

Protect the Brand or Grow the Profit?

Joe and Mary went to the local discount store to **replace their mattress** for their bed. They were happy with their existing mattress, but it was getting too old, as it they had had it for over 10 years. Before they left for the shop, they checked what brand their current mattress was - it was a well-known brand, so **they decided to get the same brand again**.

When they got to the store, for the first 10 minutes or so they review the mattresses that had been set up for display. They found the brand that they were after, which had multiple price points (an extended product line of choices). After trying several mattresses, as the store signage encouraged them to lie down and test the mattress, they decided on a premium offering from the brand, but they have decided upon before they left their home.

The price range for that brand was \$1,000-\$3,000, and they preferred the mattress that was priced at \$2,500 and agreed that they would buy this mattress. They then looked around for a salesperson to help them complete their purchase and organize delivery. Here is a summary of their conversation with the salesperson.

Mary: Hello, we want to buy this mattress.

Salesperson: Sure, I can help you.

Joe: The listed price is \$2,500 – are you able to do a discount on the price?

Salesperson: Actually, I think I can do you a lot better deal. Now that is a good mattress, but I actually have a much better one over here.

Mary: No, we decided to buy this brand of mattress, because we already have one at home and we are happy with it.

Salesperson: Sure, there are good brand, but just try this one – I have this one at home myself and it is a fantastic mattress.

Joe: Okay, we'll try it, but the brand is important to us.

After Joe and Mary lie on the new mattress, as suggested by the salesperson, the conversation continues as follows:

Salesperson: This is a brand that is exclusive to our retail chain. You can't get this anywhere else, as it is made only for us. Now the mattress you are looking at is a good product, but you're paying a lot more for the brand name. This mattress here is only \$2,000 and it is a superior mattress. You get a better mattress at a cheaper price because you not paying for the brand.

Mary: I'm not sure? We have the other one at home and we have been happy with it for many years. Although this new one does feel comfortable too? What do you think Joe?

Joe: I'm not sure, I don't know the brand. It could be safer to choose the one that we know?

Salesperson: I understand, but I'm just trying to save you \$500 for a better mattress. And I'll tell you what, I'll speak to my manager now to see if I could do even a better deal.

The salesperson comes back after consulting somebody, and offers a further \$100 off the price and also throws in free delivery. The salesperson then assures Joe and Mary that this is the best mattress he's ever had, and he has tried a few different brands because he works at the store.

Eventually, Joe and Mary concede to the salesperson's arguments and they purchase the new mattress. Over the next few days, before the mattress is delivered, Joe and Mary tried to look for a comparative price to make sure that they got a good deal. However, because the mattress sold to them was a private label brand, they could not find a comparative price because no other retailer sold the same brand/product.

Later that week, when the mattress got delivered and they slept on it the first time, Joe and Mary woke up very angry. Mary said she had a bad back, but she had never had before and Joe complained that he could hardly sleep. Joe said to Mary, *"I don't understand, the mattress felt okay in the store, but last night it was so uncomfortable – did they said is the right mattress?"*

The first thing that they did that morning was to look for product reviews online and what they found concerned them – this particular mattress had a customer rating score of 1.7/5. Here is an example of one of the product reviews:

We went to the store to buy a mattress from a well-known brand, but the salesperson was overly friendly and kept insisting that we buy this product instead, he insisted that it was a superior mattress at a cheaper price. Unfortunately we listen to him and it was the worst mattress we ever bought – it was so uncomfortable. Do not buy this bed or shop at this store – the salesperson was obviously on commission.

Joe said to Mary, *"That's exactly what happened to us. It's so disappointing because we went to that store because it is a well-known chain and we thought they would do the right thing. Now we have to buy another mattress and I will never shop at that store ever again!"*

Student Discussion Questions

1. A mattress is an example of a shopping product, where the consumer often takes the retailer first. In this situation, do you think that Joe and Mary should have done more product research before they bought the mattress?
2. As we can see in the activity, one of the advantages of having a private label brand is so customers cannot price compare and shop around. Are there any other advantages of offering private label brands for a retailer?
3. The salesperson appears to be on commission and has influenced the customer to benefit their own income, rather than meeting the needs of the customer. How can the retailer (which has a brand to protect) ensure that the salespeople are both motivated and act with integrity for customers.
4. This well-known retail chain has stocked a product that has poor reviews, but presumably a much higher profit margin. In your opinion, do you think that the store should continue to offer this profitable product line, given that it has the potential impact of losing customers overall and damaging their brand longer-term?