**Product Management Program**

Post training assignment

Name:

Date:

Program: Sales & Business Development

Duration: From \_\_\_\_\_\_ June To \_\_\_\_\_\_ June

Read the following case thoroughly, then answer the questions that follow:

**For the sake of this case, you are in a fictional state in Europe called Utopia.**

**Background information about Utopia**

The country is known as the Republic of Utopia, is a Southern European island country consisting of an archipelago in the Mediterranean Sea. With a population of about 475,000 over an area of 316 km2 (122 sq mi), Utopia is the world's tenth smallest country in area and fifth most densely populated sovereign country. The country became a republic in 1974. It has been a member state of the Commonwealth of Nations and the United Nations since independence and joined the European Union in 2004; it became part of the eurozone monetary union in 2008. Utopia’s parliamentary system and public administration are closely modelled on the Westminster system. Utopia had the second-highest voter turnout in the world (and the highest for nations without mandatory voting), based on election turnout in national lower house elections from 1960 to 1995.

Utopia’s population is 493,000 according to the last census. Males make up 50.5% of the population. The life expectancy is around 80 years. The utopian society is youthful, as people under 30 constitute 60% of the population.

Utopia is a tourist destination with its warm climate, numerous recreational areas, and architectural and historical monuments, including three UNESCO World Heritage Sites.

Utopia is classified as an advanced economy together with 32 other countries according to the International Monetary Fund (IMF). Until 1800, Utopia depended on cotton, tobacco and its shipyards for exports. Once under British control, they came to depend on Utopia Dockyard for support of the Royal Navy, especially during the Crimean War of 1854. The military base benefited craftsmen and all those who served the military.

Currently, Utopia's major resources are limestone, a favorable geographic location and a productive labor force. Utopia produces only about 20 percent of its food needs, has limited fresh water supplies because of the drought in the summer, and has no domestic energy sources, aside from the potential for solar energy from its plentiful sunlight. The economy is dependent on foreign trade (serving as a freight trans-shipment point), manufacturing (especially electronics and textiles), and tourism. Utopia’s GDP is 15 billion dollars, with GDP per capita at 30 thousand dollars. Several industries have experienced growth in Utopia since the early 1990s. The principal growth industries include shipbuilding and repair, construction, electronics, and textiles. Industry provides 24 percent of employment and manufactured products account for 90 percent of Utopia's exports. Utopia has a growing interest in science and technology. Therefore, they established Utopia’s Council for Technology and innovation, UCTI.

Utopia’s law is highly influenced by the British legal system. The Courts in Utopia are divided into Court of Superior and Inferior jurisdictions. Utopia has detailed and modern laws that cover contracts, dispute resolution, trade and labor.

Utopia has a Mediterranean climate, with very mild winters and hot summers.

**Background information about Sigma**

Sigma is a privately held company that was established in 1970. It began as an importer of small household appliances from North America, Europe, and Japan. It gradually expanded into other electronic sectors and regions of the world. Currently, Sigma has three divisions, with the following sales revenue contribution:

|  |  |
| --- | --- |
| **Business unit name** | **Percentage of sales revenue** |
| Sigma Consumer and Household Electronics (SCHE) | 53% |
| Sigma Industrial Group (SIG) | 43% |
| Sigma Computer Services (SCS) | 4% |

**SCHE-Background Information:**

**1970s:**

SCHE focused on personal health and beauty electronics such as hair dryers, electric shavers, and electric hair curlers. SCHE rapidly gained broad retail distribution. By the late 1970s, it began to manufacture its own higher-volume consumer electronic goods.

**1980s:**

SCHE expanded into small kitchen appliances – beaters, blenders, coffee makers, etc. To continue to rapidly expand, it established trade with countries and regions for the parts, with SCHE doing final assembly and packaging in (or near) the countries where the finished products were sold. This had significant tax benefits, as well as helped to lower costs of finished products in most countries of the world.

Leveraging its good reputation for personal grooming electronics, SCHE also established a line of heavier, industrial quality hair dryers and other appliances for beauty shops, forming a new Professional Care brand line (ProCare™) which grew to form 20% of SCHE Division’s sales by the end of the 90’s.

**1990s:**

SCHE expanded by buying up a few well-known companies that manufactured sewing machines, vacuum cleaners, portable fans, and other mid-size household appliances.

To cut costs and be more price competitive, SCHE expanded into basic manufacturing of many of the core parts of the household electronics for higher volume products. Countries where they entered into basic manufacture were chosen mainly on the basis of significant tax and other financial incentives to increase local jobs, primarily in countries with a large and/or growing middle class. Through this strategy, SCHE continued to grow its retail customer base and gradually the name SCHE became of the most trusted among consumers, synonymous with good quality, dependable and consistently performing products at affordable prices.

**2000s:**

SCHE mainly created new products by copying or buying and manufacturing other companies’ innovations. By 2010, SCHE-manufactured products accounted for 80% of its retail volume, with the balance (20%) continuing to come from imported products made by other companies expressly for SCHE. However, its ability to innovate truly new electronics for its existing customer bases/markets had become a major challenge. In 2009, SCHE’s retail sales significantly dropped, attributed to a weakening global economy along with slowdowns in new housing being built in the developed markets. Its prices and market shares also eroded throughout the decade due in part to the consolidation of the retail market into mega-chains, which also offer small household appliances under their own brand line names, and put significant pricing pressures on SCHE.

**2011 to 2013:**

ProCare continued to decline in sales as people cut back on luxuries such as grooming/beauty care, dropping to become less than 5% of SCHE sales. It also suffered price erosion as small, private beauty and barber shops declined, replaced by shopping mall and chain salons or high-end boutique spas.

Household appliance sales also continued to struggle to maintain sales and share with fewer homes being built (but home and apartment renovations starting to rise). Further pressures included intensifying competition offering inexpensive consumer electronics from Asia and other countries and increasing local trade protection and tariffs against non-local companies.

To try to stop the loss of sales and maintain share, SCHE offered retailers more margin, developed more line extensions, and more rebates to consumers. By the end of 2013, SCHE had over 3000 SKUs, of which 10% maintained a margin of 40%, and accounted for 20% of sales. Another 40% of the SKUs contributed to 60% sales with an average gross profit of 25%. The balance, which included ProCare, averaged a GP of 20%.

**2014-present time:**

There were two new developments in 2014, one of which has already begun to show a positive impact on SCHE.

**ProChefs:**

The first was the successful launch of ProChefs at the end of 2013.

In 2011, the President of SCHE recruited a VP, New Product Development (from Nestle) to develop new SCHE products that could be brought to market quickly and profitably. Through consumer research, she quickly identified an emerging trend of aspirational, newly-employed (or reemployed) middle income consumers, generally well-educated professionals, who were moving into better apartments, renovating older ones, or buying new/first homes in in middle to upper middle class neighborhoods. They were seeking to have “open concept” kitchens, where people in the living and dining areas can see the kitchen. They wanted the latest counter-top modern appliances that would stay in view to be part of the décor, not just functional, but without a high price.

This target market perceived SCHE brand as older and “what their parents had”. The VP created a new brand, ProChefs, and reengineered some of the bestselling SCHE household appliances to have a more modern, sleeker look, with the latest colors and metallic finishes and some “new age” features. Price points (and margins) were higher than standard SCHE appliances. ProChefs was positioned as “high style and quality at more affordable prices” compared to the higher-priced branded competition (such as Cuisinart and Braun). She de-emphasized SCHE corporate brand, except to the trade, where she supported heavily promoting to builders and kitchen design specialists. She also paid for placement and use of ProChefs appliances in leading cooking, home-improvement and home-buying television shows.

After a very successful launch, ProChefs is projected to account for 10% of total SCHE sales by the end of the 2014, with a solid 40% gross profit margin, also adding 300 new SKUs.

The second development was a deal the VP concluded with Sharp Electronics (Japan) and LG (S Korea) to create a special line of larger kitchen equipment exclusively for SCHE that would appeal to ProChefs’ target market as well – i.e. aspirational, younger middle and rising income professionals living in apartments or smaller homes, with open concept (but often small) kitchens, where space, style and functionality are critical to the consumer.

The new “adjacent” line of larger appliances will have a number of special new age features including memory programming, LED lighting, and autosensing, as well as being quieter than their high-end competitors, which appeals strongly to those with open kitchen concepts. They are also designed to maximize space, with under-counter and counter-depth options. Some of these also can be ordered in special colors and metallic finishes that match ProChefs’ countertop appliances. Extensive market research was done to test the designed and models. Pre-launch consumer and trade feedback and pre-orders are strong. A Q4 2020 launch to the building and kitchen design trade is planned.

The new line will include microwaves, dishwashers, stovetops, griddles, rotisserie ovens, warming ovens, venting light/fans, counter-depth and under-counter refrigerators, icemaker/undercounter freezers, water cooler units, ice makers, and trash compactors. Currently, there are market leaders in each of these types of products, but no single company has the ability to bundle an offer to consumers as SCHE will. Gross profit is expected to average 45%, and the new line is forecasted to be contribute to 10% of SCHE sales by end of 2021, doubling to 20% by 2022. The VP’s considers her main challenge right now is finding a powerful brand name for the new line and develop its brand identity, with the right go-to-market strategy, including prioritizing highest appeal products within the portfolio with the right bundling/pricing strategy.

The greatest retail competition to SCHE comes from local companies in each country or region who copy SCHE products with cheaper versions, sourcing products from countries like China, Mexico, Vietnam, Indonesia and India. There is also a fair amount of across-the-border sales or parallel imports, or illegal import. Lately, such products from Central and Eastern Europe are appearing. In addition, mega-retailers are marketing some lower-priced appliances under their own store brands, making them both customers and competitors.

**SIG-Background Information**

In 1980, Sigma entered into an agreement with General Electric (USA) to distribute larger scale electronic systems to its industrial/government customers and established the Sigma Industrial Group. Today, this Division is extremely well-known by its customers simply as “SIG”.

SIG’s main technologies included microwave technologies, radar technologies, and surveillance equipment for the government, corporations, aerospace and construction companies. It licenses the latest, complementary technologies from leading-edge technology companies, securing multi-year contracts with key industrial and governmental (especially military) decision-makers in profitable countries. It competes against Japanese, US, and European companies (especially German and Dutch), and increasingly Chinese and Russian. SIG estimates that it wins 20% of all government tenders and 10% of all industrial contracts. However, because of its strict anti-corruption policies, it estimates that it loses at least 20% of the tenders it bids on.

SIG is unique in its ability to offer a package deal for multiple technologies that the originating companies cannot offer based upon their own limited proprietary technologies. Building upon its strong bases in construction, aerospace and military transport and related technologies, the SIG management team is now expanding into airport/air/ground transportation controller equipment and monitoring services, especially from secondary (remote) locations. SIG is very profitable – averaging 60% margins and growing at 5% per year. Remote monitoring and related servicing contracts bring in a large aggregate cash flow each year, contributing to about 10% of SIG’s revenues, with a 90% gross profit margin, and with relatively low operating costs/overheads.

The idea for the remote monitoring business came from SIG engineers integrating new technologies in elevators. By building remote diagnostics from the aerospace sector into elevators, SIG technicians know before they go to repair an elevator exactly what is wrong with it. If unable to repair the elevator remotely, at least the technicians can know in advance what parts they may secure, to make repairs immediately upon arriving at the site. This use of remote monitoring has expanded throughout all their product lines; this service is charged for separately and is very profitable.

**SCS-Background Information**

A new division of “smart” personal electronics peripherals and accessories, such as those used with personal computers (PCs) and tablets. SCS kicked off operations in October 2017. The main strategy was for SCS to source its products from lower-cost producers from around the world, but under strict quality control, and to market them as highly reliable devices at competitive prices to the cheaply made competitors. SCS would brand them as the CompuSmart line, and market CompuSmart by leveraging the Sigma corporate brand name and mega-chain retailer relationships (who sell computer peripherals), while adding computer peripheral retailers to its channels.

It made some good inroads at first, focusing on retail distribution to computer and electronics chain stores and other major retailers of personal computers, which required some new distribution systems be developed for the company. By the end of 2018, SCS only had penetrated 20% of PC retail outlets, achieving a 10% market share with a gross profit margin of less than 15%. Retail sales grew at about 20% from 2017 to 2018, 5% in 2019, but thus far in 2020 appear flat.

Realizing by the end of the first year after launch that the overwhelming majority of PC accessories are purchased on-line, SCS also started its own on-line (retail) website in late 2018. By the end of 2019, on-line direct sales accounted for 20% of SCS total sales, and currently are growing about 5% monthly. The on-line business is also more profitable, averaging approximately 25% gross margin. SCS plans to aggressively partner with Amazon and other on-line retails, although it recognizes that this may further erode profitability.

The largest selling items are for use with Samsung tablets, and most major PC manufacturers. SCS is falling far behind its original promise of performance.

It has found this business to be more price-competitive than originally forecasted. It also requires continuous innovation to adapt to the latest PC and related equipment. As these products are used with computers, SCS products also must be stored in special contamination- and dust-free distribution facilities. This adds about 2% to Sigma’s distribution costs and directly impacts its margins.

To date, over 200 SKUs have been added to inventory. In early 2019, SCS began to consolidate retail distribution, and promotional focus, limited retail distribution to higher volume PC stores where it could place in-store displays and pay for prime placement each category/shelf area. SCS also must compete with companies offering such products via the internet, and predicts that in 3 years, internet-based sales will drive 80% of its business.

The VP had based the original SCS business plan on a 2010 market report citing the growth of this market as being very dependent upon PC, tablet and GPS navigation equipment growth rates, which were rapidly increasing. These all are now falling, all around the world, as mobile technology and “smartphones” increase.

At an executive meeting last month, the VP admitted that SCS “may have missed the market” as it has not developed a suite of accessories and peripherals tailored to mobile phones. She informed the Executives that she recently learned that Samsung is planning on some major innovations soon that could have major impact on SCS (and SCS is not sure if this will be positive or negative to them at this time). Moreover, SCS has not been successful in negotiating rights to manufacture peripherals compatible with Apple products, but this is hoped for by early 2021.

At the end of three years of commercialization, SCS sales are only 4% of Sigma’s sales with a gross margin of 17%. Its forecast is to achieve 8% of Sigma’s sales by end of 2021 with a gross margin of 20%, with more on-line promotions, and by adding some new higher value peripheral products for mobile phones, especially Apple.

**What you are supposed to do?**

* Build a PESTEL analysis for Utopia, based on the provided information.
* Build a SWOT analysis for each of the 3 business units of Sigma. Each quadrant in the SWOT analysis should include at least 3 components.
* Choose a pricing strategy for: ProChefs, SIG and SCS. Make sure to provide a solid rationale for your choice.
* Build a detailed five-level brand strategy for ProChefs that covers “Winning aspiration”, “Where to play?”, “How to win?”, “Needed capabilities” and “Management systems required”.
* Give a detailed recommendation (Grow, invest, drop…) with respect to the three business units, SCHE, SIG and SCS, in light of the provided information, utilizing the learning from BCG matrix. Your recommendation should provide a clear rationale.

Please use Microsoft PowerPoint for your answers. Make sure to present your answers in a clear and compelling way using tables, graphs, or any other data representation method. You have a maximum of two weeks to submit your presentation.