

Case study the fashion channel

[Design](#), [Fashion](#)



“ TFC was a successful cable TV network- and the only network dedicated solely to fashion (Stahl, 2007)”. It was one of the most widely available niche networks with an 80 million subscriber base (Stahl, 2007). It has had a constant growth above the industry average until the emergence of new competitors such as CNN and Lifetime in 2006. One of the most important strengths of TFC is the fact that the channel is in the basic cable package. As opposed to CNN or Lifetime, TFC is not a pay channel and thus has a higher possibility to reach more viewers than its competitors.

However, TFC is currently facing two major problems. These are an unclear targeting group and an increased power of competitors. These problems could be also seen as their weakness. Since their target group is unclear, unclear strategies might be formulated that could hinder the growth of the channel. Based on the customer and market data from the case, the largest current customer base of TFC are females between the age of 35 and 54 (representing 27.45% of the viewers). While their ideal targeting groups is slightly younger females from the age of 18 to 34, they only make up for 20.13% of the viewers.

Generally, this group likes to follow the way celebrities dress. Information about discounts in fashion stores and fashion recommendations are valued as well by this age range. However, it should be noted that their income might be lower compared to other age ranges. On the other hand, male viewers could also represent an interesting customer base for the channel. Males nevertheless, focus more on new designs, fashion trends and new brands. Different to young females, males can be less sensitive to price.

Unfortunately, TFC has the lowest market share with only 1.1M households (representing 1% of the market share). Besides, the biggest customer bases for Fashion Today are females ranging from 18 to 34 years old representing 27.09% of their viewers. They represent a big threat for TFC as they later might profit by targeting this age range in the future. On the other hand, Fashion Tonight from CNN especially targets male customers. Therefore not surprising, males represent 45% of their viewer's base. Both Fashion Today and Fashion Tonight also have a larger customer base than TFC, which are 3.3M and 4.4M respectively.

In order to change the current situation, Wheeler came up with three scenarios. The first one is maintain a multisegment of Fashionistas, Planners & Shoppers and Situationists. The advantage of this scenario is the increase in net income partially because no incremental costs would be incurred. At the same time, TCL could also target the 18-34 age group. However, the CPM will be \$0.2 lower than 2007. Also, in this scenario, no clear targeting group would yet arise. The second scenario is targeting the segment of Fashionistas.

The narrower segmentation will put the company in a disadvantage situation with a 0.8% decrease of its market share (0.88M). It also requires an incremental cost of \$15 million. Finally, the risk exists that a large part of the current viewers' wants might not be met by this differentiation as programs might be seen as too "professional" or "distinct". However, buying power in this group is high and CPM will go up to \$3.5 resulting in the increase of both ad revenue (\$322,882,560) and net income (\$151,496,083). The third scenario entails focusing on two segments, Fashionistas and Shoppers

& Planners. The average rating could increase to 1.2% with a broader viewers pool (1.32M) and extract highest ad revenue and net income with \$345,945,600 and \$168,867,232 respectively.

Meanwhile, younger aged females should especially be targeted if this segmentation is put into place. Nevertheless, a \$20 million investment is required for this scenario and only targets around 50% of the females. There is a possibility to lose customer loyalty in this case and consequently part of its customer base. Based on the analysis, it is wise to choose scenario 3 which entails the dual targeting of Fashionistas and Shoppers & Planners as a new implementation strategy since it generates highest ad revenue, net income and profit margin.

50% of the entire female viewer base could be targeted by this dual targeting with passion for fashion and high income. In this case, females from 18-34 will be targeted as they represent their largest viewers base which takes 32.5% of the entire female segment. In terms of positioning, 4Ps is appropriate to describe the strategic changes needed. It is advised to modify the program profile into one that is more novel and intriguing to the younger generation by improving product quality. For instance, it can invite celebrities more often to the program. Thus, it responds to the needs of the target group (females aged 18-34).

With respect to price, it could decrease their ad price by 5% which would result in a CMP of 2.375. It is predicted that with a lower price, more advertisers are willing to launch their ad on the fashion channel. Besides, TFC should boost promotion by opening a website with specific focus on fashion news and brands for youth, thereby rapidly establishing customer

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sensitivity and awareness to their product. Lastly, in terms of Place, TFC might find it in their interest to expand overseas through contracting with foreign TV channels, producing tailored programs based on local preferences on fashion.