

Consumer behaviour on decline of sales marketing essay



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Introduction

This report is prepared to analyse how consumer behaviour changes has led to the decline in sales volume of 'Xclusive' perfume brands across the UK market. For the last two years sales has declined consistently across the target market of upper class consumers in UK.

Xclusive is an premium perfume brand from Premium Products Ltd, a company based out of UK. Company launched this premium brand for men and women in UK market in 2006. By 2007, they had a 1.2% market share, reporting a total sales turnover of 7.96 million GBP (Esprit Magazine, 2007)

In 2008 and 2009, the sales declined by 5% and 6.2% respectively.

Preliminary reports show a decline in popularity of this brand and lesser movement in stores among the upper class customers.

This report is intended to analyse the reasons which led to the sales decline over the last two years. Report will test the hypothesis that consumer behaviour variations led to the decline in sales. Other key objective of this report is to come up with suggestions to reverse this declining sales trend and influence a positive change in consumer behaviour to increase the sales.

Current Product and Marketing Strategy

'Xclusive' brand of premium perfume for men and women was launched by Premium Product Ltd in 2006.

There were four lines within this 'Xclusive' brand – herbal, musky, woody and spicy. Musky was the popular most brands followed by Herbal. They were packaged in exclusive golden bottles, which gave exquisiteness to the <https://assignbuster.com/consumer-behaviour-on-decline-of-sales-marketing-essay/>

whole product package. Health consciousness was on the rise among the UK consumers in 2006.

That made the company launch this exclusive herbal perfume to the upper class consumers. This was launched as part of their market differentiation strategy compared to other premium brands. Main target was upper class men and women in UK with social grade A and B. (Businessballs, 2008). This market size constituted 25% of the total UK population.

Premium Products Ltd used a premium pricing for all products including this Xclusive product line, with herbal being the most expensive as it was made from healthy ingredients.

The company adopted a selective distribution strategy targeting only luxury zones and concentrated on boutiques and big malls like Westfield and Metrocenter. Distribution strategy was centred around premium malls and online shops like Perfume shop.

(Suite101, 2007)

Company did the promotion mainly through celebrity ads in mass media like TV and upper class magazines like Glamour and Cosmopolitan. Promotion was around healthy sports men and women using this exclusive perfume.

(National Readership Survey, 2007)

Problem Analysis

Problem: In the last two years there has been a drastic decrease in the sales of fragrance products (perfumes).

Study was conducted on market and consumer buying process to understand the reasons behind this decline in sales. In the market study, objective was to test whether external market conditions were favourable to perfume business. Market study was done using the PEST method. While doing sales analysis, it was found that decline in sales actually came from women segment. Hence market and consumer behaviour study was mostly attributed to the social class A and B women segments.

Buyer responses

Choices of

product

brand

dealer

timing

price

Buy more, less, stay loyal etc

buyer's black box

Needs – wants, stimuli

Product, price, place, promotion etc

Environmental (PEST) factors

Buying Process Analysis

We looked at the typical buying process of premium perfumes by women in UK. Looking at the major players involved in a typical purchase decision.

Initiator

Influencer

Decider

Buyer

User

Usually, women themselves are the initiators to buy perfumes for following reasons:

Long lasting scent

Makes feel attractive

One that others comment on

Makes feel sexy

Changes or enhances mood

Initiators can be men also who buy gifts for women.

It basically depends on the age group of women. But generally speaking, the influencers can be:

Peer group

Celebrities

Referred by magazine (foil pouch samples preferred)

Advertisements in media

Women themselves and men also.

Both men (as gifts) and women.

Women, her friends, relatives etc.

Since women play the major role of initiator and decider in this buying process, we need to understand internal and external factors which can impact the consumer behaviour of women belonging to social class A and B.

Consumer behaviour characteristics

Consumer behaviour refers to the selection, purchase and consumption of goods and services for the satisfaction of their wants.

(Ezinearticles, 2007)

There are multiple factors which can influence the consumer's behaviour over a period of time, which includes both internal and external. Broadly the internal factors could be personal traits like age, income, occupation, personality, lifestyle etc and psychological factors like motivation, perception, learning, beliefs and attitudes.

External factors can be social ones like reference groups, social status and influence of family. It could be cultural factors too like culture and sub-culture and social class.

This is very much relevant to the premium perfume product segment too.

External Factors affecting consumer behaviour

Among the external factors, the key ones which directly impact consumer behaviour are demographics and social class. Next comes the influence of reference groups like celebrities, friends and family. But since the target segment is mainly upper class and upper middle, culture/sub-culture seems to be the least important variable.

Demographics

It is more an internal factor, which is of course shaped by external influence.

Teenagers: They are more interested in citrus scents. Usually they prefer a fragrance that makes them attractive to others. They don't have any affinity towards a brand, but they like to try out different fragrances and brands.

Adults: They are most likely to buy fragrances for most likely to wear a perfume to feel " sexy". Older women are more likely to switch fragrances within their collection once a week or more. As they are more health conscious, they are more likely to consider Home Fragrances, Eau de Perfume, and Essential Oils as part of the Fragrance category. They are much more branding savvy. They prefer fruity and flowery fragrances and follow celebrities to a large extent.

(Fragrancefoundation, 2007)

In the UK, every woman between the ages 25 and 34, on an average carry £ 71 worth of cosmetics in their handbag. (China cosmetic packing, 2010)

Three out of five women were more likely to buy a fragrance samples in a magazine (foil pouch samples preferred). Now women prefer having a ‘ wardrobe or collection of fragrances too. (Fragrancefoundation, 2007) They still follow celebrity endorsements while choosing the fragrance. This is evident from the popularity of ‘ M’ brand introduced under the brand of Mariah Carey (Entrepreneur, 2007)). Consumers have revisited classic fragrances as the shift in buying behaviour moves towards quality, authenticity or value. (Academic Mintell, 2007)

Social Class

Similarly, differences in social class can create customer groups. In fact, the official six social classes in the UK are widely used to profile and predict different customer behaviour. In the UK’s socioeconomic classification scheme, social class is not just determined by income. It is measured as a combination of occupation, income, education, wealth and other variables. (Tutor2U, 2007)

Relevant social class segments for our premium perfume segment:

Upper upper – old, established, socially prominent families

Lower upper – new rich

Upper middle – professional people

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Lower middle - white collar, salaried workers (Emailcommerce, 2007)

Now the characteristics of each of these social classes vary as they are bound by different cultural and sub cultural elements. In the current marketing strategy the product was positioned just for upper class women and we didn't have a differentiated positioning for each sub cultural or social class groups within this broad definition of upper class women. Needs and buying process of upper middle class woman is completely different to a upper upper class woman. For example upper and lower middle can get influenced by friends and co-workers more and women tend to be mostly decision makers and purchasers. However in the upper upper and Lower upper, influence of family may be higher. Reference groups like social clubs, charity organisations, and social get together could be more relevant to influence the upper class women. Hence a segmented marketing approach is needed.

However the 2009 downturn has frequency the purchase of perfumes among women. Women on average buy 4 fragrances a year. (Fragrancefoundation), due to the downturn there this has decreased to 2-3 fragrance a year. Still women spend enough on cosmetics.

Among the higher social classes, penetration of social media has increased. Online purchases using cards has become common. Internet as an outlet has increased its penetration by 4% in the UK market. (Fragrancefoundation, 2007)

Reference Groups

Reference groups could also potentially influence the buying of premium perfume product.

Reference groups can be aspirational or associative. Celebrities and socially respected ladies form aspirational reference groups for high class UK women. Associative reference groups could be members of a social club or co-workers or even members of church and some organisation. Friend circle is another major influential reference group as they could be sharing same interests and preferences. Family could be another reference group, this is however dealt separately. (Consumerpsychologist, 2007)

In the target segment of 'Xclusive' premium perfume product, reference groups are quite relevant. For example, Celebrity brands are driving market growth among younger fragrance users. Over 30 new celebrity fragrances were launched in 2007. One in five 16-24 year olds claim to own at least one, compared with one in twenty over-45s. Celebrity fragrances provide the entry point for young people into the whole luxury sector. (Fragrancefoundation, 2007)

(As internet is becoming a key social media, reference groups like forums and fragrance review sites is also becoming key influencers in the decision making process. Sites like <http://www.bestperfumeforwomen.co.uk/> provide reviews and give a ranking on best perfumes.

You can no longer launch hundreds of fragrances, as the customer is more selective and wants something unique. It's not only the downturn that has forced this change in consumer behaviour. Thanks in large part to the <https://assignbuster.com/consumer-behaviour-on-decline-of-sales-marketing-essay/>

internet, shoppers are much more knowledgeable about fragrances-more than many brands think. A look at some of the fragrance blogs or websites, such as Sniffapalooza (once derided, but now courted by fragrance brands) shows that consumers are having educated discussion and debate about fragrance, comparing different products and asking why they are all alike. Fragrance expert Michael Edwards calls this consumer the 'connoisseur', and compares such behavior to the 'foodie' trend that emerged several years ago.

Influence of Family

In our target segment of upper and higher middle class women in UK, influence of family members is vital in making purchase decisions. Individual members of families often serve different roles in decision making process. Some individuals are information gatherers/holders, who seek out information about products of relevance. These individuals often have a great deal of power because they may selectively pass on information that favours their chosen alternatives. Typically husbands play the role of influencers; they let their wives know their wishes and suggestions. Husbands usually travel and get to know from social gatherings and even from online or internet means. In the case of premium perfume, the role of each individual in the family is critical – be it that of gatherers who may be typically younger lot or social buffs, or that of influencers like husbands or decision makers or even purchasers. This makes marketing more tough as the messages need to reach a wider cross section of UK society. Point of sales marketing can help to convince purchasers, but broad marketing conveying the features of 'Xclusive' premium perfume should reach others

like older ladies, socially respected relatives, and husbands.

(Consumerpsychologist, 2007)

Three out of four women say that when they find a fragrance they really like, they tell their friends about it. Every 2 in three women give perfumes as gift to partners, friends and family.

Impact of culture/sub-culture elements

Each culture contains “ sub-cultures” – groups of people with share values.

Sub-cultures can include nationalities, religions, racial groups, or groups of people sharing the same geographical location. Sometimes a sub-culture will create a substantial and distinctive market segment of its own.

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zSL4J5aoWNgxDAjv20AMfd_XIBjE5RI8O3Ge8wNG63V0VYoUA15jOjGI8ihdsXtj

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(Source: From the Module presentation)

For example, the “ youth culture” or “ club culture” has quite distinct values and buying characteristics from the much older “ gray generation”.

Similarly sub-cultural groups like immigrants from other countries and resident nationals belonging to other regions will show different

characteristics to the UK culture. For example in the case of Asians, family relationships are much stronger and gifting is usually informal and ritual.

However in UK, relationships are more loose, but gifting is done formally.

Packaging is more relevant to the UK upper class when compared to other

nationals. European communities give lot of importance to quality and elegance. Just like nationality as the above diagram shows, there are many more factors which shape up the cultural trait of an individual.

Suggestions to influence consumer behaviour

Fine grained social class segmentation: Have more targeted segments by age, by social class and by age. This is important as messages may have to be different and different fragrance products needs to be marketed to different social class and age groups

Celebrity references: Continue to use references from celebrities, but widen your celebrity base to influence different segments. Musicians, film stars, entrepreneurs, sports personality and so on. For example younger lot get influenced with entrepreneurs as they look for confidence image to get associated with the perfumes they use. Older may prefer music stars and film personalities.

Educational Promotions across wide cross section: Sales staff needs to be trained to improve their selling support and skills in order to advise customers correctly. Fragrances sold in self-selection should carry information on the outer box to provide consumer with the key ingredients of the product. Leaflets in boxes could also contain information for the consumer on the fragrance, on how to wear and tips on fragrance layering, and its ingredients which is a standard for many prestige skincare brands. In addition samples can be used to explain fragrance notes. Furthermore online sampling has been successfully carried out by luxury brands. Promotional

messages should be targeted at initiators, influencers and decision makers.

POS marketing is critical for purchases like free samples.

Increasing the reach: Target to increase the number of outlets to reach a wider segmented base of upper and higher middle class women. Use internet as a channel to target convenience shoppers. Online purchase and spending is increasing in the upper class UK consumer segments. More over place reviews and customer testimonials especially of reference groups in social marketing sites to influence the prospective buyers.

Differentiated products and channels for multiple segments: Thus there is a need to address the Teenage customers and Adult customers with different products according to their preferences. There are basically different types of shoppers which are

Convenience Shoppers

Value Shoppers

Image Shoppers

Experience Shoppers

Luxury perfumes for women come under Image Shoppers and Experience Shoppers were, Teenagers belong to Image Shoppers and Adults belong to Experience shoppers. Understanding customers, their preferences, their needs led to the conclusion that our firm should go for two product lines, one addressing the teenagers and the other addressing the adults. The perfumes should have a variety of flavors i. e., a variety of citrus flavors for teenagers

and flowers and fruity flavors for adults. Also advertising and promotional activities should be based on this segmentation.

Recommended Positioning Strategy for ‘ Xclusive’ Premium Perfume Brand

Introduction

This report is prepared to suggest a positioning strategy for ‘ Xclusive’ brand of premium perfume for defined market segments. The objective of this new positioning strategy will be to have a positive influence on various factors which impact consumer behaviour and purchase decision of this premium product.

However this report is limited to the positioning of the products for one of the target segments, which is upper class and higher middle class women. We assume that positioning strategy for the segment of ‘ men’ is working fine as sales has shown positive upward trend so far.

Key Gaps with the Current Positioning Strategy

Broad and inappropriate target segmentation: As per the current marketing strategy the target segment was defined as upper class men and women. Positioning message or current tagline ‘ Exclusive fragrance for just you’ was used to attract upper class men and women to feel that they own it and join a elite group of premium perfume owners. The target segment of upper class women was broader as consumer behaviour characteristics tend to differ with in the target segment of upper class women by age and social class. Hence the marketing messages failed to impress all the prospective buyers among the target segment of upper class women.

Earlier, the segmentation was based on just income and status as quite evident from the positioning message. But it failed to impress all the cross sections of the prospective buyers.

Lack of differentiated products and positioning: Tagline and positioning creates a perception map in the minds of consumers. ' Exclusive fragrance just for you' suggests following characteristics – it is expensive, it is exclusively for upper class only, it is unique from other products. However in real sense product was not differentiated from the competitor products. Hence there was a different between customer perception and experience which led to customer dissatisfaction and decline in repeat purchase.

Teenagers Vs Adults with in the upper class target women

Pure herbal

Adults

how to gain their credibility

retain customer

the core segment to be targeted..

Quality

Personal body chemistry

Brand image

Teenagers

Low price(relatively)

Stress more on ambience

Increase of celebrities

Increase of social media usage especially in teenage networking sites

Personal body chemistry

Brand image

As you can see above, teenagers are showing more affinity towards synthetic fragrance while adults are interested in herbal products. This itself calls for a rift in preferences and perception about the same ' fragrance' product. Marketer need to address this with a differentiated product strategy. This kind of differences in perception mapping of the same product by two sections of the target segment was not considered while deciding the product and positioning strategy.

Lack of proper celebrity references: Celebrities used for promoting ' Xclusive' brand were mostly contemporary stars from the field of sports and films. But this is again not in line with the tagline, the company had. Ideally the company should have tried to bring in an image of ' a classic brand' and they could have chosen somebody from old classic films like ' Lawrence of Arabia' or actresses like Julie Andrews (Classic Movies, 2008)

UK Consumers, especially the women in the age group of 30 to 60 were revisiting the classic brands and this could have been a better strategy.

Couldn't reach all influencers: In the case of upper class women, a typical purchase process is influenced by friends, family members like husband, social clubs, social marketing forums and then ofcourse the aspirational groups like successful businesswomen or celebrities. Xclusive as a brand didn't have any such associations with these influencers. They were mostly targeting the decision makers and purchases with ads being targeted in magazines like Glamour.

Redefine the target segments among the Women

Xclusive brand has suffered a decline in sales over the last two years among the women target segment. From the market analysis and consumer behaviour study we can find that current marketing strategy was not good enough to attract all prospective consumers among the target segment of upper class women. Initial market strategy was just built around the income class, but it was not taking into account the consumer behaviour changes as per different factors like social class, age, cultural difference and so on.

Shift in target segmentation from “ Upper class women” to multiple target segments of

segment 1: upper upper class and upper middle class (employed) woman

segment 2: teenage women in upper middle class and upper class (with a high disposable income)

Differentiated Products and Positioning

Me too products or generic product line with one positioning message will not work in this changed environment. UK consumers are more going

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towards value shopping and they are likely to make more informed decisions rather than going by quick stimuli.

Segment

Product

Positioning

Upper class and upper middle class women

Xclusive Classic – range of fragrance in herbal mix

“ Health and Class Exclusively”

Teenage upper class and upper middle class

Xclusive Style – Synthetic perfumes with citrus flavours

“ Style and Confidence”

Suggesting following the Key Brand method to look at what factors would influence women in the above target segments choose a fragrance in the premium segment.

(Brandkeys, 2010)

Hence the differentiated products and positioning should be made around the following attributes selected from the above matrix

Product

Image

Scent

Ingredients

Reactions

Classic range of fragrance in herbal mix

Classic

Sexy

Sociable

Traditional

Floral

Spicy

Natural Ingredients

Fresh

Original

Sensual

Powerful

Inspired

Strong

Hence positioning messages are created around these product attributes for the two product lines. Packaging is also made consistent with these attributes to create that whole product image.

Classic product line needs to be packaged in premium glass bottles with a golden plating. Style product line for teenagers will be in colourful glass bottles which are cut on sides to give it a style and powerful curvy shape.

Creative Campaigns around Positioning Messages

One of the problems with fragrance is that the penetration rates are not that high. However, a lot could be done to bring more consumers into the fragrance market. Critics say that marketers focus too much on youth, and that the scents and sometimes racy advertising campaigns aimed at this group have turned off older consumers. Appealing to women in their 30s, 40s and 50s and those who have lost touch with fragrance with an appropriate offer and marketing campaign could bring in much additional revenue.

So having nostalgic and retro campaigns would be a good way to target the segment of middle aged upper class and upper middle class women.

Celebrities can be actresses like Elizabeth Taylor and Julia Andrews. They can promote the 'Xclusive Classic' brand around creating images of "classic and vintage stuff never ceases" or use everlasting films like 'Lawrence of Arabia'. Moving away from contemporary stars to more stars from the

classical age would be good to convince and influence changing UK consumers especially among the aged upper class segments.

(The Freelibrary, 2007)

Advertisement targeted at adult women

Use of gold plated bottle cover and golden color font in a classic written style

Xclusive

*Julie Andres, an actress from yester years still a living legend to be a brand ambassador of the Classic product line

Similarly for the teenage segment, celebrities from field like politics, business, sports could be chosen who can give an image of style and confidence.

A study conducted among young UK women chose a set of role models like Margaret Thatcher, Marilyn Monroe, Kylie Minogue, Jamie Ogata (Confident Japanese UN official). (Cranfield University, 2009)

We can probably use them as celebrities to push our style and confidence image in the mind of teenagers. Unlike adults, teenagers are more image shoppers. They can be triggered for an instant purchase by a sudden stimuli. (Telegraph, 2008)

Advertisement targeting teenagers:

Bold confident young women, curvy bottle shape with bold red font usage

Xclusive

Re-inventing Shopping Experience

Shopping for fragrances needs to be made easier, and stores better adapted to how consumers browse and buy. Research by Paris-based JMG Research shows that the consumer is looking for new retail formats. She is looking for a new experience and is very reactive to new propositions. When something is out of the ordinary she will buy," says JMG Research managing director Jérôme Goldberg.

New retail store formats have to be tried out like eliminating counters in department stores, merchandising by fragrance family or creating areas for replenishment for the consumer who is only looking for that service. In a recent survey, majority of those questioned did want to see fragrances organized by brand, but 40% also said that they would like to see fragrances organized by the way they smell. Many UK women middle aged consumers now go in for a fragrance collection. This basically tends them to be more brand loyal.

" Fragrance is emotional and the industry needs to pay more attention to this rather talking about technical information. There needs to be beauty assistants who are helpful and knowledgeable and not just push the latest launch," says John Ayres, director of UK-based fragrance consultancy Pandora. Sales people should be doing a lot more educational selling rather than aggressive as consumers have more options to choose from.

(Articles base, 2007) Leaflets in boxes should also contain information for the consumer on the fragrance, on how to wear and tips on fragrance layering

and its ingredients. This is standard for many prestige skincare brands. Also samples can be used to explain fragrance notes. <http://www.bglam.com/wp-content/uploads/2009/12/discount-3.JPG>

(Sample online perfume catalogue)

Another trend is the moving away from class to mass channels for purchase. UK consumers now prefer Tesco to specialised classes like department stores.