

# **SOFT & SILKY SHAVING GEL**

**New Package Initiatives.**

**Review & Recommendations.**

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## Table of Contents

Executive Summary.....	3
Situation Assessment.....	4
Overview.....	4
The Problem.....	4
External Analysis.....	4
Internal Analysis.....	7
Customer and Market Opportunities.....	9
SWOT Analysis.....	11
Strategic Implications.....	13
Decision Factors.....	13
Product – Market Strategies.....	13
Brand Growth Strategies.....	13
Production Strategies.....	14
Communication Strategies.....	15
Pricing Strategies.....	15
Alternative Strategies.....	16
Alternative Actions.....	16
Alternative 1 – Do Nothing.....	16
Alternative 2 – Introduce a 5.5 ounce Aerosol Package.....	16
Alternative 3 – Introduce a 10 Ounce Aerosol Package.....	17
Strategy Recommendations.....	18
Recommended Alternative.....	18
Package Size & Type.....	18
Market Test Additional Funding.....	19
Market Timing.....	19
Implementation Plan.....	21
Evaluation Plan.....	22
Conclusion.....	23
References.....	24
Appendices.....	25
Appendix 1 – Soft and Silky Key Financial Statistics.....	25
Appendix 2 – Soft & Silky Forecast Outcomes.....	26
Appendix 3 – Package Size Brand Contribution Analysis.....	26
Appendix 4 – Units Sales Over Time Graph.....	27

## Executive Summary

This review of Ms-Tique Corporation's Soft & Silky shaving gel's current situation concludes that a new 10 ounce aerosol pack be introduced to the market prior to the highest sales volume period beginning in Summer. This timing will not allow a market test. However it is concluded that the risks of missing the summer market sales outweigh the benefits of a greater degree of certainty in respect to pack size.

Soft & Silky shaving gel sales have been declining over the past few years and are now stagnant at \$3,724,000 or 1,960,000 units.

Projections by the Product Manager indicate that sales of Soft & Silky shaving gel will further decline by 0.32% in 2001, a loss of an additional 6,332 units or \$12,000 in sales.

Aerosols have become the preferred packaging for the female shaving market and Soft & Silky shaving gel is currently only sold in 5.5 ounce plastic tubes.

Competitors have already moved to aerosol cans. Although Soft & Silky shaving gel customers are loyal, a percentage would be considered at risk and could convert to a competitor's aerosol product. This would put future sales at risk and possibly accelerate an already declining market share.

Research has shown that 20% of Soft & Silky shaving gel customers would convert to a 10 ounce aerosol can and 25% of Soft & Silky shaving gel customers would convert to a 5.5ounce aerosol can. Further more 25% of non-customers would convert to Soft & Silky shaving gel aerosol regardless of size.

Brand contribution in 2001 after the introduction of the 10 ounce aerosol pack will increase in the range of \$91,581 - \$97,003 compared to current forecasts for 2001 with the 5.5 ounce tube only.

## Situation Assessment

### Overview

Soft & Silky Shaving Gel is marketed by Ms-Tique Corporation, a manufacturer of women's personal-care products. Products are sold by drug and food-and-drug stores in the women's personal care sections.

- ❖ The product was introduced in spring 1986 in a 5.5 ounce tube.
- ❖ Soft & Silky was introduced to the market as a high quality product. This successfully differentiated the product at the time.
- ❖ Soft & Silky has been a profitable line since its introduction. In the year 2000 Soft and Silky generated \$3,274,000 sales and \$1,363,900 brand contribution.<sup>1</sup>
- ❖ In 1991 Soft & Silky was upgraded to contain 3 additional moisturisers as a result of consumer research that indicated 4 out of 5 women were using moisturiser after shaving.
- ❖ Unit volume has stagnated at around 2,000,000 units since 1996.

### The Problem.

Should Ms-Tique introduce a new package design for its Soft & Silky Shaving Gel?  
If so:

- ❖ Should the company introduce a 5.5 ounce or 10 ounce aerosol package?
- ❖ Should additional funds be approved for a market test?
- ❖ Is the timing of introduction important?

This case analysis will attempt to answer these questions.

### External Analysis.

#### *Industry.*

The women's shaving market can be broken into two discrete sections.

- ❖ Hardware (shavers and blades)
- ❖ Lubricants. (Gels, creams and lotions.)

The hardware sector of the market is the larger and has been responsible for the major growth in the last few years.

There are 5 major suppliers who distribute product through the food and food-and-drug retail channel. Of these, Gillette is the only company that operates in both the hardware and lubricant sectors of the market.

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<sup>1</sup> See Appendix 2.

***Competitive Set & Factors.***

- ❖ The “wet shaving” market is worth around \$400 million in 2000. Sales growth has been around 3-5% since 1995. Razors and blades account for the majority of the growth and annual sales.
- ❖ The most popular method of shaving is simply with a razor and soap and water.
- ❖ Until late 1993 there were only 2 competitive products to Soft & Silky. These were Skintimate and Soft Shave.
- ❖ Since 1995 a vibrant women’s shaving gel and cream category has emerged.
- ❖ New product releases have increased.
- ❖ Advertising and promotional activity has increased.
- ❖ By 2000 the dominant packaging for women’s shaving cream or gels had become the aerosol pack.

Table 1 – Female Shaving Lubricant Competitors

<b>Brand</b>	<b>Size Oz</b>	<b>Form</b>	<b>Retail</b>	<b>Price per oz</b>
Skintimate (SC Johnson)	7	Gel	2.79	0.40
Skintimate (SC Johnson)	10	Cream	2.79	0.28
Satincare (Gillette)	7	Gel	2.99	0.43
Soft Shave (Whites Labs)	9	Lotion	1.82	0.20
Aveeno Therapeutic (SC Johnson)	7	Gel	3.99	0.57
Inverness (Inverness)	6	Gel	6.95	1.16
Soft & Silky Tube (Ms-Tique)	5.5	Gel	3.95	0.72
Soft & Silky Aerosol 5.5 oz (Ms-Tique)	5.5	Gel	3.50	0.64
Soft & Silky Aerosol 10 oz (Ms-Tique)	10	Gel	4.25	0.43

■ - Proposed new products

***Market Factors.***

The women’s shaving market has the following profile.

Table – 2 Female Shaving Market Profile - USA 2000

Female Electric Shavers	15,000,000	25%
Female Razor Shavers	45,000,000	75%
Total Shavers	60,000,000	
Average Shaves per month	11	
Average Shavings per annum	132	
Market Shaving Instances	7,920,000,000	
Razor Shaving Instances	5,940,000,000	
Wet Shaving Market Value	\$ 400,000,000	

The market is seasonal in nature. Women’s shaving activity increases during the summer months. Insufficient data is available to quantify this seasonal difference. However there is anecdotal evidence in the form of increased promotional activity of the category by the industry through the summer months.

***Competitive Factors.***

While the female shaving product offering has grown considerably since Soft & Silky entered the market, it must be acknowledged that non-consumption is still the major

competitor. i.e. The majority of women who shave with a razor do so using soap and water only. Insufficient data is currently available to quantify this section of the market.

### *Environmental Factors.*

#### Technology.

Since the initial introduction of Soft & Silky, wet shaving technology has improved. Gillette has introduced the Sensor Razor for Women and the Venus Razor for Women. Industry analysts suggest that these are important growth stimulants. Improved quality shaving creams and gels have entered the market.

#### Economic.

Over 80% of women shave once per week.

#### Social.

Women have their own razors and purchase their own blades. Women view shaving as a necessary evil. Shaving frequency increases during the summer months when there is an increase in entire leg and bikini line shaving.

### *Competitor Capabilities.*

The competitor landscape includes Gillette and SC Johnson. These companies are of significant size and operate on a global basis. They are considerably larger than Ms-Tique and may be able to respond to a competitive challenge with an aggressive marketing and financial arsenal. SC Johnson has been active in the marketplace launching and acquiring new brands into the category. White Labs and Inverness have taken positions at the lower and upper regions of the category.

### *Possible Future Competitor Strategies.*

- ❖ Gillette who is the maker of Satincare Gel could leverage the success that they have had with either the Sensor or Venus Razor and either re-brand Satincare or bundle Satincare with a hardware product.
- ❖ S.C. Johnson has a number of products competing in the sector at the moment. They are likely to be the company that would suffer if Soft & Silky was to gain market share. They could reposition one of their brands to fight Soft & Silky head on. They also have a history of re-branding. (Soft Sense now Skintimate)
- ❖ Both S.C. Johnson and Gillette have a history of aggressive price competition. The likelihood of some form of price retaliation against Soft & Silky is high.

Figure 1 – Competitor Market Map.



### Internal Analysis.

#### *Company Reputation*

Ms-Tique Corporation has been a manufacturer of women's personal care products, (facial creams, hand and body lotions and a full line of women's toiletries) for over fourteen years and during this time has gained a reputation as a manufacturer of high quality products.

The company entered the women's shaving cream and gel market when it was still in its infancy. A time when a women's only choice for shaving products was from a selection of men's product lines or a limited selection of women's-only gel and shaving creams.

1995 saw the emergence of a new and exciting category, brought about through, the introduction of new products, increased advertising spend and improved shaving technology.

Increased competition in the category forced Ms-Tique to augment advertising and promotions expenditure each year since 1995, reaching 31 percent of sales in 2000. Despite the additional expenditure, unit sales volume for Soft & Silky shaving gel slowed and then plateaued in recent years. (See Appendix 4)

#### *Market Share*

Ms-Tique's market share is in a state of decline due to unit sales of Soft & Silky shaving gel slowing and then maintaining a plateau over the past few years, while the category is still growing. Sales of Soft & Silky shaving gel have overburdened production capacity and scheduling, leading to the inability to supply stock quantities requested by retailers, which in-turn led to out-of-stock situations and lost sales for all supply chain partners.

### ***Product Quality***

The introduction of Soft & Silky shaving gel was viewed as a logical extension to the company's line of hand and body lotions. The product required few changes in packaging and manufacturing and preserved the high quality image established by the corporation with their other products. Research findings resulted in a change in the Soft and Silky Gel ingredient formulation in 1991. Three additional moisturizers were added to the product. This addition to the original formula and the increased expenditure in advertising and promotion contributed to the unit sales volume doubling in the ensuing (9) nine years. Soft & Silky has maintained a premium of 117 percent over the lowest retail price competitor in the market.

### ***Sales Force and Distribution Effectiveness***

Ms-Tique Corporation has national geographic coverage. The products are sold by drug and food-and-drug stores through "rack jobbers". Rack jobbers are wholesalers that set up retail displays and keep them stocked with merchandise. The rack jobbers receive a margin of 20% off the sales price to the retailers. This equates to \$0.47 with their buy price being \$1.90 (See appendix 1)

### ***Service Quality***

Due to the positioning of Soft & Silky as a high-quality women's shaving gel, rack jobbers were able to obtain product placement in the women's personal care section of drug and food-and-drug stores thus emphasizing the products positioning statement. Research has shown that this placement is where women expect to locate the product in store.

### ***Pricing Effectiveness***

The 5.5oz Soft & Silky shaving gel has a \$3.95 price point/ \$0.72 per Oz, positioning the product at the high end of the product category. The 5.5 oz pack is the smallest packaging on the market. Package size may be contributing either positively or negatively to the success of Soft & Silky. Further research is required to quantify this effect.

### ***Promotion Effectiveness***

In 1991, due to the results of customer research Ms-Tique added three moisturizing ingredients to Soft & Silky. This change was emphasised on the package and in in-store promotions and media advertising. As can be seen from the graph in appendix 4, unit sales growth accelerated over the next 4 years.

### ***Manufacturing***

- ❖ **Technology**-The Ms-Tique Corporation prior to 2001 had limited technology. From 2001 all the company's products are packaged in tubes, bottles, or jars. Current technology does not allow for the production of aerosol cans. A principal finding from focus group studies conducted in November 2000 found that "one fourth of the non customers said they would switch over to the aerosol can irrespective of size. The consumer's preference for the aerosol over the tube package was their principal reason (in addition to price) for not buying Soft & Silky shaving gel previously."



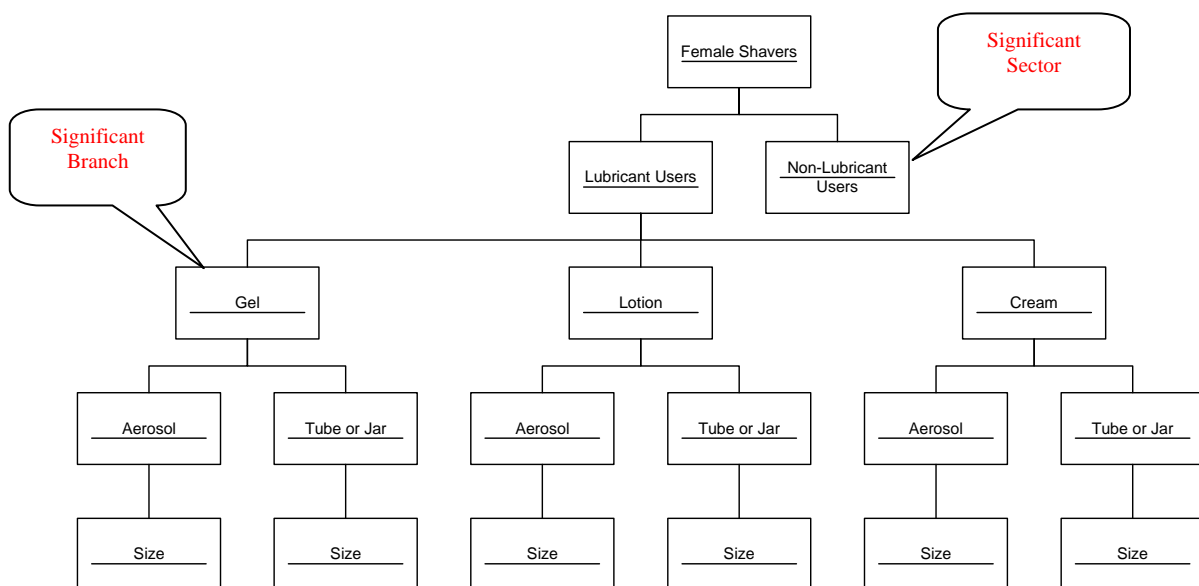
- ❖ **Economies of Scale**-The company’s manufacturing policy was and continues to be to utilize existing production capacity whenever possible.
- ❖ **Capacity**-Unit sales of Soft & Silky shaving gel slowed and then plateaued in recent years. This could be due to an emergence of competitors in the category, the popularity of the aerosol packaging becoming the dominant design for women’s shaving creams and gels and the growth in the entire line of Ms-Tique’s hand and body lotions. Sales of Soft & Silky shaving gel had overburdened production capacity and scheduling. Shipping records indicated that the products fill rate (ability to supply quantities requested by retailers) had dropped. This led to out-of-stock situations and lost sales. The company has no manufacturing capacity expansion plans for the next three years.

### Customer and Market Opportunities

There are a number of customer and market opportunities that are presenting Ms-Tique in the women’s lubricant market.

#### *Target Market Segments.*

The target markets can be defined as:



Anecdotal evidence suggests that the non lubricant users and gel markets account for a significant portion of the total market.

#### *Customer Segmentation*

It appears that the women’s shaving lubricant market can be segmented in a number of ways. Segmentation can be by:

- ❖ Pack (Tube, jar or aerosol.)
- ❖ Type (Lotion, cream or gel.)
- ❖ Size
- ❖ Lubricant Users/Non Users (Soap & Water)

Research has indicated that users and non-users prefer the aerosol pack over jars or tubes and that soap and water users represent the majority of “wet shavers”. There are a

number of gaps in this information that a multi attribute study could address to highlight potential positions to take within the category.

### *Target Market.*

Soft & Silky shaving gel was positioned as a premium product when it was first introduced. This was subsequently enhanced when the formula was changed to add three additional moisturizers. Over the recent years aerosol type packaging has been introduced into the category and this has become the preferred package type. Ms-Tique has not had the technology to pack in this format. This may have contributed to the loss of market share that has beset Soft & Silky shaving gel in the last few years.

### *Customer Value*

Soft and Silky is perceived as a premium women's shaving gel. The current 5.5ounce packaging however, is forcing potential customers to use competitive brands. Research indicated that one quarter of the non-customers interviewed said they would switch over to the aerosol can irrespective of size.

Table 3 Customer Value Matrix

		Existing Customers	Non-Customers
<b>Packaging</b>	5.5 ounce Tube		Have not purchased Soft & Silky shaving gel due to current package design.
	10 ounce Aerosol Can	In favour of aerosol can.	In favour of aerosol can.
<b>Size</b>	5.5 ounce Tube	No other choice offered.	
	10 ounce Aerosol Can	Preferred size.	Preferred size.
<b>Purchase Cycle</b>	5.5 ounce Tube	Requires multiple purchases or more frequent purchase cycle.	
	10 ounce Aerosol Can	Less frequent purchase cycle.	Less frequent purchase cycle.
<b>Price</b>	5.5 ounce Tube \$3.95		
	10 ounce Aerosol Can \$4.25	Acceptable and favoured.	Somewhat high.
<b>Perceived Benefits</b>	5.5 ounce Tube	Easy to fit in shower caddy or bathroom cabinet*	
	10 ounce Aerosol Can	Premium product Less frequent purchase cycle. Additional moisturisers No CFCs Container bottom rustproof, leaving no rust ring.	Premium product Less frequent purchase cycle. Additional moisturisers No CFCs Container bottom rustproof, leaving no rust ring.
<b>Availability</b>	5.5 ounce Tube	In both drug and food and drug stores nationally.	
	10 ounce Aerosol Can	In both drug and food and drug stores nationally.	In both drug and food and drug stores nationally.
<b>Shelf Positioning</b>	5.5 ounce Tube	Stocked next to aerosol can.	
	10 ounce Aerosol Can	Stocked next to tube the container.	Stocked with women's toiletries.

\* Assumed perceived benefit of 5.5 ounce tube

***Estimate of Market Sales Potential***

Market sales potential is difficult to quantify given the available data. The extent of the known data is summarized in table 2. We can deduce the number of shavers and the number of shaving instances. More data is required to allocate shaving instances between electric and razor (this may not be a straight line split) and information on the amount of lubricant consumed per shaving instance would allow an estimate to be made of the potential lubricant market. This information is valuable as it would enable informed decisions to be made about optimum pack size and purchase frequency in addition to market potential. For the sake of this decision process we will use the \$400,000,000 wet shaving market as a benchmark.

**SWOT Analysis.**

Table 3 summarizes Ms-Tiques strengths and weaknesses with Soft & Silky shaving gel. The company has been a major player in the women's shaving lubricant market in the past. It has a very loyal following of customers which it has built up over a long period of activity in the market. It produces a high end product that is accepted by its customers for the quality and value added features that Soft & Silky provides. The market is growing, all be it in the razor sector, but this is providing a greater potential market for lubricants as most women still use soap and water.

Table 4 - SWOT Analysis.

Internal Factors	Strengths	Weaknesses
Management Marketing	Long term market participant. Established product brand. Established position. Loyal existing customers.	New product manager. Increased advertising expenditure required to maintain sales volume. Price inhibiting some growth.
Manufacturing & Distribution	Company owned manufacturing plant. (Quick response) Includes wanted ingredients. (moisturizers) Established product placement where consumers expect to locate.	Limited package type and capacity capabilities. Inability to change prior to peak selling season. Company owned manufacturing plant. (Investment & capacity) Inconsistent product supply.
R&D	Established women's personal care product manufacturer. Prior research completed.	Further research required.
Finance		Smaller company relative to major competitors. No finance available to increase manufacturing capacity.
Offerings	Gel offering in market for many years. Value added offer (moisturizers) established in the market.	No aerosol offering.

External Factors	Strengths	Weaknesses
Competition	Non-Consumption is the major competitor.	Competition is intensifying.
Consumer Trends	More women are shaving.	Soap & water is the major lubricant used.
Technology		Aerosols are the dominant package type. Improved quality products have entered the market.
Market Structure	Established supply chain. Established product placement in women's personal care sections.	

The company has come under considerable threat in the last four years and this has stemmed from changes to the market in terms of competitive intensity and consumer preference changes that Ms-Tique has not adequately countered. This has resulted in a stagnation of unit volume and a possible loss of market share in the category. Ms-Tique's competitors have been active in the market and some have the ability to cross promote between the hardware and lubricant sectors of the category.

## Strategic Implications.

### Decision Factors.

There are a number of factors that will influence the decision that Ms-Tique is about to make. Primary of these are the product and brand strategies.

#### Product – Market Strategies.

Soft & Silky can embark upon a strategy of market development and new offering development with the introduction of an aerosol package type. It could also choose to not introduce a new package type and pursue a market penetration strategy with the existing 5.5 once gel tube.

Table 5 Product Strategies.

		Markets	
		Existing	New
Offerings	Existing	Market Penetration	Market Development
	New	New Offering Development	Diversification

■ - Potential strategies for Ms-Tique.

These three alternatives have variable degrees of potential and execution ease.

#### Market Penetration.

Using the current product offering that Ms-Tique has would present limited opportunity to penetrate the existing market. Data is already indicating that Soft & Silky is losing market share to competitors. Research has indicated that the package type is not the preferred type for the market. A significant premium would need to be offered to the consumer to overcome these objections. The market is currently crowded and there appears to be few gaps that are not being covered by competitive product.

#### Market Development.

There seems to be considerable potential in this area. Soap & Water users account for a significant part of the shaving market. Research has indicated that they are not averse to entering the shaving lubricant market. There are some barriers (package type and price) that are currently inhibiting them. Alternatives that address this strategy are likely to yield positive results.

#### New Offering Development

A new offering into the existing market is likely to address the problem of reducing market share.

#### Brand Growth Strategies.

Soft & Silky is an established brand in a relatively mature market. Competitor activity does not seem to be centered on price but predominantly on packaging type, product type and position. Soft & Silky appears to hold a segment of the market that is not under threat by competitors but has limited and reducing consumer appeal.

Table 6 Brand Strategies

		Products Served by Organization	
		New Product Class	Existing Product Class
Brand Name	New Brand	New Brand Strategy	Fighting/Flanker Brand Strategy
	Existing Brand	Brand Extension Strategy	Line Extension Strategy

■ - Potential strategies for Ms-Tique.

A line extension strategy is considered to be the most appropriate course of action for Ms-Tique to improve the potential and performance of the Soft & Silky brand. A line extension would give Ms-Tique an opportunity to reposition Soft & Silky into a more favorable customer segment (based on package type) and to augment the value added features of the product thus increasing the potential penetration of the market and increasing the barriers to brand switching. (Although brand switching has not been identified as a problem.)

### Production Strategies

Ms-Tique is facing a production dilemma at the present time. It is involved in a growing market with increasing potential and it's manufacturing capacity for Soft & Silky has hit maximum. The alternatives available are:

1. Cap capacity at the current levels.
2. Invest in new manufacturing plant.
3. Outsource manufacturing to a third party.

Capping capacity at the current levels will result in a declining market share in a growing market and limit the company's ability to introduce new products. It also has the potential to disenfranchise existing supply chain partners by limiting their potential profitability due to stock outs.

Investing in a new production line would give the company the potential to increase capacity and to develop new product lines. There is however a return on investment question. This is likely to revolve around what other potential Ms-Tique products could utilize an aerosol packaging line. The company has indicated that there is no intention of investing more capital in the next 3 years. A separate cost – benefit analysis would need to be completed to challenge this decision. This is outside of this study's scope.

Outsourcing of production has already been explored. It has been found to be both efficient (reduced cost per packaged ounce of product.) and effective. (There is a supplier with the capabilities and suitable schedule.) The downside to outsourcing is that there is some loss of control. However in the case of Ms-Tique, production of Soft & Silky is not considered to be a core competency. On the contrary market forces have ensured that third party packagers have offered a competitive service by aggregating volume in a particular package type. (Aerosols)

Any cannibalization of the existing Soft & Silky package type by an aerosol version is likely to have a positive effect on the company's overall production efficiency. (Creating capacity for the production of other products.)

**Communication Strategies.**

While not the primary decision factor, communication potential and capabilities will be affected by any packaging decisions. The outsourcing of packaging has the side benefit of creating two added value features, “ozone friendly” and “non rust container”.

A decision to maintain the current product only, would result in a limited communication potential. (No new news.)

While the introduction of new package types would give the company a new story to tell about the benefits of the new and improved Soft & Silky product. This news is likely to centre on a new “wanted package type”, “ozone friendly rustproof construction”, and value proposition. (Price versus formula.)

Given that these benefits relate to the end user experience, a pull communications strategy would be more appropriate than a push. The communications marketing mix is likely to incorporate, package design, advertising, trial promotions and public relations.

**Pricing Strategies.**

Again while not being a primary decision factor preliminary market research has shown that certain sectors of the target market rate price as a purchase decision criteria.

Packaging decisions do have an influencing effect on price. A decision to retain the current product only will have no effect on the status quo. A decision to repackage is likely to have a positive effect on the retail pricing capability and thus perception in the market. The two metrics affected are retail unit price and retail price per ounce. (See table 1.)

## Alternative Strategies

There are a number of alternative actions that Ms-Tique can embark upon to address the current problems. A number of these alternatives have not been included in the alternative actions due to the capacity of the company to execute (e.g. Investment in new plant) or that they may be able to be evaluated at a time subsequent to the current decisions. (e.g. Discontinuation of the 5.5 ounce tube or introduction of 2 aerosol pack sizes.)

### Alternative Actions.

There are three package alternative actions that are to be considered.

#### Alternative 1 – Do Nothing.

This alternative entails maintaining the status quo.

##### *Risk Analysis – Alternative 1*

- ❖ Continuation of the current downward unit sales trend.
- ❖ Acceleration of downward unit sales trend due to disenfranchised supply chain partners.
- ❖ Loss of market share.

##### *Uncertainties– Alternative 1*

- ❖ Speed of consumer transition from tubes & jars to aerosols.
- ❖ Continuation of available production schedule slots.
- ❖ Introduction of competitive alternative products.
- ❖ Cross promotion of shaver & lubricant product by competitors.

##### *Assumptions – Alternative 1*

- ❖ Current production schedule will be maintained.
- ❖ Competitive landscape will remain stable.

#### Alternative 2 – Introduce a 5.5 ounce Aerosol Package

This alternative entails introducing an alternative package type of the same size that will be presented along side the current product.

##### *Risk Analysis – Alternative 2*

- ❖ Cannibalization of the current product is different to that predicted.
- ❖ Inability to get shelf space at retail level.
- ❖ Loss of control of manufacturing process.
- ❖ Unit sales will not be as per estimate.
- ❖ Loss of set up costs if not successful.

##### *Uncertainties– Alternative 2*

- ❖ Ability of supply chain partners to stock and promote new pack.
- ❖ Competitive response to new package introduction.
- ❖ Level of customer response to value added features.
- ❖ Continued support of third party packager in terms of supply and price.
- ❖ Introduction of competitive alternative products.
- ❖ Cross promotion of shaver & lubricant product by competitors.



***Assumptions – Alternative 2***

- ❖ Customer response to value added features is positive.
- ❖ Introduction will not affect current supply chain in a negative way.
- ❖ Funds are available to promote the new package.

**Alternative 3 – Introduce a 10 Ounce Aerosol Package**

This alternative entails introducing a larger sized aerosol package that would be presented at retail along side the smaller sized tube. The risks, uncertainties and assumptions that relate to alternative 2 also relate to alternative 3. Alternative 3 has the following additional risks.

***Risk Analysis – Alternative 3***

- ❖ Consumers will not adopt the package size as anticipated or forecast.
- ❖ Retailers and rack jobbers will not distribute the product as forecast.
- ❖ Retail unit price will inhibit unit volume more than forecast.

## Strategy Recommendations

### Recommended Alternative.

The recommendations for Ms-Tique in relation to Soft & Silky shaving gel are hierarchical in nature.

1. Recommendation for package size alternative.
2. Recommendation for additional market testing expenditure.
3. Consideration of market timing.

Points 2 and 3 are inter-related and need to be considered together.

### Package Size & Type

Taking the presented data and information about the market that is either known or assumed it is possible to construct an objective – strategy pay off table. In the following table we have applied an index to the relative strength of the nominated objectives and a 1, 2 or 3 value to poor, average and good ratings. This enables us to construct a weighted aggregate score for each of the 3 chosen alternatives.

Table 7 Objective/Strategy Payoff Table.

	Index	Do Nothing	Introduce 5.5 oz	Introduce 10 oz
Wanted package type.	8	Poor	Good	Good
Relative price per ounce.	6	Poor	Average	Good
Relative retail price.	5	Average	Average	Poor
Valued added features.	8	Poor	Good	Good
Consistency with positioning.	5	Poor	Good	Good
Capacity increase potential.	8	Poor	Good	Good
Increased unit profit potential.	5	Poor	Average	Good
Communication potential.	5	Poor	Good	Good
Potential to attract new users.	8	Poor	Good	Good
Aggregate Score		63	153	164

It can be seen that there is a clear bias for the aerosol pack with a slight bias towards the 10 oz size.

As part of the previous research, forecasts of Soft & Silky sales were made assuming the new product pack and size. These were broken into high and low estimates. A review of similar packaging changes in other similar markets was undertaken. This showed that 70% of the products met the high estimate while 30% met the low estimate. This enables the construction of an Uncertainty Payoff table for Soft & Silky.

Table 8 Uncertainty Payoff Table for Soft & Silky Packaging Change based on Brand Contribution.

Alternatives	Uncertainties		Total
	High Estimate	Low estimate	
Do Nothing			\$1,348,233
5.5oz Aerosol	\$1,454,904 Probability = 0.7	\$1,404,608 Probability = 0.3	\$1,439,814
10oz Aerosol	\$1,499,475 Probability = 0.7	\$1,318,613 Probability = 0.3	\$1,445,236

Refer to Appendix 2 for financial detail.

Again it can be seen that there is a clear bias towards the aerosol pack with a slight bias towards the 10 oz size.

It must be noted that these numbers are only based on a small sample and that only a market test can accurately predict what will actually happen.

It can be concluded from the above analysis that the introduction of a new package design of Soft & Silky is likely to result in increased profitability for Ms-Tique. Further the 10 ounce aerosol size is likely to be marginally more profitable than the 5.5 ounce size. Consequently this is the recommendation that is presented.

#### **Market Test Additional Funding.**

It is estimated that the cost of a test market to more fully determine the incremental sales growth and cannibalization rate in regard to the introduction of the new package would be \$30,000.

The decision between the “do-nothing” option and the “introduce new package” option appears to be conclusive. (An incremental brand contribution of \$91,581 or \$97,003 depending on which size pack is introduced.) The decision then narrows down to between the 5.5oz or 10oz aerosol. The differential in brand contribution dependant on this decision is likely to be around \$5,422.<sup>2</sup> The sensitivity of this measure is quite high. It is dependant on the accuracy of the probability of the high and low sales estimates of the new packaging type. The range of this differential at its absolute could be between \$85,925 and \$136,221. This estimate could be further refined by conducting the market test. Consequently the timing of the introduction of the new product plays a factor in the decision to undertake the market test.

#### **Market Timing.**

There is insufficient data provided to fully quantify the seasonal cost of delaying the introduction of the new package to refine the probability estimates. However some assumptions can be made to help in the decision making process.

Table 9 Brand Contribution Seasonality Split

<sup>2</sup> See Appendix 2

		Summer/Winter Split		
		60/40	70/30	80/20
Market test cost	30,000			
Do Nothing	1,348,233	808,940	943,763	1,078,586
10 ounce Aerosol	1,499,475	599,790	449,843	299,895
		1,408,730	1,393,606	1,378,481
Seasonal Differential		-90,745	-105,869	-120,994
<b>Total Delay Cost</b>		<b>-120,745</b>	<b>-135,869</b>	<b>-150,994</b>
5.5 ounce Aerosol	1,454,904	581,962	436,471	290,981
		1,390,901	1,380,234	1,369,567
Seasonal Differential		-64,003	-74,670	-85,337
<b>Total Delay Cost</b>		<b>-94,003</b>	<b>-104,670</b>	<b>-115,337</b>

The above table highlights if the summer/winter seasonality split is significantly above 60/40 then there should be no delay to test the market as the cost of clarification of probability and the sales lost would outweigh the absolute gain in making the “right” decision. If it is significantly below 60/40 then the test should occur.

On the balance of probabilities spending \$30,000 to more fully qualify a \$5,422 (probability adjusted) or \$85,925 - \$136,221 (absolute) increment and missing the summer season is not considered prudent expenditure. Consequently it is recommended that this market test not be commenced and that the company should move towards a full introduction of the 10 ounce aerosol package to complement the 5.5 ounce tube.

## Implementation Plan

The decision analysis calls for Ms-Tique to begin a market wide introduction of a 10 ounce aerosol pack of Soft & Silky shaving gel. To mitigate some of the risks highlighted in the SWOT analysis the company should ensure that the following points are covered off in the implementation plan.

- ❖ Communicate to the company and other key stakeholders the nature of the decisions and what lead to taking the decisions and the expected outcome.
- ❖ Allocate resources and personal required to implement the decisions taken.
- ❖ Appoint an implementation team leader.
- ❖ Develop a critical path analysis to obtain an understanding of the importance of milestones that need to be achieved.
- ❖ Increased advertising and in-store promotional activity to capitalize on the summer season.
- ❖ Communicate plans with supply chain partners to ensure a smooth route to market.
- ❖ Execute a long term supply contract with the third party packager.
- ❖ Develop a marketing strategy to attack the non-user (soap & water) user segment.
- ❖ Prepare a marketing communication strategy that takes into account the added value features, new economical size.
- ❖ Prepare a contingency plan based on the likely response from competitors.

As there are multiple departments and personal that will become involved in the implementation process a working group should be convened and it should meet on a regular timetable to ensure that implementation milestones are being achieved.

## Evaluation Plan

The implementation plan includes a component of the evaluation plan (milestone review) and in fact evaluation should begin prior to the decisions being fully implemented. An evaluation plan should be developed that addresses the following points.

- ❖ Set a time line of evaluation points.
- ❖ Establish a decision critique team.
- ❖ Determine measures of success and failure.
- ❖ Review the decisions made.
- ❖ Compare and contrast the forecasts made with the eventualities.
- ❖ Compare and contrast the assumptions taken.
- ❖ Table any relevant new information.
- ❖ Publish and communicate an evaluation report that includes recommendations for further actions if necessary.

Execution of a structured evaluation plan closes the loop on the decision making process and makes it into an iterative process from which the company can learn and evolve.

## Conclusion

Ms-Tique should introduce a 10 ounce aerosol pack of Soft & Silky shaving gel. It is acknowledged that there is a degree of risk in this course of action that could be mitigated by further market testing.

However the potential loss of sales from missing the summer season, together with the cost of completing the test is greater than the differential gain from reducing the uncertainty of pack size choice.

Soft & Silky shaving gel sales have declined over the past few years and are now stagnant at \$3,724,000 (or 1,960,000 units). Although Soft & Silky shaving gel customers are seen as loyal, a percentage would be considered at risk and could convert to a competitor's product if Soft & Silky shaving gel does not offer an aerosol alternative.

Consideration should be given to allocating monies for future research that will assist in better understanding the category as a whole, the competitive nature of the market and current and future customers buying patterns and usage rate. At the present time there is insufficient data available to fully quantify the market.

The estimated US dollar value of the women's "wet shaving" product market is over \$400 million. We know that the majority of sales within the market are from blades and razors and the total market is increasing at 3-5% annually. Additionally we know that the majority of women shavers use only soap & water. This must be considered our primary target.

Consideration should also be given to undertaking a multi-attribute study of women's shaving lubricants. Attributes to consider are:

<b>Pack</b>	<b>Size</b>	<b>Type</b>
Tube	< 5.5	Cream
Jar	5.5 – 7.0	Lotion
Aerosol	10 +	Gel

This might highlight hidden potential in the market.

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## Appendices

### Appendix 1 – Soft and Silky Key Financial Statistics.

<b>Pricing Info</b>	
Soft & Silky Selling Price 5.5 oz tube	\$3.95
Retailer Margin	40%
Retailer Buy Price	\$2.37
Rack Jobbers Margin	20%
Rack Jobbers Buy Price	\$1.90
<b>Sales Info</b>	
Ms-Tique Total Sales 2000	\$225,000,000
Soft & Silky 5.5 oz tube Sales 2000	\$3,724,000
Units sold	1,964,135
Oz Sold	10,802,743
<b>Costing Info 5.5 oz Tube</b>	
Cost of goods sold	\$784,000
Cost of goods sold per unit	\$0.40
Gross Profit	\$2,940,000
<b>Fixed Costs</b>	
Advertising & Promotion	\$1,154,540
% to sales	31%
Per unit cost	0.59
Overhead & Administration	\$421,560
% to sales	11%
Per unit cost	\$0.21
Total Fixed Costs	\$1,576,100
% to sales	42%
Per unit cost	\$0.80
Brand Contribution	\$1,363,900
% to sales (Net Profit %)	37%
Per unit margin	\$0.69
Soft & Silky 5.5oz tube Sales Unit Forecast 2001	1,953,668

## Appendix 2 – Soft &amp; Silky Forecast Outcomes

	<b>Do nothing</b>	<b>Forecast A 5.5 oz Low</b>	<b>Forecast B 5.5 oz High</b>	<b>Forecast C 10 oz Low</b>	<b>Forecast D 10 oz High</b>
5.5 oz tube Ounces Sold Forecast	10,745,174	8,600,000	8,400,000	9,000,000	9,600,000
Tube Units Sold	1,953,668	1,563,636	1,527,273	1,636,364	1,745,455
Cannibalization to aerosol ounces	0	2,145,174	2,345,174	1,745,174	1,145,174
New Aerosol Volume ounces	0	300,000	500,000	800,000	1,500,000
Aerosol Ounces Sold	0	2,445,174	2,845,174	2,545,174	2,645,174
Aerosol Units Sold	0	444,577	517,304	254,517	264,517
Sales Tube	\$3,704,155	\$2,964,655	\$2,895,709	\$3,102,545	\$3,309,382
Sales Aerosol	\$0	\$746,890	\$869,071	\$519,215	\$539,615
Total Sales	\$3,704,155	\$3,711,544	\$3,764,780	\$3,621,761	\$3,848,997
Cost of Goods Aerosol	\$0	\$106,699	\$124,153	\$73,810	\$76,710
Cost of Goods Tube	\$779,822	\$624,138	\$609,623	\$653,167	\$696,712
Total Cost of Goods	\$779,822	\$730,836	\$733,776	\$726,978	\$773,422
Gross Profit	\$2,924,333	\$2,980,708	\$3,031,004	\$2,894,783	\$3,075,575
Advertising & Promotion	\$1,154,540	\$1,154,540	\$1,154,540	\$1,154,540	\$1,154,540
Overhead & Admin	\$421,560	\$421,560	\$421,560	\$421,560	\$421,560
Total Fixed Costs	\$1,576,100	\$1,576,100	\$1,576,100	\$1,576,100	\$1,576,100
Brand Contribution	\$1,348,233	\$1,404,608	\$1,454,904	\$1,318,683	\$1,499,475
% to Sales	36%	38%	39%	36%	39%

## Appendix 3 – Package Size Brand Contribution Analysis

	<b>Probability</b>	<b>Do Nothing</b>	<b>5.5 oz Aerosol</b>	<b>10oz Aerosol</b>
High Estimate	0.70		\$1,018,432	\$1,049,632
Low Estimate	0.30		\$421,382	\$395,604
Total		\$1,348,233	\$1,439,814	\$1,445,236

Appendix 4 – Units Sales Over Time Graph.

