

A typical promotions  
campaign for the  
peak performers the  
new product of loreal  
e...

[Business](#), [Company](#)



## **Question 1: Innovative marketing promotions campaign for L'Oreal**

The innovative marketing promotions campaign for L'Oreal must have three main elements; the goals and objectives, the means of attaining the goals, and the exact tactics the campaigns will utilize to attain the goals. For L'Oreal, there is a need to increase the profits the new product is generating. Since its launch, the product has not been performing well in the market and it has not reached its estimated target sales. The campaign, therefore, must increase the product's profits by targeting both the existing customers as well as the new ones. The campaign will attain this through an innovative promotions campaign for the product.

- The end- user or customer promotions by L'Oreal
- L'Oreal's promotions to different product channels
- The retailer or channel promotions to the customers
- In the case of L'Oreal, the objectives of the campaigns would be two;
- To establish a long- term relationship with customers
- To develop a short- term relationship with clients to ensure an increase in transactions

The exercise of building a long- term relationship in this case would require the company's marketing team to increase its products awareness as well as improve its image to potential customers. Such a long run relationship can be enhanced through such campaign tactics as;

- Sponsorships
- Sweepstakes

- Tie- ins
- Contests

**A short run relationship, on the other hand, would be composed of three main elements;**

- Creating a short run relationship with current customers
- With occasional customers
- Non- customers
- Creating a transactional relationship with non customers would be on a trial basis.

**A short- term relationship with current customers of the company would ensure;**

- That they stay loyal to the company and its products
- Buy more products
- Ensure that they buy now

**Such an objective would be achieved by the company through;**

- Offering special volume discounts to the customers
- In- pak coupons
- Premiums
- Rebates
- Frequent buyer programs
- Coupons

## **A relationship with the occasional customers can be increased by;**

- Offering customers rebates
- Coupons
- Use of displays
- Sampling and trial sizes can be very useful in increasing sells with the non customers.

## **Goal / Objective**

### **Typical campaign promotion plan**

1. Building long- run relationship

- a. Enhancing awareness
- b. Enhancing image

Contests, sweepstakes, sponsorships, tie- ins

2. Building short- term relationships

### **A. Current customers**

- a. To be more loyal
- b. To buy more
- c. To buy now

### **B. Occasional customers**

- a. To capture the next purchase

## C. Non customers

- Volume discounts, premiums, coupon, special value packages, rebates, frequent buyer programs
- Displays, coupons, rebates
- Sampling, trial sizes

Push and pull strategies are other elements that can be used included in the plan. The push promotional strategy in this case would make use of;

- The company's promotion activities
- Sale forces to increase sales.

For example, L'Oreal can increase its channels and expand its sales forces. Currently it only uses two main sale forces and that is the pharmaceutical chains and the department stores. It can expand by incorporating more stores, supermarkets, sales personnel, and cosmetic stores. The pull promotional strategy would not be very useful in this case because it requires expensive advertising strategies, like using television ads, which the current promotional campaign is not utilizing.

## Question 2a: Steps of the new product development process

Below are some of the new product development processes

### Idea generation

This step involves the search for ideas that are innovative and using them to come up with innovative products that can generate profits.

## **Development of concepts**

The generated innovative idea is drawn in two different forms, that is, pictorial or verbal. This explains, further, the concept and gives in detail the initial ideas of material, ingredients and technologies. It generally explains how the generated idea can be turned into a profitable product.

## **Building business case**

A thorough analysis of the financial, market and technical features is carried out. This analysis helps the business become aware of the potential market for the product, the production costs of the product, and deduce from the information if the product will be profitable or not.

## **Development of innovation**

This involves the designing and development of various prototypes. After the building of the case indicates that the product can be successful in the market, the prototype of the innovation is produced for trials.

## **Testing of the market**

The prototype which is already at work is tested with potential buyers to test their responses. This is through giving it to potential customers as samples, and sampling the various responses to determine if the product is 'movable' or not.

## **Market launch**

The new innovation is launched in the identified market. This is after it has been found that the product has desirable responses from the market.

## **Question 2b: Report on new prototype launch**

The decision by the marketing director might have three main risks; these three include financial risks, health risks, and social risks. Such risks can arise because a new prototype is not always desirable or feasible, and because developing it and launching it can be time consuming and can give competitors an advantage to gain up on the company's competitive advantage by coming up with better marketing plans and products. Such risks can, however, be reduced by following a standard test marketing plan that is recommended for dealing with new prototypes. Such a marketing test would predict the profits and sales of the product and analyze the 4Ps. An appropriate test marketing plan would include the following;

### 1. Action standards

The standards of evaluation should be set in advance

### 2. The location of test markets

These locations must be self-contained, and they must represent two thirds of the market

### 3. What is to be done?

The marketing plan should be the representative of the impending approach in marketing.

### 4. Duration

Use, purchase, repeat purchase cycle

5. Cost

6. Gathering of information

Actual purchases

Panels and surveys

### **Question 3a: Profitable product paradigm**

Profitable product paradigm has several steps;

Measuring of all products profitability

Measure the profitability level that is acceptable

Get rid of those that do not meet requirements

Repeat step 1

Such processes have been simplified by advancements in database software and IT.

### **The logic of the paradigm is as follows;**

Eliminate products that are unprofitable as they only drain on the profitability of the firm without bring benefits.

Resources are only focused on areas where they result to the best outcomes.

With time the products' average profitability should increase together with the profitability of the firm.



As the firm becomes more successful other indicators of profitability such as net income, ROA, and ROE should also increase

### **These are the reasons why a firm should eliminate unprofitable products;**

- Customers start to move to other firms
- Revenues begin to decrease
- More products become unprofitable
- More purchasers leave
- The business of competitors increase
- Revenues further fall

### **Question 3b: 80: 20 and 20: 225 rules**

The 80: 20 rule argues that;

80% of value of profits originates from 20 percent of a firm's customers

20% of the profits is provided for by the other 80%

The 20: 225 rule on the other hand argues that;

225% of profits are provided by 20% of the customers

Other parts are either unprofitable or profitable

The 20: 225 rule is a better rule than the 80: 20 rule because it is based on development and segmentation of marketing campaigns designed for each market segment.

It also provides greater insights than the 80: 20 rule because it highlights the

customer value disparity and, therefore, can be used to establish and shape strategies for marketing designed for each segment.

### **Question 5c: close or keep the account open**

The 20: 225 rule indicates that only 20% of the customers contribute to the largest margin in profits, 225%. I would advise the general manager to keep the account open because in the 1000 customers the product has, 20% of those could be enough to make the product profitable for the company. Profitable product paradigm indicates that a product that is unprofitable should be dropped. Since the product has not been profitable I would advise the general manager to drop the product because it will ultimately cause the revenues of the company to fall.

### **Question 4a: Define CLV**

This can be defined as the profit stream that is discounted over a customer's average life. The average life of a customer is equal to  $1 / (1 - CR)$ .

### **Question 4b: Why loyal customers are profitable**

#### **Acquisition cost**

This aspect means that loyal customers are profitable because company's make initial investments in the purchasers. Such an investment increases in value with time.

#### **Base profit**

This is the margin in profits that a business obtains from an average customer. Such customers are loyal and, therefore, make frequent purchases

from the company. The base profit is the margin profit the business obtains from such customers.

## **Revenue growth**

Up- sell and cross- sell. This also increases with time, as more customers become loyal to a business. Such loyalty generates a growth in the total revenues of a company.

## **Operating costs**

They translate to the costs of serving customers. The operating costs, that is, the costs of acquiring loyal customers decrease with time and the business saves these costs.

## **Referrals**

Come about as a result of favorable WOM. More loyal customers refer more customers to a company. An increase in these referrals translated to an increase in profits.

## **Price premium**

Loyal customers are less sensitive to prices. Loyal customers do not need price incentives to purchase goods and services. A business can, therefore, save more.

### **Question 4c: A graph explaining customer loyalty profitability**

### **Question 4d: Problems associated with loyalty programs**

1. Though loyalty programs can be profitable, they can also result to a number of challenges.
2. These include;
3. High costs which are associated with the cost of the rewards given to the customers to establish loyalty.
4. Ubiquity is also another challenge that can result from loyalty programs.
5. The type of loyal customers one acquires from these loyalty programs can also be a problem incase they do not offer the expected returns.
6. Me- too programs are other challenges that result from loyalty programs.
7. Lack of communication is also another issue that often presents itself in loyalty programs.
8. Other businesses may fail to analyze their customer databases properly, resulting to the failure of the loyalty programs.

### **Question 5a: Various services provided by channel members**

#### 1. Marketing research

Channel member gather the necessary information for enhancing interaction with customers. This information has more to do with the customer preferences, wants and needs, and it helps the company design products for that certain market segment.

#### 2. Contact

They help find and interact with potential customers. This is because they

are the nearest to the customers and because they interact with them frequently.

### 3. Communication

Enhance communication about goods and services being offered. These channels get information from the manufacturers about any new goods and services and pass the information to potential customers.

### 4. Matching

Channels customize services and products according to the requirements of the customers. This is because they are the ones who understand better the needs and requirements of the customers.

### 5. Negotiation

Channels reach final agreement on terms and price of transaction. This is unlike manufacturers who do not have any contact with the customers.

### 6. Physical distribute

They enable the distribution of goods. Manufacturers cannot be able to distribute goods and services to every one of their customers. Channels, on the other hand, can and they facilitate the process of distribution.

### 7. Financing

### 8. Service

**Channels offer such services as repair and maintenance to their customers.**

### 9. Risk taking

They assume the most risk for both the customers and the manufacturers because they are the intermediaries of the two.

## **Question 5b: Direct marketing**

Direct marketing is a marketing system that is direct, and one that utilizes one or more medias of advertisement to ensure a response that is measurable or/ and transaction at any place.

This kind of marketing has several advantages to the customers and the users. For the companies;

It is a cheaper way of marketing,

It provides an easy access to the customers without the need for intermediaries,

It includes numerous modes of marketing making it easy to use,

It also provides a business with a reliable measurable response of the customers.

The benefits to the customers include;

It is easier to access new products and services in the market,

Transactions become simplified,

One can access numerous markets in numerous locations.

## **Question 5c: Steps in the direct marketing process**

These according to Lehmann and Winer, are supposed to be categorized as follows;

## Set objectives

Determine market target.

These steps however, can be very effective in marketing a new product if arranged the other way round. This is because determination of the target market or customers is what is supposed to guide the objective setting process. One can not set objectives without first identifying the kind of market the business is targeting. Goals should be set only after target customers and their wants and needs have been identified. Objectives of a direct marketing plan should go line in line with the wants and needs of the target market.

## Reference

Lehmann, D. & Winer, R. (2005). Product management. (4th Ed.). New York: McGraw-Hill Irwin.