**Pintura Corporation The Lena Launch Decision**

Q1.

What are IFG’s current objectives and strategies in the markets for a) General Industrial Coatings and b) Wood Coatings?

Ans:

**a) General Industrial Coatings**

The objective is to sell environmentally friendly products, which reduces the release of VOC toxins.

Of the 1 billion dollar sales, 15% for plastic, 20% for metal and 65% sales are from wood coatings.

Increase in market share for GIC both in US and globally.

The goal is to increase the annual revenue by 5% annually.

By introducing new environmental products that are durable, it aims to gain new customers and grab share from the competitors.

Strong innovator in the domain of GIC paintings and emerge as leader in the company for innovation.

Introduce more products on wood coatings than solvent based and liquid based coatings. The strategy is to be cost containment leader in the wooden coatings through powder based coatings.

**b) Wood Coatings**

Powder based coatings to grow 10% annually in the next few years.

Develop new products like Lena, which will increase the market share and bottom line of the company.

Products those are more durable and environmentally friendly.

Powder-based products have superior durability, attractiveness, and quality. These characteristics are important because the consumers value quality, reliability, and consistency from their coatings, so the product strengths are reflective of consumer concerns.

Ultimately, the many strengths of the powder-based product are only helpful if the product is successfully sold to the industry customers through strategic STP. The customer group that has been identified with the most potential for the Lena product is the wood segment of the end-user substrate groups. This segment is comprised of the furniture, flooring, cabinetry, and other wood furnishings.

Annual growth rate for wooden flooring is forecasted at 4.2% and 1.4% for wooden cabinet.

Increase the powder based coatings which will increase the profitability by increasing operational efficiency.

Q2. What is the role of Lena in the IFG Product Line (think from Fit and cannibalization point of view)?

Ans:

The flooring and cabinetry segments of the wooden coatings segment are focused on durability and cost-effectiveness, while the furniture and other furnishings segments are focused on aesthetics and differentiation. Lena, the powder based coating can meet the needs of both segments by reducing product wastes, which decreases the costs, and by improving the aesthetic differentiation of products by elevating the quality of beautiful woods. The versatility of the product is another commercial advantage. All of these factors of differentiation, quality, and attractiveness blend together to elevate the strong value proposition of Lena. These value-adding qualities can be communicated to manufacturers through the direct sales force, independent distributors, and other promotional activities. Also, launching Lena would give IFG a first-mover advantage in the powder-coating market for woods.

The pricing decision is crucial for the success of Lena after development because the product must be profitable and must be in line with perceived value of the customer. The price also must take into account the initial investment many customers would need to make in the UV equipment that is used to apply the product and the training costs involved. The estimated price was determined to be $38, and this price captures the premium and superior quality of the product and provides the company with a contribution margin of $15.96 per unit, or 42% of sales.

The contribution margin is very salient to the concern of liquid-based coating cannibalization. The higher contribution margin of Lena compared to water-based coatings (39% contribution margin) makes the impact of cannibalization less critical. It is also because the product being cannibalized is less profitable than the product which is sold in its place. Also, the market in general is adapting to environmental friendly products and Lena scores well on this front too compared water based coatings.

Q3.

Q3. What would your opinion be of the proposed introduction if you were?

1. An executive from another division of Pintura?
2. An independent distributor?
3. An IFG salesperson?

Ans:

1. As an executive from another division of Pintura, I would be more interested in checking out how the new product Lena is contributing to the top line and bottom line of the company. As industry is embracing environmental friendly products, I’d really welcome the right product at the right time to grab the market share both globally and in the US. Cost effectiveness of the product is the main value addition to the product line of the company. Also, the COGS is decent enough to get a good contribution. My main concern would be on STP part and how the product would be distributed to the customers. The product launch is well aligned with the overall company’s goal of reducing VOC toxins.
2. As an independent distributor, I would be more concerned about the customer’s response to this product. The availability of the inventory and the holding costs of powdered based coatings also need attention. The spread I would receive by selling this product and the credit line is important. Also, the logistics and supply chain management of transporting the product matters as it relates to safety concerns. The monetary incentive is important for sales to different segments of the customer. The brochures and manuals also play a crucial role in education. Also, check out different discounts offered for achieving certain volumes of the sales.

C) As a IFG sales person, I would like to see how profitable it is and the operating margin it generates. I would also want to check the unique selling point of this product so as to convince myself about the value it creates. How do I acquire new customers with the product in hand and plans to do demos to existing customers? I would check out any bonuses for the acquisitions. And then how do I do STP and promotion.