



Question

- ***Sun Blocked** is a not-for-profit organization. Part of their revenue comes from selling new sun protection products such as sunglasses, hats and sunscreen in retail stores which they own. Their profits go towards melanoma (skin cancer) research.*
- ***Sun Blocked's** products are generally priced on par with similar products their competitors sell.*
- *They have experienced flat sales/profit over the years and are concerned about the financial performance of their retail stores in your local city.*

- ***Primary objective:** **Sun Blocked** wants to know how best to market and price their products to maximize profits in their retail stores.*
- ***Secondary objective:** They would also like to understand who their competitors are; and what their advantages and disadvantages are vis-à-vis **Sun Blocked**.*

The following information can be provided if candidate asks:

- ***Sun Blocked** owns only 5% of the sun protection retail market in your local city.*

1.2 Prompters and Possible Solutions

Candidate to draw preliminary conclusions. They should be marked on their approach to the question. They should make their own assumptions and explain them clearly throughout the case. If the candidate requires further guidance to answer the question, please use the following prompters to guide their responses.

The candidate should address some of the following:

Maximising profits in retail stores:

- 1) Pricing:
 - a. Display an understanding of demand/price relationship. If their goods are homogenous and are priced higher than their competitors', their customers should need a reason to pay a higher price.
 - b. Equal pricing vs variable pricing models across stores:
 - i. Equal: Equal pricing provides standardisation. These stores are not in a franchise model (centrally owned). There is reputational risk from too much price discrimination from a not-for-profit.

- ii. Variable: Relatively difficult and costlier to implement and track effectively. However, if testing and data analysis shows that price variation helps improve overall profits, then it should be employed.
 - c. Suggest market research/trials to understand effects of the above decisions.
- 2) Customers: Understand consumer behaviour and affinity to the cause.
 - a. Analysis of the customer segments – demographics, average income, etc.
 - b. Average sun protection purchases where **Sun Blocked** has stores.
 - c. Seasonality in your local city (is winter a quiet, unprofitable period that should be avoided?)
- 3) Product: Discuss potential for new product lines to attract customers.

Potential competitors (advantages/disadvantages):

- o Pharmacies and local retailers which sell sun protection products.
 - Advantage: Profits of **Sun Blocked** go to medical research which incentivises customers that are willing to contribute to charity.
 - Disadvantage: Relatively smaller marketing and promotional activity make **Sun Blocked's** products and stores less competitive.
- o Other charitable organizations' retail stores: e.g. Salvation Army. (These retail stores mainly sell second-hand clothing and home-wares.)
 - Advantage: **Sun Blocked** sells brand new, higher-quality products.
 - Disadvantage: These competitors tend to be well established. Customers may be more involved in these stores as they can donate and buy at the same time.