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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 repeat case facts, make assumptions and draw conclusions from focus groups]**

**Link con consumer decision making**

Women seem to be more interested in brand image and prestige, rather 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 (often via samples in Retail stores) 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.

Once a woman has found a brand that it enjoys in a Retail store, women will often change their purchasing behaviors moving to lower cost channels, more specifically mass. This further emphasizes the aspect that women are value seekers. The brand prestige is showcased in Retail, where women choose a brand, and the maximum value which helps create loyalty is attained 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 more so, Flaire’s sales even managed to grow.

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

Major differentiators for customer segmentation are age, sex, and income. 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
* Major influence for brand choices are peers
* Is trying to define herself, building her personality
* Highly influenced by peers and iconic figures acting as role models (mostly music and movie stars)
* Experiments different fragrances form recognized 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 influence in brand selection is brand recognition
* Aspires to project an image of success in order to grow in her career and to seduce successful male to build a family
* Is concerned about other people’s opinion of her
* Will experiment with various Flagrances from free samples either from retail or from 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
* Professional career woman with family
* 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, ancillary products, etc…)
* Direct marketing, mail promotions directly to her

Good husband – desperate for a last minute gift

* 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, 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 gift 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

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

Strengths:

* 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 strong brand presence helps the company gain new customers
* Flair also has great penetration in Mass, where price conscious customers can find their Brand at a lower price, thus creating more brand value/$ spent
* Flair’s maintains a strong presence in the market (~10% of market share) even through economic downturn, which is the result of great brand building and execution
* Flair managed to create a well-recognized and admired brand - Loveliest, which can be leveraged for introduction of new products via brand extensions
* The company carries many recognized flagrances, serving various market segment, which provides them with wide market coverage, and contributes to brand recognition

Weaknesses:

* Most of the focus has been done on the retail and mass side. As a result, the Drug store sales team is not efficient
* 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.

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
* Verry high loyalty in flagrances and product discovery often occurs at a department store

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
* Only 20% women shop for flagrances at drug stores, whereas 50% in department stores and 40% in mass stores. Low potential market
* Flagrances often discovered in retail stores via free smaples, expanding drug stores will not help capture new entrants to th

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. Also, there has been over 400 new flagraces launched in 2007 – crowded 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

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

From the analysis performed in Q5, the obvious 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. Furthermore, they will avoid potential channel conflicts and by focusing on retail, they can continue to reach new entrants to the market.

In order to be successful, 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 carefully selecting brand ambassadors, advertising media and campaign styles, and by not discounting the product or refrain from selling it in discount stores at first to give an image of exclusivity.

* Offer and communicate a clear customer promise
* Build trust by delivering on that promise
* Drive the market by improving the promise
* Seek further advantage by innovating beyond the familiar

Leverage social media

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

Capture new customers entering the market often become loyal to a fragrance => implementation **push free samples**

Understand market, present profiles

Young and experimental – new entrant, not loyal to any brand

Is it worth what it cost. Increased self esteem.

Feeling of wekk being

Arouses senses

Advantages of luxury brand

Security, sense of belonging

* Fragrances men+women 5.7B in 2007
* Women: 3.8B$ or 66% of US retail – percentage remained steady over time +> Women are loyal habitual shoppers for fragrances
* Flare generates 9.5% of that total
* For 2008, expect 10% of market; whereas market declined 3%

Channel

* Sell through premium and mid-tiel department stores, mass market (predominant player) certain pharmacies
* Retail is crowded, Flair maintains 3% share or $77M
* 74% of sales through mass outlets

Women:

* Price competitiveness and prestive image – women want value prestige
* Capture new customers entering the market often become loyal to a fragrance => implementation **push free samples**
* Customers first experience a product at department store
* Since flair does not offer coupon, loytalty is not price sensitive(?)
* 75% of women uses fragrances products

Advertizing focuses on fashion and lifestyle

Success= offer aspirational experience for customers seeking prestige at an affordable price

Customers in mass often choose mid-tier/premium over mass because of associated prestige

Sales are seasonal – concentrated against mothers day and hinter holliday when people buy fragrances as gifts