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Business

GilletteClean Edge Razor Case StudyChanges in the non-disposable razor category The non-disposablerazor category has been experiencing a mixed reaction to market forces, thusshowing different varying volume over the period analyzed in the case. Whilelooking at Table A, US shaving and hair removal products have shown the non-disposablerazor category to have a $34 million increase from 2005 – 2006, and a declinein the next year before stabilizing in the subsequent years. Some of theattributed causes of varying profit and loss margins can be attributed toissues which are both internal and or external to the company and have haddirect impacts to the sales and profitability of the organization. Competitionand the threat of substitute goods displays that the company must continue todevelop new and innovative products and continue to allocate resources toresearch and development. The super-premium segment of the non-razor category is also experiencingsignificant growth due to innovation, as seen in the invention of 5- bladetechnology, low resistant blade coating and leather bar. This has placed companiescompeting in this market segment in the position to consistently implement plansthat correspond to the market demands.

Paramount's competitive positionParamount Razors, through its brands Paramount Pro and Paramount Avail have shown mixed marketshare results as depicted throughout 2007 – 2010. Sales volume increased by 1. 3%in 2008, followed by a rise of 1. 5% in the next year before experiencing a declineof (1. 1%) in 2010. Through analyzing thecompetitive position of the company, brand pricing in the markets have been thedriving factor attributed to the sales volume fluctuations. Despite increasingcapital for advertising and promotion expenditures from $44.

3 million in 2009to $48. 3 million in 2010, the company experienced a reduction in sales volumeduring this time. Some of the elements of Paramount's competitive positioninclude competition from companies like Prince, Benet & Klein, Radiance andSimpsons which represent the prevalent competitors in the non-disposable razorcategory segment. The competitive environment is based on the direct success ofproduct resonation with consumers, as well as the threat of having substituteproducts within the market.

Strategic lifecycle challenges for Paramount'scurrent products as well as for Clean EdgeParamount has endured stagnantmarket share periods that directly correlate with its products in the market. Themarket share for Paramount Avail has been experiencing a significant decline. However, the market share of the Paramount Pro has been experiencing a steadyincrease. The Paramount Pro has also developed new products for super-premiummarkets such as Clean Edge based on 5 blade design and superior technology. However, it has had to use profits from Paramount Pro to finance the new CleanEdge products. The introduction of new products such as Naiv by Simpson wouldsignificantly affect Clean Edge.

The launch of the new products wouldcannibalize the consumers of the Paramount Avail and Pro up to 60% of themainstream customer and 35% of the niche positioned products. Clean Edge wouldalso face challenges within their marketing budget and possible resistance fromcustomers due to the availability of many substitute products. Clean Edge hasdifferentiated itself from the current products in the market due to itsultra-thin 5 blade designs, larger heavier handle that creates balance, grip aswell as control. Market SegmentationThe non-disposablerazor market is segmented based on the demographic features, with a focus onmale grooming through the production of hygienic razors. The segment also considersthe behavioral and psychographic components of the market. Clean Edge, thustargets this segment through looking at ways of differentiating aestheticshavers which helps in removing unwanted hairs and distinguishing it from othershavers that are disposable. The non-disposable razor market has three segments: moderate, value and super-premium. Quality and price create these segments.

Astudy conducted in 2009 indicate that the super-premium segment contributed to25% of the razor market in the non-disposable razor segment. The moderate andvalue segment had 43% and 32% of the volume of the product in the marketrespectively (Table B). The super-premium, value and moderatecontributed 34%, 22% and 44% of the retail sales in the non-disposable marketcorrespondingly (Table B). Research conductedby Paramount indicates that the market has distinct segmentation, and theseinclude social/ emotional shavers, maintenance shavers and aesthetic shavers(Exhibit 1).

Consumer BehaviorThe maintenance shaversare consumed by low involvement customers who are price sensitive and easilyswitch brands. These consumers are indifferent toward the different products, and they have inconsistent shaving partners. The maintenance shavers perceiveshaving as any other core behavior that they need to finish as soon aspossible. They occupy 33% of the market (Exhibit 1). The social or emotionalusers are differentiated between the market products. These consumers make apurchase decision based on their overall experience of the product. Theemotional users differentiate between products and search for the productsbased on the message and functionality surrounding the product’s attributes. These consumers perceive shaving as an essential part of daily grooming thatmakes them attractive and confident.

They depict regular shaving as a necessityand therefore buy razors and replace cartridges frequently. The emotional orsocial consumers occupy 39% of the non-disposable razor market (Exhibit 1). The aesthetic users make up the remaining28% of the market (Exhibit 1). These consumers actively search for cosmetics tofulfil their intrinsic desires.

They search for products that are effective inremoving hair and lead to smooth skin. The aesthetic and social/emotional usersare high involvement consumers because they place a high value on the featuresof the razors and the brands they represent. Thus, they can act as earlyadopters or innovators of new products in the market.   Product LaunchI recommend ParamountCompany launch Clean Edge as a niche product that would create a strong brandthat can incorporate market needs within the specialty segment of the razormarket.

Part of the selling points for the company is the design of the productas well as the associated costs to market the product that will determine the consumersability to make a purchase. The brand name that the company intends to sellwith is as important as the strategy that it employs to go to market with. Thebrand identity of Clean Edge incorporates what the management, under theleadership of Randall wants to achieve while minimizing cannibalization on thePro razor.

This product launch strategy will increase the company's profitmargin once the product gains substantial market share. While looking at themarket dynamics of the product, the overall intention should be aimed atlooking at the long-term goal of broadening product sales beyond the currentmarket. This would allow Paramount to integrate into the mainstream systemwhere its revenue stream would also contribute to a greater percentage of thecompany's revenue after year two. Positioning Clean Edge in the niche segmentwill complement the company's existing product portfolio in a seamless manner.

Fromthe exhibits, a conclusion can be reached that reflects higher profit marginsfor the company and the risk involved will be minimized to existing product lines. Themainstream goal of launching Clean Edge could be argued to replace Pro, whichhas been receiving mixed reactions to its market segment. To achieve this, Paramount would have to monitor the products cycle curve, which determines howthe products perform. The technological advancements that the product featurescould ensure that competition is going to be minimized in the long run, as theselling point is a better non-disposable razor that can be used in a wide arrayof sectors. The technological innovation could guarantee an advantage that iscurrently lacking in this segment of the mainstream razor market. Paramountalready has product in mainstream positioning, Paramount Pro, so launching itas a mainstream product will dilute the brand power and would lead tocannibalization. More marketing support will be needed to reach the targetmasses.

The company would require an extensive advertising campaign, considerableconsumer promotions would be needed and thus the expenses associated with themwould be immense. To reach full sales potential with this positioning, a $42million marketing budget would be needed for year one. Strategic ImplicationsAs the company intendsto continue building confidence levels of the existing and target consumers, itwill be enable Paramount to execute intensive marketing to create awareness andother marketing techniques to meet the long-term strategic plan of building thebrand.

It will also prevent cannibalization of the existing products ofParamount such as Pro and Avail by launching as a niche product. Overall, nichepositioning will lower cannibalization impacts and soften advertising costs. Althoughreduced profits will be incurred in the short-term compared to mainstream, considering advertising and other related expenses, niche placement will resultin better net results. Positioning/Marketing AllocationsThe clean edge will be positionedin the name of “ CLEAN EDGE BY PARAMOUNT”. This will allow Paramount to focus onthe product and differentiate this item from the other brands Pro and Availmodels that will aid in the reduction of cannibalization.

This will allowconsumers to have enhanced awareness that a new product has entered the marketand from the company they currently trust. Being the product is new, emphasizing on the product name will help it grow, rather than emphasizingon the company name which is within the razor market. A mainstream product launch would be three times higher than the nicheproduct in advertising expenses. Though the mainstream launch would lead to couldinitially lead to a stronger market share in year one, a niche product launchwould reduce the market expenditures as well as consumer promotions and trade promos, resulting in lower marketing expenses of $56 million year over year (Table 1). Thecompany would need $25 million in marketing funds to launch as a niche product, compared to the mainstream approach which is approximately $81 million.

Thiswould save Paramount approximately $27 million in market expenditures and allowthe product to become a profitable piece of the company’s portfolio.