

dermavescent laboratories, inc. essay sample

[Economics](#), [Consumer](#)



Abstract

A manufacturer of women's shaving gel, Dermavescent Laboratories has enjoyed market success since the spring of 1991. In 2005, their sales were over \$3 million, and according to market research and studies, a potential size change and package update could provide additional income opportunity. Study group Tan Soup has reviewed the current situation, analysis, alternatives, and recommendations in this case report. (Kerin, 2009) Keywords: Dermavescent

Dermavescent Laboratories, Inc.

Case Study Analysis

Strategic Issues and Problems

Dermavescent Laboratories manufacturers a woman's shaving gel known as Soft and Silky Gel. The product has been on the market for over 14 years and has enjoyed brand loyalty and success in this specialized segment of the shaving industry. To stay relevant and competitive in the women's shaving gel market, Dermavescent has performed market surveys and research to determine demand for change in the Soft and Silky Gel product size and packaging. (Kerin, 2009) Given the market research and study's, newly appointed product manager Phoebe Masters must choose what size and test market to deploy the new design for Soft and Silky Gel. Not only does she face competition in the market and industry, but also internal competition with Masters' brand assistant, Heather Courtwright. (Kerin, 2009) Whatever choices and decisions, it must continue to provide the quality product that brand loyal customers seek. It must also yield the proper price and margin to

continue to grow profitability for the company. (Kerin, 2009) Industry, Market, and Buyer Analysis

The women's shaving market in the United States has two major segments that would be of interest to Dermavescent Laboratories Inc. They are women who currently use shave gels and creams and those using soap and water. (Kerin, 2009) Dermavescent knows based upon historical data and research that women look for shave gels that make it easier to shave and commonly seek products that provide moisture and reduce irritation from shaving. However, the more traditional form of shaving among women is simply the soap and water method, leaving sales in the women's shave industry mostly lopsided. (Kerin, 2009) With 77 percent of the manufacturers sales going toward razors and only 23 percent toward shaving gels and creams, there is still much room for growth in the shave gel and cream sector. (Exhibit 1)

The women's shave needs market has experienced an annual growth of 3-5 percent since 2000. (Exhibit 2) With a big push currently going toward the shave gel and cream segment of the market, it is prime time to make a claim with a piece of this booming segment. Dermavescent's 5.5 ounce Soft and Silky Shaving Gel is more expensive priced at \$0.72 per ounce, than many of their competition. Skintimate's shave gels priced at \$0.40 per ounce, and Satin Care is \$0.43 per ounce. However, with the women's shave market being more concerned with product performance and quality over price, these higher prices could be a moot point. With customers of this industry only spending an average of \$12.50 per year on shaving supplies it will be

significant to make loyal repeat customers. (Kerin, 2009) Organizational Analysis

Dermavescent Laboratories, Inc. manufactures consumer products. The primary focus of those products is in woman's personal care realm and includes a full line of women's toiletries such as lotions for the body and hands and creams for the face. In 2005, their sales were \$258 million and \$3. 724 million came from their Soft and Silky Shaving Gel. Soft and Silky is promoted as a premium product; therefore the cost is higher than its competitors. Since the product has a unique niche, it has been profitable since its inception and has a vast brand loyal following. The company is looking at whether or not to add to their product line of shaving gels with a shaving cream. The existing production line has been maxed out, and no plan to modify existing machines or add to the production line to increase capacity. Therefore, the idea of outsourcing the new product line makes sense.

The only issue is that if they continue to overburden the production line and cause the gel to be out of stock, the new product may usurp the old product line. Some cannibalism is expected, but not enough to obliterate the old product completely. Dermavescent should also consider going into the aerosol can business because it sounds like they have enough unique product identifiers to launch it, thereby setting themselves apart from their competitors. They were successful with the launch of their Soft and Silky Shaving Gel; they should have every expectation that they would be able to market this product as well. Continued use of rack jobbers would be

necessary to place their products effectively in the stores. Alternative Courses of Action

Masters' first option would be to keep the peace between herself and Courtwright, and her test-marketed recommendation. This option would mean introducing the new packaging in a test market situation where they would separate the 5.5 ounce can and 10 ounce can into different stores to see which sold better. (Exhibit 7) Considering the finding from the test market analysis, only 45 percent of current Soft and Silky customers would consider switching to the new packaging. The analysis means that the other 55 percent would still purchase the original packaging. Additionally, only 25 percent of the non-customers said that they would switch to Soft and Silky with the introduction of new packaging. (Kerin, 2009) Masters will need to look at the alternative options in order to determine if implementing in the test market is in the best interest of the product line. Alternatively, either Masters could decide against doing the test marketing research altogether and instead introduce the 5.5 ounce can or the 10 ounce can while continuing to produce the 5.5 ounce tube of the Soft and Silky gel.

The 70/30 probability forecast analysis from the market research study indicates the following: Should Masters decide to introduce, the 5.5 ounce can while continuing to produce the 5.5 ounce tubes she could expect an approximate net financial increase of \$80,270.06~. (Exhibit 3) Conversely, if Masters decided to introduce the 10 ounce can while continuing to produce the 5.5 ounce tube of gel she could expect an approximate net financial increase of \$86,244.36~. (Exhibit 4) Lastly, Masters could choose to change

nothing and continue to maintain production on their original packaging and leave the option to introduce new packaging for a later time. The anticipated gross profit is over \$2.9 million. (Exhibit 5) Courtwright's proposal has been summarized in Exhibit 7. Recommendation and Discussion

There are many factors that go into considering a new or extended product launch. The market research and surveys have provided an excellent indication as to consumer's preferences. After a review of the alternative courses of action, we recommend the introduction of the of the 10 ounce aerosol can. This option provides the highest financial impact with minimal variable costs outlay of \$10,000 for supplier setup. (Exhibit 6) Once this cost is sunk, and Dermavescent can monitor demand for the new package and aerosol product, they can gauge introduction of the 5.5 ounce product within 12 to 18 months.

The recommended alternative would require proper product placement, utilizing the rack jobbers. Additionally, marketing in female focused magazines and cooperatives with local newspapers would provide a buzz around the new product size and features. The existing Soft and Silky Shaving customers have proven loyal to the brand. While there may be some cannibalization of those users, the effect would be minimal to the overall profitability of the product line. Tan Soup would recommend the product launch prior to the peak shaving season; further the 10 ounce aerosol provides the highest margin and return on investment for the company.

References

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Kerin, P. R. (2009). Dermavescent Laboratories, Inc. Case. In R. A. Peterson, Strategic Marketing Problems, 13th edition (pp. 201-217). Pearson. Roger A. Kerin, R. A. (2013). Strategic Marketing Problems. Upper Saddle River: Pearson Education, Inc.

Exhibit 1

Seasonality of Women's Shaving and Shaving Area
(Percentage of U. S. Women)

Source: (Kerin, 2009)

Exhibit 2

Soft and Silky Shaving Gel Unit Sales Volume, 1991-2005

Source: (Kerin, 2009)

Exhibit 3 – Introduction of 5.5 Ounce Cans – High and Low Forecast
5.5 Ounce Can High Forecast