

Marketing and cleopatra soap flashcard



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Colgate-Palmolive: Cleopatra (1) Evaluate the results of the market survey carried out in advance of the release of “ Cleopatra” after analysing the Canadian soap market. If you believe the market survey was not appropriate, explain specifically how you would have modified it. The results of the market survey carried out in advance of the release of “ Cleopatra” were less significant in confirming that there was a real strong demand for Cleopatra in the target Quebec market.

This is mainly because of the following reasons: (1) Inappropriate Target Sampling The idea of introducing Cleopatra soap to Canada, especially Quebec Province with French background, came because of the grand success in France and the expectation that the cultural similarities between those two places would produce similar results. Though the basis of considering the Quebec Province was their French influence, the market survey was conducted in Toronto, a city in Quebec’s neighbouring province Ontario that has British influence.

So at the first place, the researchers got the target sampling completely wrong and the market survey results for the British-influenced market cannot be used to assess the demand in the French-influenced market. (2)

Inappropriate Research Study Method. The first research study was conducted with a “ super group” of articulate professional women who were introduced to the product, its price and advertising, followed by open discussion on likes and dislikes. This study showed positive and receptive results for Cleopatra.

As Cleopatra was intended to be premium-quality, premium-priced soap, this study definitely validated the premium quality but there was still a question mark on the reception of premium price as the “super group” in this case are mainly concerned with the benefits of the soap and are less sensitive to the price. The second research study was conducted with more typical general consumers who were exposed to the advertising for Cleopatra and then asked if they were willing to buy the product. Also they were given a bar of soap for trial and were phoned a week later for their reactions.

This study showed that 50% were willing to buy the product after exposure to the advertising and 64% would buy it when it is available at the stores. Though this study shows that the people are willing to buy the product, it does not validate the reception of the premium price or the willingness-to-pay of the consumers as the price was not exposed to this study group. Since the typical general consumers were more price-sensitive, their willingness-to-buy the product definitely does not mean their willingness-to-pay the premium price for the product. Because of the above reasons, I believe that the market survey was not appropriate.

If I was in charge of the market survey, I would like to modify it as follows:
STEP1: Clarify the objectives of the market survey as below:(a) Assess the acceptance (willingness-to-buy) of Cleopatra soap by consumers in Quebec(b) Assess the factors influencing the buying decision of the potential consumers(c) Assess the willingness-to-pay the premium price of Cleopatra soap(d) Assess the effectiveness of the proposed advertising commercial for Cleopatra soap(e) Assess the response of consumers on Cleopatra soap for planning future promotionsSTEP2: Collect the information for determining
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the above objectives by doing the following: (1) Conduct the survey in the target market, Quebec instead of Toronto to assess the demand in the French-influenced market. Start survey with mass consumers and then based on the results, survey further on specific target consumers. (2) Ask questions like below to assess the key buying factors of the potential consumers in Quebec. What are the things that you consider while buying a skin care soap? Possible choices would be: (a) Price, (b) Quality, (c) Fragrance, (d) Mildness, (e) Soft for skin, (f) Other (___) (3) Ask questions like below to assess the willingness-to-pay of the potential consumers. Would you like to pay the premium price of \$1.29 for Cleopatra soap? How much would you like to pay for Cleopatra soap?

Possible choices would be: (a) below \$0.5, (b) \$0.5 to \$0.8, (c) \$0.8 to \$1.1, (d) \$1.1 to \$1.4, (e) above \$1.4 (4) Get feedback (like/dislike/opinion) on the advertising commercial from typical general consumers to assess if the commercial is really effective. Typical questions could be: Q. What did you like about the advertising commercial? What did you dislike about the advertising commercial? Q. Is the advertising commercial better than other advertising commercials for soaps? (5) Get feedback (like/dislike/opinion) on the Cleopatra soap from typical general consumers after trial use for planning future promotions. Typical questions could be: Q.

What did you like about Cleopatra soap? Q. Why would you want to buy Cleopatra soap? Q. What did you dislike about Cleopatra soap? Q. Why would you not want to buy Cleopatra soap? Q. Is Cleopatra soap superior to other skin care soaps? (2) What was made clear by the additional survey conducted in January 1987? The additional survey conducted in January 1987

made the following clear. (1) Low trial% but high acceptance% and high brand loyalty of Cleopatra soap. (2) Superiority of Cleopatra soap brand over other skin care soap brands. (3) High price as a factor of low trial% of Cleopatra soap. (4) Less availability as a factor of low trial% of Cleopatra soap. 5) Advertising less effective in compelling people to try Cleopatra soap.

(1) Low trial% but high acceptance% and high brand loyalty of Cleopatra soap. On calculating conversion rates based on data in exhibit 9, the trial% or the conversion rate from Brand Awareness to Ever Tried of Cleopatra is only 19.3%, which is very low compared to 83.9% and 87.6% of Dove and Camay respectively. However, the acceptance% or the conversion rate from Ever Tried to Brand In-home of Cleopatra is 48.6%, which is high compared to 28.6% and 17.6% of Dove and Camay respectively. This means that 48.6% of people who try Cleopatra make it as their brand in home.

Calculations
 (a) Trial% or Conversion rate from Brand Awareness to Ever Tried (%) = (Ever Tried (%) / Brand Awareness (%)) * 100%
 (b) Acceptance% or Conversion rate from Ever Tried to Brand In-Home (%) = (Brand In-home (%) / Ever Tried (%)) * 100%
 (c) Conversion rate from Brand Awareness to Brand in-Home (%) = (Brand In-Home (%) / Brand Awareness (%)) * 100% .

Also on calculating the % of Brand Used with relative to Ever Tried, we find that Cleopatra has a higher % of using the brand " All of the Time", " Most of the Time" and " Occasionally " compared to other brands in the skin care segment, while a lower % of " Stopped Using" than the other brands. This means that most of the people who try Cleopatra are loyal to it, confirming the high brand loyalty of Cleopatra soap.

Calculations% of " All of the Time" relative to Ever Tried = (All of the Time (%) / Ever Tried (%)) * 100%% of " Most of the Time" relative to Ever Tried = (Most of the Time (%) / Ever Tried (%)) * 100%% of " Occasionally" relative to Ever Tried = (Occasionally (%) / Ever Tried (%)) * 100%% of " Stopped Using" relative to Ever Tried = (Stopped Using (%) / Ever Tried (%)) *

100%The calculated values are shown in the table below. (2) Superiority of Cleopatra soap brand over other skin care soap brands. From exhibit 10, Cleopatra soap has the maximum number of respondents out of 99 Cleo Triers for all the attributes, showing that the Cleopatra soap brand is superior to the other skin care soap brands. This also shows that most people who have tried Cleopatra soap prefer to have it to other brands. 3) High price as a factor of low trial% of Cleopatra soap From consumer research on likes/dislikes of Cleopatra soap (exhibit 11), 20% of 99 Cleo Triers dislike Cleopatra soap because its price is too high. Also from consumer research on trial (exhibit 14), 19% of 204 respondents have given the reason for not trying Cleopatra soap as being too expensive. Thus, these results show that high price is a factor of low trial% of Cleopatra soap. (4) Less availability as a factor of low trial% of Cleopatra soap From consumer research on trial (exhibit 14), 29% of 204 respondents have given the reason for not trying Cleopatra soap as being not available where they shop.

Even though the people wanted to try Cleopatra soap, they could not buy it at their regular shopping stores. Thus, this result shows that less availability is a factor of low trial% of Cleopatra soap. (Note: In 1987, Cleopatra soap was available only in 70% of stores in Quebec.)(5) Advertising less effective in compelling people to try Cleopatra soap From consumer research on

advertising (exhibit 13), only 37% of respondents have shown their intention to try Cleopatra soap after seeing the advertising, while 63% of respondents have no intention to try Cleopatra soap after seeing the advertising. Thus, this result shows that the advertising is less effective in compelling people to try Cleopatra soap.

So the additional survey done in 1987 made clear that though the Cleopatra soap brand is superior to other soap brands, it has low trial% due to factors such as high price and less availability and the advertising not much effective in compelling people to try the soap. (3) From the perspective of Steve Boyd, evaluate both the qualitative and quantitative data to decide whether achieving the target market share of 4.5% is feasible or not. Break down the strategic options available. In my opinion, achieving the target market share of 4.5% is feasible. However, this would require modifications in the current marketing strategy along with more time and support from the sales and promotion activities. (1) Qualitative Analysis (1.) Canadian Bar Soap Market Analysis For market analysis, I would like to use the 5 Forces framework on the Canadian bar soap market as below: The Key Success Factors (KSFs) of the company are (1) Good Relationship with Retailers, (2) Competitive Price, (3) High Availability. Threat of new entrants is medium. (Barriers to entry are medium.) - Difficult to differentiate - Tough price competition with the existing brands Suppliers' bargaining power is weak. - Raw materials suppliers - General raw materials required for soap - Many suppliers of similar products Buyers' bargaining power is strong. - End consumers - Lot of brand choices (35 to 40) available - Few perceivable differences among brands - Only 3 or 4 "acceptable brands" - Price sensitive

Competition in the industry is very tough (strong internal rivalry). \$105 mil market to manufacturers- Revenue growth by 4-5% but Volume growth by 1.0-1.5% per year - Many new and existing brands- Lack of differentiation among brands- Retailers all-powerful- Price competition for gaining market share Threat of substitutes is low. - Substitute: liquid soaps- 8% market share- Maximum share not expected to grow beyond 10% in the future Colgate-Palmolive Marketing Strategy for Cleopatra Colgate-Palmolive used the differentiation strategy and positioned Cleopatra as the premium quality, premium priced skin care soap to avoid the price war. They bypassed retailers to avoid paying large sums of money to get the product listed and offering large trade allowances and discounts.

Instead they tried to use electronic media and consumer promotions (Free Bar Coupons, Cleopatra Gold Collection, Sweep stakes) to create demand from the consumers and thus force retailers to keep the brand. Though the advertising commercial and the consumer promotions created the brand awareness among consumers, demand was not created as expected and so the retailers were pulling the Cleopatra brand off the shelves. In addition, Cleopatra was sold in single packs despite the developing trend towards larger bundle packs and twin packs becoming the norm in the skin care segment. Current Marketing Mix (4P)Product- Premium quality skin care soap, Cleopatra- Single pack Price- Premium price (\$1.29 / bar)Place- Retail stores- Maximum shelf presence and

Proper shelf positioning Promotion- Advertising commercial (15% Share Of Voice)- Consumer promotions(Free Bar Coupons, Cleopatra Gold Collection, Sweepstakes)- Bypassing retailers (no trade allowances and discounts for

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retailers)(1. 3) Cleopatra Shelf Position in 1987From exhibit 8, it can be seen that the shelf positioning of Cleopatra is deteriorated. It received less shelf space than other brands and was placed in the bottom shelf between Woodbury and Generic brands, not in the eye level of the consumers.

Quantitative Analysis(2. 1) Cleopatra Soap Distribution Ratio and Market Share in 1987At the end of 1986, Cleopatra soap distribution ratio was 69%, well short of its target distribution ratio of 100% and its market share was 0.9%, again well short of its target market share of 4.5%. (2.) Correlation between market share and distribution ratio On drawing the scatter plot for market share and distribution ratio data in exhibit 6 and drawing the linear trend line, we have R^2 of 0.69581, which is a good fit. So we see that the market share seems to be correlated to the distribution ratio. (2. 3) 1987 Survey Findings From exercise 2, we have the following findings from the 1987 Survey. (Please refer to exercise 2 for details.)(1) Low trial% but high acceptance% and high brand loyalty of Cleopatra soap(2) Superiority of Cleopatra soap brand over other skin care soap brands(3) High price as a factor of low trial% of Cleopatra soap(4) Less availability as a factor of low trial% of Cleopatra soap(5) Advertising less effective in compelling people to try Cleopatra soap

Based on the qualitative analysis and the quantitative analysis, the following pros and cons/issues of the current marketing mix (4P) can be listed out:

Current Marketing Mix (4P)Pros Cons/Issues Product- Premium quality skin care soap- Cleopatra triers consider Cleopatra soap brand superior over other skin care soap brands- High acceptance% (48.6%) and High brand loyalty compared to other skin care brands- Low trial% (only 19.3%)- No

large bundle packs available Price- High margin due to premium price and no trade discounts- High price, compared to Dove(\$1.19 / bar) (one of the factors of low trial%)- Not competitive price (failure to meet the KSF of “Competitive Price”)Place- Good correlation between market share and distribution ratio (increasing distribution ratio would contribute into increasing the market share)- Less availability - distribution ratio of only 69% in 1986 (failure to meet the KSF of “High Availability”)- Deteriorating shelf positioning and space Promotion- Effective in creating high brand awareness- Adopted Demand Pull strategy and bypassing the all powerful retailers resulting into:(a) Failure to get proper shelf space(b) Conflict of interest for retailers(c) Non availability due to retailer indifference(failure to meet the KSF of “Good Relationship with Retailers”)- Less effective in compelling people to try Cleopatra soap(Low contribution to increasing trial%)So we see that though Cleopatra has high acceptance% and high brand loyalty and is considered superior to other brands, it has a low trial% mainly due to high price, less availability or distribution ratio with no proper shelf space and ineffectiveness of promotional activities to make people try the soap.

Despite the high Brand Awareness% and Acceptance%, we have low Brand In-Home% due to low Trial%. As a result, our sales are low and we have a low market share of 0.9% only. (Note: Brand In-Home% = Brand Awareness% x Trial% x Acceptance%)

Hence, if we could modify the current marketing strategy to achieve high Trial%, it should be feasible to achieve the target market share of 4.5%. We need to address the following issues to increase the Trial% of Cleopatra soap:(1) High price ? not competitive,(2) Less Availability or Low distribution

ratio,(3) Deteriorating shelf positioning and space, and(4) Ineffectiveness of promotional activities to create the required pull to ensure the trial . I would like to propose the marketing mix below to address these issues to ensure increase in Trial%, thus resulting into increase of our market share%.

Proposed Marketing Mix (4P)Product- Premium quality skin care soap, Cleopatra- Single pack + introduce Twin pack to follow the norm Price- Price same or slightly below Dove (\$1.9 / bar or slightly below), become more competitive in price, make it compelling to try Place- Increase contract with main retailers (for high availability or distribution ratio)- Negotiate with retailers for proper shelf positioning and space Promotion- Change advertising concept to fit the Quebec market (try to create the pull to ensure the trial)- Consumer promotions compelling people to try Cleopatra soap such as distributing free soap bars instead of free bar coupons- Provide trade allowances and discounts for retailers (try to build good relationship with all powerful retailers)Although lowering the price, distributing free soap bars and providing trade allowances and discounts for retailers will result into a low contribution margin but with increase in sales, we should still end up with a healthy contribution margin. Modeling to estimate the Revenues for Cleopatra soap Revenues (\$) =(Quebec Soap Market Volume (# of cases) x Cleopatra Market Share (%)) x Case Price (\$)In order to increase the revenues, Cleopatra Market Share needs to be increased.

Modeling to estimate the Market Share for Cleopatra soap Market Share (%) = [(Brand Awareness % * Trial % * Acceptance %) * # of households in Quebec *Avg. # of Cases consumed per household] / Quebec Soap Market Volume (# of cases)Since we have a high Brand Awareness % and

Acceptance %, increasing the Trial% would lead to increase in the market share of Cleopatra soap. Calculation of Trial % required for achieving Target Market Share of 4.5%

Item Value Source Brand Awareness % 73.5% Exhibit 9 Acceptance % 48.6% Calculated value using data in Exhibit 9 ((Brand In-Home% / Ever Tried %) * 100%)

of households in Quebec 2.3 million Page 6 Avg. # of Cases consumed per household 0.25 Assumption (0.5 case per year) = 0.25 * 48 soaps per year = 12 soaps per year = 1 soap per month

Quebec Soap Market Volume (# of cases) 2.0 million Calculated value using Forecast data in Exhibit 6 which is based on target market share of 4.5%

Total Forecast from 1986 Feb to Dec / 0.045 = 90,500 / 0.045 = 2,011,111 = Approx. 2.0 million cases

From modelling to estimate the market share for Cleopatra soap, we have Market Share (%) = [(Brand Awareness % * Trial % * Acceptance %) * # of households in Quebec * Avg. # of Cases consumed per household] / Quebec Soap Market Volume (# of cases)

That is, 0.045 = [(0.735 * Trial % * 0.486) * 2.3 million * 0.25] / 2.0 million

On solving for Trial %, we get Trial % = 43.8%

At present, we have a Trial % of 19.3% with the Brand Awareness % of 73.5%. So if we could increase the Trial % to 43.8% (assuming that Acceptance% remains at 48.6%), we should be able to achieve the target market share of 4.5%.

Available Strategic Options Steve Boyd, Group Product Manager, had the following three options available: (1) Admit defeat and discontinue the brand, (2) Continue the strategy with minor modifications, if necessary, and try to get a 4.5% market share by giving it more time and support (3) Alter the strategy or even the product itself

Recommended Strategic Option .

I would like to recommend Option (2) to the management of Colgate-Palmolive based on the qualitative and quantitative analysis done in exercise 3. As we have seen that Cleopatra soap has been accepted as a high quality soap and is considered superior brand to other brands in the skin care segment, but due to various factors, the trial% is very low resulting into less market share. So if minor modifications can be done in the marketing strategy (such as the proposed marketing mix in exercise 3) to try to address the existing issues resulting into low trial%, it should be possible to increase the trial% and finally achieve the target market share of 4.5% in some time.

Option (1) has the benefit of not losing any more money if Cleopatra continues to be a failure, but it also has the risk of losing the opportunity of making more money if Cleopatra could succeed by making minor modifications in the marketing strategy. Also it would be too early and unfair to discontinue a brand that is highly evaluated and accepted by the consumers after a short period of about a year. Option (3) has the benefit of altering the strategy or even the product and start up all again to try and make consumers buy the product, but this is not required as the 1987 survey results show that Cleopatra has a high acceptance% of 48.6% and a high brand loyalty.

It would be wise to review the current marketing strategy and make minor modifications to address the existing issues resulting into low trial%. Option (2), however, has the risk of losing even more money if Cleopatra continues to be a failure but considering the fact that the product was so successful in a similar market in France and the 1987 market survey results that validated the acceptance of Cleopatra brand by the consumers, it should be a good

risk to try and give the product more time and support. Making the price competitive, building good relationships with the retailers to get proper shelf positioning and space and making effective promotions to create a pull to ensure the trial are the key factors to the future of the Cleopatra brand.