



Bucks over Brands

Your Company has 2 online retail shops, one is a premium retail shop and the other one is a cheap retail shop. Both are very similar in nature, so figure out the possible reasons as to why the cheaper retail store has a higher profit margin than the premium shop.

CASE TYPE
Market Entry

COMPANY NAME
LEK Capability Network

DIFFICULTY LEVEL
★ ★ ★

Bucks over Brands

Are low priced goods the key to higher profits?

Case Type
Market Entry Case

Company Name
LEK Capability Network

Round
Partner

Difficulty Level
☒ ☒ ☒ ☐ ☐

Problem Statement

Your Company has 2 online retail shops, one is a premium retail shop and the other one is a cheap retail shop. Both are very similar in nature, so figure out the possible reasons as to why the cheaper retail store has a higher profit margin than the premium shop.

Understood, I would like to ask some clarifying questions to better understand the problem the company is currently facing.

Sure, go ahead

Can you elaborate more on their similarities?

The amount of investment required to set up both the shops and the amount of sales almost the same, however for some unknown reason the cheaper retail store has a higher profit margin than the premium shop. You have been hired to figure out their problems.

Thank You, sir. Could I take a few minutes to structure my thoughts regarding the information you have provided me?

Sure, Take your time.

Well after hearing the details of the case I would want to go in-depth into their costs and revenues to check for any discrepancies.

I do not want you to do that, think of some other qualitative ideas that can explain how the difference is arising.

Understood, sir. My next approach would be analyzing the psychology of consumer behaviour. Perhaps people are more inclined to buy in bulk when things are cheaper, thus contributing to a higher profit margin for the cheaper shop.

Interesting, but I am not entirely convinced. What else can you consider?

Understandable, then I would want to explore the market share of both the shops within their respective business segment.

Market share, got it. Can you elaborate more on that?

Certainly, maybe the difference in market share could be due to variations in the marketing strategies used by both shops, it seems that the cheaper retail shop might have a higher market share due to leveraging modern marketing features like social media and targeted online ads to reach a wider audience while the premium shop relies more on traditional advertising channels.

Okay I can see where you are going with this. We can end the case here.

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CASE FLOW

CASE FACTS

- 1 Company has 2 shops, One Premium retail store and other Cheaper retail store.

