Harvard business review – the fashion channel

Introduction The Fashion Channel was a succesful cable TV network who dedicated solely to fashion and broadcast for 24/7. Founded in 1996 from two entrepreuners, this Channel had constant revenue and profit growth above the industry average. Woman between 35 to 54 years were it's most avid viewers, according to its annual demographic survey. Beyond its basic demographics, the channel didn't have much detailed information about it's viewers nor did it attempt to market to any viewer segments in particular.

TFC had grown quickly without any detailed segmentation, branding or positioning strategy. However, at the beginning of 2006, TFC realized that other networks were taking note of its success and beginning to add fashion-related programming to their line-ups. By June 2006, Jared Thomas rethink his approach to marketing, he told his senior team that it's time to buile a modern strategy and secure TFC's position as the market leader. Thomas also wanted to hire an expirienced marketer to develop marketing and brand-building programs to support TFC's continued growth.

Enter Dana Wheeler in July 2006. Thomas expected that Wheeler would draw on these strengths to help TFC became star again. Wheeler's Plan Wheeler had been warned by Ad Sales that TFC had to drop the price for a unit of advertising next year by 10% if the networks did not make some changes in it's performance, she knew in order to hold or increase price it would be crucial to attract a critical mass of viewers. The key would be targeting the right viewers and offering advertisers an attractive mix of viewers when compared with what compatitors were offering.

At the same time, she knew that the network needed to maintain its overall audience ratings with the cable consumers and the cable affiliate distribution network. If the network changed its offerings in a way that disappointed too many cable subscribers, it could risk losing its distribution support. Another Wheeler plans were to build a strategy for segmentation, and use it as a base to employ all of the marketing tools ? traditional and internet advertising, public relations and promotions ? to reach the target consumers with integrated positioning messages.

TFC's Advertising Revenue Model TFC was on target to generate $230. 6 million in 2006 from advertising. The advertising business model was built on attracting a mix of male and female viewers on a regular basis as measured by ratings. TFC's Ad Sales team sold access to these viewers via adverstising spots to a variety consumers marketers. Wheeler knew from industry studies that in 2006, US consumer advertisers spent almost $20 billion buying spots on cable networks such as TFC, these competition for ad revenue was always fierce across all the networks.

She also concern about advertising pricing. The network based ad unit prices on several factors, which advertisers also monitored, including the number of viervers, the audience's characteristics, and general competitive trends. Price were expressed as CPM (cost per minute), which represented the price that an advertiser would pay for an impression or moment of viewing. Networks whose audiences were older or had low family incomes commanded lower rates for advertising. Advertisers would pay a premium CPM to reach certain other groups, in 2006, these were men of all ages and women aged 18-34.

By increasing the ratings in highly valued demographic groups, the TFC Ad Sales team could achive CPM pricing increases from 25% – 75%. By attracting a large number of highly viewers, TFC had the opportunity to grow its advertising revenues. Cable Affiliate Fees Cable affiliate fees, brought $70 million in 2006 and were the second source of TFC revenue. Large multi-system operators (MSO) would sign multi-year contracts with networks specified the fee the networks would receive for each household that received the channel.

TFC fee was at the low end of the industry range, reflecting the specialty niche content of the network. It was important for TFC to maintain its general satifaction level and keep the affiliated happy. There wasn't much to do as far as cable affiliate revenue, the nerwork had already achived virtual full penetration of available cable and there was limited opportunity to raise fees. Competitive Threats The two biggest TFC competitors were CNN and Lifetime had the higher ratings, Lifetime 4. 5, CNN had scored 4. 3, and TFC only achived 3. on consumer interest in viewing. These data are used to determine how much to pay for each networks, and also where they would include the network in their consumer offerings. The cable operator needed to offer service packages that would appeal to the home consumer and would justify the monthly cable fee. To Wheeler, TFC had to improve consumer interest, awareness, and perceived value. She said also that TFC could win in the market if the channel builds its marketing programs around the right consumer segmentation.

TFC had to identify the customer groups that are most worth the effort to purse. TFC could use market research not only for demographic data but also

to study consumer behaviour and attitudes – how viewers use the networks, what they value and what needs they have. SWOT Analysis Strength * The only fashion network that broadcast for 24/7 * Basic Channel on cable affiliates * reaching almost 80 million U. S. households * most widely available niche networks| Opportunity * TFC may able to attract more advertisers because they broadcast 24/7 and U. S. onsumer advertisers spent almost $20 million on buying spot on cable spot * As Basic Channel, TFC may be able to innovate their programs without scare of losing their consumers * TFC may be able to achive more revenues by attracting right viewers -men of all ages and women aged 18-34| Weakness * Didn't have much detailed information about its viewers * Didn't have much detailed segmentation, branding or positioning strategy * The ratings only 3. 8 on consumer interest of viewing| Threat * Another fashion specific channel (CNN and Lifetime) that has higher ratings and consumer awereness| Attitudinal Research Findings

Wheeler also concern about consumer research, TFC had documents that contained the highlight of a national consumer field study by GFE Associates – Market research firm. GFE Associated had to prepared compiling the results into attitudinal clusters. To create these clusters they had to run the answers to all 100 questions through a sophisticated statistical correlation program to analyze patterns in the way consumers had answered. The report suggested 4 unique groups of viewers : Fashionistas, Planners & Shoppers, Situationalist, and Basic.

Wheeler also perceived several possible multi-cluster schemes. Wheeler had proposed 3 alternative to the company, that she thinks was the best idea to

increase TFC advertising and ratings. Alternative 1 : Focus on cross segment of Fashionistas, Planners & Shoppers and Situationalist. By investing in a major marketing and advertising campaign as well as programming, it would be reasonable to expect that awareness and viewing of the channel would go up and could deliver a ratings boost of 20%. However Ad Sales was forecasting a 10% drop in CPM to $1. 0 if the current audience mix stayed the same – and a broad multi-cluster strategy might not deliver an audience different enough to avoid that fate. Alternative 2 : Focus more on the Fashionistas. This segment was string in the highly valued 18-34 female demographic. It was smaller than the other segments, representing only 15% of households, and so targetting them might lead to a drop in viewers – but it also strengthen the value of the audience to advertiders, with a likely increase in CPM. Alternative 3 : Focus only two segments – the Fashionistas and the Shoppers/Planners.

This dual targetting would drive average ratings over time to 1. 2 with a potential CPM of $2. 50. For this scenario she would need to spend an additional $20 million on programming to ensure that there were selections aimed at both segments. Recommandation After reviewed all the alternatives to improved TFC ratings and advertisers. Our recommandation are : * TFC should focus on customer intimacy which has to make a programs that viewers wants to watch, eventually could increase its ratings and profit.

On those 3 scenario above, the best alternative are the third – focus on the Fashionistas and the Shoppers/Planners. The combination of both cluster would attrack more of Advertisments buyers. With both size of cluster – in total 50%, TFC can still focus and also still grap a lot of viewers. Although the

cost is quite big, the result would drive their ratings up to 1. 2 with the potential CPM of $2. 5 * TFC should grap more of their consumers by improving their programs which has to be up- to-date, competitive and fresh. So they still catching up with the latest trend that consumers wants.