

Marketing Strategy

Session 10 Understanding Customers

Fall 2009

Example

L'Oreal created a line of moisturizers and cleansers – Plenitude. Launched in France in 1982 (big success), and in the US in 1988. Strong introduction in the US, becoming the #2 brand in US (MS 14% in moisturizers) behind P&G's Oil of Olay in 1991.

Market share remained stable until 1996. Lost #2 position to Pond's. Still not making money.

Competitors: Olay, Pond's, Alpha Hydrox, Nivea, Neutrogena, Revlon, Almay, Noxzema, Sea Breeze, Clean & Clear.

Retail \$ Market shares Moisturizers

	1991	1992	1993	1994	1995	%Treatmnt (vs daily)
Retail \$	\$309M	338	375	440	471	
Plenitude	11.7%	13.6	14.1	13.8	14	65%
Olay	38.3	36.1	32.3	29.7	28.2	12
Almay	5.4	6.0	5.6	4.4	4.6	
Nivea	4.8	5.5	6.0	6.2	6.2	27
Ponds	5.0	4.6	9.1	13.9	15.1	49
Alpha-Hydrox	-	1.0	3.8	5.7	5.4	89
Neutrogena	7.0	6.5	5.7	4.8	5.2	22

Retail \$ Market shares Cleansers

	1991	1992	1993	1994	1995
Retail \$	\$252M	288	308	308	328
Plenitude	3.2	3.2	3.1	3.1	3.4
Olay	11.0	9.9	7.6	6.4	7.9
Almay	4.8	4.8	4.9	4.4	4.1
Noxzema	22.9	24.4	23.8	22.9	21.6
Pond's	11.7	12.6	11.6	12.2	11.2
Neutrogena	4.9	4.9	6.0	6.3	6.2
Sea Breeze				9.4	8.9
Clean&Clear				4.9	6.7

Benefit segmentation

- “Unconcerned” (25%)
 - Basically buy on price
- “Ingredient Apathic” (17%)
 - Concerned with reducing signs of aging; but not so concerned about gentleness or specific ingredients
- “Price conscious socializers” (17%)
 - Worried about looking better but price/value is a concern
- “stressed out” (22%)
 - Not concerned about price; want effective product that reinvigorates skin and reduces signs of aging
- “Age focused” (18%)
 - Similar to “stressed out” group but with more attention to price and natural ingredients.

Last two groups: 62% of Alpha-hydrox users, 54% of Plenitude, and 36% of Olay users

1996: You are managing Plenitude. What else would you like to know?

Market Overview Information

- Market Information
 - size of segments
 - growth of segments
 - distribution channels
- Competitive Information
 - # of competitive products
 - features, performance
 - advertising, salesforce
- Sales performance
 - shares

Consumer perceptions - Semantic scales Moisturizers & cleansers

1. Technologically advanced
2. Face stays younger looking
3. Contain AHA
4. Available in stores where you shop
5. Good value for the money
6. Exfoliate the skin
7. Formulated for nighttime
8. Reasonably priced
9. Leave skin feeling soft
10. Can use on sensitive skin
11. Relieve dryness
12. Products mother uses/used

Rate each brand from “Strongly disagree=1” to “Strongly agree=10”.

The Questions

- There are 2 levels of questions
 - market overview
 - the surface
 - customer preferences
 - what's underneath

The Biggest Challenge for a Firm – Understand Customer preferences

- Ask customers what they want
- Interpret the answers
- Figure out what to do to satisfy these wants

You've got tools that help you
do this

- Semantic scales
- Multi-dimensional scaling
- Conjoint analysis

Semantic Scales

- The product is a bundle of physical attributes
- what levels do customers want of each attribute
- charts show how consumers rate products on different attributes

Semantic Scales

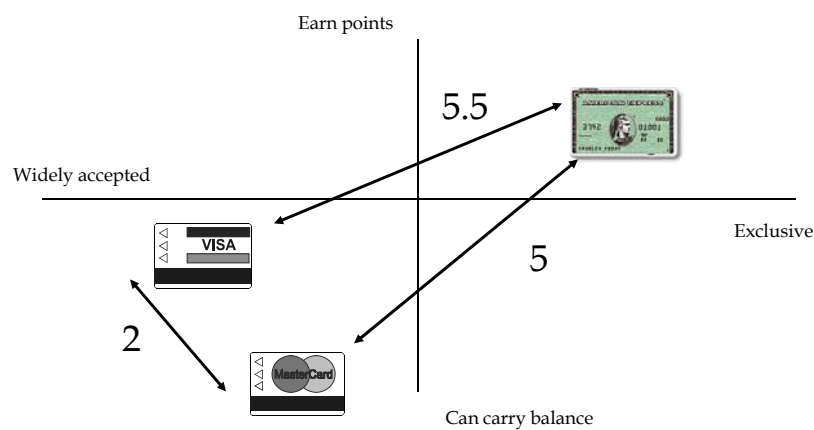
- Straight forward
- direct information on how to physically modify products
- people don't often think about products this way

Multidimensional scaling
Perceptual maps

Transformation

- the numbers are like distances on a perceptual map
- with 3 products, I can perfectly represent the information
- with more products
 - more dimensions
 - information loss

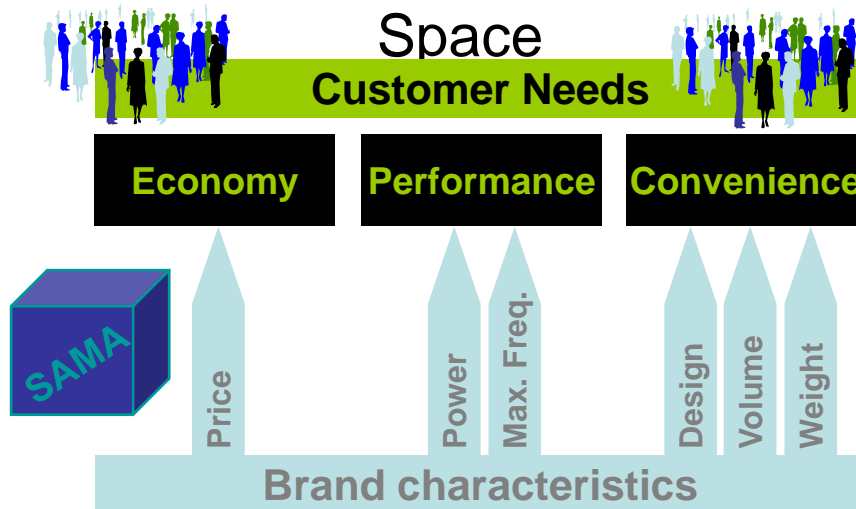
MDS Perceptual Map



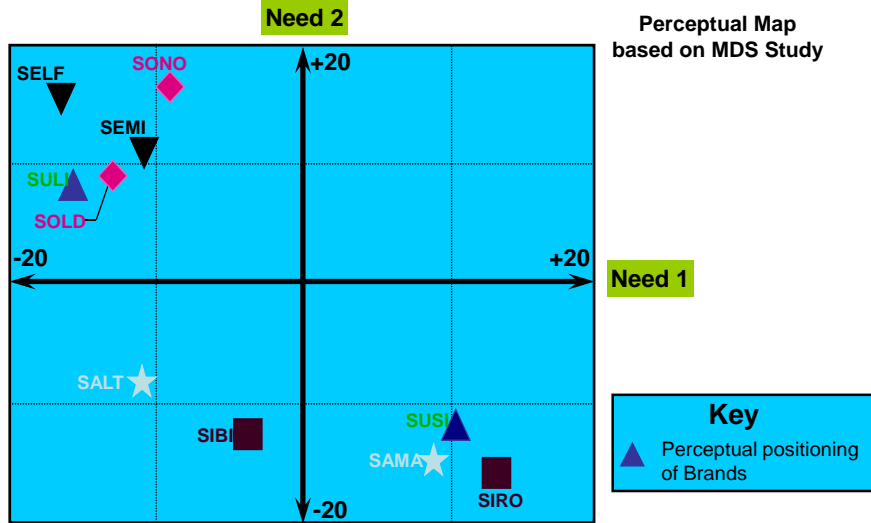
Multidimensional Scaling

- You get a perceptual map that gives you a very complete idea of how consumers perceive products

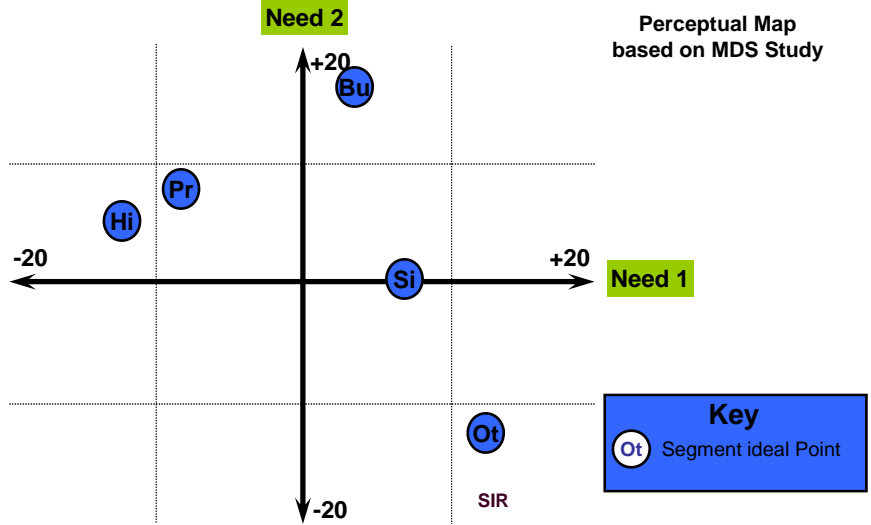
Key Attributes in Perceptual Space



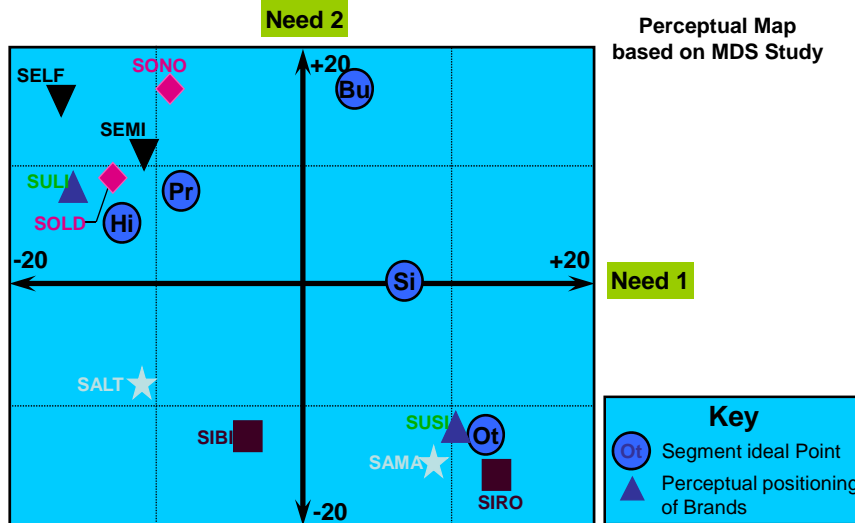
Multi Dimensional Scaling



Multi Dimensional Scaling



Multi Dimensional Scaling



Multi Dimensional Scaling

- Sometimes difficult to translate MDS positions into physical characteristics
- does not necessarily tell you which attribute is most important

Conjoint Analysis

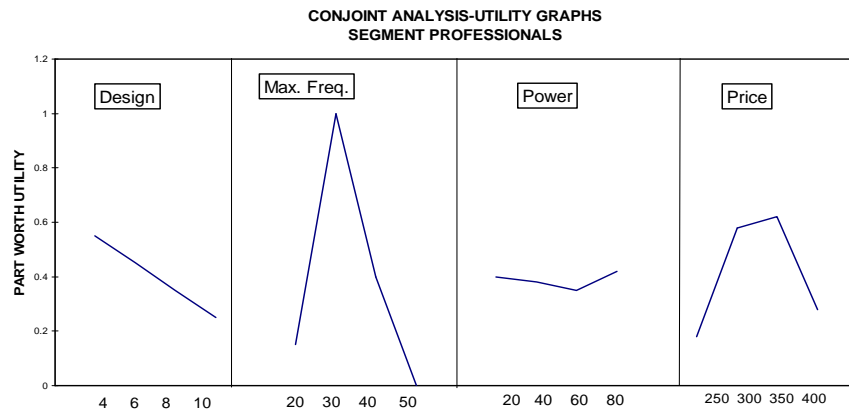
- The product is a bundle of attributes
- By asking customers to choose amongst many prototypes get a mapping of their preferences
- you indirectly determine a value for each attribute
- The overall value of a product is found by adding up the value of its key attributes

Conjoint Analysis

How we will use Conjoint Analysis in Markstrat

- which attribute is the most important
- gives you an indication of the optimal level for each attribute

Conjoint Analysis



Conclusion

- Market overview (segments, channels, competitors, market shares)
- Customers:
 - Semantic scales
 - Perceptual maps
 - Conjoint analysis