

Marketing vistakon

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For part-time users, Violations has the unique capacity to provide the most comfortable and convenient I-day disposable lenses in mass market volumes at the lowest price. Visitation should 1) target part-time users of contacts who Violations is uniquely positioned to serve, 2) position 1 Day Achieve around the primary unmet needs of this segment, convenience and comfort, and 3) implement penetration pricing in a progressive regional roll to test price sensitivity and product diffusion prior to a full national roll. L.

Visitation Should Target the Part-Time user Segment with Positioning Around Comfort and Convenience While traditional analysis of the vision correction market does not segment part-time from full-time users of contact lenses, there is strong evidence that part-time users represent a large and growing segment of the population (64% of patients during the Western Rolls wore contacts less than xx per week and 18% were "dropouts"). This segment represents a great profit opportunity for Visitation because part-time users place great value on convenience and comfort, the two primary benefits of 1 Day Achieve.

These needs are currently undeserved in the corrective lens market (see Figure 2). One Day Achieve lenses are far more convenient than other contact lenses for many reasons including: no cleaning or maintenance, minimal financial risk from rips or tears, and flexibility to be worn whenever the consumer wants, such as when traveling or playing sports. The product is more comfortable than competitive products because its proprietary soft molding manufacturing process makes the lenses softer and thinner and its short I-day usage period eliminates irritating buildup.

The part-time segment is readily identifiable and accessible through existing distribution channels as these consumers already have prescriptions and currently purchase lenses. While full-time users are currently a larger segment (64% of conventional and 73% of disposable users wear their contacts every day), the market for part-time users will grow substantially. This growth will come both from expansions into large new markets ("never worn" and "dropouts") and from conversions of full-time users (see Figure 3).

Consumers who have never worn contacts will be drawn to part-time use due to the convenience and simplicity and will expand the market without cannibalizing sales of Achieve or Survive. Many "dropouts" will also convert to part-time use because over 75% discontinued using contacts due to discomfort and inconvenience, the primary benefits of 1 Day Achieve. From the consumer's perspective, at a low price there is very little reason not to try 1 Day Achieve. The product is simple to use (no cleaning and travelers).

II.

Visitation is Uniquely Positioned to Capitalize on this Segment and Threats from Competition are Minimal Visitation is better positioned than the competition to capitalize on the great profit potential of the part-time segment because its corporate resources are better aligned to serve this segment's unmet needs of comfort and convenience. First, J&J's large size gives its subsidiary access to substantially more capital than its competition. Creating high volume, low-cost, high-quality lenses requires large capital investment.

Visitation's access to this capital discourages new entrants into the I-day disposable market and enables it to invest heavily in R&D and marketing that generate further barriers to entry through technical innovation and brand equity. Second, Visitation's proprietary manufacturing process enables them to create high volumes of more comfortable I-day disposable lenses at the lowest cost per lens in the market. Visitation owns the rights to this process making it difficult to imitate or substitute.

Third, Visitation's technical innovations around comfort and convenience create barriers to entry that help mitigate the threat of competition. New product design is a risky and expensive process and Visitation's major competitors will be hesitant to compete in a market that undermines their high margin solutions business. Therefore, the current market share leaders in frequent replacement and conventional soft contact lenses will find it difficult to compete with Visitation on comfort and convenience. III.

Visitation Should Pursue Penetration Pricing in a Progressive Regional Rolls
Visitation should pursue a progressive regional rolls. It does not face an immediate competitive threat in the I-day disposable market and can therefore afford to further refine its execution plan prior to going national with low risk of losing its first mover advantage. Visitation should use the rolls to test the pricing and promotion schemes defined below to gain insight on price sensitivity and the efficacy of customer acquisition promotions.

Visitation should test more aggressive penetration pricing with an MSP of \$0.64/lens (\$0.53 to channel partners) to bring the average 1st year customer expense to the level of Achieve (see Figure 4). Penetration pricing is

appropriate because demand appears to be very price sensitive (cost was the most significant reason patients did not convert during the Rolls), the product is highly suitable for mass market, and Visitation has substantial corporate and manufacturing economies of scale.

This pricing will increase awareness, trials and conversions across all segments by enticing " dropouts" and " never worn" segments to try and will help break the existing brand loyalties of conventional/disposable users. A low price will create goodwill among early adopters, increasing valuable word of mouth referrals and enabling Visitation to cut back on high-cost " pull" advertising. While penetration pricing can reduce the " quality' image of brands, this threat will be minimized because of the differentiation value Visitation derives from its market-leading convenience and comfort.

This differentiation value will also enable Visitation to raise prices in the future without major threat of customer switching. Product features, lack of suitable substitutes for part-time users, and brand equity will help Visitation protect this new price position. Given a high volume, low-cost strategy, existing channels will change over time. Retail stores will become more strategic than Esp. over the long run. Retail stores are better prepared to manage high turnover of product supply and are per lens (due to penetration pricing) and must make up the difference on volume.

As such, sales through retail stores will grow more rapidly than through Esp.. Moreover, part-time users are likely to value convenience in purchasing location in addition to convenience in lens maintenance. It would be tempting to provide retail stores a further price discount because it would

offset the higher cost of serving Esp. e. G. Training sessions, sales and marketing support) and would encourage more trials among the price sensitive " never worn" segment that is less accessible through Esp..

However, direct price discrimination is not advisable at this time because it would breed discontent with Esp. whose support Visitation needs in the short-term to get the word out (60% of 1 Day Achieve patients first heard about the product from a doctor). In the long-term, Visitation should also consider partnering with a trustworthy mail order house with no membership fees enabling them to focus exclusively on their core competency (manufacturing high quality, high quantity, low cost lenses) and reduce shipping costs.

In summary, Visitation needs Esp. now to push and recommend their product but in the future retail stores and mail order houses are better suited to handle the high inventory turnover and are more convenient for consumers. To effectively target the part-time market, Visitation's promotions must increase awareness and encourage low cost trials that entice 1) new users to try (market expansion) and 2) conventional/disposable users to convert. More specifically, Visitation should sell its 30-lens pack to the channel as a combination of two 1 5-lens (" two week") packs for individual resale to consumers.