GlamorWorld Cosmetics: Segmenting Brazilian Consumers | Case 3

The 5 Marketeers: Pooja Bhatia, Devyani Mishra, Shanmugasundaram Ramasubramanian, Shivani Bharadwaj & Shreya Priyadarshini Roy

Case Summary

Cosmetics giant GlamorWorld is facing a harsh reality: declining sales and profits. Over the past two years, they've seen a shocking 25% drop in overall sales and a 20% decrease in net profits. The Makeup Division, a major revenue driver, has been hit even harder with a 30% sales decline. Experts point to two main culprits: ever-changing customer preferences in the dynamic cosmetics industry and the current economic climate causing cautious spending.

Adding to the pressure, Jennifer Mitchell, Makeup Division manager, is concerned about the performance of two recently launched high-end brands: InfiniteGlow and PureElegance. InfiniteGlow targets bold, fashion-forward young women seeking diverse color options, while PureElegance aims for the sophisticated late thirties and early forties crowd with its timeless elegance. Both brands offer a variety of styles and palettes to cater to their specific demographics, but their success remains uncertain in this highly competitive market. To navigate these challenges and regain its footing, GlamorWorld needs to adapt to the evolving demands of beauty consumers and the economic realities of the times.

To compete with other national brands, GlamorWorld has decided to do a Segmentation Analysis and Finalize on Brand Strategy.

Q1. Analyze the relationships of variables within the consumer data.

Assumptions and Bucketing:

The segmentation attributes collected from the Likert scale survey were analyzed to simplify buying influences and create actionable insights. Several assumptions underlie the chosen factors:

Purchase Influences: The retailer assumes that certain attributes heavily influence customers' purchasing decisions. These include factors such as user-friendliness, product information transparency (being informed), longevity (long-wearing products), emphasis on natural ingredients, suitability for various skin types (skin-specific), eco-friendliness, and product versatility. These assumptions are based on the premise that customers prioritize these features when selecting cosmetics and beauty products.

Brand Preference: Another assumption is that customers exhibit preferences for specific brands based on various factors. These factors include brand-consciousness when buying gifts, brand loyalty, willingness to pay premium prices for well-known brands, and the influence of product display on purchase decisions. The retailer believes these brand-related attributes significantly impact consumer choices and loyalty within the cosmetics market.

Convenience: The retailer also assumes that customers prioritize convenience when shopping for cosmetics and beauty products. This convenience encompasses efficient shopping experiences and accessibility to stores. The assumption is that customers prefer streamlined processes and easy access to their preferred products.

Demographic Factors

In addition to segmentation attributes, the retailer segmented its customer base into distinct demographic factors:

Fashion Diva: This demographic segment comprises customers who are trendsetters, often the first to embrace new fashion trends, individuals who consider themselves stylish, and those who prefer shopping at exclusive outlets. The assumption here is that these customers prioritize fashion-forwardness and exclusivity in their purchasing decisions.

Influencers: Customers categorized as influencers are perceived as influential trendsetters or advisors in their social circles regarding fashion choices. The assumption is that these individuals' preferences and recommendations significantly influence the purchasing behavior of their peers.

Followers: This demographic includes customers who are influenced by external sources such as fashion magazines, catalogs, and social interactions. They are sociable individuals who enjoy shopping with friends and enthusiasts who actively engage with fashion-related content. The assumption is that these customers rely on external cues and social validation when making purchasing decisions.

Indifferent: The indifferent demographic represents customers who exhibit a lack of strong preferences or interest in fashion trends. They may not actively seek out new products or engage with fashion-related content. The assumption is that these

customers prioritize other factors over fashion trends when making purchasing decisions.

Bucketing:

To streamline the analysis and derive actionable insights, the segmentation attributes and demographic factors were grouped into categories, including purchase influences, brand preference, and convenience. This approach enables a more focused understanding of customer preferences and facilitates targeted marketing strategies and product offerings.

Link to Consolidate Data

Consumer Preference

Demographic Characteristics
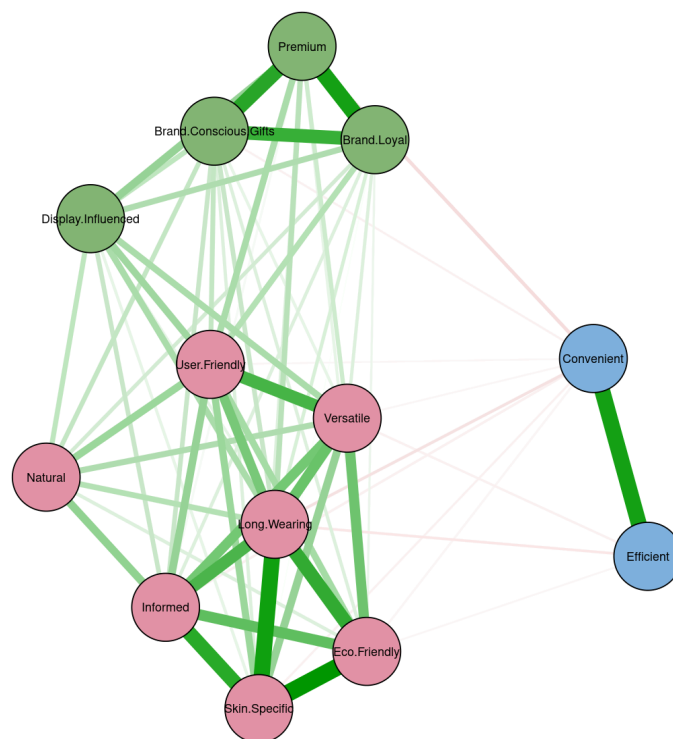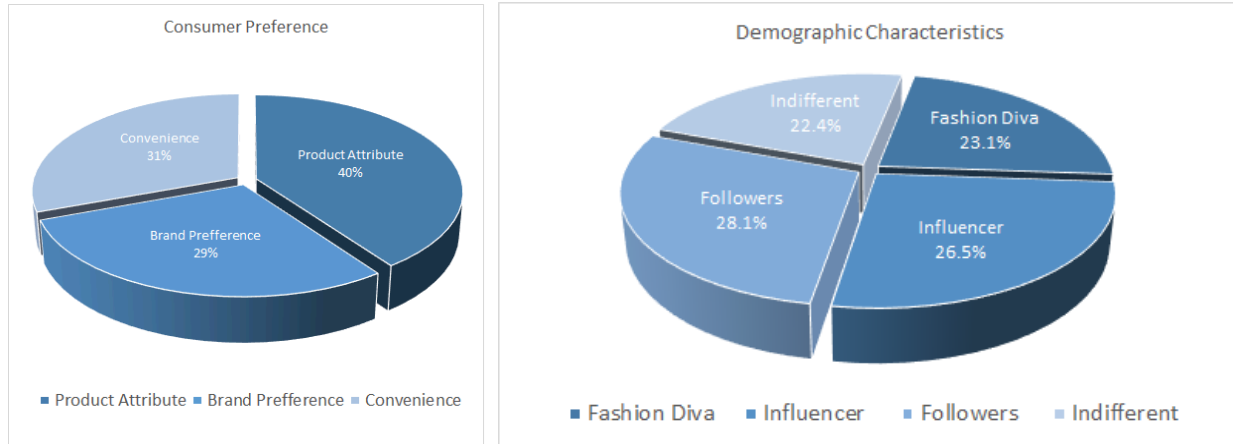
1. **Product Attribute (40%)**: These customers prioritize the quality of the product above all else. They are likely to be discerning shoppers who are willing to pay a premium for products that meet their high standards. They value the materials used, craftsmanship, and the overall performance of the product.
2. **Brand Name (29%)**: This group of customers is influenced by the reputation of the brand. They perceive value in the status and prestige associated with owning products from well-known brands. They are likely to be loyal customers who trust the brand's promise of quality and service.
3. **Convenience (31%)**: These customers value the availability and accessibility of the product. They prefer brands that are easy to find and purchase, whether in physical stores or online. They appreciate fast delivery, easy returns, and excellent customer service.
4. **Fashion Diva, Influencer, Followers, and Indifferent**: These are the demographic categories.
    - **Fashion Divas** are trendsetters who are always up-to-date with the latest fashion trends.
    - **Influencers** have a significant social media presence and can influence others' purchasing decisions.
    - **Followers** make up the majority of the consumers. They follow the latest trends and are early adopters of new products.
    - **Indifferent** consumers are not particularly influenced by trends or brands and make purchasing decisions based on their individual preferences and needs.

Correlation Analysis:

Correlation Table				
	Fashion Divas	Influencers	Followers	Indifferent
Product Attributes	0.43	0.33	0.43	-0.17
Brand Preference	0.48	0.37	0.49	-0.08
Convenience	-0.24	-0.2	-0.14	0.32

The correlation analysis conducted on the consumer data aimed to explore the relationships between demographic characteristics, self-assessments, and shopping behaviors and preferences. By examining the correlations between variables such as brand preferences, convenience, and product attributes with demographic characteristics, insights were gained into how consumer self-assessments, such as being a Trendsetter or Stylish, influence their shopping behaviors and preferences.

Interpretation of Correlation Results:

Product Attributes:
- **Fashion Divas:** There is a moderate positive correlation **(0.43)** between Fashion Divas and Product Attributes. This suggests that Fashion Divas tend to value product attributes such as user-friendliness, longevity, and natural ingredients in their purchasing decisions.
- **Influencers:** Similarly, there is a moderate positive correlation **(0.33)** between Influencers and Product Attributes. This indicates that Influencers also consider product attributes important but to a slightly lesser extent compared to Fashion Divas.
- **Followers:** Followers exhibit a similar correlation **(0.43)** with Product Attributes as Fashion Divas, indicating that they also prioritize these attributes in their shopping decisions.
- **Indifferent:** Surprisingly, there is a weak negative correlation **(-0.17)** between Indifferent consumers and Product Attributes. This suggests that Indifferent consumers may not prioritize product attributes as much in their purchasing decisions.

Brand Preference:
- **Fashion Divas:** There is a strong positive correlation **(0.48)** between Fashion Divas and Brand Preference. This suggests that Fashion Divas tend to have strong brand preferences and are likely to prioritize well-known brands in their purchases.
- **Influencers:** Similarly, Influencers exhibit a moderate positive correlation **(0.37)** with Brand Preference, indicating that they also value brand recognition to some extent.
- **Followers:** Followers show a strong positive correlation **(0.49**) with Brand Preference, indicating that they are also influenced by brand names in their purchasing decisions.
- **Indifferent:** There is a weak negative correlation **(-0.08)** between Indifferent consumers and Brand Preference, suggesting that they may not prioritize brand names as much in their purchasing decisions.

Convenience:
- **Fashion Divas:** Interestingly, there is a weak negative correlation **(-0.24)** between Fashion Divas and Convenience. This suggests that Fashion Divas may prioritize other factors such as product attributes and brand preferences over convenience when making purchasing decisions.
- **Influencers:** Similarly, Influencers exhibit a weak negative correlation **(-0.20)** with Convenience, indicating that they also prioritize factors other than convenience in their shopping behaviors.
- **Followers:** Followers show a weak negative correlation **(-0.14)** with Convenience, suggesting that they may also prioritize factors other than convenience when making purchasing decisions.
- **Indifferent:** In contrast, Indifferent consumers show a stronger negative correlation **(-0.32)** with Convenience, indicating that they prioritize convenience more in their shopping behaviors compared to other demographic groups.

Conclusion:

The correlation analysis provides valuable insights into the relationships between demographic characteristics, self-assessments, and shopping behaviors and preferences. Fashion Divas and Followers exhibit strong correlations with Brand Preference and Product Attributes, indicating that they prioritize brand names and product quality in their purchasing decisions. However, Fashion Divas show a weaker correlation with Convenience, suggesting that they may prioritize other factors over convenience. In contrast, Indifferent consumers exhibit a stronger correlation with Convenience, indicating that they prioritize convenience more in their shopping

behaviors. These insights can inform targeted marketing strategies and product offerings tailored to different consumer segments.

Q.2 Based on your findings, should GlamorWorld Inc. target a single mass market or multiple segments?

Cluster Analysis of Consumer Demographic:

Spider Chart
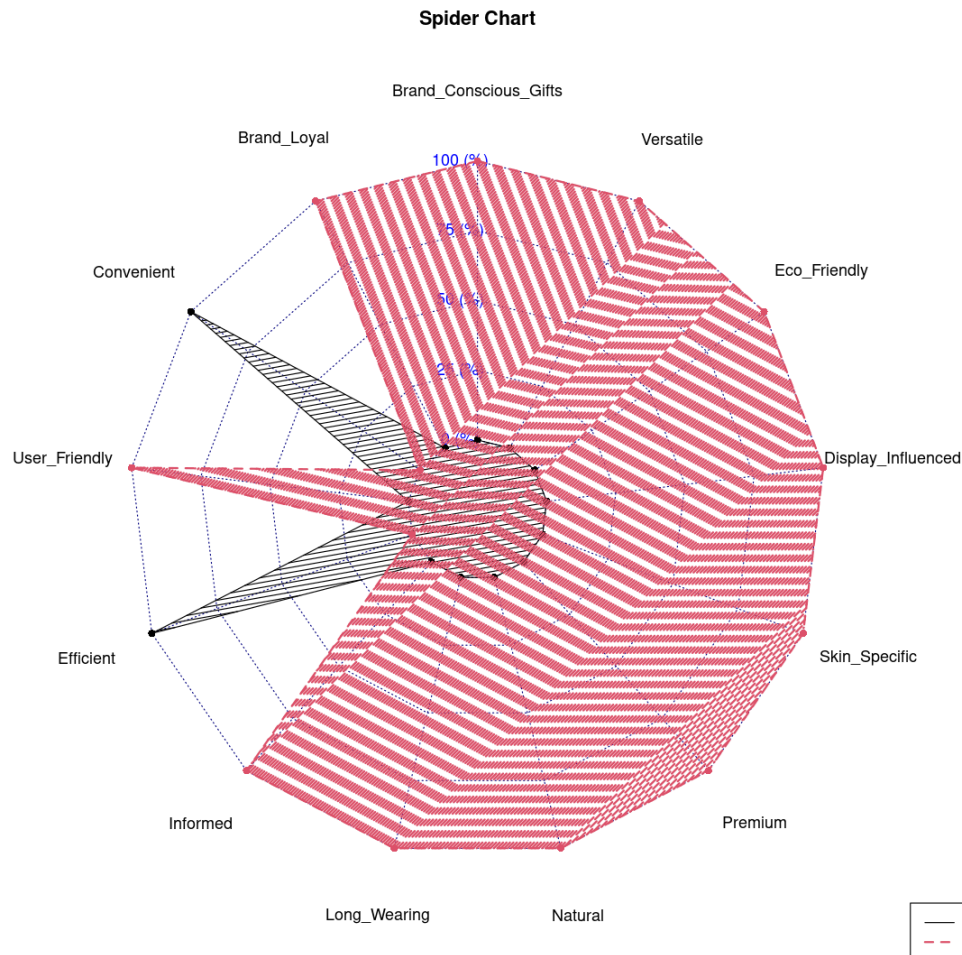
Cluster Analysis and Segmentation:

After conducting a cluster analysis of the Likert scale survey data, two distinct market segments were identified:

Segment 1 - Convenience Seekers:

- This segment highly values the convenience of availability and efficiency of the product. Customers within this segment prioritize ease of access to products and streamlined shopping experiences.

- They are likely to prefer purchasing from retailers that offer convenient online ordering options, fast delivery, and hassle-free shopping experiences.
- Convenience Seekers may prioritize saving time and effort over other factors such as brand loyalty or product attributes.

Second Segment - Comprehensive Preferences:

- The second segment encompasses customers who value all other segmentation variables mentioned in the survey. These include product attributes, brand preferences, ethical considerations, and other factors shaping their purchasing decisions.
- Customers in this segment prioritize a comprehensive set of criteria when making purchasing decisions, including product quality, brand reputation, ethical sourcing, and suitability for their specific needs.

Rationale for Number of Clusters:

The decision to segment the market into two clusters was based on several factors:

Distinct Consumer Profiles: The cluster analysis identified two distinct consumer profiles with clear differences in their preferences and behaviors. This segmentation ensures that each segment represents a cohesive group of consumers with similar characteristics and needs.

Actionable Insights: Two clusters provide GlamorWorld Inc. with actionable insights that are easy to interpret and implement. This segmentation approach allows the company to tailor its marketing strategies and product offerings more effectively to meet the needs of each segment.

Practical Considerations: Given the complexity of the makeup and beauty products market, two clusters offer a practical and manageable segmentation solution. It strikes a balance between granularity and simplicity, enabling GlamorWorld Inc. to allocate resources efficiently and implement targeted marketing efforts.
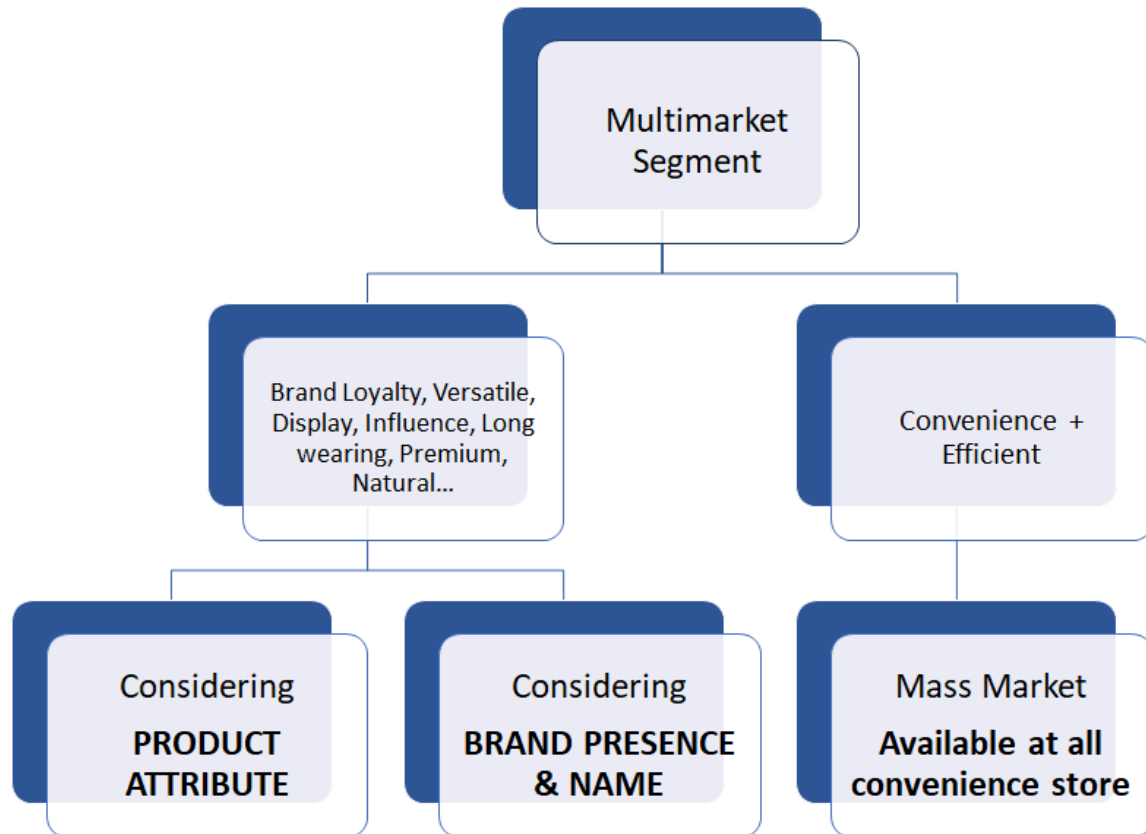
Our target is the **Multimarket**. This approach allows us to cater to a diverse range of consumers with varying needs and preferences. Our analysis has identified two primary segments that we can focus on:

1. **High-End Luxury Branding**: This segment caters to consumers who appreciate the finer things in life and are willing to pay a premium for superior quality and exclusivity. This can be further divided into two categories:
   - **Product Attribute**: This category includes products that are organic, eco-friendly, and designed to combat the effects of pollution. They are paraben and sulfate-free, emphasizing our commitment to health and sustainability. These products cater to consumers who are conscious about the ingredients in their beauty products and their impact on the environment.
   - **Brand Presence and Brand Name**: In this category, we aim to create a luxury brand that embodies the epitome of the "Beauty Market". The brand would be exclusive, available only in high-end stores, adding to its allure and prestige. This strategy appeals to consumers who value brand reputation and exclusivity.

2. **Convenient and Efficient Branding**: This segment targets consumers who value practicality and efficiency. These consumers prefer brands that are easily accessible and offer products that are straightforward to use. By focusing on convenience, we can attract busy individuals who want beauty products that fit seamlessly into their lifestyles.

By targeting these segments, we can cater to a broad spectrum of consumers, each with their unique needs and preferences, thereby maximizing our market reach. This strategy allows us to be inclusive and diverse, just like the consumers we serve.

Q3. If multiple segments are identified, how do they differ in terms of product preferences and characteristics, and what tailored strategies would you recommend for each segment?

Based on an in-depth analysis of GlamorWorld's consumer data, it is evident that targeting multiple segments with nuanced strategies will significantly enhance market penetration and customer satisfaction. The identified segments, "Convenience and Efficiency" and "Additional Attributes," exhibit distinct preferences necessitating bespoke engagement strategies.

Convenience Seekers Segment

Strategy Enhancement - Integrate smart packaging technologies that offer ease of use, such as pumps for liquid products and one-hand opening containers, directly addressing the convenience need.

Digital Integration - Develop an app that allows customers to quickly reorder products, schedule deliveries, and receive personalized product recommendations based on their usage patterns, enhancing the efficiency of their shopping experience.

Sustainability Plus - Launch a recycling program where customers can return used packaging in exchange for discounts on future purchases, appealing to their eco-consciousness without compromising convenience.

Comprehensive Preference Segment

Experiential Marketing - Create pop-up experiences and interactive displays in high-traffic areas where consumers can physically interact with products, receive personalized skin assessments, and learn about product benefits firsthand, deepening brand engagement.

Customization - Offer online customization tools where customers can create their products by selecting specific ingredients or benefits that match their skin type or makeup preferences, directly catering to their desire for personalized and feature-rich products.

Advanced Loyalty Programs - Implement a tiered loyalty program that rewards customers for both purchases and brand advocacy, such as reviews and social shares, encouraging deeper brand loyalty and increased customer lifetime value.

Cross-Segment Strategies

Unified Brand Message - While tailoring strategies to each segment, maintain a coherent brand message that emphasizes GlamorWorld's commitment to quality, innovation, and customer satisfaction, ensuring brand consistency across all marketing channels.

Feedback Loops - Establish continuous feedback mechanisms through surveys, social listening, and engagement metrics analysis to adapt and refine strategies in real-time based on consumer behavior and preferences.

By adopting these advanced, tailored strategies, GlamorWorld Inc. can effectively meet the diverse needs of its consumer base, driving brand loyalty, market share, and sustainable growth in the competitive cosmetics industry.