

Northern Michigan University

CASE: PERSONAL CARE PRODUCTS, INC.

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WOMEN'S WET SHAVING MARKET SIZE

Past and Predicted Market Data

Column1	Column2
Annual Market Growth	3-5%
Current Market Size (In Millions) \$	550
Estimated Future Growth	3%

Figure 1.1 shows the market data needed to estimate the market size year-by-year.

Estimated Market Size by 2025

Year	Market Size (In Millions)
2019 \$	566.5
2020 \$	583.5
2021 \$	601.0
2022 \$	619.0
2023 \$	637.6
2024 \$	656.7
2025 \$	676.4

Figure 1.2 shows the estimated market size for the Women's Wet Shaving Market from 2019-2025. The linear growth was projected by assuming the worst growth (3%) that was seen from 2012-2018.

Estimated Market Size by 2025

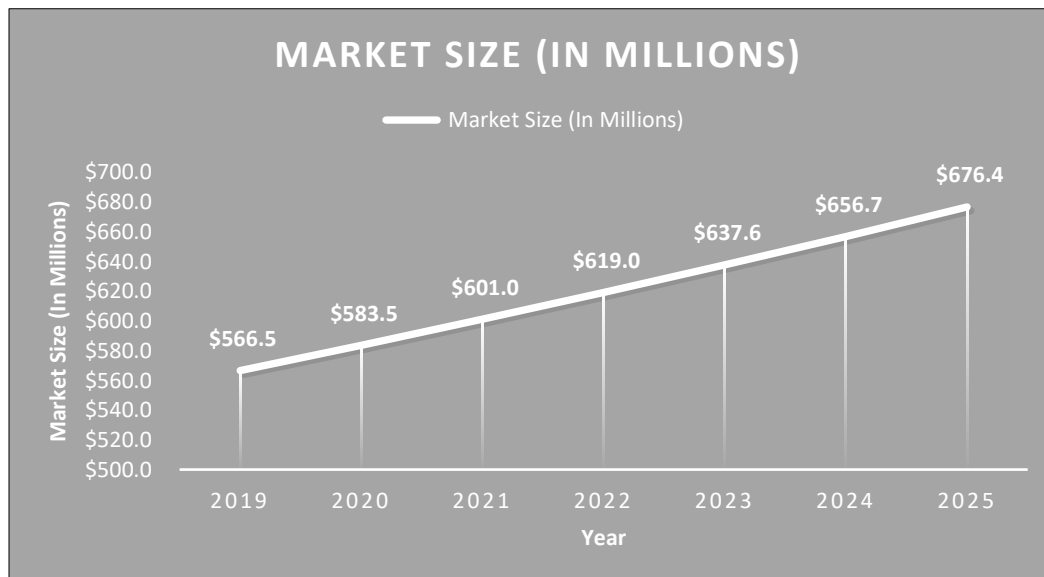


Figure 1.3 is a graph depicting the estimated market size for the Women's Wet Shaving Market.

MARKET POSITION OF SOFTIQUE SHAVING GEL

Market Share of Softique Shaving Gel

Column1	Column2
Wet Shaving Market Size	\$ 550,000,000.00
Shaving Cream & Gels Portion	23%
Shaving Cream & Gels Market Size	\$ 126,500,000.00
Softique Shaving Gel Revenue	\$ 3,724,000.00
Softique Market Share	2.944%

Figure 2.1 shows the portion of the Wet Shaving market that consists of shaving cream & gel products (23%) and the subsequent market share of Softique in the Shaving Cream and Gels market. Softique holds a **2.944%** market share in the Shaving Cream and Gels market.

Softique Unit Sales History (2004-2018)

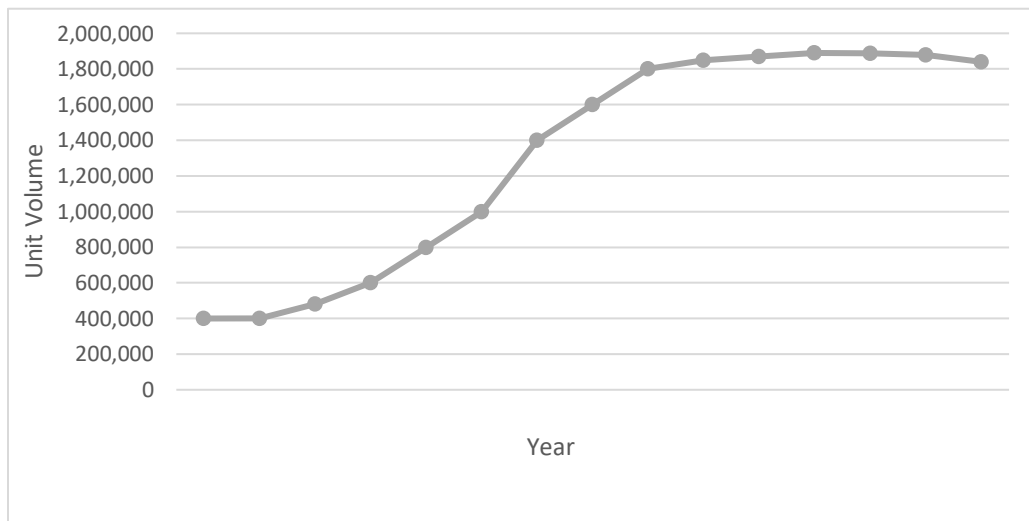


Figure 2.2 shows the unit sales history year-by-year from 2004 through 2018 presented in the case. The notable portion of the chart is the growth from 2009 to 2010 as well as the plateau beginning in 2012.

Market Growth Rate Compared to Softique

Column1	Column2
Years (2012-2018)	6
Market Growth Per Year	3-5%
Softique's Growth (2012-2018)	2.22%
Softique's Average Growth Per Year	0.37%
Estimated Growth in 2019	(0.32%)

Figure 2.3 shows the average growth between 2012 and 2018 presented in Figure 2.2.

Softique currently holds a 2.944% market share (shown in Figure 2.1) of the Shaving Cream and Gel market in the year 2018. Presumably, the market share percentage has declined between the years 2012 through 2018, as the overall Women's Wet Shaving market grew between 3-5% per year while Softique had experienced a measly 0.37% average growth between the same years. The expectation of an adequate firm is to grow at the same rate as their overall market they perform within. Of course, Softique is within the high-quality niche submarket of the Women's Shaving Cream and Gels market, which may not have experienced the same 3-5% growth per year.

STRATEGIC OPTIONS FOR A MATURE BRAND (PLC)

1. Focus on Brand Differentiation
2. Product Innovation
3. Reduction of Price
4. Invest in Customer Service and Procuring Customer Testimonials

Focus on Brand Differentiation

Products that have entered the maturity stage begin to notice a plateau of sales. The market has become much more saturated as competition has multiplied greatly. At this point, product differentiation must occur. Being a "me-too" brand will inevitably result in a much earlier decline stage. Differentiation can occur through multiple different strategies, but for Softique the differentiation is simple: Highest Quality Product Available.

Product Innovation

During the growth stage of Softique, product innovation had occurred and likely resulted in a large boost in unit sales. Of course, skepticism should be used as this did happen during the growth stage. In 2009, Softique changed their formula to add three additional moisturizers. That year, Softique experienced a growth in sales of about 40% (see Figure 2.2).

Reduction of Price

A common strategy associated with the maturity stage of the product life cycle is a reduction in price to stay more competitive amongst growing competition. Although a reduction in price may be necessary, the suggested retail price should still reflect the premium quality brand image that Softique currently holds.

Invest in Customer Service and Procuring Customer Testimonials

Investing in customer service allows for a much more satisfying customer experience, especially for a premium quality brand. When a customer has an issue, they expect to have it resolved timely and effectively when paying a premium price. Another common strategy at this stage is to use customer testimonials in marketing to convince noncustomers to switch over to Softique.

THE DO-NOTHING APPROACH

DISCLAIMER = The percentages derived from the sales history (Figure 2.2) will be used to determine one of the predictions of sales for the “Do-Nothing” Approach. Unfortunately, the numbers given on the line graph differ from the units stated in the case text. For example, the graph’s x-axis depicts the years 1991-2005 and the final plot point has a y-axis value of 1,840,000 units sold. In order to keep congruence with the case, the only calculations made will be the increase/decrease year-by-year in percent. The units sold for 2018 will continue to be 1,960,000 units for the sake of congruence.

The “Do-Nothing” Approach would very likely result in a continued decline in product sales, as the product sales history indicates. The newly appointed product manager, Erica Mobly, confidently predicts that the sales will reduce by 0.32% in 2019 if the “Do-Nothing” Approach was conducted. However, when further analyzing the sales history there are telling signs the loss in sales may actually be much more dramatic. The decline from 2017 to 2018 was about 2.02% and the average annual decline between 2015 and 2018 was 0.88%. If the “Do-Nothing” Approach is pursued, the decline in 2019 is likely to be larger than 2.02% as the decline seems to be accelerating between 2015 and 2018. For the sake of preventing an overestimate in loss, the 2.02% will be used as an “optimistic” scenario for the 2019 sales for Softique.

Another assumption worth noting is the expected assignable costs, or more specifically the advertising and promotion costs which have been increasing every year. Unfortunately, the case does not specify how much the costs have been increasing by, so the assumption is that the assignable costs will remain the same.

Historical Performance	
Column1	Column2
Average Revenue Per Unit Sold	\$ 1.90
Cost of Goods Sold Per Unit	\$ 0.40
Units Sold	1,960,000
Ounces Sold	10,780,000
Revenue	\$3,724,000
Cost of Goods Sold	\$ 784,000
Assignable Costs	\$1,576,100
Profit	\$1,363,900

Figure 3.1 shows the average revenue per unit sold, costs of goods sold per unit, and ounces sold. All of the information was derived from the Income statement (Exhibit 1) in the case. The only other information warranted was the number of units sold.

Erica Mobly's Prediction

Column1	Column2
Expected Decline	0.323%
Estimated Units Sold	1,953,668
Estimated Ounces Sold	10,745,175
Estimated Revenue	\$3,711,970
Estimated Costs of Goods Sold	\$ 781,467
Assignable Costs (2018)	\$1,576,100
Estimated Profit	\$1,354,402

Secondary Prediction

Column1	Column2
Expected Decline	2.02%
Estimated Units Sold	1,920,408
Estimated Ounces Sold	10,562,244
Estimated Revenue	\$3,648,775
Estimated Costs of Goods Sold	\$ 768,163
Assignable Costs (2018)	\$1,576,100
Estimated Profit	\$1,304,512

Figures 3.2 and 3.3 show the estimated units sold, ounces sold, and revenue based on the expected decline proposed by Erica Mobly as well as a continuation of the decline experienced in the profit sales history between 2017 and 2018. Additionally, 2018's Assignable Costs and an estimated COGS is used to derive the estimated profit.

The results show a predicted loss in profits in the range of \$9,498 - \$59,388. The loss may be underestimated as the decline is likely to be larger than 2% since the decline from the peak in 2015 has been accelerating each year. Beyond the mature and saturation stage of the product life cycle is the decline stage, which can be quite rapid if precautions aren't taken.

TEST MARKET CONSIDERATIONS**Estimated Market Test Costs**

Costs Category	Costs
Research	\$ 30,000
Supplier Setup	\$ 10,000
Goods Sold	\$ 10,600
Estimated Cannibalization	\$ 9,000
Total Costs	\$ 59,600

Figure 4.1 shows the estimated market test costs. Cannibalization numbers were derived from the process shown in Figure 4.3.

Estimated Market Test Revenues

Revenue Category	5.5oz Aerosol	10oz Aerosol
Units	20000	20000
Retailer Revenue	\$ 70,000	\$ 85,000
Retailer Cost (40%)	\$ 28,000	\$ 34,000
Rack Jobber Cost (20%)	\$ 8,400	\$ 10,200
Manufacturer's Revenue	\$ 33,600	\$ 40,800
Total Revenue	\$	74,400

Figure 4.2 shows the estimated market test revenues.

Estimated Market Test Cannibalization

Column 1	5.5oz Aerosol	10oz Aerosol	Total
Units	20,000	20,000	40,000
Ounces	110,000	200,000	310,000
Cannibalization Rate	20.14%	12.23%	N/a
Ounces Cannibalized	22,154	24,468	46,622
Loss Per Ounce	\$ 0.08	\$ 0.30	N/a
Cannibalized Revenue	\$ 1,772	\$ 7,218	\$ 8,990

Figure 4.3 shows the estimated cannibalization of the two test products. The cannibalization rates were derived from averaging the low and high estimates for each product's forecasts found in Exhibit 5 of the case.

Overall the test market wouldn't result in a negative profit margin, but will have opportunity costs. The estimated net income of the test market would be \$14,800. If the same 40,000 units were sold without modified packaging (Do Nothing Approach), the net income would've been \$27,816 resulting in an opportunity cost of about \$13,000. When considering the sunk costs of the \$35,000 in preliminary tests, the opportunity cost of \$13,000 is minimal.

In addition to sunk costs and the relatively small opportunity cost workplace relations should be considered as well. Daniel Benzinger, Softique's brand assistant, has become very emotionally invested in the aerosol packaging. If his idea is discredited without proper investigation, then workplace relations may suffer. In order to prevent workplace strife and capitalize on sunk costs, as well as conduct further research before deciding on a packaging decision, the market test should be conducted.

Lastly, the market test should be conducted because of the reliability of the previous preliminary tests. Focus groups can often be fallible and the sales forecasts (Exhibit 5) were achieved by researching ten men's shaving cream products and not women's.

How Should the Marketing Test Be Conducted? Exactly as the Case Presents:

- Limited Cross-Section of Drug and Food-And-Drug Stores
- Split Between Heavy and Low Volume Stores
- All Stores Must Presently Carry Softique
- Split Stores Half-and-Half With 5.5oz and 10oz Container
- Three Month Test Beginning in April
- Promotional and Advertising Practices Remain the Same
- Research and Record Cannibalization Rate and Incremental Sales
- 20,000 Units of Each Product Will Be Initially Purchased
 - o The Decision to Buy More Units Can Be Made During Test Market if Need Be

PACKAGING DECISION/RECOMMENDATION

The recommendation is derived from analysis of the data presented in Exhibit 5 and the current brand positioning. The recommendation for Softique is to not use either aerosol packages. The team recommends to either keep the same packaging or consider another type of packaging that reflects *premium quality* and differentiates the product. The majority of the competition already use aerosol containers and it would be in the best interest for Softique to differentiate themselves. The proposition by Benzinger to diminish the retail price and profit margin is an excellent idea to increase competitiveness of Softique in its maturity stage. Another large problem with Softique is their inability to maintain excellent fill-rates. Outsourcing of the unmet demand should be considered as well as potentially expanding production capacity (without waiting three years). The lost sales could alone cause the company to increase their sales. The focus groups results should be taken lightly, but a few key components should be taken into consideration:

1. Customers and noncustomers unanimously favored the aerosol can, but noncustomers still believe the 10oz aerosol can to be too expensive. Customers would prefer the 10oz can to prevent more purchases.
2. Customers are extremely loyal, while noncustomers had no such loyalty to any brand.
3. One-Fourth of the noncustomers said the tube packaging was their principal reason for not converting, but they also included price (which should still reflect the premium quality).
4. Heavy cannibalization will occur. 20-25% of the current customers said they would switch over to the aerosol can.

The focus group results created the following considerations:

- A 10oz size container should be created. The 5.5oz tube can remain at the same or very similar prices, while the 10oz tube reflects the reduction in price.
- The tube packaging is unfavorable by customers and noncustomers alike. Changing packaging into glass or plastic bottles should be considered.
- 25% of noncustomers switching over is unreasonable. In addition, prices should still reflect premium quality and remain at or above \$0.55 per ounce.

ANALYTICAL CONSIDERATIONS

Opportunity Cost Calculations

	Ounces Sold	Revenue Generated	Container Type
Forecast A			
Cannibalization	-2145174	\$ (1,540,624.96)	5.5 Ounce (Tube)
	2145174	\$ 1,365,110.73	5.5 Ounce (Aerosol)
Net New Volume	300000	\$ 190,909.09	
Additional Revenue		\$ 15,394.85	
Forecast B			
Cannibalization	-2345174	\$ (1,684,261.33)	5.5 Ounce (Tube)
	2345174	\$ 1,492,383.45	5.5 Ounce (Aerosol)
Net New Volume	500000	\$ 318,181.82	
Additional Revenue		\$ 126,303.95	
Forecast C			
Cannibalization	-1745174	\$ (1,253,352.24)	5.5 Ounce (Tube)
	1745174	\$ 741,698.95	10 Ounce (Aerosol)
Net New Volume	800000	\$ 340,000.00	
Additional Revenue		\$ (171,653.29)	
Forecast D			
Cannibalization	-1145174	\$ (822,443.15)	5.5 Ounce (Tube)
	1145174	\$ 486,698.95	10 Ounce (Aerosol)
Net New Volume	1500000	\$ 637,500.00	
Additional Revenue		\$ 301,755.80	

Figure 5.1 shows the additional revenue provided by adding aerosol container types to the product line. The chart considers the cannibalized ounces and determines the opportunity cost to continued tube sales as well as considering the additional units sold. The forecasts are taken from Exhibit 5.

Focus Group Cannibalization Rates Opportunity Cost Calculations

	Ounces Sold	Revenue Generated	Container Type
Forecast A			
Cannibalization (25%)	-2686293	\$ (1,929,246.79)	5.5 Ounce (Tube)
	2686293	\$ 1,709,459.18	5.5 Ounce (Aerosol)
Net New Volume	300000	\$ 190,909.09	
Additional Revenue		\$ (28,878.52)	
Forecast B			
Cannibalization	-2686293	\$ (1,929,246.79)	5.5 Ounce (Tube)
	2686293	\$ 1,709,459.18	5.5 Ounce (Aerosol)
Net New Volume	500000	\$ 318,181.82	
Additional Revenue		\$ 98,394.21	
Forecast C			
Cannibalization	-2149034	\$ (1,543,397.15)	5.5 Ounce (Tube)
	2149034	\$ 913,339.45	10 Ounce (Aerosol)
Net New Volume	800000	\$ 340,000.00	
Additional Revenue		\$ (290,057.70)	
Forecast D			
Cannibalization	-2149034	\$ (1,543,397.15)	5.5 Ounce (Tube)
	2149034	\$ 913,339.45	10 Ounce (Aerosol)
Net New Volume	1500000	\$ 637,500.00	
Additional Revenue		\$ 7,442.30	

Figure 5.2 shows the additional revenue provided by adding aerosol container types to the product line. The cannibalization rate is determined by the focus group's responses.

Computing the opportunity costs based on the forecasts shown in Exhibit 5 shows the additional revenue (as well as loss) potential based on ten examples of men's shaving cream products changing packaging size (with a great deal of variation between size and container type). Due to the fact that the research was conducted through the men's shaving cream market and the variations in decisions and reasoning the results of Exhibit 5 could be quite fallible. The results of Figure 5.1 show the relative upside and downside of additional revenue. The 10oz container has a high-risk high-reward scenario that should be avoided. The 5.5oz container predicts a range of additional revenue of \$15,000 - \$125,000; but start-up costs, costs of goods sold of additional revenue, and assignable costs would likely be more than \$15,000. The risk to reward as well as resources allocated make the additional revenue range seem lackluster.

Increasing the cannibalization rates to 20% for the 10oz container and 25% for the 5.5oz container while keeping the overall aerosol sales the same for each forecast shows an even more daunting picture. Launching the 10oz container has no possibility of profitability as start-up costs, costs of goods sold of additional revenue, and assignable costs would be much more than \$7,500. The additional revenue provided by the 5.5oz aerosol container is more palatable, but is still lackluster when considering all the resources utilized when conducting the market/preliminary tests, additional assignable costs, start-up costs, and overall risk.

Summary of Recommendations:

1. Continue to undergo market test to further gather concrete data. Potentially add a third product package either being glass or more appealing plastic bottles. Consider discontinuing the tube package entirely for plastic containers.
2. Do not invest into aerosol packaging at any size unless market test garners considerable results.
3. Reduce the price per ounce of the product. A larger, 10oz container should be introduced to achieve the price reduction. The recommended retail price should be \$5.99 (\$0.60/ounce) to be more comparable to S.C. Johnson's Aveeno (\$0.57/ounce).
4. Outsourcing of production or increase in production capacity is a necessity as Softique has poor fill rates.
5. Differentiation by product innovation should be considered. The reformulation in 2009 is correlated with the highest annual growth Softique experienced since its inception.

Projected Sales for a 10oz Plastic Container

	Ounces Sold	Revenue Generated	Container Type
Forecast E			
Cannibalization	-2149034	\$ (1,543,397.15)	5.5 Ounce (Tube)
	2149034	\$ 1,287,271.37	10 Ounce (Plastic Container)
Net New Volume	600000	\$ 359,400.00	
	Additional Revenue	\$ 103,274.22	
Forecast F			
Cannibalization	-2149034	\$ (1,543,397.15)	5.5 Ounce (Tube)
	2149034	\$ 1,287,271.37	10 Ounce (Plastic Container)
Net New Volume	1125000	\$ 673,875.00	
	Additional Revenue	\$ 417,749.22	

Figure 5.3 shows the additional revenue provided by adding a 10oz plastic container to the product line. Cannibalization rates are the same as Figure 5.2.

The projected sales from Forecast C and Forecast D were used to determine the cannibalization in ounces as well as the net new volume. The net new volume from Forecast C and D were decreased by 25% to reflect the noncustomers that would've switched to the aerosol can in the focus group results. The cannibalization rates remained the same as the focus group results showed high loyalty and a willingness to switch to a 10oz container.

TEN MOST IMPORTANT FACTS

1. Exhibit 1: Softique Shaving Gel Income Statement.

- a. The overall sales, costs of goods sold, assignable costs, and brand contribution help determine the efficiency and profitability of Softique. These calculations are used throughout the case study to make predictions and determine what resources are available for product-line investments.

2. Unit Sales volume of 1,960,000.

- a. Like the income statement, the unit sales in 2018 help determine profitability and sales projections for the subsequent year. The information helps make investment decisions and determine efficiency of Softique's marketing strategy.

3. Sales Growth of the market has seen a 3-5% increase per year

- a. The 3-5% sales growth per year in the overall Women's Wet Shaving market creates a solid benchmark to determine the success of Softique. The realization that Softique hasn't shown similar growth shows a potential problem. Although there is a possibility the Cream and Gel market didn't grow as rapidly as the overall Women's Wet Shaving market.

4. \$550 million-dollar market size with a 23% submarket share being gels and creams.

- a. The overall market size and submarket share help determine the size of the Cream and Gels submarket, which is \$126.5 million. The submarket size is used to determine Softique's market share, which is 2.944%.

5. By 2018, the dominant packaging for women's shaving cream or gels had become the aerosol container.

- a. The dominant packaging fact was very interesting as the case describes the common packaging to be an overall positive component to building the brand image, but the dominance has a negative side as well. The urge to follow the herd may be enticing, but for a premium quality brand the differentiation may actually be the better marketing decision.
- 6. In 2009, three additional moisturizers were added to the product, including lanolin and vitamin E.**
 - a. The product innovation in 2009 correlated with the highest growth in sales in the company's history (40% unit sales growth). Further research is warranted, but the slight product innovation might have been a major differentiator for Softique. Continued innovation may garner similar favorable results as well.
- 7. Exhibit 4: Softique Shaving Gel Unit Sales Volume, 2004-2018.**
 - a. The sales volume history chart was used to determine growth percentages year-by-year. The only problem with this fact is the incongruence of the data provided elsewhere in the case text (i.e. the year 2018 has a unit sales amount 1.84 million). To negate the difference, only the percent changes were used in the study. The growth/decline percentages were used to help determine the success of Softique's previous marketing strategies and to generate future prediction.
- 8. Benzinger's four reasons for the new package design: Plateaued sales, Manufacturing Capacity Max, No Plans to Increase Manufacturing Capacity, and Aerosol is the Dominant Packaging.**
 - a. Benzinger's four reasons for the new package type provided some insight on some of the problems facing Softique. The first three reasons are all important, but not necessarily tied to the absence of an aerosol canister. The problems with manufacturing capacity need to be addressed.
 - b. It's also evident in this section as well as others throughout the case that Benzinger has major confirmation bias regarding the aerosol packaging.
- 9. Preliminary Test Results**
 - a. The preliminary test results (specifically the focus groups) provided valuable information on consumer behavior for customers and noncustomers alike, but were taken skeptically in the case.
 - b. Some facts like the cannibalization rates were used to forecast sales as a result of multiple packaging types, but other info such as the lack of noncustomer loyalty paired with the potential to try the product was a non-statement.
 - c. Another erroneous fact was the preferability to the aerosol can as it was in comparison to the tube only. Other packaging types may be preferential to the premium quality brand image (i.e. plastic container or glass jars).
- 10. Exhibit 5: Softique Shaving Gels Sales Forecasts by Size and Container Type**
 - a. The sales forecasts provided by an outside marketing firm was very useful to determine sales projections based on different product types.
 - b. Although useful, the data should be taken skeptically as well, since the forecasts were based on *Men's Shaving Cream* rather than Women's.
 - c. The focus group results in conjunction helped increase validity.

FUNCTIONAL AREA STRATEGIES

Product: Softique offers a premium quality shaving gel for the Women's Wet Shaving Market and Cream and Gel submarket. The product is packaged in a 5.5oz tube container and has potentially (the market may have copied since 2009) product differentiating moisturizers.

Price: The Softique Shaving Gel has a premium pricing level to reflect the premium quality of the product. The product is priced at \$3.95 for 5.5oz (\$0.72/ounce) and is the 2nd most expensive brand per ounce out of the seven companies analyzed.

Place: The shaving gel is sold in Food and Food-and-Drug stores. The distribution channel is facilitated through rack jobbers, a channel that's technically a wholesaling channel. The product is placed in the Women's Personal Care section which further emphasizes the product's positioning statement, as well as preventing direct price comparisons with men's products.

Promotion: The promotional budget of Softique has grown each year since 2008 to compete with the rapidly growing competition, which reached the company's highest advertising and promotional expenditures in 2018. The advertising and promotional budget was \$1,154,540 or 31% of the brand's revenue. Specific promotion includes media advertisements, point-of-purchase displays, in-store promotions, and multipack deals.

EXTRA RESEARCH ON GLASS CONTAINERS

Costs Associated:

- Glass Containers: As low as \$0.15 per piece (See Alibaba).
- Shipping Costs: \$2,500 for 3000lbs. Each Container weighs roughly 0.33lbs. The cost to ship each container comes out to being \$0.275

	Regular post	Air Express	Air Freight	LCL Freight	FCL Freight
Shipping Time	30-50 days	3-5 business day	5-10 business day	20-60 days	20-40 days
Base Cost	\$5	\$20	\$200	\$150	\$2,500
Variable Cost	\$15	\$5	\$3	\$2	\$0
Weight(kg)					
0.5	\$5	\$20	N/A	N/A	\$2,500
2	\$20	\$30	N/A	N/A	\$2,500
100	N/A	\$520	\$500	\$300	\$2,500
500	N/A	\$2,520	\$1,700	\$900	\$2,500
1500	N/A	\$7,520	\$4,700	\$2,400	\$2,500
3000	N/A	\$15,020	\$9,200	\$4,650	\$2,500
Tip	<2kg	<100kg	100kg~500kg	100kg~500kg	>15cbm

- Product manufacturing, fill, and shipping is harder to determine. COGS is \$0.40 historically, and \$0.24 with the 5.5oz aerosol. An assumed \$0.20 will be used.
- Overall COGS for Glass Containers: Approximately \$0.625 or 56% COGS Increase.

Sources

Alibaba. "Packaging Factory 6oz 8oz 9oz 12oz 75ml Green Little Fancy Bamboo Top Body Butters Glass Jars Wood Lid Glass Jars With Lids." Alibaba, https://www.alibaba.com/product-detail/Packaging-Factory-6oz-8oz-9oz-12oz_1600436655197.html?spm=a2700.galleryofferlist.normal_offer.d_title.76f73230YLGdTk&s=p.

Supplyia. "Complete Guide: 6 Ways to Save Alibaba Shipping Costs." Supplyia, Sep. 26 2022, <https://www.supplyia.com/save-alibaba-shipping-costs/>.