent product or as a new product in an existing product line, and corresponding advertising/promotion strategy

2) Fisher-Price must decide quickly before August to catch the sale peak:

(1) trade-off between product quality and price;

(2) Independence of the product

3. Case analysis

1) Current Market strategy ("4P" / "4C")

(1) Product → Commodity: innovative products / safe, durable and educational

(2) Price → Cost: moderate price / good value for money

(3) Place → Channel: Aggressive to increase the market reach and improve sales

(4) Promotion → Communication: focused strategies for advertisement and promotion of differentiated range and group of products

2) SWOT analysis

(1) Strengths (Internal)

1- Internal operation

well-run

established professional management expertise from diverse industries

excellent sales history (continuous sales increase during the last 10 years)

effective product testing and marketing programs facilitate internal toy design

sound financial condition

2- Market positioning

A leading toy manufacturer with a wide range of quality toys at moderate prices.

has relatively good market for specialty toys, which has grown substantially over recent years

3- Brand & Reputation

the best know brand for toys, has the largest market share (64.7%), and is brought most often (82.7%)

Enjoys a reputation for intrinsic play value, good value for money, ingenuity, strong construction and action.

ranks first in brand loyalty (60.5%)

(2) Weaknesses (Internal)

1- Internal operation

Reluctance of change / comparatively conservative management teams

Inflexibility in the decision making process

2- Irreducible escalating cost

a high initial investment of $161,000

additional special tooling costs of $18,000

High selling price disobeyed its conventional price image

Low margin and profitability

3- Channel

highly dependent on US market with little or no presence overseas

Limited sales channels (trade only)

Channel of discount stores could jeopardize brand image

(3) Opportunities (External)

1- Market potential: Foreseeably the size of potential consumer (children under 6-year-old) is expanding

2- Merges: horizontal (M&A competitors), vertical (franchise or strategic alliances with supplier and traders) , and conglomerate

3- Market explore

4- Cost-cutting effort: operation re-construction or innovation.

(4) Threats (External)

1- Macro-environment:

Adverse economic condition.

Seasonal nature of the business

2- Micro-environment

As a premier toy manufacturer, receives most attention and faces most fierce competition

Product similarity leads to homogeneous competition

Intense Price competition

Directly challenge from foreign manufacturer on cheap low quality products

Technological advancement gadgets including toys

3) Main Considerations

(1) Commodity:

1- Adverse economic condition where people would not be willing to buy premium products

(2) Cost:

1- Initial investment on molds (A single mold is sufficient for producing 500000 ATV units only) and tooling costs

2- retail selling price: would have to be $18.50, far more than initially $12 and could lead to poor sales records

3- Trade-off between quality and price is against Fisher-price policy.

(3) Communication:

1- Positioning as an independent product is against the advertising policy.

(4) Channel

1- Reduce on markup production margin on direct costs could sacrifice future products margin

2- High price product could result in traders' stock pressure and affect future cooperation

4. Discussion of several alternative solutions

Solution Pros Cons

cheaper version as an independent item 1. Reduce initial investment requirement would be considerably reduced

1. may affect brand image of good quality

2. reduce retail price

3. stay price competitive

2. disobeys advertising policy

Expensive version as an independent item 1. maintain brand image of good quality

1. High initial investment and production cost

2. Less price competitive

3. Market response is hard to predict

4. disobeys advertising policy

Expensive version as a dependent item

1. consistent with advertising policy

2. maintain brand image of good quality

3. - Fisher-Price has a long history where product offering as line of toys had gained wide popularity and success

1. High initial investment requirement will be required.

2. - The chances of success are not guaranteed.

3. - The advertising and marketing cost would be high

Both cheap and expensive versions

Alternative 4 â€" Staggered production of the various versions of ATV explorer

Pros:

- The initial investment requirement would be considerably reduced

- This will help Fisher to stagger the investments required for mold and tooling for the ATV explorer

- This strategy would help understand Fisher-Price to understand the market before starting the production for the release of the upgraded version.

- Fisher-price would be able to stay competitive with the initial release because, its competitors are also introducing new products.

- Customers recognize value of Fisher-Price toy products.

Cons:

- If the strategy fails, the initial investment would be lost as sunk cost.

- Concerns on relations with trade because of high price

Alternative 5 â€" Drop the production and hence the launch of the ATV explorer

1. Recommendation (the choice of the best solution, a concrete answer to the main research problem)

"4P" / "4C" strategy advantage

- Product → Commodity

- Price → Cost

- Place → Channel

- Promotion → Communication

In my opinion Fisher-price should follow the staggered production of the various versions of ATV explorer (alternative 4), based on the following considerations.

- This strategy would allow Fisher-Price to stagger the investments requirement for mold and tooling.

- This strategy would allow Fisher-Price to better understand the response to the initial release before starting the production of the ATV explorer as line of toys. Since the planned advertising budget is $1,000,000 for the year, Fisher-Price would be able to market the initial release effectively and once the toys get a market hold, the production of the upgraded version may be started.

- Since the toy business is seasonal â€" with November-December sales to customers accounting for almost 60% â€" the initial release would allow Fisher-Price to compete effectively. Hence the production for the cheaper version of the ATV explorer should be started to meet the Christmas rush.

- Fisher-Price has very good brand recognition (64.7%) â€" the customers would recognize the value and pay for the new toy with higher price after the initial release.

- Fisher-Price has 60.5% brand loyalty with customers â€" Fisher-Price name coupled with the attractive design and engineering of the toy would assure reasonable sales even at higher price. The initial release is only intended to allow the low priced single ATV explorer with revised design (cheap version) to be brought into line with the competitive riding toys before the upgraded version is introduced.

- Public opinions have demonstrated that people are ready to spend money on toys (54.9%), price of ATV explorer should not be a barrier for success.

- The full version of the ATV explorer enjoyed substantial success in the nursery school and high level of repeat usage.

- The proposed ATV explorer TV story is an attractive marketing and advertisement concept and has a good chance of success.

- Fisher-Price has a sound financial condition and therefore can afford the financial risk of the initiating the production of the ATV explorer.

- Fisher-Price offering such as Creative Coaster or Family farm, even with price above the $5 barrier, met with considerable success, because of its reputability, fine track record and attractive design. The same market reaction may be expected for the initial release of ATV explorer.

In order for the company to grow, Fisher-Price should consider starting the production of the ATV explorer to meet the Christmas rush of the following year. Due to the sound financial condition of the company, it can definitely afford the risk to go into production of the ATV explorer to keep the competitive edge. Since Fisher-Price has good brand recognition, it would be beneficial for the company to launch ATV explorer. As indicated above, Fisher-Price should launch the cheap version of the ATV explorer to understand the market reaction before introducing the upgraded version as a toy line.

Staggered product launch normally provides maximum impact and profit for the company. It allows the company to segment the existing market into various groups based on their level of product purchases based on differentiated offering. There have been numerous instances in the corporate world, where this strategy has benefited the company bottom line and enhanced brand recognition. It would also provide Fisher-Price to develop investment strategy (in molds and tooling) judiciously and breakeven earlier.