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| MBA 610 |
| Exam - Winter 2014 |
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**Question 1: Relevant concepts to the case study (state and explain relevancy)**

**Market segmentation**: Critical concept for launching a new product for a specific target market. In order to assess market potential of a new product launch, and define communication strategy (message and delivery), Flair must first divide the flagrance market into segments, assess current brand coverage, other segment potentials and who is competing.

**Marketing channel management:** The Drug store expansion involves the company’s channel strategy. Flair will need to assess which channels are currently used to deliver its products to the end customer. Channel need to be evaluated for profitability, reachable market segment, pricing and margins, typical purchasing behaviors for customers visiting these channels and potential channel conflicts.

**Brand Equity**: The text emphasizes the fact that Flare developed great brand equity over the years with Loveliest. This equity has been successfully leveraged via various brand extensions. The concept is important because using a brand extension strategy for the launch of Savvy can potentially reduce the risk associated with a new product launch, as well as marketing costs associated with building brand awareness.

**Brand Positioning**: The Company has a great understanding of its product’s Points of Parity and Points of Differentiation versus its competitors. Positioning is important in this case because it enables the company to make a decision to ‘bring the battle’ where it has competencies reflected by past successes.

**Pricing Strategy**: If Flair develops a new product, the company will need to select an adequate price point appealing for its target market within the channel retailers. The price point will be selected on what type of product the company decides to promote (ranging from luxury to entry level). Pricing strategy will also come into play for defining promotion/discounting strategies for the product.

[282 words]

**Question 2: Description of women buyer behavior in fragrances market**

Women are more receptive to brand image and prestige than the smell of the fragrance itself (although the Flagrance must smell ‘good’). For Flair’s target, this brand prestige must be accessible at a reasonable price point. This implies that women are more shopping for value prestige rather than for value in flagrance.

Younger women will be more willing to try new brands, and as they get older, will eventually settle for a brand with sufficient prestige and remain loyal to it. This brand loyalty is reflected in the survey results that showed that women typically switch Flagrances only 2 or 3 times over time.

Before this loyalty is established, (typically younger) women will often experiment with different flagrances (via samples in Retail stores or from friends) before settling for a brand that they find appealing. Therefore it is critical from Flagrance brands to have a strong presence with great image in Retail and to ensure that samples get distributed as broadly as possible to younger demographics.

Once a woman has found a brand that it enjoys in a Retail store, some consumers will change their purchasing behaviors moving to lower cost channels, more specifically mass. This further emphasizes the aspect that women are not only looking for association with a brand’s prestige, but are also value seekers. The brand prestige is showcased in Retail (via displays, beauty specialist recommendations, etc…) where women choose a brand, and the value aspect is further expanded via Mass. This can be extrapolated from the numbers presented in Exhibit 5; based on the safe assumption that most women purchasing Flagrances in Mass have had first contact with the brand in Retail.

Even though women’s purchasing behaviors are sensitive to pricing, they are not so much affected by economic conditions. In bad times, Flagrances purchases are not always the first sacrifice made by women. This is extrapolated from the fact that during the last recession, flagrance sales only declined by 3% (and Flair was even able to grow sales by 3%).

[335 words]

**Question 3: Propose a consumer segmentation scheme.**

Major differentiators for customer segmentation are age, sex, and lifestyle. The following are distinct customer segments, defined by ‘typical profiles’.

**Teenager, defining her personality**

* Women, age 12-20
* Part time job or living off allowance
* Is in the process of defining her personality
* Mostly influenced by peers and iconic figures acting as role models (music and movie stars)
* Experiments different fragrances form recognized well reputed brands

Message:

* This brand is Hype, all the cool people are using it

How to reach her:

* Sponsorship of brand ambassadors

**Young, Chic and experimental**

* Women, age 20-35
* Young professional aspiring to grow her career
* Middle/upper middle class
* Major driver of brand selection is brand reputation
* Aspires to project an image of success in order to grow in her career and meet a husband to build a family
* Is concerned about other people’s opinion of her
* Will experiment with various Flagrances from free samples from box sets, retail and friends

Message:

* This is a well-respected prestigious brand

How to reach her:

* Event sponsorships
* Beauty advice in retail
* Subscription sampling boxes

**Established, classic elegance**

Who:

* Women age 30-60
* Settled with career, family and a flagrance
* Brand loyal, so long as brand reputation is maintained
* May try new fragrances, but does not want to re-associate herself with a new brand
* Habitual shopper, recurrent purchases at same location

Message:

* This brand still deliverers on prestige and value
* We appreciate your loyalty

How to reach her:

* Gift (free samples of ancillary products)
* Direct marketing, mail promotions directly to her

**Good husband – Forgot Valentine’s day again**

* Male, age 30-50
* Career oriented, full time job, house in the suburbs with long commute
* Aspires to be ‘a good husband’ but dislikes shopping; last minute for Valentine, Holidays and birthday shopping
* Stops at retail store on his way home on the eve of a special day, looking for gift ideas
* Receptive to brand recognition (will recognize the brand his wife wears and purchase product
* Will not ask for help, therefore not receptive for in-store beauty staff
* Not price conscious, doesn’t know typical Flagrance price point, primarily concerned with finding a suitable gift in the least amount of time than price shopping

Message:

* Your wife loves this product and getting it for her would make her satisfied

How to reach him:

* Distinctive brand attributes (logo, colors, bottle shape) to ensure product recognition when browsing aisles

[390 words]

**Question 4: Assessment of Strengths and Weaknesses of Flair’s position in the women’s flagrances market.**

Strengths:

* Strong brand presence in retail: Flair managed to successfully train beauty advisors that can promote their brand at retail stores, one of the primary places where new market entrants will experiment with flagrances. This helps the company gain new customers
* Great penetration in Mass: where price conscious customers can find their Brand at a lower price, thus creating more brand value/$ spent
* Overall Strong market presence (~10% of market share): even through economic downturn, which is the result of great brand building and execution
* Flagship brand – Loveliest: Well recognized and respected, which can be leveraged for introduction of new products via brand extensions
* Proven ability to launch successful new products: No mention in the text of any marketing flops
* The company carries many recognized flagrances, serving various market segment, which provides them with wide market coverage, and contributes to brand recognition

Weaknesses:

* Questionable performance of the Drug store sales team, reflected by <5% of sales from this channel while it accounts for >16% of flagrance sales
* Saturation: With already broad market coverage in women flagrances, future growth might be difficult to maintain with line extensions (leveraging one of the company’s core competencies). The company will need to expand, either by introducing new categories or expand geographically, for neither of which Flair can leverage past successes and experiences.

[218 words]

**Question 5: Assessment of strategic options**

**Drug Store Expansion**

Pros:

* Retail environment is crowded; competition in drug stores might not be as fierce, therefore might not require as much promotional investments
* Retail has experienced 3% annual average sales decline. Remaining focused on a declining channel is risky; expanding sales in drug stores would hedge that risk (as long as the decline is not also present for drug stores – no data provided)
* Flair is only skimming the surface of drug store sales potential, it still has great potential

Cons:

* Proven success distributing fragrances through mass. Since this is one of the company’s greatest strength, it would be risky to deviate from this proven strategy.
* Flair has not been successful penetrating drug stores on a small scale even with a dedicated sales team. It would be risky to embark on an even larger endeavor
* The fact that drug chains typically only want to carry highest turnover items could create channel conflicts with existing and profitable channels
* Drug stores are a lower potential market (women shop for flagrances: 20% at drug stores, 50% in department stores and 40% in mass).
* Flagrances often discovered in retail stores via free samples/beauty advice. Drug store expansion does not help capturing new entrants in the market.

**Savvy Product Launch**

Pros:

* Leverages the company’s core competency: developing and launching new fragrances (strategy has historically proven success)
* Loveliest Brand is a core asset that can be leveraged if a brand extension strategy is perused. This reduces risk and brand promotion costs

Cons:

* Aromatique just launched a product that will be competing for the same market segment than Savvy, at the same price point, and has already secured brand ambassadors with influence for this market. By launching Savvy, Flair faces direct competition which might increase promotional prices and decrease their share of the market. Also, there has been over 400 new flagrances launched in 2007 – crowded market
* 70-80% of Flair’s annual advertising budget is already used to promote Loveliest. Launching a new product implies either taking a hit on margins, or reducing advertising for other products
* Potential cannibalization of revenues from existing customers currently purchasing *Natural*

[350 words – on the dot!]

**Question 6: Final Recommendation – strategy and 3 tactical things they must get right in order to successfully deploy the strategic recommendation.**

The best strategic option is to expand with a new product line. This will leverage Flair’s already efficient distribution channels and make use of their proven core competency: deploying successfully new products by leveraging brand extensions. By focusing on retail, they can continue to reach new entrants to the market, and avoid potential channel conflicts with drug stores.

In order to be successful, from a tactical perspective they will need to ensure that their new offering has clear points of differentiation, especially on the prestige side to fight competitors, and on the product image side in order to differentiate from their other product lines and avoid sales cannibalization.

The new product will need to reflect a clear promise; that is designed for women whom are stylish, upbeat and classy. Flair will need to ensure that they deliver on that promise by controlling the image of the brand. This can be done by carefully selecting brand ambassadors, advertising media and campaign styles, and by not discounting the product or refrain from selling it in mass discount stores at first to give an image of exclusivity.

Flair should also leverage the brand equity already acquired through the established Loveliest. Using brand extension as a tactical approach will help reduce advertising costs and provide Savvy with easier recognition.

Another tactical recommendation is for Flair to invest in their website and social media to promote Savvy (as well as their other products); transforming it from an information distributor to an information gathering. This will help not only promote their brand, but also collect trends, consumer’s perceptions and product feedback that can be used to shape future promotional campaigns. The investment is also justifiable since Savvy’s targets a younger demographic, who is typically extremely active on social media/web.

[293 words]