Student’s Name

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Course Code

Date

**Bread making Preliminary Report**

In brief, Karen purchases a bread making company in order to improve it and make profit in the market. The owner of the company sold it because it could not make profit but there were plenty of customers. The problem which the company was facing was related to cost and price, It seems the right approximation of cost of production was not being done and therefore, it was affecting the pricing techniques hence it could not generate a good profit for the owner. Upon purchase, Karen made a number of changes regarding overhead expenses, which affect pricing but still the solution was not solved since it could not compete effectively with its competitors and generate profits.

**Key Factors that are in the Case**

First, the prices overhead expenditure such as ingredients, and wages were not done properly. Though Karen did a ten years plan, to structure the pricing of ingredients, she did not factor in the changes of prices of these ingredients. In this case, Karen did not include the fixed the cost in her calculation, expected changes in overhead cost, market competition and expected new entrants in the market. It is possible that Karen did not factor in market competition and this affect the performance of the products in the market. Another factor is the price and quality. It seems that Karen focus on the price and failed on quality. A study established that most clients in Canada love quality products and they would rather buy quality product despite the higher price. The factors in the case are pricing strategy, markup for competition, and costing of the production items. However, markup for competition is the main factor in this case. Karen ought to have done a good market research to understand the market trend, and the competitors in the industry. This would have helped in pricing and even the marketing strategy to utilize.

**Problem or problems to be solved in the case solution**

In this case, pricing is an issue which should be solved. First, Karen has failed to price the bread based on the quality of the bread being manufactured and this has deny the company a huge market segment. The pricing of the products should be done based on the overhead expenditure and the quality of the bread. Since studies have indicated that Canadians do not care about the price as long the products are of quality. It would be important to include all the cost incurred to increase the profit margin of the company. It is noted that Karen has failed to make profit due to low prices which gives her no margin based on cost of production and sales. In this case, she makes loses and this is a threat to her company. It is noted that she did not factor in price variation over a period of time and therefore, this should be done as well to include the expected price changes.

There is also a problem with marketing strategy being applied by the company. Karen is focusing on the price without looking at the brand and other market segment which could have been influencing the prices of the products. With efficient marketing strategy focusing on building a strong brand, the prices of other breads in the market would have not been an issue. The marketing strategy of a company should revolve around building a strong brand, which would be preferred by clients no matter the price difference in the market. It is noted that Karen did not do any marketing to test how the product can perform based on the quality. Instead of focusing on the pricing alone, it would be advisable to focus on quality, competitors, and cost when doing pricing of the products. This would have given the company advantage in the market since research indicated that customers prefer quality product rather than quantity. The bread ought to have been of high quality and competitively priced against its competitors.

It would have recommended for Karen to identify the market segment of her products. Market segment is based on demographics which the company would want to focus on in the market. The problem Karen was focusing on the entire market and this made it difficult to compete effectively with other competitors. Focusing on the market segment allows the company to produce and priced products based on the clients taste, financial status, preferences and demand. The focus of Karen ought to have been middle and upper income with quality bread, it would have been a problem for this demographic since most of them focus on quality rather than price.

However, it is also recommended for Karen to produce variety of breads with different ingredients and price them different to give clients a choice on what they can purchase from the store. In this case, some bread would go for $3.5, $4.20, $ 5.40 and $6.00. This classification of pricing should be done based on cost of production, number of bread produce and other overheads. With this pricing strategy, Karen products would have gain access to all market segments and compete effectively with other competitors with both low and high prices in the market. Addressing the problem of costing, marketing plan and pricing would give the company more advantage in the market. It is therefore, important for Karen to understand market competitors in order to apply the right pricing strategy.