

Fisher Price Toys – Consumer Behavior

A case study by Group 6

Issue in the case

- New product launch
- Difficulties in determining the price at which the new product to be launched
- Market research was done for \$12 per unit in retail
- Due to additional fixed cost, the new price will shoot up to \$18.50 per unit
- Key decisions to be taken for product launch
 - Pricing strategy for the ATV explorer
 - Advertising and marketing strategy for ATV explorer

Suggested solutions in the case

- Cheapen the product by compromising on the quality
 - This option is not suggested as this has been the key strength of the company
- Push ATV as single item in advertising
 - Possible to generate demand at \$18.50 per unit
- Cut-off the margins from the fixed markup
 - Production department would not take care of cost-cutting

SWOT Analysis

Strengths

- Good product design and testing
- Good perception of product quality
- Substantial market share and awareness
- Increased level of sales

Weaknesses

- Resistance towards change
- Internal conflict in the employees
- \$5 entry-price barrier
- Quaker oats not getting actively involved

Opportunities

- Great demand for riding toys
- Best known brand from the survey
- 97% think toys are good for children
- Number of first-births expected to rise by 1980

Threats

- Competition with established player in riding toys area
- Price sensitivity in customers
- Bad relationships with retailers
- Decreasing number of children under 6 years of age

Break-even Units calculation

Cost to trade	9.2	9.2
SGA	1.564	1.564
Actual price per unit	7.636	7.636
Fixed markup for company	20%	10%
Cost to company	6.363333	6.941818
Company's Margin	1.272667	0.694182
Fixed costs	179000	179000
BEU	140649.6	257857.5