Making a Marketing Strategy Choice

This is a mini case study of a hypothetical toy manufacturer (Fun 4 U) that is faced with two distinct marketing strategy choices.

Your task here is to determine, based on the information available, the best approach for the firm. Remember to think about the firm's existing strengths (as you assess them) and how they may be able to compete successfully in the long-term.

About the Fun 4 U Toy Store Chain

Joe Walsh gazed out the window of his office. He was pondering the major strategic decision facing his small chain of toy stores. Joe had opened his first "Fun 4 U" toy store just 10 years ago and today he had a chain of 15 stores. In order to keep costs down somewhat, he chose to locate all his stores in the main shopping streets of large suburbs, rather than in major shopping complexes.

Fun 4 U stores were unique in the retail toy market. They had to be! With the enormous buying power of the leading toy retailer, Toys R Us, there was no way that he could possibly compete on price. Even the major discount and department stores (like Walmart and Kmart) could buy toys on far better terms.

Joe decided to enter the toy retailing market after reading about the success of Toys R Us in a business magazine. He figured if the market was large enough to support a category killer as well as discount and department stores, then there were probably some opportunities for a new player like his Fun 4 U store.

While Joe didn't have a background in retailing, he knew that competing on price just wasn't a sensible option for a small player in a big market. He knew he had to find a point of difference in the marketplace. Joe explains it well himself, "I knew I couldn't be a discounter, and I knew that I couldn't just be another 'me-too' store, but I felt that there was a good opportunity in the marketplace. Therefore, I set out to make toy shopping a magical experience for all the family. When I did my market research, I noticed that families shopping in Toys R Us sometimes had very upset children. It could be very stressful experience for everyone. So here was my opportunity I thought to myself – to make toy shopping a fun, enjoyable adventure for all the family members."

Just ten years later and the dream has become a reality. Fun 4 U now offers a very broad range of merchandise, ranging from games and toys, to software, to sweets and drinks. They have an "adventure" section with rides and a soft playground for young kids, with video games and a basketball hoop for older kids. They charge an average of $5 per child for unlimited playtime in these special areas of the stores (and they refund the $5 if the parents buy more than $20 in toys).

The Changing Marketing Environment

However, despite his "success", Joe has been concerned with the overall level of profitability and where to take the business from here. Much of his concern had been generated by Susan, his new marketing manager. Fun 4 U never had a marketing manager before, but Joe was finding the environment more competitive and volatile. He was facing many challenges, in particular:

- A broader range of toy retailing competitors (many supermarkets now had small toy sections; many stores were selling low priced imported toys)
- There were more 'experience' competitors (more soft indoor playground outlets had opened and many McDonald's stores had a playground)
- Technology was moving faster (particularly for software, smart phones and game consoles)
- Consumer toy spending was shifting away from traditional toys and towards electronic devices (such as MP3 players, game consoles and mobile phones)
- Families were becoming increasing time-poor (less time to shop), which is a key factor for his competitive offering
- Young families with children were slowly declining as an overall percentage of the population.

Enter Susan – the New Marketing Manager

Susan's background was in retailing. In fact, she was the marketing manager for a major hotel chain. She had a number of differing views to Joe and was concerned with many areas of Fun 4U's operations. After her first three months at Fun 4 U, she had written a report outlining her analysis and putting forward a number of strategic recommendations. Some of her findings included:

"It is apparent that the Fun 4 U stores are dramatically underperforming financially. The return on investment is quite low as compared to other retailers. This is primarily driven by the significant asset investment in each store (i.e. playground, broad product selection, coffee shop). Therefore, it is recommended that the investment in these assets be progressively scaled back."

"Store sales turnover is quite low on a relative basis. This is clearly due to a lack of major shopping center complex locations. Therefore, it is recommended that the existing stores 'street' stores be progressively closed and re-established as larger stores within major shopping center complexes."

"The target market has been defined too broadly. This clearly weakens our competitive position, as it exposes us to a greater range of direct and indirect competitors. Therefore, it is recommended that we focus upon a more tightly defined target market."

"According to our recent focus group market research, Fun 4 U is poorly positioned. It can be described as being under-positioned, particularly with non-customer groups. The underlying cause is offering too broad a range of products and services. In other words, we aren't perceived as a specialist in any area. Therefore, consistent with the previous recommendations to scale back on the asset investment (recommendation 1) and to tighten the target market (recommendation 3), it is further recommended that Fun 4 U become a product specialist in educational toys (a sizable market that is somewhat neglected by Toys R Us)."

What to do?

Joe had been over Susan's report many times. She had many good arguments and backed them up with supporting data. Despite this, Joe felt uncomfortable with many of her recommendations. His view was not based on 'hard data', but more on his 'gut feel'. After all, he had built a chain of stores without a lot of analysis.

This is not to say that he doubted Susan's ability. On the contrary, she had a good workable strategy, but was it the right one for his firm?

Joe, himself, had been considering the idea of further market development, perhaps even through franchising. But then again, he was also considering further product/service development, which had really been the basis of his growth and competitive strategy over the past 10 years.

"Whatever happened to the Joe Walsh who started this business", thought Joe as he continued to gaze out the window, "He just went out and did things. He had a vision and just set out to make it a reality – very clear and very focused. It's a pity that I don't have that clear direction now. I really don't know which way to go, both strategies have their merits."

Student Discussion Questions

1. What are the major strengths of Fun 4 U?
2. What are the more significant environment and competitive challenges that they are facing?
3. Therefore, based somewhat on your responses in Q1 and Q2, which of the two strategic approaches do you consider to be the most appropriate for the firm? Why?
4. Is it possible to integrate the best elements of each plan? If so, are you able to devise a new strategy that may be more successful in the marketplace?