

Packaging update for soft and silky shaving gel



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In the past, women relied on men's shaving products for their own personal shaving needs. Eventually, they found that men's razors did more harm than good to the sensitive skin on a woman's legs, bikini area and armpits.

Fortunately, the personal care industry caught up with the times and introduced women's shaving products. While they were slow to enter this new market, eventually Skin-Tique created women's shaving gel in 1988 – only twenty-one years ago. Women's razors and other products from other manufacturers eventually followed. By introducing their products first, Skin-Tique was able to corner the market on women's shaving products and to reach an entirely new demographic.

By 2002, the sales of Soft and Silky Shaving Gel had dropped and brand assistant Heather Courtwright proposed a plan that might increase sales again. She suggested that the product be re-packaged in an aerosol can, as it is the dominant packaging for shaving gel. In order to determine if this idea was worth pursuing, she received the approval to spend \$35, 000 on market research. This led to a focus group which indicated that current and noncustomers were enthusiastic about the new package design. The next step is a test market in which both the 5 ½ ounce and 10 ounce packages will be introduced to the consumers. Based on the information included in the case, the Soft and Silky Shaving Gel should be re-packaged in an aerosol can and sold in the 5 ½ ounce size.

By December 31, 2002, the Soft and Silky brand contributed just over 1. 3 million dollars to Skin-Tique's bottom line. This was only a small fraction of an approximately 400 million dollar market. While sales had slowed since the product's introduction in 1988, the brand was still making a large

contribution to the Skin-Tique bottom line. Part of the problem is that women had become used to the aerosol can because men's shaving cream has been packaged that way for many years. Ms. Courtwright has the choice of continuing to produce the gel in the tube package, abandoning the brand altogether, or re-introducing it in the aerosol can.

Focus groups showed that the aerosol can should be produced, as Soft and Silky customers are unnaturally loyal to the brand, while non-customers showed no brand loyalty whatsoever. The plan should be to focus on customers and non-customers alike in order to capitalize on the brand loyalty and to create more customers who would then be loyal to the Soft and Silky brand. For many noncustomers, the only barrier to purchase was the current tube packaging – these customers are likely to switch brands if the product is contained in an aerosol can.

Brand Contribution and Forecast

5 ½ ounce tube

The current tube package had sales of just over \$3. 7 million in 2002. After subtracting the cost of goods sold, which was \$784, 000, the gross profit was about \$2. 9 million. Advertising and promotion are the largest costs thus far, totaling at just over \$1. 1 million. After also deducting overhead and administrative costs, the tube package contributes about \$1. 3 million. This will change, however, with the introduction of the new aerosol can.

5 ½ ounce aerosol can

The low estimate for the 5 ½ ounce aerosol can predicts sales of just over 11 million ounces. This would imply a total sales volume of just over 2 million cans. While the sales price is \$2. 79, sixty percent of that will go to rack jobbers and retail outlets, so Skin-Tique will make around \$1. 67 per can. Even with a low estimate, the 5 ½ aerosol can would have about \$18 million in sales.

After subtracting the test market cost of \$30, 000, the one-time supplier set up charge of \$10, 000 and maintaining the same cost of goods sold and variable costs, the 5 ½ ounce aerosol can has a likely incremental contribution of \$1. 6 million. The high estimate predicts sales of 11, 044, 000 ounces, which amounts to about 2 million cans. Taking into account the variable and other costs, the brand should have an incremental contribution of about \$1. 7 million.

10 ounce aerosol can

The low estimate for the 10 ounce aerosol can estimates production of 1. 5 million cans, which indicates about \$3. 8 million in sales (based on a price of \$4. 25 and deducting the percentage to retailers and rack jobbers). After subtracting the same costs, the 10 ounce aerosol can will have an incremental contribution of about \$1. 4 million. The high estimate is for 12, 245, 000 ounces, which will amount to the sale of about 1. 2 million cans. The high estimate will predict about \$1. 1 million in sales. Clearly, the 5 ½ ounce can is more likely to have a higher incremental contribution.

The test market

The test market for the new can will cost \$30, 000 and introduce both can sizes. The focus group results indicated that both can sizes would be well-received in spite of the fact that the smaller can, at 5 ½ ounces, is a half an ounce smaller than the usual can size. However, the value-added features include the absence of CFC's (chlorofluorocarbons, which have proved harmful to the ozone layer) and the inclusion of a rust-proof bottom, which are currently the norm in shaving and bath products.

While Masters is concerned that only one size should be introduced in the test market, this is the perfect time to introduce both sizes. If only one size is introduced, it will be unclear whether the product was chosen for its brand name, its cost, or its size. By introducing both products, Masters and Courtwright can make an informed decision in order to determine if one size or both sizes should be manufactured.

Conclusion

Skin-Tique should continue to produce Soft and Silky Shaving Gel and should introduce the aerosol can in a test market environment. While Masters is wary of introducing both can sizes, this is the only opportunity she and Courtwright will have to find out which size is more popular with customers and noncustomers. Both were popular with the focus groups, but there was no clear winner in regard to size. While some participants favored the 10 ounce size because it would require fewer purchases, some new customers may balk at the \$4. 25 price on the shelf given that their competitors have products that, for the most part, are no more expensive than \$3. 99.

Soft and Silky Shaving Gel is a small part of a large market, but should be pursued nevertheless. Women will always need to shave. As the graphs indicated in Exhibit 2, the need to shave does not significantly decrease based on the season. Not only should Masters and Courtwright continue to update and expand the Soft and Silky line, but they should consider new avenues as well. Research showed that most women moisturize after shaving; the company might want to consider a body lotion that sold on the same shelf as the shaving gel. In addition, Soft and Silky should produce a travel size, as there are very few women's shaving products available in the smaller size.