

dermavescent laboratories, inc. essay sample

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Summary of Facts

- 1) Two Primary Distribution Channels (Retailers & “ Rack Jobbers”) a) Drug stores
- b) Food & Drug stores
- c) Rack jobbers
- 2) Dermavescent Laboratories, Inc.
 - a) Sales of \$258 million (2005)
 - b) Sales for Soft & Silky Shaving Gel in 2005 was \$3, 724, 000 (1, 960, 000 units)
- 3) Soft & Silky Shaving Gel introduced in 1991
- 4) Other women’s products such as facial creams, hand body lotion, and a full line of women’s toiletries sold under different brand names.
- 5) Maturity/Decline – unit sales volume for Soft & Silky Shaving Gel have slowed and then plateaued.
- 6) Consumer demand and price are interrelated.
- 7) Positioned as high-quality women’s shaving gel.
- 8) Added moisturizer emphasized on packages and in-store promotions and media advertising
- 9) Rack jobbers (wholesalers) that set up and merchandise retail displays
- 10) Premium priced at \$3. 95 for 5 ½ ounce tube
- 11) Sold by drug and food-and-drug stores through rack jobbers with product placement in the women’s personal-care section minimizing direct price comparison

- a) Retailers receive a 40% markup on the S. R. S. P (Suggested retail selling price)
- b) Rack jobbers receive a margin of 20% off the S. R. S. P.

Problem Identification

Phoebe Masters, new product manager, “ has to decide whether to introduce a new package design for the company’s Soft and Silky Shaving Gel. Timing for the decision is critical because frequency of women’s shaving products usage increases during the spring and summer seasons. The major questions were whether a 5. 5 ounce or 10 ounce aerosol container should be introduced and whether she would approve additional funds for a market test.” The idea for the new package design is a result of the following reasons: 1) Unit sales for Soft and Silky Shaving Gel had slowed and plateaued in recent years. 2) Soft and Silky Shaving Gel sales had grown and were a strain on manufacturing capacity and no manufacturing capacity expansion plans for the next three years. 3) Aerosol packaging had become the dominant design for women’s shaving creams and gels. Industry &

Market Analysis

Industry sources estimate the U. S. dollar value of women’s “ wet shaving” products to be about \$550 million in 2005, at manufacturers’ prices with sales growth between 3 to 5 percent per year since 2000. Razors and blades account for 77% (\$423, 500, 000) of women’s wet shaving products and shaving creams and gels account for 23% (\$126, 500, 000) of annual sales. Competition increased through the years and promotional expenditures increased—reaching 31%(\$1, 154, 540) of sales (\$3, 724, 000) in 2005. Over

the year's aerosol container has become a more dominant form of packaging for women's shaving cream or gels.

One thing to know about Dermavescent's competitors' is that they offer a more demanded form of packaging (aerosol), but they are unable to position their product as premium product.

Alternative Courses of Action

With the many problems that Dermavescent is facing, a couple alternate courses of action that they can take are: 1) They should in fact introduce the 5 ½ ounce aerosol container. 2) They should choose to adopt the test market proposal

3) They should maintain status quo

Dermavescent Laboratories, Inc. has located a supplier who can produce aerosol cans with no chloroflourocarbons (CFCs) and a rustproof foundation. A 5 ½ ounce container could be produced at \$0. 24 per ounce with a retail price of \$3. 50. However, a minimum order of 100, 000 containers would be required for the supplier to produce the new package design. The supplier is also requiring a one-time establishment fee of \$10, 000. We feel that Dermavescent should adopt the test market proposal because it will produce actual results compared to the preliminary test results, which included sales projections, surveys from customers and noncustomers, and forecasted cannibalization effects on sales. Dermavescent can continue producing shaving cream and gel in a tube container as well as introducing the 5 ½

ounce aerosol container which will get the sales out of a plateau and back into making more net profit. As well, the company can sell this product at a premium price and continue to view a plateau in sales volume. (as shown in exhibit 4 chart)

Recommendation/Discussion

References

Kerin, R. A. (2013). Case Study Dermavescent Laboratories, Inc. In R. A. Peterson, Strategic Marketing Problems Thirteenth Edition (pp. 210-217). Boston: Pearson.