

# Marketing strategy case presentation: aqualisa quartz assignment

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1. 0 Background and Issues Aqualisa is an innovative shower manufacturer with the 3rd highest share in the UK shower market in 2000. In May 2001, Aqualisa launched Quartz, a technologically advanced product that was expected to greatly improve the shower experience and gain a large market share. Aqualisa Quartz provided a solution to several problems plaguing other showers in the market, and had a high potential for profitability with a gross margin of ??? 275-345.

However, a low sales volume of only 15-20 units/day opposed the growth of the Quartz brand. Although the product was perceived as high quality, with a small network of loyal plumbers who currently install, there was reluctance among plumbers to switch brands and to adopt high-tech products (due to failure of past products). Aqualisa also had difficulty converting consumers, who are very reliant on plumbers recommendation of type and brand of shower.

Fears arose that within 2 years, Quartz would lose its competitive advantage, as other companies developed similar products. Aqualisa must determine a manner in which to quickly encourage users to try the Quartz shower.

Findings suggest that once used or installed ??? the consumer or plumber becomes " converted". For desired sales growth, Aqualisa must select an appropriate channel to target the market. See Appendix 1 for a comparison of channels and Appendix 2 for consideration of the importance and urgency of the major issues. 2. Selection of Target Market and Channels In the decision matrix shown in Appendix 3, options were evaluated on the basis of their ability to capture market share, ability to maintain the products'

perception in the market as a premium product and the speed of adoption, <https://assignbuster.com/marketing-strategy-case-presentation-aqualisa-quartz-assignment/>

given the short time period involved before competitors enter the market. Developers already perceive Aqualisa products as premium products and the Quartz shower would be the most expensive product in the Aqualisa line. Even at a 50% price discount the company has been unable to make a sale.

If Aqualisa were to discount the retail price by 50% and keep only the retailers' profit margin percentage the same, it would need to reduce the MSP to a level that would result in 1/6th of the profit margin per unit as seen in Appendix 4. As Aqualisa cannot make a sale at even a 50% discount we do not feel that this would be a viable option. At this point in time to associate the premium Quartz brand with a discount channel would have a negative impact on the brand. Aqualisa has a pipeline of premium products, body jet attachments and lave remote for the Quartz shower, which would also suffer if this premium image is lost. Discounting the Quartz shower would diminish the breakthrough innovation that Quartz represents. Also, do-it-yourselfers desire low cost and ease of installation. While the Quartz is very easy to install it is a very expensive premium product, the price is almost double that of value showers in the market. As such, to generate sales that would allow Quartz to be considered a mainstream product, Aqualisa would need to offer a discount similar to Developers.

As only a quarter of consumers select their showers without the advice of a plumber, we feel that broadly targeting consumers in an advertising campaign would not be very effective at a cost of \$3-4 millions over 2 years. If we were to target consumers it would be logical to target those that actually select their shower after viewing displays at a showroom or those

who are influenced by plumbers. As seen in the decision matrix in Appendix 3, targeting plumbers and showrooms had the highest overall score and were chosen for further financial analysis. 3. Strategy One of the major problems Aqualisa is currently facing is the difficulty achieving adoption without installing showers or consumers seeing working displays. We feel our best solution to this issue is to give away free showers to a select number of plumbers and showrooms. Given the fact that Aqualisa only has a two year competitive advantage with the Quartz product, it is necessary to develop a short-term and long-term plan for increasing our sales through expansion of market share. Although plumbers have the most influence over consumer choices, they are the most resistant to adopt the new product.

For this reason, we have decided to target plumbers over a three year period. In the short-term, increasing our participation in showrooms will be our most effective solution to increase sales. 3. 1 Short-term Strategy As we currently have Aqualisa products in 25% of showrooms, we have the advantage of targeting the remaining 1500 showrooms in the UK without directly competing against our own products. Quartz is a premium product with enhanced customer features and it has been shown that displays in showrooms entice customers to buy a Quartz shower.

Based on our financial analysis, a giveaway of 1500 units to showrooms will result in a base profit of \$1. 6M within a year for the Quartz product. For detailed financial analysis and explanations of assumptions please see Appendix 5. In terms of implementation of this strategy, we would temporarily devote 75% of our sales force to influence showrooms to adopt

the Quartz shower at the 1500 locations Aqualisa currently does not have products in over a two month period, as seen in Appendix 6.

Appendix 7 and 8 illustrate the superior short term effect of targeting showrooms compared to plumbers and justify our choice of 1500 showers to give away. 3. 2 Long-Term Strategy Although they have the most influence over consumers, there are several reasons why plumbers are hesitant to try new products. In addition to those stated above, plumbers tend to stick to products they already have experience with and understand how to install. Given these challenges, we have determined that the benefits of giving away 1000 free Quartz showers (one per plumber) greatly outweigh the costs.

The potential of making absolute profit (minus the cost of installation time) on the resale of a premium shower to a consumer will encourage plumbers to not only seek out this promotion, but to attempt installing this product for the first time for a consumer. It has already been shown that once a plumber realizes the benefits, ease of installation, and customer satisfaction of the Quartz product, he becomes “ hooked” on the product. Assuming a certain percentage of our giveaways will adopt new plumber advocates, it can be seen that giving away 1000 showers to plumbers will produce a first year base profit of \$0. M. See Appendix 9 for detailed financial analysis and assumptions. Given there are 10, 000 licensed plumbers in the UK, if the first round of shower giveaways is deemed successful, two rounds of similar giveaways for the next two years will be implemented. Assuming plumbers who adopt the product will stay loyal over the three year period of our promotion, the base profit potential will increase to \$3. 2 M and \$5. 7 M in

the second and third years of this promotional strategy. See Appendix 10 for detailed financials.

This solution has been deemed long-term as we assume plumbers already have a 6 month work schedule where installation products have already been chosen. Graphs in Appendix 10 illustrates the comparison of the short term effects of targeting showrooms and the long term effects of targeting plumbers. As we have chosen a 3 year long term plan, we extrapolated the results of our short term strategy to show the subsequent effects of targeting showrooms in years 2 and 3 in Appendix 11.

We also conducted sensitivity analysis with lower and higher rates of adoption than the adoption rate used to calculate the base profit given above for both the short term and longer term plans. Even with a very low rate of adoption, these strategies were profitable as seen in Appendix 12. In terms of implementation, once the showrooms have been targeted, we will be devoting 15% of our sales force to actively promote the 1000 free giveaways at trade shops over a four month period.

Salespersons will only give one Quartz product per plumber, and will make their contact information available at trade shops for plumbers actively seeking out this promotion. They will also keep a registry of all plumbers given a Quartz shower so that they can follow up with the plumber at a later date to get their feedback.

#### 4.0 Contingency Plan

If both our long term and short term plans fail, we recommend that Aqualisa move the product to the mainstream by targeting DIY Sheds. To protect the premium Quartz brand,

Aqualisa should produce a similar product based on the Quartz technology, but without the enhanced customer features.

This product should be released under another brand name and target do-it-yourselfers who value ease of installation and price but not appearance. The reduced production cost should allow for a price reduction. Given the extreme ease of installation, we feel that this rebranded product would be easy to promote to this target market. We recommend that Aqualisa partner with DIY sheds to advertise the product by running workshops at some of the sheds to demonstrate shower installation.