

GEL Factor Analysis

AutoFun – Almost but not Quite Right

AutoFun was a small chain of auto accessories stores that stayed in business about three years. The company offered fun items for the cars including neon light license plate holders, car stereos, seat covers, bike racks, funny gizmos for the top of the antennas and car seat covers. The company's founders felt that their competitive advantage was that there was no other store that concentrated just on fun auto accessories. There are tons of auto parts stores, but they carry only a limited selection of accessories. Mass merchandisers such as Wal-Mart also carry auto accessories, and there are several auto part catalogs that carry accessories, but neither carry as complete a package as Autofun offered. The store also had stiff competition from stereo retailers that offered a wide range of auto stereo equipment. Autofun's founders felt that the market would like to have a store that people could visit often to see what was new in the market.

Strong Points of Model

1. Prolific spending. Autofun's target customers were people who love their cars. It is not uncommon for Autofun's target customers to spend several thousand dollars pin striping their cars right after they buy them. They will also spend repeatedly on their car, and theoretically they would be willing to come back to the store repeatedly to purchase more products.

AutoFun

GEL Factor Checklist

		Desired	Excellent	Average	Poor	Compensating Tactics	
						Yes	No
Customers	Number	High		X			
	Ease of Finding	Easy			X		
	Spending Patterns	Prolific	X				
Customer Value to Company	\$ Value of Sale	High		X			
	Repeat Sales	Many			X		
	Ongoing Sales Support	Low	X				
Value to Customer	How Important	Important		X			
	Competitive Advantage	High		X			
	Price / Value Relationship	Low		X			
Customer Acquisition Cost	Entry Points	Many			X		
	Sales Support Required	Little		X			
	Promotional Activities	Low			X		
Profit per Sale	Margins	High	X				
	Up Selling & Cross Selling	Much			X		
	Ongoing Product Costs	Low		X			
Investment Required	To Enter Business	Low		X			
	To Keep Market Share	Low		X			
	To Stay on the Cutting Edge	Low		X			

2. High margins. Retailers don't have to discount specialty auto fun products, that can't be found anywhere else. High end products, with high margins are a typically a winning formula. One of Autofun's problems was that it just couldn't find enough high-end specialty products that weren't carried by other stores.

Weak Points of Model

1. Ease of finding the right customer. Autofun's sold a broad range of products including neon lights for license plates, car stereos, bike carriers, and fancy car seat covers. Autofun's problem was that different customers bought each of these products. Someone who wanted neon lights for their license plate probably wouldn't also be a customer for a bike rack.
2. Too few entry points. While there was a demand for Autofun's product, the fact that only a small percentage of people purchased their products, and they purchased them infrequently meant that Autofun could only have a limited number of stores in any metropolitan area. Their competitors, who included for some products mass merchandisers like Wal-Mart, and on other products, auto parts stores had far more entry points.
3. Low cost promotional activities were not available. Promotional costs are typically high whenever you don't have a tight focused target customer group. You can't develop a reliable mailing list and you can't partner up with other companies targeted at your same customer. The result is that you have to market to a large group to find the small group of customers who may want to buy your product.

4. Repeat sales happened infrequently. Autofun's product, whether it a rear mounted bike rack, a neon license plate light or a car stereo are purchases that are made only very occasionally. The result is that Autofun can't count on a certain level of sales each month from repeat customer but instead has to go out and get new customers all the time.
5. Up selling and cross-selling opportunities were limited. Customers that buy neon license plates might also be customers for a car stereo. But probably not for a bike rack or an office in the car product. Customers are likely to only have one or two items in the store that they will consider purchasing.