

The fashion channel



The Fashion Channel The Fashion Channel has dominated the fashion television market in recent years, but is now faced with an increasing amount of formidable competition. Both CNN and Lifetime have added fashion related programming after seeing an opportunity to gain viewers in that market. These two competitors have been relatively successful in securing a following of viewers.

The fashion channel now must make the decision on how to move forward with their marketing plan. They must find the best scenario possible in order to increase revenue and secure viewers in this increasingly competitive market. To successfully execute this plan, The Fashion channel must review the customer segments, complete a profit potential analysis, and choose a marketing plan that best suits their needs and the needs of their viewers.

Customer Segments Overview

Segment Name & Size | Fashionistas(15%) | Planners & Shoppers(35%) |
Situationalists(30%) | Basics(20%) | Key Differentiating Demographics – what do they look so that we could tell one segment from another? | Female (61%) High income \$100,000+ Age 18 and 34 (50%) | Majority are female | Income 65,000+ Age 21-45 | Tend to have kids Age 24-50 (50%) Less disposable income | Majority are men Age 28-50 | Key Differentiating Attitudes & Beliefs – how do they think and feel so that we could tell one segment from another? Treat fashion as a hobby Want to be the trendsetters They aren't price sensitive Shop luxury brands Care about how they are perceived (looks) | They look for deals, such as coupons Have brand loyalty towards certain brands Somewhat are price sensitive Like to plan and have an idea on where they want to go and what they want to buy, practical | Think about

fashion only for special occasions price sensitive (besides rare occasions) Splurge for only certain occasions | Do not enjoy shopping Price sensitive Tend to shop at the same stores (one stop shop) | Involvement in Fashion & Interest in Fashion on TV | Fashion TV 140 index Look for insight on what's hot and coming into style They treat fashion like an entertainment, They enjoy watching shows about it | Fashion TV 110 index Popular show how to look good or under \$100 | Fashion TV 105 index Like to watch some fashion TV, but normally when their looking to buy | Fashion TV 50 index Don't watch fashion on TV Don't keep with fashion news | Qualitative Assessment of Targeting Priority | Pioneers/early adopters Target them heavily, they will spread the word. | Enjoy watching fashion and it's the biggest segment. Focus on planning and saving when shopping I would make this the secondary segment. | They don't shop a whole lot, but they enjoy hearing about fashion. You could dip into this section if you had the resources. | This segment shows now interest in fashion. We believe they should avoid targeting this market. | Methodology Fashionistas: Demographics: Females tend to be more fashion oriented from head to toe than men. This segment has a high income, which they need to be able to keep up with the trends and the expensive luxury brands.

Women between the ages 18-35 are the majority of this market. This is the age range when women try to appeal to others by their looks. Key attitudes and beliefs: They want to have the new and latest clothes and accessories. This segment tends to wear expensive brands to show people they can afford nice clothes and care how they look. They don't care how much it cost, with their high income they will buy whatever is fashion, even if its

outrageously priced. Interest in fashion They enjoy watching fashion on TV (Heavy watchers), they treat it as an entertainment. This is how they keep up with the trends. They also keep up with the fashion through social media and magazines.

Assessment: This is the smallest market although they are the ones that fit Fashion TV's criteria. They are like the pioneers to early adopters in fashion. If they like it they will spread the word to others, then they start watching the program. This makes it a key factor to target this market well; you want them to like your programs, so they will send out good recommendations to others. Planners and Shoppers: Demographics: This segment also leans towards females (60%). The age range for this segment is 21-45. The young side of the segment is young and with lower incomes. The older side of the segment likes to be thrifty and get the best deal for their dollar, even though they make good money. They have an income of 65, 000+.

They have enough income to spend on nice clothes, but need to find the best deals to stay within their budget. Key attitudes and beliefs: This segment still likes to look good, but is on a budget, so they look for the best deals. If an item is on sale they are more prone to purchase it. They tend to be loyal to certain brands. They stick with certain brands, to receive loyalty coupons and other discounts. Interest in fashion: This segment has pretty similar interest in fashion as the fashionistas. They would watch shows that deal more with value, like how to look good with under \$100. Assessment: This segment has the largest size, which makes it an attractive market to target; the numbers agree this is a good segment.

They watch fashion TV and enjoy planning shopping trips. You could market shows that deal with planning shopping trips and how to shop on a budget.

Situationalists: Demographics: Found this segment to be made up of male and female. With about 50% of the populations having kids living at their home still, they have less of a disposable income. Parents with kids living at home tend to range between 24-50 years of age. **Key attitudes and beliefs:** Fashion only occurs to them in special occasions. They typically don't spend a lot on clothes, but for certain occasions they splurge a little bit. They are somewhat price sensitive, because of their low disposable income.

Interest in fashion: While the other segments watch TV for tips and trend, this segments tends to watch TV recreational. They don't watch it daily.

Assessment: We believe the previous two segments are more attractive than this one, although they could dip into this segment. **Situationalists** show some interest in fashion. Having a wedding dress show is something that would intrigue this audience. Shows that deal with special occasions, weddings are the big one. This group wants information about fashion for the key moments of their lives. **Basics: Demographics:** The majority of this segment tends to be male. The age range of the segment is 28-50. Men younger than 28 years old care more about their appearance, while going through School and impressing girls.

Once they get married and content with their life they tend to care less about what they wear and spend little time shopping. **Key attitudes and beliefs:** This segment is price sensitive, they don't care as much about what brand they wear so they will look to for the cheapest one. They also don't like to go out shopping, so they will go to one stop shop (clothing stores)

where they can buy all they need in one store. Interest in fashion: This group does not watch much fashion TV nor do they try to interact with the fashion world. Assessment: This group does not watch hardly any fashion TV and show little interest in fashion. In the end it would be smart not to target this segment.

Profit Potential Analysis Rate each segment on 1-10 scale per text|

Fashionistas| Planners & Shoppers| Situationalists| Basics| Market Size| 2| 7|

6| 3| Market Growth| Not applicable| Not applicable| Not applicable| Not

applicable| Competitive Strength| 8| 6| 4| 2| Price Sensitivity| 8| 5| 3| 2|

Production Costs| 4| 6| 6| 2 | Marketing Costs| Not applicable| Not applicable|

Not applicable| Not applicable| Market Value (Sum above/4)| 5. 5| 6| 4. 75| 2.

25| Market Size:

These ratings were based on the percentage of households that fall into each category. Competitive Strength: Competitive strength was rated on the ability of TFC to reach the segment compared to the abilities of their competitors Lifetime and CNN. The primary advantage of TFC is that the programming is focused on fashion, while the competitors offer less fashion related shows. This gives TFC a large competitive advantage with Fashionistas but puts them at a disadvantage with the Basics. The Planners & Shoppers group would also appreciate the fashion advice, while Situationalists would likely only watch programming that focused on specific fashion topics.

Price Sensitivity: The Fashionista group is the least price sensitive segment due to a larger household income and an interest in fashion trends. The

other three groups all expressed interest in value. The Planners and Shoppers group received a higher rating due to the fact that they enjoy shopping and stay up to date on trends. Situationalists were the third ranking group. They also enjoy shopping, but only for specific needs. The lowest rated group was the Basics, they are very price sensitive because they want value and do not enjoy shopping. Production Costs: Production costs in this case refer to the costs of TFC advertising to each target group.

The Basics group would be the most expensive to target, as they represent the greatest departure from the station’s current demographics. This group is made up of 55% men, while only 39% of the channel’s viewers are men. It would require an extensive advertising campaign to reach this group. There would not be much difference in the costs of advertising to the Planners & Shoppers and Situationalists since they have similar demographics.

Production costs for the Fashionistas would likely be higher than these two groups because advertisements would have to keep up with changing fashion trends. Exhibit 4: Ad Revenue Calculator

Calculator	Current	2007 Base	Scenario 1	Scenario 2	Scenario 3
TV HH	110,000,000	110,000,000	110,000,000	110,000,000	110,000,000
Average Rating	1.0%	1.2	0.8	1.2	
Average Viewers (Thousand)	1100	1100	1320	880	1320
Average CPM*	\$2.00	\$2.00	\$1.80	\$3.50	\$2.50
Average Revenue/Ad Minute**	\$2,200	\$2,200	\$2,376	\$3,080	\$3,300
Ad Minutes/Week	2016	2016	2016	2016	2016
Weeks/Year	52	52	52	52	52
Ad Revenue/Year	\$230,630,400	\$230,630,400	\$249,080,832	\$322,882,560	\$345,945,600
Incremental Programming Expense	\$0	\$0	\$15,000,000	\$20,000,000	

||||| * Revenue/Thousand Viewers| ||||| ** Calculated by multiplying
 Average Viewers by Average CPM| ||| 2006 Actual| 2007 Base| Scenario 1|
 Scenario 2| Scenario 3| Exhibit 5: Financials Revenue:| | | | | Ad Sales|
 \$230, 630, 400 | \$230, 630, 400 | \$249, 080, 832 | \$322, 882, 560 | \$345,
 945, 600 | Affiliate Fees| \$80, 000, 000| \$81, 600, 000| \$81, 600, 000| \$81,
 600, 000| \$81, 600, 000| Total Revenue| \$310, 630, 400 | \$312, 230, 400 |
 \$330, 680, 832 | \$404, 482, 560 | \$427, 545, 600 | | | | | Expenses| | |
 | | | Cost of Operations| \$70, 000, 000| \$72, 100, 000| \$72, 100, 000| \$72,
 100, 000| \$72, 100, 000| Cost of Programming| \$55, 000, 000| \$55, 000, 000
 | \$55, 000, 000 | \$70, 000, 000 | \$75, 000, 000 | Ad Sales Commissions| \$6,
 918, 912| \$6, 918, 912. 00 | \$7, 472, 424. 96 | \$9, 686, 476. 80 | \$10, 378,
 368. 0 | Marketing & Advertising| \$45, 000, 000| \$15, 000, 000 | \$15, 000,
 000 | \$15, 000, 000 | \$15, 000, 000 | SGA| \$40, 000, 000| \$41, 200, 000|
 \$41, 200, 000| \$41, 200, 000| \$41, 200, 000| Total Expense| \$216, 918, 912|
 \$190, 218, 912| \$190, 772, 425| \$207, 986, 477| \$213, 678, 368| | | | | |
 Net Income| \$93, 711, 488 | \$122, 011, 488 | \$139, 908, 407 | \$196, 496,
 083 | \$213, 867, 232 | Margin| 30%| 39%| 42%| 49%| 50%| Recommendation

We recommend that Dana Wheeler and The Fashion Channel use the third
 segmentation scenario. There are positives and negatives to every plan; we
 feel that the third plan shows the highest revenue increase, and delivers the
 best competitive advantage.

The first scenario describes a plan in which The Fashion Channel would, “
 maintain a broad appeal to a cross segment of Fashionistas, Planners &
 Shoppers, and Situationalists. ” (Stahl) The broad marketing plan outlined in
 scenario one delivers a net income of \$139, 908, 407, and a 3% increase the

margin percentage. This would be an increase of almost \$19,000,000 in ad revenue per year. This plan would slightly increase the average rating that The Fashion Channel would receive and boost the average viewer number slightly, and still would not come with an incremental programming expense. This plan would however, come with a drop in the average CPM, and “ along with the 10% drop in forecasted Ad sales, a broad multi-cluster strategy may not deliver an audience different enough to avoid that drop. (Stahl) Dana Wheeler had mentioned that leaving the programming unchanged along with the more general advertising focus could leave them vulnerable to continued penetration by “ competitors in the premium segments, thus further eroding The Fashion Channel’s pricing ability. ” The second scenario was to focus on the Fashionistas. This scenario would increase ad revenue per year from \$230,630,400 to \$322,822,560 and would increase the margin by 10%. This scenario was described as valuable because of the strong demographic. This scenario would target the smallest segment but because of the value placed on these viewers, mainly women aged between 18 and 34, would lead to a CPM of \$3.50, which is the highest of the three scenarios.

The targeted segment being smaller would mean that The Fashion Channel would incur an additional programming cost per year of fifteen million dollars, along with a decrease of 0.2% in television ratings. This scenario doesn’t increase awareness, and carries the risk of not targeting enough viewers leading to further decreases in overall ratings. The final scenario outlined a plan to target two segments, the Fashionistas and the Shoppers/Planners. This scenario is the one that we would recommend The Fashion Channel to take. This scenario carries an additional cost of \$20,000,

000 for programming to “ ensure that there were viewing selections aimed at both segments. ” (Stahl) This plan shows the most promising numbers of the three scenarios.

Both of the targeted segments are deemed valuable to ad buyers, which increases the average CPM to \$2. 50. The Fashionistas and Shoppers/Planners scenario shows an increase in ad revenue per year from \$230, 630, 400 to \$345, 945, 600. That is an increase of \$115, 000, 000 in ad revenue, resulting in a \$91, 000, 000 net income increase. The increase to the margin is significant at 11%, and could increase in the future. The average CPM may be low considering the value of the viewer’s being targeted. The repositioning in programming may help when dealing with the increasing competitive threats. Works Cited Stahl, Wendy. “ The Fashion Channel. ” Harvard Business School 1 (2007): 1-12. Print.