

Case Study - Fantastik All-Purpose Cleaners

BMKT 365

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The case can be found in H F Mackenzie - Contemporary Canadian Marketing Cases - United States - Pearson Canada - 2008 - 4th Ed.

The Case of Fantastik All-Purpose Cleaners

1. Situation assessment

Symptoms: Fantastik's market share steadily declined.

Issues: In the all-purpose cleaner category,

- Traditional products: there was limited opportunity for product differentiation, which led to response primarily to price incentives of the majority of consumers. Fantastik's competitors engaged in heavy price discounting to increase sales.
- Newer products: Competitors developed stronger formulas and charged higher prices for these products. A large number of consumers were interested in these new premium-priced stronger cleaners. This new segment was promising but Fantastik could not develop stronger versions because of its strict environmental policies.
- Consumers were purchasing more and more private brands than ever before.

Opportunities: As the market leader in Canadian all-purpose cleaner industry, Fantastik had very strong brand equity that still was a driver of the purchase decision. Consumers demanded more variation of innovative new scents and lower prices. Many others were willing to pay more for new forms of all-purpose cleaners.

Persons making the decision: James Dunbar, brand manager for Fantastik at SC Johnson Canada

Time frame: next 12 months (in 2007)

Complexity of case: Analytical

2. SWOT matrix

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none">• Market share leader position• Very strong heritage, brand reputation• Financial resources• Extensive and stable distribution network• Strong market skills	<ul style="list-style-type: none">• Strict environmental policies• Offered only traditional cleaners (formulas were not as strong as many consumers demanded), at quite high prices compared with cleaners of other traditional brands

	<ul style="list-style-type: none"> All products are safe for users and environment 	
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> Target customers were women who had children aged 6 to 17 The majority of consumers still acted in response to brand equity Consumers demanded more fragrance variety Many consumers were willing to pay high prices for new forms of all-purpose cleaners. 	<ul style="list-style-type: none"> Develop new cleaners targeted at teenagers. Their moms were buyers and they were users. They would not share Fantastik's cleaners with their families; instead, they would use their own cleaners, for example to clean toys, bedrooms' floors, ect. Designs must be fun and trendy. Prices would be average and high. Launch additional product scents to attract customers from other brands. Introduce new premium cleaners. 	<ul style="list-style-type: none"> Advertising: promote Fantastik's strict environment policies, compare Fantastik with new cleaners (harsher, harmful to users' health and environment)
<p>THREATS</p> <ul style="list-style-type: none"> Industry experienced flat growth since 2005 Many strong competitors Difficult to differentiate products New scents introduced: easy to be copied New substitutes products: private brands, new stronger formulas Power of retailers increased Consumers were growing demand for harsh cleaners 	<ul style="list-style-type: none"> Lower retail selling prices of some existing products by improving production processes Offer sales discount for old products Invest in sale forces and strong relationships with retailers 	<ul style="list-style-type: none"> Do research and improve capabilities and technology to reduce manufacturing costs

3. Overall problem statement

Strategies to maintain dollar share and the favorable position for Fantastik's brand in long term, in light of heavy discounting from traditional brands and premium-priced, stronger newer products

4. PLC Strategies

Canadian all-purpose cleaner industry was stable in maturity stage since 2005. Some characteristics of the market:

- Growth was flat. (The only segment promising at the time was premium-priced stronger cleaners but SC Johnson Canada could not launch a stronger version of Fantastik.)

- There were too many alternatives for customers to choose: Fantastik, Lysol, Easy-off BAM, Mr. Clean, Vim as well as many other private brands. So customer loyalty was decreased since customers tended to try different brands.
- Brand equity was a main driver of the purchase decision of the majority of customers.
- Brands competed to attract more customers from their competitors by offering discounts, changing product models and heavily investing in advertising. They also tried to seek new niche markets.
- Bargain power of retailers was increasing and that required strategies to enhance relationships between manufacturers and retailers.

From exhibit 5 (Performance of Fantastik brand in 2004 and 2005): units per buyer did not change, while price per unit declined and average elapsed days between each purchase increased (mainly due to the increased sales of competitors). That was a reason why sales of Fantastik went down.

From exhibit 1 (All-purpose cleaners in Canada: \$ share (%) by brand from 2005 to 2006):

- Lysol: offered traditional cleaners at the cheapest prices, gave heavy discounts – Sales increased.
- Easy-off BAM, Mr. Clean, Clorox and all other brands: launched newer stronger, premium-priced cleaners; or offered both traditional products and stronger products at quite high prices – Sales increased.
- Vim, Hertel: offered traditional cleaners (“strong yet gentle”, environmental friendly) at low priced – Sales decreased.
- Fantastik: offered traditional cleaners at high prices – Sales decreased dramatically among brands.

→ Strategies for Fantastik in this stage:

- Combine strategies to develop products and attract more customers:

	Enhance traditional products	Launch new product lines
Customers from competitors’ brands	- Add new features and/or scents to increase the diversity of products	- Replace existing products with their “new and improved versions”: make a few changes in formulas, scents, packages and products’ personality, etc.
Potential consumers (from ignored segments)	- Change attitudes and influence buying patterns of non-users - Promote new applications to existing products	- Develop new cleaners targeted at teenagers

- Decline prices of traditional products;
- Price new products higher to assert higher quality;

- Use sales promotion as a tool to increase sales in short term;
- Advertising: convince consumers how Fantastik was better than competitors and worth their money, particularly in such market where consumers had a lot of alternatives but could hardly find a differentiated product.

5. Brainstorm alternatives

1. Replace some existing products with their “new and improved versions”
2. Launching additional product scents
3. Introduce new products targeted at teenagers which were gentle and safe, utilizing current cleaning capabilities
4. Price new products higher
5. Offer sales discount, and reduce prices of traditional products
6. Be engaging in frequent heavy discounting
7. Advertise new products
8. Target promotions at the end consumers
9. Target promotions at activities at retailers

6. Evaluate alternatives

Potential profit + Customer satisfaction + Positive effects in long term – Risk – Cost = Total

Alternatives	(Cost)	Potential profit	(Risk)	Customer satisfaction	+ effects in long term	Total
Replace some existing products with their “new and improved versions”	3	4	1	4	4	8
Launching additional product scents	4	4	2	4	3	5
Introduce new products targeted at teenagers	4	4	2	4	4	6
Price new products higher	1	4	2	3	4	8
Offer sales discount, and reduce prices of traditional products	3	3	2	4	3	5
Be engaging in frequent heavy discounting	4	3	4	4	2	1
Advertise new products	2	3	1	1	4	5
Target promotions at the end consumers	3	4	1	4	4	8
Target promotions at activities at retailers	3	3	2	2	3	3

7. Selected alternatives

Basing on the assessment above, the combination of alternatives I would recommend was:

1. Replace some existing products with their “new and improved versions”
2. Launching additional product scents
3. Introduce new products targeted at teenagers which were gentle and safe, utilizing current cleaning capabilities
4. Price new products higher
5. Offer sales discount, and reduce prices of traditional products
6. Advertise new products
7. Target promotions at the end consumers

8. Outline the execution of the recommendations

TARGET MARKET

Maintain current target market: “women aged 25 to 49 who are the primary shoppers and have an average household income of \$70,000 or more. More often, the purchaser tends to be in the upper end of this age range. In particular, Fantastik has been very successful in the ‘upscale French suburbs’ in Quebec. The target market for Fantastik tends to have children aged 6 to 17 who live at home, own a station wagon, use coupons, have a swimming pool, own a vacation home, and listen to classical and ‘oldie’ music radio stations...”

Target at potential consumers: teenage children of Fantastik’s “current target market”.

PRODUCT

Replace some existing products with their “new and improved versions”: make a few changes in formulas, scents, packages and products’ personality, etc. This strategy was still effective as long as quality could be still improved and buyers still believed in the promises of the products and wanted higher quality.

Launch additional product scents to attract customers from other brands. This strategy was costly and easy to be copied by competitors; it could not secure Fantastik’s long-term growth and survival as well. However, these disadvantages were inevitable in maturity stage. In compensation, the strategy had many benefits: the brand image stayed new and innovative, Fantastik could keep loyalty of current consumers who liked and valued these

new scents, continuously launching additional models could maintain the enthusiasm of retailers and sales force.

Develop new cleaners targeted at teenagers. Their moms were buyers and they were users. They would not share Fantastik's cleaners with their families; instead, they would use their own cleaners, for example to clean toys, bedrooms' floors, ect. The chemical formulations should not be harsh and harmful, which were quite similar to those of Fantastik's traditional products. The brand could utilize current cleaning capabilities and stay consistent with its policies. Bottles of cleaners would be designed with fun personalities and shapes, colorful packages and liquids, cool fragrances, etc. These products would be at average and high prices.

Developing premium products to offer current target customers was vitally important to Fantastik's long term growth.

PRICING

Lower retail selling prices of traditional products by decreasing manufacturing costs;

Offer new product lines at high prices in order to assert high quality.

PROMOTION

Mixed with product and pricing strategies, promotions should be still targeted at the end consumers rather than activities at the retailers. Eventually retailers stocked products in response to the end consumers' preferred choices (products at low or discount prices and new harsher higher-priced products);

Be engaging in price discounting to compete with traditional brands like Lysol;

Advertise new products for teens: trendy designs, effective cleaning functions and no harms for users' health and environment like new harsh cleaners;

Sponsoring communities and environment events (with 5% pre-tax profit).

DISTRIBUTION

Invest in sales force;

Maintain relationships with retailers via cooperative advertising and reasonable slotting fees;

Acquiring retail shelf space would become easier when the company was engaging in price discounting and its new products were valued by the market.