Haverwood Furniture, Inc. Decision

Opportunity- The opportunity in this case comes from the change in advertising budget for the Haverwood Furniture, Inc. The idea behind the change is to increase the consumer advertising budget by $225,000. This raise would allow for more consumer based advertising in shelter magazines. The expansion of the consumer advertising budget would allow Haverwood to broaden their brand exposure to potential customers. Currently the budget for promotional ventures is $3,675,000 (As of 2007) which was subdivided into sales expenses, cooperative advertising programs with retailers, trade promotion and consumer advertising. One aspect to consider is that one of the highest selling age groups are 45-64 range which incidentally are the baby boomers who have more disposable income. It should also be noted that the baby boomers are the most rapidly growing age group in the US. (United States Census Bureau, 2011)

Causes- There are several causes in which need to be taken into consideration on the budget increase in marketing. According to *Standard & Poor’s Industry Surveys* consumers are picky when it comes to selecting furniture for their home. Also according to a *Better Homes and Gardens* consumer panel there are several things that influence a consumer on which store they select from. The two highest influences on selecting a store are the store being highly dependable at a score of 85.1. The second is the store carrying the style of furniture that the consumer wants at a score of 88.0. This means that to better serve the target market there needs to be more consumer based advertising.

Recommended solution

Product- The product being sold is high end wooden furniture being marketed towards the aging consumer. This would include the 35-44 group who is focused on homebuilding and the 55-64 group who are often the older generation with more disposable income.

Price- The price of the items varied based on the item selected however often entire bedroom suites would range from $1,500-$5,000. This means that the target market would actually be more aimed at those with an average household income of greater than $100,000 and a fair amount of disposable income.

Place- The products being sold are mainly sold out of specialty locations. Specifically speaking through 1,000 independent stores nationwide. It should be noted though that Haverwood’s policy is to not sell through discount stores or chain stores such as Rooms To Go. This allows Haverwood to maintain a status as a high end retailer without losing their prestige.

Promotion- The products that are sold by Haverwood Inc are by design high end. The promotion of the product comes from the exclusiveness of the stores along with the high end pricing. Also as with how the product is placed often stores that sell Haverwood products either do not carry very many other brands or they are more of a “gallery” in which entire lines of products are displayed.

Solution- **Invest in the budget increase**. Although in 2007 Haverwood had allocated $3,675,000 for promotional expenditures. Of this approved budget $562,500 was allocated to consumer advertising. This would mean that with an increase of the requested $225,000 it would bring the total to $787,500. There are concerns that if the budget is increased to this level that it would raise to more than the 5% policy of net profits before taxes. However it should be noted that with the increasingly growing target market and the desires of the consumer it would be beneficial to increase more consumer advertising. This would be accomplished through page ads in magazines such as *Better Homes and Gardens* and *Country Living*. This would better serve the older population due to the fact that many of the target market are not avid internet users (Morales, 2009). The same study showed that less than 23% of internet users were older than age 65.

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| Quantitative Analysis-  **Haverwood Furniture - Promotion Budget** | | | | |
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| **Item** | **2007** | **Percent of Revenue (2007)** | **Proposal 2008** | **Percent of Revenue (2008)** |
| Direct Sales - Sales Expense and Admin. | $995,500.00 | 1.33% | $1,060,500.00 | 1.36% |
| Advertising | --- | --- | --- | --- |
| ---Cooperative | $1,650,000.00 | 2.20% | $1,800,000.00 | 2.31% |
| ---Trade | $467,000.00 | 0.75% | $700,000.00 | 0.90% |
| ---Consumer | $562,500.00 | 0.75% | $787,500.00 | 1.01% |
| Sales Promotion | $0.00 | 0.00% | $400,000.00 | 0.51% |
| Public Relations | $0.00 | 0.00% | $100,000.00 | 0.13% |
| Total | $3,675,000.00 | 4.9% | $3,837,500.00 | 4.9% |
| Revenue | 75,000,000 | 100.0% | 78,000,000 | 100.00% |

* Haverwood’s budget for consumer advertising in 2007 was $562,500. An increase of $225,000 to better target the target market.
* The fastest growing age demographic in the US is the 45-65 range in which saw a 31.5% increase. This also happens to be the largest spending groups when it comes to furniture sales in the US.
* An increase in consumer marketing through the shelter magazines would help reach those consumers not avid internet users.
* Projected revenue for 2008 is predicted to climb by 4 percent.

# References

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