

## Exam Case - bareMinerals MADE-2-FIT foundation

### Mini-case Introduction:-

The exam is based on a Case Study from **2020** about a custom foundation brand.

The exam questions relate to different aspects of marketing of the brand “bareMinerals Made-to-Fit Fresh Face liquid foundation” (called BM/MtF in the questions below). This product is a **liquid foundation cream** which is **custom-blended and unique** for a user’s skin color using the bareMinerals MADE-2-FIT **app** (originally developed and marketed as **MATCHCo**) which is downloaded to cell phones from Google Play and Apple’s App Store. To design and purchase the custom foundation, the user goes through a special process using the downloaded app on their phone and its camera. The user takes **photos** of the skin which is used by the app to identify the unique color of the customer’s skin tone. The user orders the product in the app and the data from the app is subsequently used by bareMinerals to produce the unique and individualized foundation. When ready the product is sent to the customer directly with the customer’s name on the bottle.

The product is currently targeted at **middle aged women aged 25 to 49** using foundation weekly or more often. BareMinerals has been on the market as a makeup and foundation brand since 1995 and is owned by **Shishido**. However, this specific product is relatively new and developed after Shishido’s purchase of MatchCo in 2018. MatchCo was the original inventor of the phone App based custom foundation concept. BareMinerals is not listed in any of the Top 502 of Global beauty brands but neither are some of the new similar brands that provide individualized foundation coloring like Prescriptives and Motives3 . However, the Top 50 list does feature competitor brands - with foundation in its product lineup – such as L’Oreal, Lancôme, Chanel, Estee Lauder, Garnier, Olay, Revlon, Covergirl, Rimmel, Maybelline, Neutrogena, and Shiseido.

The company has made an analysis of its customers and their relationship to the bareMinerals brand. Out of 150 customers - and on a scale from 0-10 where 10 is highly satisfied and 0 is highly dissatisfied – 8 customers answered between 0-2, 7 customers answered between 3-5, 100 customers answered between 6-8, and 45 answered between 9-10.

They also asked all people who have bought a bareMinerals product in the past, how long ago they have purchased their latest bareMinerals product. 25% answered that they have bought a bareMinerals product within the last month, 35% answered they have bought a bareMinerals product within the last 6 month (“Between 1 – 6 months ago”), 10% have bought a product within the last year (“Between 6-12 months ago”), and the rest more than a year ago. They did a similar study last year where the scores were 20%, 30%, 15%, and 35% respectively.

## Instructions

Students are expected to answer each of the following 6 questions using the question number as the chapter headlines. Answers will for each question will be evaluated separately and will have equal weight towards the final score. The answer document must be uploaded to Canvas as one PDF document before the official deadline of the exam. 1

For more information about the product/brand see

<https://www.bareminerals.com/blog/what-is-bareminerals-made-2-fit.html>

2 Global top 50 Brands, listed at <https://brandirectory.com/rankings/cosmetics/table>

3 For more info on custom blend foundations: <https://makeup.lovetoknow.com/types-makeup/custom-blend-foundation-options>

## Question 1

How would you **classify** the BM/MtF product? And how should Shishido go about defining the **customer value proposition** for a consumer product like the BM/MtF foundation?

### Answer :-

We can classify the BM/MtF product as a **non durable good** as the liquid foundation is a tangible good which is normally consumed in a few uses. It does have an app component and this part can be classified as a **service**.

We can also classify the BM/MtF product as a **specialty good** as it has unique characteristics and brand identification being the creator of this concept of individualized foundation coloring and one of the very few entities in this sector.

The customer value proposition can be said to be a combination of the **price, the service and the quality**, which is also called as the customer value triad.

In order to find the customer value proposition, Shishido can go about building a **customer value hierarchy**. In a customer value hierarchy, each level adds more customer value and there are 5 levels.

From this, Shishido can clearly reach the conclusion that only it has the data required to correctly **identify the color tone** using the camera in the app and that no other brand or competitor can match it. Also Shishido can stress that the **unique and individualized foundation** the customers get from Shishido cannot be got from any other brand.

Also Shishido puts the name of the customer on the bottle and that is another thing that other brands do not do and is a part of the value proposition.

## Question 2

Shiseido is currently pricing the MB/MtF at \$49 for 1 oz./30 ml. However, they are wondering if this is the right price point for the product. **How** should Shiseido go about figuring out if their **price point is right or not**? And if you were responsible for the pricing of the BM/MtF product, **what consumer price point would you recommend** them to use in **California** and why (please **explain** how you have derived at your recommendation)?

### Answer:-

First of all when setting the price, Shiseido must select the **price objective**.

Next Shiseido must determine the **demand**.

Then, the **costs** must be estimated and the **competitors** costs, prices and offers must be analysed.

Then a **pricing method** should be selected and,

Finally, the **final price** must be selected.

According to me, Shiseido should follow a **maximum market skimming** price objective. This is because the technology is still relatively new in the market. It involves setting high prices initially to maximize market skimming and the prices slowly drop with time. I believe that the price is inelastic in the market.

I believe this is the right approach because i) there is a **sufficient number** of buyers with high demand, ii) the **costs** of producing a small volume are high iii) with the high initial price, **less competitors** will be attracted to the market iv) with the high price, the idea of a **superior product** is instilled in the minds of everyone.

To determine the demand in depth, Shiseido might use **surveys, price experiments and statistical analysis**. However from the second study we can see that the number of people who have been using BareMinerals products more recently have been increasing. This shows that demand is picking up.

We can assume that out of the 40 million people who live in California, around 20 million are women and out of those 20 million I can assume that 50% use foundations. So that means that 10 million want to use foundations. I can assume that women use 5ml every time they put foundation on their faces and that they put foundation on their faces 2 times a week. So that would mean a demand of 10 million bottles every 3 weeks. Of course affordability is a problem. So I would say that only 1 in 100 women will

be able to afford this. So this would put the demand at 100000 bottles per 3 weeks or approximately 130000 bottles per month or 1560000 bottles per year.

We can assume that the **price for creating the foundation** is around the same as other foundations i.e., 10 dollars per 30ml. The personalized bottle will also cost 10 dollars each. Also logistics, marketing etc., can be assumed to be around 20 million dollars. This would put our costs at around 20 million + 31.2 million dollars and that would be around 51.2 million dollars.

Our competitors might be trying to do a very similar thing and would also incur the **same costs**.

I believe that we should then use a **perceived value pricing method**. This is because the customer has a very high opinion of our product because of the maximum market skimming approach we followed.

Assuming all this, I would put the final price of the product to be **55 dollars per 30 ml bottle**. This would give a huge profit margin of about  $33 \times 1560000$  dollars per year which would translate to around **51480000 dollars per year**.

### Question 3

The sales in California of the MB/MtF product is currently low, since the new product has not been on the market for long, and since Shiseido has not yet put a lot of effort into advertising or driving up the penetration into the market. Their first concern is **how best to penetrate the Californian market better**. What **channel/distribution strategy** would you recommend them to use?

And how should they go about ensuring the brand is “within arm’s reach” of **minimum 75% of their target customers** in California?

**Answer :-**

Shiseido should follow the **0 level marketing channel** approach. Once the customer places an order via the app, the manufacturer can directly send the bottle to the customer and there will be no intermediaries. This will reduce the costs a lot compared to the competitors of Shiseido and will result in a higher profit margin.

Because Shiseido has an **app component** and runs exclusively on mobile phones, it is already apparent that most of the people in California will be able to have access to the product.

However, for this to be a success, the app should be **fast, simple and easy to use**. Sometimes small things like making the images big can increase customers buying things on the app.

Also increasing **customer satisfaction and entertainment** and also the **information value** of the customer can make the app experience more enjoyable. Shiseido can use avatars, animated characters which can act as company representatives, chatbots, web site guides and the like. This will make the app within arm’s reach of minimum 75% of their target customers. In fact everyone with a smart phone in California can access the app and by extension the product.

Given the small screen and small attention spans, it is more challenging to gain the attention of mobile users.

#### Question 4

BareMinerals has a **general brand awareness** in the US amongst makeup users of approx. **20%**. However, currently **less than 1%** of the target group knows of the BM/MtF product.

The marketing department of bareMinerals is looking to develop a **new communication campaign** – taking place from February 1.st to April 1.st across all US states – with the objective to increase the awareness of BM/MtF product within the target group.

What **specific communication strategy** would you recommend BareMinerals to use for its BM/MtF product and **why**?

#### Answer:-

I would tell Shiseido to concentrate on **online and mobile marketing approaches** with an emphasis on the mobile marketing approach.

Shiseido can use **paid media** and also **earned media** in order to communicate news about the campaign. There are several online marketing communication options available, like **websites, search ads, display ads and also email**. Also **social media** seems like an extremely good option. **Online communities and forums, blogs and social networks** are all extremely good options. **Word of mouth** might also be a good option, but the best option I feel is the online model.

Mobile marketing would be the best approach because we do also have a **mobile app component**. Wharton's David Bell pointed out that mobile marketing allows for **immediate consumption** because it is a channel of distribution with a payment system and this is another huge advantage of using mobile marketing. It is also **highly interactive** as it allows geotracking and video taking. Another advantage is that a mobile phone is **always on** and because it is tied to one user we can always say **who has got targeted**.

Shiseido should however take care to be **concise** when it comes to mobile marketing with using only a tagline and occupying only 50 percent of the screen and use at least one bright colour but no more than 2.

### Question 5

Since the product is considered a new product, what type of **risks of failure** do you think they face?

Of these risks, **what risks** should they worry most about?

And how should/could they **mitigate** these most significant risks?

**Answer :-**

There are several challenges that can be seen in new market offerings:-

- 1) The **time** to bring a product to market has been cut in half.
- 2) Innovative firms are able to **repeatedly identify** and quickly seize new market opportunities and another company might have access to resources that Shiseido does not have and might be able to use that. (Innovation Imperative)
- 3) faulty market **research**
- 4) overestimates of the **size** of the market
- 5) high **costs** for development
- 6) poor **performance**
- 7) wrong **positioning**
- 8) **Advertising** problems
- 9) **Price** decided wrongly
- 10) Bad distribution support
- 11) Competitors who are aggressive
- 12) Inadequate rate of interest
- 13) Fragmented markets because of which companies have to aim their new products at smaller market segments than earlier.
- 14) governmental constraints.
- 15) Environmental constraints
- 16) Economic constraints
- 17) High costs of production
- 18) Capital Shortages
- 19) Shorter development time needed
- 20) Bad launch timing
- 21) Shorter product life cycles
- 22) Lack of organizational support

They could mitigate the most important risks by **analyzing the tactics and strategies** followed by companies in the same position and geographic location throughout history and seeing what kind of results they were able to garner. Shiseido can then follow those tactics and strategies which went well and avoid those faux pas that went badly.

Proper analysis and planning of the current situation and the competitors will also be very useful. Also special emphasis should be paid to the customers because these days it is a very dramatically changed market place and there are new consumer capabilities and new company capabilities. Attention should



be paid to the 4 As of marketing – Acceptability, affordability, awareness and accessibility. Also Shiseido should follow the 4 Ps of Modern Marketing Management – People, Processes, Programs and Performance.

3 Major market forces- Technology, Globalisation and Social Responsibility are gaining ground and Shiseido would do well to pay attention to these.

Also by using the concepts of relationship marketing and integrated marketing, Shiseido will be able to mitigate the most significant risks.

Also attention should be paid to the 7 core areas of marketing decision making.

## Question 6

What is the best way to **summarize** the **customer survey results** about bareMinerals?

### Answer :-

It can be seen from the first survey which the customers were asked to rate the company that very few customers scored the company between 0 and 2 and also very few customers rated the company between 3-5 also. However a lot of customers, 100 to be precise rated the company between 6 and 8 and 45 of the customers rated the company between 9 and 10 which is a very high amount. It looks as if the company has a very good reputation and also has a very good performance. Thus it performs better in these 2 components in the brand pyramid. This survey score is also very similar to the net promoter score although in the NPS the customers are asked how likely they are to recommend this brand to another person. However there might be something wrong with the survey considering the fact that the survey is specifically mentioned as one with 150 respondents, but if we do the math we can see that there are actually 160 respondents.

In the second survey, we can see that the splits were 25-35-10-30 for this year and were 20-30-15-35 for the previous year. We can see that the percentage of people who bought a bareMinerals product within the last month and within the last 6 months has both increased by 5 percentage points but the percentage of people who bought a bareMinerals product within the last year and more than a year ago have decreased by 5 percentage points each. This shows that among people who are using bareMinerals products, the distribution is more skewed towards the most recent months. This shows that more people have been buying bareMinerals products as of late Another explanation is that people who started using bareMinerals products more recently continue to use it and have not stopped.