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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: One of the options considered by the company involves launching a new product for a specific target market. In order to assess the viability of this proposition, it is critical to understand how the fragrance market is segmented, what types of segment coverage the company currently has and who its competitors are and in which segment they are active.

Marketing channel management (more specifically Distribution Channels): The Drug store expansion involves the company’s channel strategy. TO make an educated recommendation, it is critical to assess which channels are currently used by the company to bring its products to the end customer. More specifically, various channel need to be evaluated for profitability, reachable market segment, pricing behaviors, and typical purchasing behaviors for customers visiting these channels.

Brand Equity: The text emphasizes the fact that Flare developed great brand equity over the years with its successful Loveliest. This equity has been successfully expanded 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.

Question 2: Description of women buyer behavior in fragrances market

[do not repear case facts, make assumptions and draw conclusions from focus groups]

Link con consumer decision making

Question 3: Propose a consumer segmentation scheme.

Understand market, present profiles

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

Question 5: Assessment of strategic options

Drug Store Expansion

Arguments in Favor

* The retail market is extremely crowded, competition drug store retail might not be as fierce (and therefore might not require as much in promotion costs)
* The retail market has recently experienced a 3% annual decline. Although there is no centanties that the trend will maintain itself, remaining in a historically declining channel could be risky. Successfully penetrating the drug store channel would hedge that risk (as long as the decline is not also present for drug stores – no data to confirm)
* Flair is only skimming the surface of drug store retail, it still has great penetration potential

Arguments against

* The company has had proven success pushing fragrances through mass channels. Since this is one of the company’s greatest strength, it would be risky to deviate from the strategy and venture in other distribution channels. Drug Store expansion, besides not leveraging Flair’s greatest strength, could potentially also create channel conflicts
* Flair already has already experimented with a dedicated chain drugstore team sales team who’s “performance was uneven at best”. Since the company has not yet mastered how to win the drug store channels on a small scale, it would be risky to embark on an even larger endeavor
* The fact that drug chains typically only want to carry highest turnover items can cause channel conflicts with existing and profitable retail channel

New Product Launch

Arguments in Favor

* This approach leverages the company’s core competency which is developing and launchiong new fragrances. This core competency has been used throughout the years with proven success
* Loveliest Brand is a core asset that can be leveraged if a brand extension strategy is perused. This reduces risk and brand building costs

Arguments against

* Aromatique just launched a product that will be competing for the same market segment than Savvy, at roughly the same price point, and the competitor 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.
* 70-80% of Flair’s annual advertising budget is already used to promote Loveliest. The launch of a new brand’s costs implies either taking a hit on profit margins, or reducing advertising for other products
* Potential cannibalization of revenues from existing customers currently purchasing the ‘Natural’ product

Too many words

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

[read 4 things to get right to manage a brand]