Strategies to Reduce Product Proliferation

Downy Simple pleasures

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IN CLASS TODAY WE WILL DISCUSS.....

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- Current Events
- The Walmart Debate
- Product proliferation
  - What is it?
  - Costs
  - Cure
  - Benefits
- Cannabilzation
Best Buy’s Low Price Guarantee hits online and in stores on March 3, signaling the end of “showrooming.” Best Buy will price match all local retail competitors and 19 major online competitors in all product categories and on nearly all in-stock products, whenever asked by a customer.
Wal-Mart Executives Sweat Slow February Start in E-Mails

“In case you haven’t seen a sales report these days, February MTD sales are a total disaster,” Jerry Murray, Wal-Mart’s vice president of finance and logistics, said in a Feb. 12 e-mail to other executives, referring to month-to-date sales. “The worst start to a month I have seen in my ~7 years with the company. Where are all the customers? And where’s their money?”

Tax Refund Delays-$19.7 billion
Payroll tax break expired Dec 31-2%

Higher payroll taxes “go against our customers’ wallet,” Family Dollar Chief Executive Officer Howard Levine said on a Jan. 3 conference call. “Clearly, they do not have as much for discretionary purchases than they did.”

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Maker's Mark has Quick Response

• Demand for product is increasing quicker than ever
• Reduce the bourbon's alcohol content from 45 percent to 42 percent.
• Big mistake- CEO said "This was about the worst four or five days of my life, and you wouldn't impose that on yourself unless you were really stupid," he said, pointing out Maker's Mark changed course within a week while Coca-Cola took four months.
• The spirit ages for at least six years so it will probably be that long before supplies are able to catch up to demand.
• Kentucky produces 95% of the world's bourbon supply, according to the Kentucky Distillers' Association. There are 4.9 million bourbon barrels aging in Kentucky, which outnumbers the state's population.
American/US Air Merge

Airlines have gone from 6 legacy carriers to 3 in the last decade.

Delta
United
American
US Air
Northwest
Continental

Long term = higher prices

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Rough Seas for Cruise Industry

Concordia-Killed 32-Italy

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"Cruise ship industry holds up in rough waters"

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- Concordia crash in 2012
- Higher Fuel Prices
- Ongoing global recession
- Hurricane Sandy damage to cruise line facilities in the Caribbean and along US east coast
- Plus connecting air and rail services

"When rates in the Caribbean are already under $100 per person per night, it's hard to see prices going much lower,"