

Essay on the fashion channel case

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Starting in 1996 TFH (the fashion channel) had a great success because of a big audience and no competitors in the business. Noticing the great success competitors such as CNN and lifetime started to also have fashion-based programmer. Since viewers now having a choice to decide which channel they want to watch the viewer numbers of TFH started to decrease. A reason for this is shown by an alpha research which pointed out that both CNN and lifetime got a better feedback in customers satisfaction in consumer interest as well as in awareness and also perceived value.

Having their viewer numbers decreasing, TFH has to pay even more attention on their two main revenue streams: cable affiliate fees and advertising! Therefore they wanted to know who their audience is to can better react to them. They reached this with help of a detailed demographic breakdown which led to the result, that 61% of their viewers are female and 33% being aged 18-34 which is less than 45% being aged 35-54, but the younger group is stronger in this business. Additional to this they did a SFA associated survey which divided the audience into 4 groups:

Factionists: highly engaged in fashion with being 15% of all viewers, 61% being female and 50% being aged 18-34; Planners and Shoppers: participants in fashion on a regular basis with being 35% of all viewers, 54% being female and 25% being aged 18-34; Sustainability: participants in fashion for specific needs with being 30% of all viewers, 50% being female and 30% being aged 18-34. Also they have 45% with children in the household; Basics: not interested in fashion with being 20% of all viewers and 45% being female. 2) Which research method was most helpful to you in developing and evaluating the segmentation options?

As mentioned before, there are four groups resulting from the SFA associated research. Combines with the results from the demographic breakdown we think it is really helpful for ETC. Indeed, with these researches they have the opportunity to realize who their audience is and so they can work on getting a new audience, probably within the other groups. They also understand who is the most powerful group in their business so that they can work on reaching their needs and with these information it was possible to work out the segmentation options. 3) What are the segmentation options?

Broad-based marketing: The goal is to develop a multi-segment strategy with a strong focus on " Factionists" and the " Planners&shoppers" and also have a focus on women aged between 18 and 34 since this is the most powerful group - as mentioned before. " Fashions" segmentation: In this segmentation the focus is strong only on " Factionists". The plan is to spend \$ 15 million on programming. It is a single segment concentration. " Factionists" plus " Planners & shoppers" segmentation: This one is a product specialized segmentation with focus on both " Factionists" and " Shoppers & Planners".

TFH has to spend \$ 20 million on programming in this case. 4) What is the project financial impact of each of the option? Scenario number 3 has the best financial result: against an increment of \$20. 000. 000 in fixed costs and an increment of \$4. 151. 347 in variable costs, the increment of revenue by Ad sales increases by \$138. 378. 240 and the company can have the maximum net income (\$168. 867. 232) and also the maximum margin (39%). Scenario number 1, instead, is the worst one: The Fashion Channel doesn't have extra fixed cost but also their income are the lowest one (\$249.

080. 832) that is \$96. 864. 68 lower than in scenario 3. In this case, the firm can match the same result that reached in 2006. Scenario 2 is a little worst than scenario 3: they have a little few fixed cost (\$70. 000. 000) as they gain less revenue by Ad sales (\$322. 882. 560) and also the net income and the margin are not performing as in scenario 3. 5) Compare the segmentation options. What are the Pros & Cons (Strengths & Weaknesses) of each option?

1 . Broad Appeal (Broad multi-segment approach) - Scenario 1 Cross segment of Factionists, Planners & Shoppers, and Sustainability Woman aged 18 to 34 in all of the clusters 2.

Factionists - Scenario 2 Alternative to a broad, multi-segment approach - focus on single segment (Factionists) 0 aggressive approach. Strong in the highly valued 18-34 female demographic. 3. The Factionists and the Shoppers/Planners - Scenario 3 Dual targeting of two segments (Factionists and Shoppers/Planners). 6) What is your recommendation? After the analysis of costs, revenues and net income and the review of advantages and disadvantages of the three options, according to us the best solution is the scenario 3: the " Fashions" plus " Planners/Shoppers" segmentation.

We understand that the risk involved with this scenario is very high. TFH will lose some of their most loyal consumers by re-positioning the channel towards factionists and the planners/shoppers. Furthermore, Exhibit 5 show us that this scenario also requires more programming and operational expenses. On the other hand, " Factionists" has superior interest in fashion and " Planners & Shoppers" has the largest cluster size, so it is a good choice to combine them. Indeed " Planners & Shoppers" will improve he rating in

order to attract more ad buyers and at the same time " Factionists" will enhance the CPM to gain more ad revenue.

Moreover, from the Exhibits 4 and 5 we can observe that scenario 3 gives the more revenue than the others and it provides more net income and a better margin than the other two options. To conclude, the benefits truly do seem to outweigh the risks in this scenario and we recommend that targeting at two valued groups " Factionists" and " Planners & shoppers" is the best solution to this problem. It will create more revenues (above all from advertising), aka TFH get back market shares quickly and maintain Tiff's leading status and core viewerloyalty.

Obviously, The Fashion Channel will also implement this new marketing plan. One of the more difficult challenges for TFH is trying to keep their older loyal consumers while attracting the new factionists and planners/shoppers (18-34 female audience), otherwise they could certainly lose more than they gain. In order to achieve this aim, TFH should analyze the loyal consumers' favorite programs and make sure to keep these programs when they begin their new marketing plan.

Moreover, The Fashion Channel should look at Lifetime and their Fashion Today program to gain a better understanding of how they market to their 18-34 year-old female audience, so they will be in a very advantageous position to capture a large share of the market. Furthermore, TFH must continually find ways to improve consumer interest, awareness, and perceived value. Lastly, TFH must be aware of its competition and be ready

to differentiate and re-position its programs in order to earn the best TV ratings and capture the most market share.