**Problems**

Paramount, being one of leaders in non-disposable razors and refill cartridges market, had some challenges to face for launching its new product Clean Edge razors. Firstly, it was important to determine whether to launch Clean Edge by a mainstream strategy or niche strategy. The increasing competition had made it difficult for paramount to position its product for the upcoming launch. Also, as deciding about which strategy to adopt was a very sensitive matter, the marketing budget allocations and brand name had to be thought about carefully. Other problem could be Paramount Pro’s product manager who was opposing aggressively for a mainstream strategy. (Source: Clean Edge Razor Case Pgs. 1-7)

**Potential Solutions** (Source: Clean Edge Razor Case Pgs. 1-10)

**Option 1:** The profit and Loss analysis shows that launching the product by adopting niche strategy would be a better option and is positive for the company. The profit after cannibalization, in case of niche strategy is $3,624,000 for year 1 and $27,741,000 for year 2 with a total of $31,365,000 and in case of mainstream strategy year 1 is -$14,227,800 and year 2 is $17,056,000 with a total of $2,828,200. (Appendix B)

* **Pros:** As the profit after cannibalization is higher by adopting niche strategy. In other words, the cannibalization rate is lower and profits are higher. The marketing budget for niche strategy is only $15 million compared to the estimated budget of $48.3 million as of 2010. Also, the aggressive attempt by Paramount Pro’s product manager to not adopt mainstream strategy will not be in question which is an important factor since the manager had a political capital in the division. This implies that the niche strategy would keep everyone happy in the organization.
* **Cons:** Adopting niche strategy would limit the customer base and may affect Clean Edge’s potential growth in the market. Also, the claim that Paramount makes about Clean Edge being a technological breakthrough backed by scientific testing through third party labs may not be very efficient in such a case.

**Option 2:** Launch Clean Edge as niche product focusing on the market where the super-premium products are sold more often and as mainstream product in markets where moderate or value products achieve higher sales with less percentage of sales in the super-premium segment. For e.g. launch in California as niche and in Kansas as mainstream. This can be done by conducting surveys around the country and understanding customer requirements and working on both the strategies accordingly.

* **Pros:** This hybrid strategy may be more profitable compared to using a single strategy and could be manipulated by understanding the demand from different parts of the market. Also, the marketing budget for niche strategy is $15 million and the estimated budget is $48.3 million which gives $33.3 million budget in hand and could be used for mainstream, making both the strategies viable. A part of the cost of promotion which is $4 million and to be used for a coupon for a free razor with cartridge purchase could instead be used to conduct an extensive survey. This would not only increase the market share but would fulfill company’s objective to stand out in the market and advertise through its technological advantage.
* **Cons:** This would be a risky option to take since it will be segregated according to the market demand, which keeps shifting. Also, it may be objectionable by company executives since initially it would affect the brand name and the competitors may gain from this strategy.

**Option 3:** Launch Clean Edge as a niche product for a year or two then shift to mainstream. This strategy would lead to profits initially with profit after cannibalization in case of niche strategy as $31,365,000 and providing extra marketing budget for the coming years. Also, this would keep the product manager of Paramount Pro satisfied with the approach and even he may be supporting this by giving some great ideas because of his experience in the industry. (Appendix B)

* **Pros:** This strategy may be beneficial in the long run because in the profit and loss statement, profit after cannibalization for 1st year was a loss of -$14,227,800 but for the 2nd year profit was $17,056,000, indicating that the market share of the product will start growing with the mainstream approach after the 2nd year as people may come to know the product well through the niche strategy adopted initially for one or two years. Also, this would make Clean Edge the backbone product of the company and the effect of cannibalization would be through natural course, by people liking Clean Edge, instead of by the push given through the mainstream strategy.
* **Cons:** Within the one or two years of adopting this strategy, it is highly possible that competitors may take the advantage by launching and promoting their products aggressively. As Radiance, a close competitor of Paramount, is planning the launch of Navi in September 2010 with an advertising budget of $16 million, as estimated by Paramount’s marketing executives, and Navi has already gained 13% market share in test markets so it won’t be long enough when others discover this technology and by the time Paramount shifts to mainstream, the market share would have been lost to competitors.

**Decision** (Appendix B)

Option 2 would be the recommended option because it is a hybrid of option 1 and 3 and would lead to high profitability from 2nd year. Assuming for instance that profit after cannibalization for year 1 is a loss of -$10,603,800 considering both niche and mainstream for year 1 but from 2nd year profit after cannibalization is $44,797,000 giving a total of $34,193,200 at the end of two years. The figures may change because of change in marketing budget but this decision will prove fruitful in the long run and even help the company understand its customers better, also making it difficult for competitors to gain Paramount’s market share.

|  |  |  |
| --- | --- | --- |
| **Profit after cannibalization** | **Year 1** | **Year 2** |
| Mainstream | -$14,227,800 | $17,056,000 |
| Niche | $3,624,000 | $27,741,000 |
| **Total** | **-$10,603,800** | **$44,797,000** |
|  |  |  |
| **Grand Total of Year 1 & Year 2** | **$34,193,200** |  |

(Additional Options in Appendix A)

(Required Analysis in Appendix B)

(Marketing Tools discussed in Appendix C)

**Appendices** (Source: Clean Edge Razor Case Pgs. 1-10)

**Appendix A – Additional Options**

**Option 4:** Launch the product in the women’s market simultaneously with the men’s market, if the product is launched as mainstream because it would be the most effective and technologically advanced razor in the market. It could be available in different colors and could be packed specially for couples.

* **Pros:** It could be marketed as “Razor for All” and would be the first razor to be launched at the same time for men and women. It would appeal to more number of people due to various features i.e. color, couple packages, lab tested etc.
* **Cons:** This would lead to the increase in marketing budget and may be opposed by the product manager of Paramount Pro since this is a mainstream strategy.

**Option 5:** Use the promotion option of a coupon for a free razor with cartridge purchase with auto renew options by telling customers when they should change their cartridges through email, text or other similar options. For e.g. daily shavers should change their cartridge between 15 to 20 days or people who shave may be thrice weekly should change cartridge in a month etc.

* **Pros:** This new feature would help Paramount earn customer loyalty and even attract new customers. In addition to this, Paramount would have a better estimate of the number of customers, returning or new, and could calculate how the product is making a positive impact in the market. Also, compare Clean Edge Razor with other similar products such as focusing on the duration of the cartridge compared to competitors etc.
* **Cons:** Soon competitors may adopt this feature and may even make improvements in it affecting the market share of Paramount.

**Option 6:**

Introduce membership rewards for customers by giving them loyalty points on purchasing Paramount’s product and they will get a free product after collecting certain number of points. In addition to this, provide various benefits like free facial configuration, giving people options on different styles of beards and which will look good according to skin color, tone, texture, type etc. This feature may attract maintenance shavers as well.

* **Pros:** 33% of non-disposable razor users are maintenance shavers i.e. people who do not care and just shave as fast as possible. On showing them how they look in different styles through websites, magazines etc. maintenance shavers may be attracted and may show interest in shaving, because they may not like shaving and consider it a chore, but they surely like looking good.
* **Cons:** This process may be highly costly for the company since they would have to create a website and publish in magazines and may even have to create an app. The final implication of this strategy may be too difficult to examine and may not give a positive impact to the market share at all.

**Option 7:** Advertise electric shavers to younger generation by focusing on its benefits like electric razors keep your skin smooth and the company can use the facial configuration over here as well explaining their audience on how they will look in few years if they shave regularly.

* **Pros:** This strategy would attract younger generation and Paramount would be the first company to cater electric razors to people who usually prefer value segment products and since this would be done with the help of technology, younger generation would show more interest.
* **Cons:** Cannibalization would affect the sales of Avail and the research for developing such software, which will show people how they will look in few years, if not successful may be a heavy expense for the company.

**Option 8:** Since razors are difficult to recycle and specially the refill cartridges, Paramount should introduce a new feature wherein people will give their razors and cartridges back to the company after use and Paramount will provide some benefits in return as well as recycle these returned products.

* **Pros:** Paramount would be the first company to adopt this strategy and will gain a lot of attention because of this feature. Also, people will prefer buying Paramount’s products because they are implementing such policies for the environment.
* **Cons:** This would initially be costly for the company and there are possibilities that Paramount has to get by some legal issues or policies.

**Appendix B – Required Analysis**

**1.)**

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **MAINSTREAM** | |
| **YEAR 1** | **YEAR 2** |
| Planned capacity razor unit volume | 3,300,000 | 4,000,000 |
| Planned capacity cartridge unit volume | 9,900,000 | 21,900,000 |
| Razor: Manufacturer price | $7.83 | $7.83 |
| Cartridge: Average manufacturer price | $6.22 | $6.22 |
| Razor Sales (dollars) | $25,839,000 | $31,320,000 |
| Cartridge Sales (dollars | $61,578,000 | $136,218,000 |
| **Total Sales** | **$87,417,000** | **$167,538,000** |
| Razor: Production cost per unit | $4.74 | $4.74 |
| Cartridge: Average Production unit cost | $2.24 | $2.24 |
| Razor: Total Production Cost | $15,642,000 | $18,960,000 |
| Cartridge: Total Production Cost | $22,176,000 | $49,056,000 |
| Capacity Cost | $1,710,000 | $2,450,000 |
| Advertising Cost | $19,000,000 | $17,000,000 |
| Consumer Promotion Cost | $17,000,000 | $14,000,000 |
| Trade Promotion Cost | $6,000,000 | $8,000,000 |
| **Total Cost** | **$81,528,000** | **$109,466,000** |
| **Operating Profits** | **$5,889,000** | **$58,072,000** |
| **Profit as % of sales** | **6.74%** | **34.66%** |
| Potential Cannibalization Scenarios | 60% | 60% |
| Razor: Average Contribution per unit of Avail and Pro | $1.76 | $1.76 |
| Cartridges: Average Contribution per unit of Avail and Pro | $2.80 | $2.80 |
| Razors: Cost of Cannibalization | $3,484,800 | $4,224,000 |
| Cartridges: Cost of Cannibalization | $16,632,000 | $36,792,000 |
| **Total Cost of Cannibalization** | **$20,116,800** | **$41,016,000** |
| **Profit after Cannibalization** | **-$14,227,800** | **$17,056,000** |

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **NICHE** | |
| **YEAR 1** | **YEAR 2** |
| Planned capacity razor unit volume | 1,000,000 | 1,500,000 |
| Planned capacity cartridge unit volume | 4,000,000 | 10,000,000 |
| Razor: Manufacturer price | $9.09 | $9.09 |
| Cartridge: Average manufacturer price | $7.35 | $7.35 |
| Razor Sales (dollars) | $9,090,000 | $13,635,000 |
| Catridge Sales (dollars | $29,400,000 | $73,500,000 |
| **Total Sales** | **$38,490,000** | **$87,135,000** |
| Razor: Production cost per unit | $5.00 | $5.00 |
| Cartridge: Average Production unit cost | $2.43 | $2.43 |
| Razor: Total Production Cost | $5,000,000 | $7,500,000 |
| Cartridge: Total Production Cost | $9,720,000 | $24,300,000 |
| Capacity Cost | $610,000 | $870,000 |
| Advertising Cost | $7,000,000 | $7,000,000 |
| Consumer Promotion Cost | $6,000,000 | $6,000,000 |
| Trade Promotion Cost | $2,000,000 | $3,000,000 |
| **Total Cost** | **$30,330,000** | **$48,670,000** |
| **Operating Profits** | **$8,160,000** | **$38,465,000** |
| **Profit as % of sales** | **21.20%** | **44.14%** |
| Potential Cannibalization Scenarios | 35% | 35% |
| Razor: Average Contribution per unit of Avail and Pro | $1.76 | $1.76 |
| Cartridges: Average Contribution per unit of Avail and Pro | $2.80 | $2.80 |
| Razors: Cost of Cannibalization | $616,000 | $924,000 |
| Cartridges: Cost of Cannibalization | $3,920,000 | $9,800,000 |
| **Total Cost of Cannibalization** | **$4,536,000** | **$10,724,000** |
| **Profit after Cannibalization** | **$3,624,000** | **$27,741,000** |

**2.)** The niche strategy is one option since the marketing investment is $15 million with good profitability. Also, going with this strategy the brand name to choose would be “Paramount Clean Edge” because Paramount Pro and Paramount Avail are named similarly and in niche strategy the focus is on super-premium segment, since products are available in moderate and value segment so branding it in the same way would keep people focused on the product and help them find faster what they are looking for.

The mainstream strategy is another option in which although there is loss in the 1st year but the future of the product is good because profit after cannibalization is seen at the end of year 2. The brand name for this strategy will be “Clean Edge by Paramount” because it has to be sold in a unique way in the market and people should recognize the product or get attracted to it, for instance, people see Paramount Pro and Clean Edge by Paramount and realize that something new has been launched by Paramount which may pull them towards the product.

Both the strategies are discussed above because the decision is to go with hybrid strategy. All the information provided above will relate here as well, except the brand name for hybrid strategy would be “Paramount Clean Edge” because this would align with Paramount brand name equity and would help people differentiate between super-premium, moderate and value products by Paramount.

**Appendix C**

SWOT Analysis

Strengths: The company is well recognized for its products since it entered the non-disposable razor market in 1962. As of 2009 the sales revenue was $170 million, gross profit was $92 million and operating profit was $26 million in the US. Clean Edge was a technological breakthrough verified by a third party lab testing which no other company was able to achieve. Paramount was one of the market leaders for these products with Prince and Benet & Klein. The structure of the razor provided more comfort towards handling and using the product. Also, Paramount has very extensive advertising budget.

Weakness: Launching Clean Edge using a wrong strategy could potentially affect the market share of the company. No products in the super-premium segment of the mainstream market which accounts for 25% by volume sales and 34% by dollar sales. Internal dispute between company associates, i.e. Corporate marketing director - William Kim and Paramount Pro’s product manager - Albert Rosenberg, for deciding on which positioning strategy to adopt.

Opportunity: Growth in the super-premium segment with people taking interest in better grooming options. Mainstream strategy is highly profitable in the long run. No other company has similar technological advantage with verified lab testing. Customer loyalty in high since Paramount is a multinational company and one of the market leaders.

Threat: The rising competition such as Radiance which has introduced a product “Naiv”, very similar to Paramount’s product “Clean Edge”, and has already achieved 13% market share in test markets. Issues occurring inside the company on deciding about the positioning strategy can affect company’s reputation in the future. Super-premium segment is dependent on technology and changes in design. Also, cannibalization would affect the market share of Paramount.

5C Analysis

Customers: There are basically three types of customers according to the research conducted by Paramount, Social/Emotional shavers with 39% of non-disposable razor users and Aesthetic shavers with 28% of non-disposable razor users. Both the categories comprise of involved razor users and the maintenance shavers with 33% of non-disposable razor users comprise of uninvolved razor users. Non-disposable razor grow by 5% per year and refill cartridges by 2% per year with a total retail sales of $218 million for non-disposable razors and $853 million for refill cartridges. Customers interested in trying new products was also a factor that contributed to the growth non-disposable razor market.

Context: The product is used by both men and women and with rising trend in men’s grooming style various types of products such as men’s body wash, shampoo, body lotion, face cream etc. have contributed towards the growth of several companies. As people are interested in buying super-premium products and even the growth of this segment has been substantial indicating that the economic conditions are favorable. People have been more bent towards technological innovations and are interested in trying new products and Clean Edge is a technological breakthrough making it a one of the top choices.

Company: Paramount is a market leader in the non-disposable razor market and presently has two products i.e. Paramount Pro which comes under moderate segment and Paramount Avail which comes under value segment. Clean Edge would be a super-premium segment product, making Paramount producing products in all three segments. As of 2009 Paramount has $13 billion in sales worldwide and $7 billion in gross profits. Paramount captured the unit-volume market leader position because of moderate and value segment product with 23.3% retail unit share.

Collaborators and Complementers: Food stores, drug stores, mass merchandisers, club stores help Paramount sell its products and would continue to do so as the market increases. (Exhibit 4)

Competitors: Major competitors are Prince and Benet & Klein but there are substitute products as well. The market share of these major competitors is 26.2% and 21.1% as of 2010. Other competitors are Radiance with market share of 2.6% and Simpson with 5.7%. Although, Radiance has create a product “Naiv” with features similar to those of Paramount’s Clean Edge and have already achieved 13% market share in test markets with an estimated advertising budge of $16 million indicating that competition is stiff and every step is to be taken carefully.

7P’s

Product: The products offered by Paramount currently are Paramount Pro and Avail with Clean Edge being an addition in the super-premium segment. Paramount is a multinational company with corporate divisions in health, cleaning, beauty and grooming. The US razor market offered various products i.e. non-disposable razors, refill cartridges, disposable razors, shaving cream, after shave and depilatories. Most growth in the market was due to new product introduction and innovations.

Price: The price basically ranged from $12.5 to $5.75 for non-disposable razors and $10 to $4.60 for refill cartridges. The super-premium segment has the highest price followed by moderate segment and value segment being the lowest. Prices also depended on the SKU in the brand category and will vary for different SKU’s. The cartridge price is for 4-count cartridges. The super-premium segment usually attracted the older consumers and was affordable for them, whereas, in case of value segment the target customer was the younger generation who prefer buying disposable razors since they are cheap.

Place: Paramount sells its products worldwide and is a multinational company. The worldwide sales revenue is $13 billion with gross profit of $7 billion.

Promotion: There are various ways to promote the products such as with its technological advantage and verified third party lab testing. Also, depending on the strategy adopted the product will be promoted accordingly since this would be a first of its kind. For eg: in case of niche strategy Clean Edge would be promoted by focusing only on the super-premium segment whereas in case of mainstream strategy Clean Edge would be promoted keeping in mind the overall population.

People: There are basically three types of customers according to the research conducted by Paramount, Social/Emotional shavers with 39% of non-disposable razor users and Aesthetic shavers with 28% of non-disposable razor users. Both the categories comprise of involved razor users and the maintenance shavers with 33% of non-disposable razor users comprise of uninvolved razor users. Non-disposable razor grow by 5% per year and refill cartridges by 2% per year with a total retail sales of $218 million for non-disposable razors and $853 million for refill cartridges. Customers interested in trying new products was also a factor that contributed to the growth non-disposable razor market.

Process: Paramount can adopt the hybrid strategy by targeting some markets with niche and some with mainstream. Also, selling it online or through a retail channel by attracting customers would improve the overall market share of Paramount. Focusing on the technological advantage will help to improve sales significantly.

Physical environment: There is stiff competition and many companies may gain advantage depending on the strategy adopted by Paramount. Specially in case of Radiance which is a close competitor and has a product with similar features as Clean Edge. Also, there are 22 SKU’s introduced between 2008 and 2009 due to the rate at which new products are introduced. Advertising is a positive factor to promote the product since people are attracted by these advertisements.

Porter’s 5 Forces

Industry Competitors: Major competitors are Prince and Benet & Klein but there are substitute products as well. The market share of these major competitors is 26.2% and 21.1% as of 2010. Other competitors are Radiance with market share of 2.6% and Simpson with 5.7%. Although, Radiance has created a product “Naiv” with features like those of Paramount’s Clean Edge and have already achieved 13% market share in test markets with an estimated advertising budge of $16 million indicating that competition is stiff and every step is to be taken carefully.

Potential Entrants: These companies are either already in the market and growing like Radiance and Simpsons or are planning to enter the market. According to the case, there are four competitors of Paramount, they are Prince, Benet & Klein, Radiance and Simpsons. But with the growing demand and changing trends in the grooming industry specially in case of men’s, there is a lot of potential in the market leading to new companies becoming strong competitors in the future.

Availability of Substitutes: The only substitutes for non-disposable razors are disposable razors which are usually sold in the value segment. But in case of Clean Edge other non-disposable substitute is Paramount Pro which is a backbone product of the company and Pro’s product manager believes that launching Clean Edge as mainstream would substitute Pro and affect the overall market share of Paramount. A product by Radiance can also affect the sales of Clean Edge depending on the price because both the company’s product is very similar.

Buyer Power: The price basically ranged from $12.5 to $5.75 for non-disposable razors and $10 to $4.60 for refill cartridges. The super-premium segment has the highest price followed by moderate segment and value segment being the lowest. Prices also depended on the SKU in the brand category and will vary for different SKU’s. The cartridge price is for 4-count cartridges. The super-premium segment usually attracted the older consumers and was affordable for them, whereas, in case of value segment the target customer was the younger generation who prefer buying disposable razors since they are cheap. Overall, people are improving their grooming habits and prefer to try new products without a lot of consideration to price.

Supplier Power: Paramount is a market leader in the non-disposable razor market and presently has two products i.e. Paramount Pro which comes under moderate segment and Paramount Avail which comes under value segment. Clean Edge would be a super-premium segment product, making Paramount producing products in all three segments. As of 2009 Paramount has $13 billion in sales worldwide and $7 billion in gross profits. Paramount captured the unit-volume market leader position because of moderate and value segment product with 23.3% retail unit share.

BCG Matrix:

Dogs: In this case, the value segment products are dogs since they have low market share and low growth rate. In other words, disposable razors and depilatories have a low market share, especially disposable razors which belong to value segment and are produced mostly for younger generation have 32% retail sales by volume and 22% retail sales by dollar.

Problem child: Initially Clean Edge may be a problem child because it should be promoted aggressively and as of now will consume a lot of cash. Also, it will affect Paramount Pro’s sale which may affect the company’s market share. The total cost associated with Clean Edge is more in case of mainstream strategy and less in case of niche strategy.

Stars: Currently technologically advanced products are stars but in case of Paramount it’s there traditional product Paramount Pro which is the backbone of the company and currently contributes to majority revenue generated by the company. Also, competitors’ products are stars as of now but Clean Edge may take the lead soon.

Cash Cows: Currently Paramount’s cash cows are Pro and Avail but with the entry of Clean Edge in the super-premium segment, it would become the most cash generating product and as we can see the profit after cannibalization in the Profit and Loss statement (Appendix B) we can imply that Clean Edge will soon become the cash generating product for Paramount.

Product Life Cycle:

Introduction: Clean Edge is going to be introduced in the market under the super-premium segment since people are looking for new types of products and electric razors are capturing the market rapidly. Paramount Pro and Avail were introduced five years back and since then there has been no technological innovation.

Growth: Clean Edge has a great future as it is one of its kind and verified by lab-testing. According to the profit and loss statement (Appendix B), adopting any strategy would lead to long term growth in the market as indicated by profit after cannibalization.

Maturity: Paramount Pro and Avail were launched five years back and since then, there has been no product introduced until Clean Edge. Also, as mentioned by William Kim Pro is at its maturity and Clean Edge is to be launched as mainstream or else the market share would be lost to competitors.

Decline: With the rising competition, it can be predicted that if Clean Edge is not launched without considering the positioning strategies carefully then the competitors would gain advantage and not only Clean Edge but even Pro would lose its market share. Also, as Radiance is marketing its product heavily due to its similarity with the launch in September 2010, Paramount has to promote Clean Edge aggressively to stay ahead of competition.