

# Paramus carrel case study

Business



Some of the regular parameters eye the crowd of fashionable newcomers warily and begin to ask themselves whether they should change their own look or whether perhaps their pick-up lines need updating. Others take a quick look at the newcomers but resolve to stay loyal to their own, original self that has worked well in the past. Many brands face a similar challenge. How can they appeal to changing consumers and at the same time remain true to their original Identity? How can they determine what they really stand for? How important is it to main faithful to that original identity?

In 1997, Paramus Carrel, formerly one of the brand leaders in the perfume industry, was facing a dilemma. The company, whose products Nanas Nanas and Lou were among the world's biggest selling perfumes during the asses and early asses, was suffering a steep decline in sales.

New products designed to stem the decline had met with outright consumer rejection. Worse, after 20 years the Carrel brand was losing touch with new consumers as well as with its original identity. In short, Carrel was confronted with the unwelcome experience of a brand maturity rises. Just as this was becoming apparent, Dimmitt Statistician, a Greek chemical engineer Ninth an INSTEAD MBA, arrived at Paramus Carrel to head the company. At 37, he had 13 years' business management experience under his belt at L'Oreal©al, Charlie's parent company. Nevertheless, this was a big step.

Statistician had never before had overall responsibility for a brand in a company headquarters. Perhaps more significantly, he had not been involved with the brand during the crucial creative launch phase, and had, as he put it, only seen Carrel " from the outside".

Facing a rises of brand maturity where there were no prescribed solutions, how could Statistician and Carrel diagnose what was wrong? Market and Industry Background Consumer Behavior Traces of scents and fragrances have been found in Egyptian artifacts used for rituals and embalming trot as tar back as 3 BC During the Renaissance new commercial avenues between Europe and the Orient opened up, stimulating perfume development. Eventually, they would settle into two basic 'scent families', the floral and oriental (see Exhibit 1).

The first modern perfume business was founded in France in 1850 by the House of Guerilla.

Current industry types - AAU De perfume, AAU De toilette, and AAU De cologne (indicating decreasing concentration in perfume) - suggest that a French flavor has been retained. Traditionally, perfumes were used for personal hygiene, as a deodorant. Today, buyers are motivated by a more complex mix of hedonistic and symbolic aspirations. L Some people, for example, see perfume as gift and wear it only on special occasions.

Others seek out fine perfumes and appreciate luxury products that make them feel more attractive.

Finally, there are the perfume aesthetes' who wear perfume as part of an elaborate ritual of elaboration's and self-realization. H&R Book of Perfumes, Perfumery: The Psychology and Biology of Fragrance. Copyright 2007 INSTEAD Firmament, a Swiss fragrance creation company, charts the complex psychology of consumers in the form of perceptual maps. For

example, Exhibit 2 shows a map summarizing the motivations of female perfume users along two axes: self-realization and seduction.

Using these, they describe four groups of consumers who use perfumes to enhance: (1) their femininity, (2) their social status, (3) their personality, or (4) to 'confirm their' natural self. These same criteria can also be used to show the perceived positioning of perfume brands (see Exhibit 3).

Far from being simple scents or oils, perfumes are a complex mix of science and marketing developed by companies seeking differentiated messages for each of their brands, while attempting to stay in tune with the evolving needs of customers.

The Perfume Industry On average, 120 perfumes are launched each year. Perhaps 20 of these achieve short-term success. Only five of them manage lasting success and the status of classics'. Perfume sales are relatively concentrated geographically.

In 1996, just prior to Statistician's appointment, the US accounted for 28. % of total sales ( France was number two at 11.5% (\$1.4 billion). Sales are concentrated in the hands of few large multinational corporations. Players in the market can be categorized as follows: Global multi-sector players such as L'Oreal, Milliner and Procter ; Gamble.

In 1998 L'Oreal had five brands in the global top 30 ranking, Milliner had seven, and Procter Gamble had six. Global specialists such as Johnson & Johnson, Gillette, and Colgate-Palmolive. Rather than adopting a multi-brand identity approach, they drive a choice selection of just one or two brands

across a number of product sectors. Regional specialists. For Europe, the US and Asia, these are respectively, Coachwork's, Reveal and Shied.

Perfumes have been historically divided into luxury and mass-market segments.

This was initially due to the higher cost of creating fine perfumes from expensive oils and essences. Over time, the domain of luxury perfumes has gradually moved from the perfume houses of old to a more extensive group often referred to as 'prestige'. Prestige perfumes include those of the traditional perfumers such as Chanel or Dior, those of high-end cosmetic firms such as Estée Lauder, and those of luxury goods companies such as Hermes or Gucci.

Charlie's products Nanas Nanas and Lou, are also prestige perfumes.

Mass-market products are a highly fragmented sector Normalized and range from Vanderbilt by L'Oréal to Charlie by Reveal. This divide between the luxury and mass-markets is reflected at each stage of the marketing and sales process. Both pricing and distribution of luxury perfumes are kept on a tight rein to manage brand exclusivity. Department stores and specialist outlets are the sales points of choice for luxury and prestige companies since they offer more control.

The mass-market, in which Nanas Nanas was initially but very raffle launched, has several retail options.

These are primarily self-service across non-exclusive rate IL locations such as the 'non-recognized name' supermarkets In mid-ages, economic

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slowdown in Europe saw the replacement of independent stores by chains such as Seaport in France and Douglas in Germany. In the US, consolidation in the department store industry shifted the balance of power away from manufacturers into the hands of chains, notably May, Federated, and Dilled. Specialist outlets now dominate distribution in France, Italy, and Germany, Inheres pharmacies lead distribution in the UK and Spain.

A number of other factors soon began to challenge the boundary between the prestige and mass-markets. First, designers and celebrities launched their own perfumes (see Exhibit 4 for some recent examples of this trend).

Second, sales of Omen's fragrances grew by only 1.7% in 1992-96, while men's perfumes showed a real decline of 2% over the same period. The stagnation of sales, particularly in luxury products, caused an increase in aggressive advertising and a proliferation of brand launches (see Exhibit 5).

Luxury brands had to cut prices and were becoming available outside their traditional distribution outlets - mostly because of grey imports. The market was soon threatened by a flood of cheaper premium brands beyond the control of manufacturers. Traditional categorization was also challenged by the increase of scented products in the form of bath, shower and deodorant ranges, as these were beginning to fulfill perfumes' historical deodorant role in the market.

Finally, consumers were becoming more accustomed to branching out to acquire a personal selection or 'Wardrobe' of products.

Like many luxury goods, many fine perfumes underwent a transition from 'ordinary purchases by extraordinary people' to 'extraordinary purchases by ordinary people'. What had once been exclusive and unreachable was less so. This served to affect the cachet or status of prestige products, further dissolving the dividing line between the luxury and mass- markets. Share and identity in this new market was up for grabs. In 1998, the worldwide cosmetics market (of which perfumes are a part), grew 6.

5% to nearly ISSUES billion. Mass-market recorded the best performance Witt sales up an estimated 5%.

Overall though, prestige products still had an edge over mass-market products - accounting for 48% of sales in the women's perfumes sector and 47% of men's perfumes. Company History Created and guided by Jean Bouquet, Carrel was first registered as a clothing brand in 1962. It is what is known as a pr©t-porter or ready-to-wear brand. These brands challenged the rules of haute couture by offering new lines of more accessible and affordable 'democratic' clothing from asses designers.

Pr©t-porter Nas thus in line with a period of rebellion against Establishment values and politics.

Designers who were able to tap into this shift in social consciousness began to be scooped up by businesses to develop perfumes. Yves Saint Laurent developed the Normal's first perfume with political and social connotations - Rive Gauche, while other designers experimented with more natural scents and musk - the antithesis of fine' perfumery. For the first time, in the name of democracy, women were actually encouraged to buy perfume for

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themselves, to wear it as and when they chose, and to regard it as an everyday pleasure (see Exhibit 6). Quest's prêt-à-porter work went against the fashionable grain of women's wear at the time, and this off-centre vision of femininity caught L'Oréal's eye.

The L'Oréal group acquired the fragrance brand of Carrel in 1975. Paramus Carrel was separated from the clothing line in 1978 and was soon fully controlled by L'Oréal. As general manager, Annette Lout was responsible for creating a team to launch the brand. The one she assembled included Sarah Moon in advertising, and Angered Brier in design. This partnership of creative and business talent was to last for almost two decades.

Their goal was to design, package and sell products which could sit comfortably alongside luxury brands but which were also accessibly priced and distributed through traditional channels.

They aimed their products at what they perceived as a new rakes of young women consumers wary of the intimidating bourgeois perfumes and perfumeries. Nanas Nanas Charlie's first perfume, Nanas Nanas, was launched in 1978. According to Annette Lout, the perfume was " a new approach to giving the new younger consumer what they wanted".

The aim was to create a fresh, floral fragrance for a youth market, a perfume that was " tender" but " sexy', and prestigious but innovative. Carrel aimed to create a product for users alienated from the staid perfume houses and the traditional values they represented. Ere work of the Carrel team had an extraordinary impact.

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Nanas Nanas was the first modern perfume packaged in a white, opaque bottle with an original and eye-catching design influenced by 19th century porcelain - modern but classic and retaining a desired quality of mystery (see Exhibit 6).

A crucial aspect in building the profile of Nanas Nanas was its distinctive advertising (the original print and television advertisements for Nanas Nanas and for the other brands can be viewed at [http:// cases. Instead. Due/carrel/](http://cases.iedu.com/cases/paramus-carrel/), the case website). Carrel was one of the first companies to use television to launch a perfume brand.

The TV film, created by Sarah Moon, focused on the interior world of women's feelings and was regarded as particularly strong and innovative by the industry. Nanas Nanas was priced 30% below classic brands thereby putting it within easy reach of the younger consumer.

Initially the perfume was distributed to mid-range outlets such as small department stores (e. G. , Monopole in France). However, one year after its launch, the high profile that it had achieved through communication allowed the company to take the unprecedented step of re-distributing it as a prestige product in department stores and specialist outlets.

Nanas Nanas had Jumped up a league. In doing so, Carrel broke new ground by bringing the young consumer into specialist outlets for the first time.

After Just two years on the market, Nanas Nanas became the leading perfume in Europe. Cannel's new approach opened new selective markets,

attracted a younger generation of customers to the industry, and revolutionized the focus of product advertising. Carrel was on the map.

Lou Charlie's follow up' to Nanas Nanas was slow in coming. Only in 1987 was its successor - Lou - launched. 2 Annette Lout describes Lou as a 'growing up' of Nanas Nanas: " Nanas Nanas is an idealized symbol of femininity and the Nanas girl is quite innocent.

Lou combines tenderness with seduction. Lou is a real woman, personality, and Lou is 2 In the meantime Carrel had not entirely stayed put and had made some hesitant steps elsewhere. Its first product for men, Carrel Pour loomed was released in 1981.

It was successful but not at a level comparable with Nanas Nanas, which was maintaining its sales and status throughout the asses. More aware of her seductive power. " (See Exhibit 7 and go to the case website for Lou advertising).

Carrel decided to target the same young women's market as Nanas Nanas, but was careful not to exclude their original customers who had grown up with Nanas Nanas. Ere name Lou had a jazzy and energetic feel and was right for the free-fall partying mood of the asses, but it still retained a certain sophisticated charm. Its packaging - a blue bottle with a red top - mixed innocence and sensuality.

The scent Nas also adapted to reflect a shift towards adulthood, with the return of vanilla adding sensuality. Pricing again was set at an average of 20-25% less than other luxury brands.

This was low, but not as low as Nanas Nanas at launch. Carrel was seeking to take advantage of the equity of its umbrella brand name and of the higher income of a slightly older market. Distribution also followed similar patterns to those successfully used with Nanas Nanas. Carrel had not broken with its target market and the distribution structures and relationships that they had established were not altered.

Eden and the KC One Challenge It was Sarah Moon's advertising, again, which best communicated Louse's positioning.

She personified the scent as a young woman in a distinctive and identifiable rush of sound and movement. It was unlike any other advertisement on the market. Moon's Lou ad won the Lion d'Or at Cannes in 1988. Lou soon became a market leader and, by the end of the 80s Carrel had the two biggest selling products in Europe: Nanas Nanas and Lou. In 1994 the arrival of one particular American product began to challenge Charlie's longstanding status in the youth market. It also questioned what had appeared to be two hard and fast industry standards: segmentation by gender, and the cultural divide between the US and Europe.

The worldwide success of the first Calvin Klein product, KC One, was largely the result of an advertising campaign. It featured a group of androgynous uninhibited models with no regard for traditional glamour, oblivious to the world but aware of each other and grouped in a variety of activities from huddling to gyrating (see Exhibit 8 and case website). The commercials' portrayal of young people captured the imagination of its target market - 1 5

to 25 Hear-olds. The particular shift in youth culture captured in the KC One advertisement was not one, but several, societal changes and issues.

These were: economic downturn, family breakdown, and the collapse of old social and political certainties such as the Berlin Wall and the Cold War.

Even adolescent hormones took a back seat to be replaced by a unisex androgyny in the face of the health risk of AIDS. Young people had begun to rethink their values and to define themselves, their clothes and, of course, their purchasing decisions, according to their group of friends. Ninth the help of Calvin Klein and its advertising, global sales in the unisex market increased by almost 1000% over the four years to 1998. Over the same period,

Carrel struggled. A new product, Eden, was launched in 1994.

It was designed to be the turnaround product in a slowing market with decreasing consumer spending. Following the established pattern of new launches by Carrel it was the next, apparently logical, stage in the development of a young woman first seen as Nanas Nanas. The name perhaps lacked a little poetry compared to Nanas 3 For example, Lou failed dramatically in the US, in large part due to negative reactions to its packaging a blue bottle with a red stopper. Nanas or Lou but was designed, somewhat indirectly,

Carrel had decided that Lou should grow up a little opportunity to capitalize on her seductive power. Eden ' forbidden fragrance", a " love elixir" with

connotations of Eden advertising from 1994). To suggest temptation and lust.

Bit further, and to be given the Nas therefore launched as the eroticism (see case web site for Ninth Eden, Carrel adopted the same pricing policy. Over the years pricing had shifted incrementally but nothing like the initial 30% differential had ever been tried again. Distribution policy also followed the now standard Carrel channels.

What Nas different was that Sarah Moon had ended her pioneering involvement with Carrel in 1994 before the creation of the Eden advertising. This time the commercials reflected a heavier hand at work.

Rather than focusing on a young Oman and her feelings, it featured a couple, moodily involved in a mating ritual of sorts in a very sweaty Garden of Eden. The ad did not win awards and, rather than Unwelcoming this 'grown up' version of Carrel, consumers fled. Sales across other Carrel products began to fall. Between 1994 and 1997 the company dipped into slow decline.

Carrel first tried to Orca their way out of the sales crisis before 1997 by taking the promotional route.

Two supplementary products - AAU denned and Lou Blue, were launched (see the case website to see the AAU denned bottle and print ad). The company also began to supply gift products to generate interest - bath towels and other support items. They also began to offer the customer more for their money by way of supplementary products - for example, deodorants

to accompany their AAU De toilette. The net result for Carrel in terms of the traditional thruway split on advertising is shown in the following table.