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| MBA 610 W14 |
| Exam – Flare Fragrances  |
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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), Flare must first divide the Fragrance market into segments, assess current brand coverage, other segment potentials and who is competing for these customers.

**Marketing channel management:** The Drug store expansion involves the company’s channel strategy. Flare 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 should 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 Flare develops a new product, the company will need to select an adequate price point appealing for its target market within chosen channels. 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 and discounting for products.

[283 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 fragrance must smell ‘good’). For Flare’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 Fragrance.

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 Fragrances only 2 or 3 times over time.

Before this loyalty is established, (typically younger) women will often experiment with different Fragrances (via samples in Retail stores or from friends) before settling for a brand that they find appealing. Therefore it is critical from Fragrance 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 will change their purchasing behaviors moving to lower cost channels (mass) or a more convenient one while doing other shopping (Drug store). 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 Fragrances 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, Fragrances purchases are not always the first sacrifice made by women. This is extrapolated from the fact that during the last recession, Fragrance sales only declined by 3% (and Flare was even able to grow sales by 3%). [343 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 Fragrances 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 Fragrance
* Brand loyal, so long as brand reputation is maintained
* May try new fragrances, but does not want to go to the efforts of re-associating 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 Fragrance 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

[395 words]

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

Strengths:

* Strong brand presence in retail: Flare 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 Fragrances. 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 per dollar spent
* Overall Strong market presence (~10% of market share) and purchasing loyalty, even through economic downturn
* 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 Fragrances, 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 Fragrance sales
* Saturation: With already broad market coverage in women Fragrances, 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 Flare can leverage past successes and experiences.

[213 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 (if the decline is not also present for drug stores – no data provided).
* Flare is only skimming the surface of drug store sales potential, it still has great growth 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.
* Flare 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 Fragrances: 20% at drug stores, 50% in department stores and 40% in mass).
* Fragrances 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, Flare faces direct competition which might increase promotional prices and decrease their share of the market. Also, there has been over 400 new Fragrances launched in 2007 – crowded market.
* 70-80% of Flare’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*.

[349 words]

**Question 6: Final Recommendation**

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

From a tactical perspective, Flare will need to clearly define Savvy’s promise: that it helps women reflect style and classiness. Savvy will require clear points of differentiation, especially on the prestige aspect to differentiate from competitors, and on the product image side to differentiate from other product lines and avoid sales cannibalization. The product’s physical attributes will need to be distinct in order to reach the “good husband” demographic (described in Q3).

Flare needs to efficiently communicate this promise to its target market audience. This can be done by carefully selecting brand ambassadors, advertising media and campaign styles. It is also critical for Savvy to have a strong social media presence since the product is targeted for a younger demographic, who is typically heavily active on social media/web. Social media will also bring value in terms of market data collection on trends, consumer’s perceptions, etc… which can be used to shape future promotional campaigns.

In terms of channels and pricing, the initial launch should be done in retail but not discount stores to give an image of exclusivity which will reinforce the brand’s prestige. Flare will require heavy product promotion via free samples, and no discounting should be done at first. This will enable Flare to reach new market entrants by leveraging retail beauty specialists while maintaining a prestigious image.

[286 words]