

# The fashion channel hbs case notes

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Introduction The protagonist of this case is Dana Wheeler who is the senior vice president of marketing for TFH She was looking into preparing a new Segmentation and Positioning Strategy If her boss liked what he heard then they would move forward with a 60 million dollar MIMIC campaign utilizing national advertising, promotion, and public relations.

This was an increase of 15 million dollars from last year. Background TFH was a successful cable network that was the only one who broadcasted up-to-date news about fashion 24 hours a day, 7 days a week It was founded in 1996 It has had consistent and constant growth since the beginning, revenue was projected to grow to 310 million dollars in 2006 marking another steady year of growth.

The channel was one of the most widely available niche networks reaching 80 million US households (this number represents the number of people who had TFH in their package not those watching it) Women between 34 and 54 years were its most avid viewer according to its annual demographic survey Beyond basic demographics the network had no other information on its viewers Nor did it attempt to market to any viewer segments in particular Early on the network had chosen a "something for everyone" type of strategy in its programming and advertising TFH has clearly grown quickly despite its lack of targeted marketing, however at the beginning of 2006 TFH had realized that other networks were taking note of its success Some of its biggest competitors became Lifetime and CNN who had added fashion programming to their lineup This is what prompted Tech's CEO to want to change up TFH marketing and be more strategic with their marketing, this is

why they hired Dana who extensive experience with marketing packaged consumer goods as well as broad experience in advertising.

Tech's CEO and other executives felt some urge to resist change and didn't want to "fix what wasn't broken" Wheeler's Plans Frazier (senior up of ad sales) had warned that TFH would need to drop the price of a unit of advertising by 10 % if changes weren't made in Tech's performance He mentioned that CNN and Lifetime's fashion shows were achieving notable ratings (EXHIBIT 1) Frazier was a great salesman and was Justifiably worried about sales Wheeler knew that in order to hold or increase the price it would be crucial to attract a critical mass of viewers who were interested in the network's content and were attractive to advertisers The key would be targeting the right viewers and offering advertiser an attractive mix of viewers when compared to their competitors BUT if she changed the network's offering in a way that disappointed too many consumers it could risk losing its distribution support Her plan was to build a strategy for segmentation and use it as a base to employ all marketing tools at her disposal, traditional/internet ads, PR and promotions to reach targeted consumers Everyone felt that advertising was TFH primary growth opportunity. Tiff's Advertising Revenue Model TFH was on target to generate 230. Million dollars in 2006 from advertising The advertising business model was built on attracting a mix of male and female viewers on a regular basis - think "something for everyone" strategy Tuft average rating was 1. 0 with 110 million households or 1. 1 million people people watching at any given time.

The ad sales team sold access to viewers through 30 to 60 second spots to a variety of advertisers which included automobile manufacturers, clothes companies, and cosmetic companies. There were usually 6 minutes of advertising per 30 minutes of programming (20 percent); 24 hours per day; for a total of 2016 minutes per week. In 2006 industry data showed that advertisers spent 20 billion dollars on advertising in cable industry, however there were over a hundred networks competing for these dollars which made competition fierce. TFH was the only dedicated fashion network. If CNN and Lifetime are successful more channels may copy them creating more competition for TFH. The network based ad unit prices on several factors: The number of viewers (ratings), The audience characteristics (demographics and lifestyle).

Both of the are hurting ad sales and hurting Tech's CPM. TFH was facing additional competitive challenges in its attractiveness to cable affiliates. On a scale of 1 to 5 TFH achieved a 3.8 whereas fashion programming on CNN scored a 4.3 while Lifetime scored a 4.5. On awareness TFH scored 4.1; CNN 4.6; and Lifetime 4.5. On perceived value TFH scored 3.7; CNN 4.1; and Lifetime 4. Memo's use the aforementioned data to determine Affiliate Fees and which package to offer TFH in. If TFH continues to underperform it may be offered in less appealing packages making it seen in even fewer households, ruining its prospects of revenue growth or even survival.

The Data strongly indicates that change in programming need to happen so that TFH can increase consumer interest, awareness, and perceived value. This change could result in upsetting some of the existing loyal viewers. The

Management team had been with TFH for years and experienced large amount of their growth arguing safe marketing strategies where Wheeler is asking them to take a risk. Attitudinal Research Findings The Following Data can be found in Exhibit 2 and Exhibit 3 There are four unique groups of viewers Factionists Planners & Shoppers Sustainability Basics While the segments varied in size, Wheeler quickly noticed that the smallest -The Factionists- had a high degree of interest in fashion Most of the male interest occurred in the Basics cluster- the least likely to be engaged with TFH content. Factionists, Planners, and Sustainability all had cluster of women between the ages 18 to 34, the premium demographic.

By investing in a major marketing/advertising campaign it would be reasonable to expect that awareness and viewing of the channel would go up This could deliver a ratings boost of 20% and would take the rating from 1. 0 to 1. 2 If the current audience mix stayed the same, ad sales were predicting a ten percent drop to \$1. 80 Wheelers Preferred Strategy Targeting Factionist's, Shoppers/Planners, and Situational All segments mentioned have clusters of the desired age group but both Planners and Situational are made up of older women their existing audience and they would all be targeted It is likely to assume that ratings would increase from 1. 0 to 1. No clear data is given about CPM No clear data is given about the increase in cost of programming Alternative Strategies Focusing on Factionists This segment was strong in the highly valued 18-34 female demographic It was smaller that other segments represent

Primarily targeting Men Pursue a desirable demographic as men of all ages are a premium demographic No data on ratings No data on CPM No data on Programming costs, however it would be likely to assume that costs would pike as all current programming is geared to slightly older women (their current primary demographic) They would likely and very quickly lose all of their current audience due to shift in programming for a demographic that they are unsure they can even secure. High short-term risk as all current audience will be lost and could result in ratings loss and being taken off the basic cable package Long-term if this strategy is successful, men could be a larger audience than women as more age groups are desired by advertisers. This could result in greater affiliate fees and ad sales.