



# Clean Edge by Paramount Product Marketing Plan

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This product marketing plan proposal has been prepared in accordance with Paramount for deciding the market position and designing marketing strategies for the newest nondisposable razor— Clean Edge, which is scheduled to launch in January 2011.

To provide precise marketing and advertising advice, this report begins with a summary elaborating on the components regarding the current situation of Paramount and current U.S. razors market analysis. This report will then assess competitors positioning, cannibalization possibilities, and current target customer behaviors, and concludes with suggested product positioning, branding and communication strategies and budget allocation proposals.

### **1. Situational Analysis:**

**Company Overview:** Paramount, a global consumer products company, including Health, Cleaning, Beauty, and Grooming divisions, had its worldwide sales \$13 billion and gross profits \$7 billion in 2009. Paramount has been producing nondisposable razors since 1962 and become a leading brand. There are two lines of Paramount nondisposable razor market: Paramount Pro and Paramount Avail, which generated revenue of \$170 million, \$92 million in gross profit, and \$26 million in operating profit during 2009 in the U.S. Paramount Pro was positioned in a moderate segment, and Paramount Avail was considered as a value segment.

**The U.S. Razor Market Overview:** The U.S. razor market includes several categories, and Clean Edge belongs to the nondisposable razor and refill cartridge category. The nondisposable razor market is in a rapid growth stage (approximately 5% per year from 2007 to 2010), while the refill cartridges market is growing less (approximately 2% growth per year from 2007 to 2010). Also, the male-specific grooming and personal care product market grew increase more during these years than the growth of the women's beauty market.

Between 2008 and 2009, there were 22 new stock-keeping units (SKUs) launched in the nondisposable razors and refill cartridges market. Most of the newly launched products emphasized their advanced technology and aimed to target the super-premium segment.

Currently, the nondisposable razor and refill cartridge market are dominated by three international brands: Paramount, Prince, and Bent & Klein. These companies divide their nondisposable razors into three segments: value, moderate, and super-premium, based on the different price and quality. The super-premium market has been rapidly increasing for the past ten years, due to the new product innovation (See Exhibit 1).

**Consumers Purchase Behavior Overview:** Current nondisposable razors customers (male and female) can be understood as fitting into three categories: social/emotional shavers, aesthetic shavers, and maintenance shavers. Both social/emotional shavers and aesthetic shavers are considered the involved razor users, who are more willing to search for and experience new products. Social/emotional shavers (39%) search for products based on the function and messaging of the product. They care about the overall shaving experience. Aesthetic shavers (28%) search for the products based on effectiveness, because they care more about the cosmetic results. Lastly, maintenance shaver (33%) do not spend time on searching for shaving products. They view all products as the same. The study of changing markets shows that consumers across these categories are becoming more open to buying new razors and replacing blades due to the realization of the benefits of shorten replacement cycle.

**Competitors Overview and Analysis:** In the overall razor market, the direct competitors for the nondisposable razor and refill cartridge market are disposable razors and electric shavers. Disposable razors are relatively low price but provide less technological innovations on products.

Electric shavers occupy approximately 27% of the razor market. The characteristic of easy handle and low skin irritation are appealing to older customers in this market.

In the nondisposable razor and refill cartridge market, Paramount's main competitors are Prince, Benet & Klein, and two new entrants – Radiance and Simpsons. Since the 1950s, Prince has dominated the nondisposable razor market with the brand name Cogent and Cogent plus, which were considered super-premium product categories. Prince held the number one position in terms of retail dollar sales in the nondisposable razor market. Benet & Klein (B&K), with the brand name Vitric, Vitric Advanced, and Vitric Master, joined the nondisposable razor and refill cartridge market in 1985. Vitric is considered moderate, and both Vitric Advanced and Vitric Master are considered super-premium. Simpsons used Tempest as the brand name to join the nondisposable razor and refill cartridge market last year. Tempest was positioned in the super-premium category. Radiance right now is Paramount's strongest competitor, because Radiance will launch their new Navi razor in September 2010, which adopts similar technology as Clean Edge and will also be positioned in the super-premium segment (See Exhibit 2).

Most of the current nondisposable razor brands are positioned into super-premium segment (See Exhibit 3); however, Paramount's current products – Paramount Pro and Paramount Avail are only targeted to the moderate and value markets. Cogent (super-premium) from Prince had the highest unit and dollar market share in 2009, followed by Vitric (moderate) from B&K. However, according to market share forecasting of 2010, both Cogent and Vitric will lose their market share due to the new brand launches of Navi and Tempest.

## **2. SWOT Analysis (See Exhibit 4):**

**Strength:** Paramount is a respected global consumer products company and entered the nondisposable razor market in 1962. In 2009, Paramount was the unit-volume market leader

(23.3% retail unit share) and got good performance on sales revenue, gross profit, and operating profit in the U.S. market. Especially, Paramount Pro, as the backbone of the company, took the second place of the existing nondisposable market. That is to say, Paramount had a strong background, sources, and current customers' preferences to support their new product launch. Clean Edge, carried the revolutionary new technology, will have a big strength in the current market because the new technology innovation becomes the mainstream of the recent growing nondisposable razor market.

**Weakness:** The launch of Clean Edge will have potential cannibalization from the current product lines-Pro/Avail, which will affect the stability of the current market shares. Also, the marketing budget of Clean Edge might have some limitations, because the steering committee and high managers have concern of increasing marketing budget for Clean Edge's launch.

**Opportunities:** The 2010-year is good for launching New Edge, because the male-specific grooming products and nondisposable razor markets are both in their growing stages. The sales of nondisposable razor market had experienced about 5% growths annually from 2007 to 2010; especially the super-premium segment has grown most rapidly. The main reason for super-premium market growth was caused by the new technology and innovation product launches. That is to say, New Edge, as a revolutionary product, the current market surroundings could be the best fit for it. Also, in recent years, customers were more willing to try out new products and noticed the advantages of frequent blade replacement, which brought more business to the current market. Another opportunity is that for the past five years, Paramount did not introduced any new technologies toward their products; therefore, the breakthrough innovation toward New Edge could have a big chance to catch customers' eyes.

**Threats:** The current nondisposable razor market is highly competitive, especially in the super-

premium segment. Also, there are many substitute products and competitors, like electric shavers and disposable razors. Navi, made by Radiance, has similar new technology as New Edge, and will be launched in September 2010, which is four months earlier than New Edge.

### **3. Strategic Marketing Plan Recommendations**

According to the profit-and-loss (P&L) forecasting analysis, Clean Edge could make much more profits when position into niche market than mainstream market: the total profit after two years: \$31.37 million in niche market vs. \$2.82 million in mainstream market (See Exhibit 5). Therefore, Clean Edge is recommended to be positioned into the niche market and target involved razor users (both social/emotional shavers and aesthetic shavers).

#### **(1) Positioning Analysis (Pros and Cons):**

**Niche Market:** Paramount will get a lot of advantages by positioning in niche market. First, according to the P&L forecasting, niche market positioning scenario will earn more profits for Paramount after cannibalization (Paramount will earn \$28.55 million more than mainstream positioning scenario after two years). Second, niche market could provide more consistency with the marketing message of promoting product's high technology and innovation. Third, niche positioning requires relatively less marketing expenditures (\$15 million) compare with mainstream positioning (\$42 million) as well as advertising and promotions expenditures (\$31 million in niche positioning vs. \$81 million in mainstream positioning for two years). Fourth, the niche strategy can lower the cannibalization rate with Pro/Avail (35%) compare with applying mainstream strategy (60%). Fifth, currently, Paramount product lines were not creating any products to target the niche market; therefore, if Clean Edge could position into niche market, Paramount will have product lines in each market segments, especially, niche market is less saturated, and has potential growth in the future. Lastly, Paramount senior executives already had

preferences to price Clean Edge somewhere in the super-premium segment; therefore, the niche market will fit better the Clean Edge pricing strategy. The disadvantage is that the volume sales in the niche market are relatively less than the mainstream market.

**Mainstream Market:** The advantage of applying Clean Edge razors in the mainstream market is that Pro, the current backbone of the company, is in the mature phase of the product lifecycle and has possibility to decline in the near future. Therefore, in order to keep the current Pro loyal customers, Clean Edge, with its innovation technology, should position in the mainstream market to prevent current customers to go for other competitive innovation products. That is to say, since Paramount already has a customer base in the mainstream market, when they launch Clean Edge there might be more interest in Paramount's other razors and products. Also, the volume sales are higher in mainstream market compare to niche market and Clean Edge has relatively fewer competitors in the mainstream market (only Paramount Pro and Vitric exist).

The disadvantage of mainstream strategy are: the cannibalization rate is 60% (niche strategy is only 35%), the large marketing investment will be required, and total profits after two years will be only \$2.82 million (niche market position will be \$31.37 million).

**(2) Target Customers Examine:** The male involved razor users (67% of total nondisposable razor users) will have more possibilities to be the main target customers for Clean Edge, because those users care about the product differences, and are willing to spend time to search for the best-fit products for themselves. Unlike those uninvolved razor users, they only regard shaving as part of their routine, involved razor users care about the overall shaving experiences as well as the cosmetic results. Therefore, to highlight the high technology and innovation of Clean Edge will make perfect sense for those involved razor users.

After comparing the results of the both P&L forecasting (See exhibit 5), overall pros and



cons, and target customer purchase preferences, Clean Edge will be more profitable to position into the niche market. Especially, when thinking about cannibalization, the niche-positioning scenario might cause less cannibalization (35%) compared to mainstream positioning (60%). Also, so far, Paramount has no product lines to target the super-premium segment, where it is considered as a rapid growth market and all the main competitors tried to gain profit from. Therefore, to position into the niche market can differentiate Clean Edge from Paramount Pro and Avail, and Paramount will have full product lines to cover different target customer segments.

To sum up, the recommended Position Statement for New Edge is: To male involved razor users, New Edge by Paramount is the brand of serving aesthetic, high technology, and high quality products that offers the most enjoyable and superior shaving experiences as well as the most effective cosmetic results.

#### **4. Strategic Communication Plan Recommendations:**

**(1) Brand Name Suggestions:** In order to precisely target the niche market, Clean Edge by Paramount will be recommended as the brand name to successfully differentiate Clean Edge from other Paramount products, reinforce the new super-premium position, and highlight its technology innovation.

Since it's been five years for Paramount to introduce the new technology on their products, Clean Edge will be a new star for Paramount if market it properly. Therefore, "Clean Edge by Paramount" will make Clean Edge to stand out from the current product lines, which have less technology and target lower price market, and promote it as the Paramount's revolutionary product to attract those involved razor users.

By highlighting the “Clean Edge” name, the risk is that it might have less linkage with Paramount (less brand recall); however, it might have a chance to reduce the cannibalization rate of Clean Edge with Paramount’s existing product lines and create customers’ new brand preference. On the other hand, the company name will still keep as part of brand name; therefore, for those Paramount’s royal customers, they might still be willing to purchase Clean Edge to try out Paramount’s new products.

**(2) Communication and Advertising Strategies:** Clean Edge by Paramount is a high-class nondisposable razor, which target super-premium market. Therefore, the overall communication strategy will highlight its breakthrough technology, aesthetic design, and its high quality. For example, Clean Edge by Paramount will be framed as an exclusive, stylish, high-tech and high-end razor for those customers who are either searching for the extremely high quality shaving experiences or want to enjoy the overall stylish grooming process.

In details, the communication strategies will be differentiated from different target shavers: those social/emotional shavers will be emphasized by the Clean Edge’s social and emotional benefits toward users, for example to highlight the comfortable experience of using Clean Edge, and the attractiveness after using Clean Edge. The high involvement transformational content of advertisements is recommended to target this group. On the other hand, those aesthetic shavers will be emphasized by Clean Edge’s breakthrough technology, like 25% increase on overall hair removal and improve overall skin condition after shaving. Some high involvement/ informational advertisements will be used to highlight the Clean Edge’s revolutionary technology and its effectiveness toward hair removing.

Additionally, celebrity endorsement will be strongly suggested for targeting niche market, especially for those social/ emotional shavers, they think shaving can make themselves

more attractive. Therefore, to link those stylish celebrities with Clean Edge will create a halo effect on the product, and highlight its revolutionary technology and design, ultimately to attract more target customers.

Press releases and press conferences will be included in the communication plan. For new product launch, releasing press release and hosting a conference can be the best chance to officially introduce the new technology to the public and win free media coverage.

**(3) Media Selection and Allocation:** Based on both the target audiences characteristics and product segmentation, the media selection of Clean Edge by Paramount advertisements will include TV (55%), print- magazine (30%), and online- social media (15%). TV commercials will run on particular channels, like ESPN and FTV Men, which have more male viewers. Print ads will be included in some male-focused magazines, like GQ and Motor Trend. Online ads will include banner ads in some male-focus (fashion) website, like Men's Journal and askmen. Lastly, social media will be applied in many ways to not only promote the products, but also create customer relationships via Facebook, Twitter, Instagram, Youtube, and Pinterest.

**(4) Promotion Plan:** Coupons will be a essential promotion strategy for new product launch. Cents-off coupons, free razor coupons, as well as free cartridge coupons will be used to stimulate consumers' purchase intentions and inspire them to try new products. Bonus packs will also be implemented to entice consumer savings. Moreover, event promotions create buzz, increase brand awareness, and win media coverage. Paramount will host a roadshow to demonstrate Clean Edge and to let those visitors (potential customers) experience the effectiveness of shaving with Clean Edge. In-store-displays and feature ads will be applied to have a better position of shelf space, and the use of proper ads in the store will increase customers' purchase rate as well as brand awareness. Hosting a trade show in the first year will be a good chance to promote

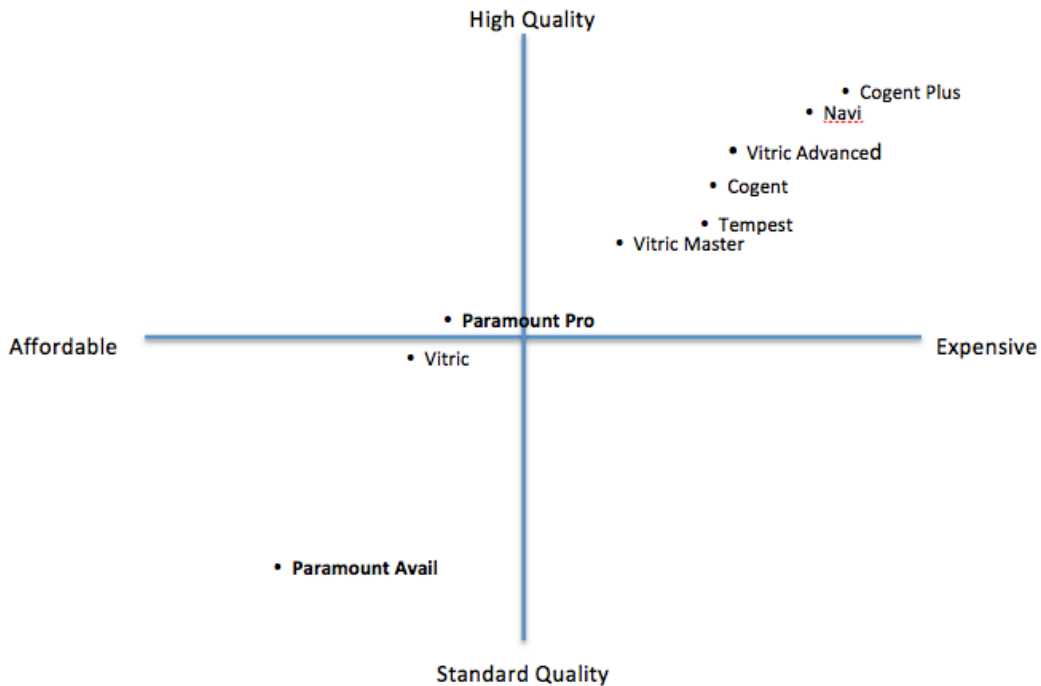
Clean Edge within retailers. This will be an effective way to announce and demonstrate Clean Edge to industry professionals. Additionally, p-o-p displays will be introduced to increase the product visibility and to reinforce customers' impressions toward Clean Edge. Also, co-op advertising will be a cost-effective way to reach the target market; Macy's and Best Buy are identified retailers because they target the similar demographic as Clean Edge. In order to keep increasing sales in the second year, the trade allowances of \$1.8 million will be included to encourage retailers to keep sailing Clean Edge.

**5. Marketing Budget Allocation Recommendations** (See Exhibit 6): According to the marketing budget forecast for 2011 and 2012 from Paramount, positioning Clean Edge in the niche market will require \$15 million overall in the first year, and \$16 million in the second year. Along with the advertising and promotion plans explained above, the following budget allocation is recommended: for the first year, the advertising spending will be \$ 7 million allocated in television (55%), magazine (30%), and Internet (15%). The consumer promotions budget will be \$6 million, which will be allocated mainly in coupons (50%), roadshows and press conference events (20%), bonus packs (15%), in-store displays (10%), and feature ads (5%). Trade promotions will have \$2 million to allocate into trade shows (55%), the p-o-p displays (30%), as well as co-op advertising (15%). For the second year, advertising and consumer promotions will be the same; however, the trade promotions will add on \$1 million to maintain a high exposure rate in the retail stores and keep the brand awareness in front of customers (See exhibit 7 for exact numbers). The trade allowances in the second year will be 60%, the p-o-p displays 30%, and the co-op advertising 10%.

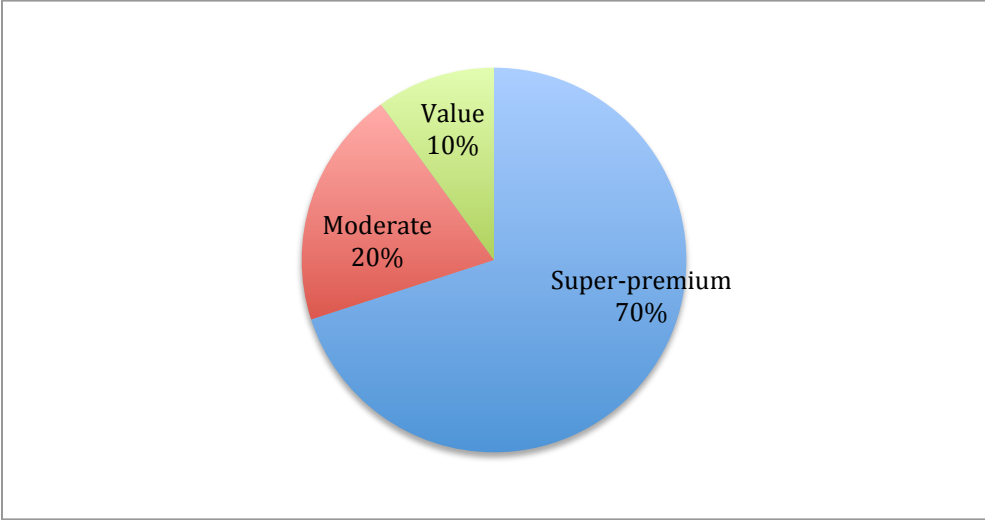
**Exhibit 1. Current Nondisposable Market:**

Brand	Brand Names	Segments	Dollar MKT share (09)	Dollar MKT Share E (10)
Paramount (1962)	Paramount Pro	Moderate	18.5%	18.5%
	Paramount Avail	Value	4.9%	2.9%
Prince (1950s)	Cogent	Super-premium	29.4%	21.3%
	Cogent Plus	Super-premium	1.3%	4.9%
B&K (1985)	Vitric	Moderate	17.8%	15.8%
	Vitric Advanced	Super-premium	0.7%	0.1%
	Vitric Master	Super-premium	0.7%	5.2%
Radiance (2010)	Naiv	Super-premium	2.6%(2010)	2.6%
Simpsons (2009)	Tempest	Super-premium	1.1%	5.7%
Other	x	More in Value	22.8%	23.0%

**Exhibit 2. Current Nondisposable Market Positioning:**



**Exhibit 3. Current Nondisposable Razors Segmentation:**



**Exhibit 4. SWOT Analysis:**

Strength	Weakness
<ul style="list-style-type: none"> <li>• Paramount is an historical global consumer products giant.</li> <li>• Clean Edge Razor carried new breakthrough technology. It could be a revolutionary product, which appeals to a growing market.</li> <li>• Paramount was the unit-volume market-leader in 2009.</li> <li>• Current product line-Paramount Pro had strong market share in the current business.</li> </ul>	<ul style="list-style-type: none"> <li>• The potential cannibalization might occur</li> <li>• The marketing budget of Clean Edge has limitations.</li> </ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>• Nondisposable razors sales had experienced approximately 5% growth annually from 2007 to 2010.</li> <li>• In the last decade, the industry had experienced significant growth in the super-premium segment.</li> <li>• The growth of super-premium segment was caused by the product innovations.</li> <li>• The purchase and replacement cycle of razors and replacement were shortening</li> <li>• In the last five years, there was no significant technology innovations introduced by Paramount.</li> <li>• Male-specific grooming products became the mainstream in the market.</li> </ul>	<ul style="list-style-type: none"> <li>• The accelerate rate of new-product introductions for nondisposable razors and refill cartridges in these years.</li> <li>• The new launched Navi made from Radiance had similar new technology with Clean Edge.</li> <li>• There are many substitute products available.</li> <li>• The nondisposable razor market is high competition.</li> </ul>

**Exhibit 5. Clean Edge Profit-and-Loss Forecast for Niche and Mainstream Market:**

	Niche		Mainstream	
	Year 1	Year 2	Year 1	Year 2
Razor Unit Volume	1.0	1.5	3.3	4.0
Razor Manufacture Price	\$9.09		\$7.83	

<b>Razor Sales</b>	<b>\$9.09</b>	<b>\$13.64</b>	<b>\$25.84</b>	<b>\$31.32</b>
Cartridges Unit Volume	4.0	10.0	9.9	21.9
Cartridges Manufacture Price	\$7.35		\$6.22	
<b>Cartridges Sales</b>	<b>\$29.4</b>	<b>\$73.50</b>	<b>\$61.58</b>	<b>\$136.22</b>
<b>Total Sales</b>	<b>\$38.49</b>	<b>\$87.14</b>	<b>\$87.42</b>	<b>\$167.54</b>

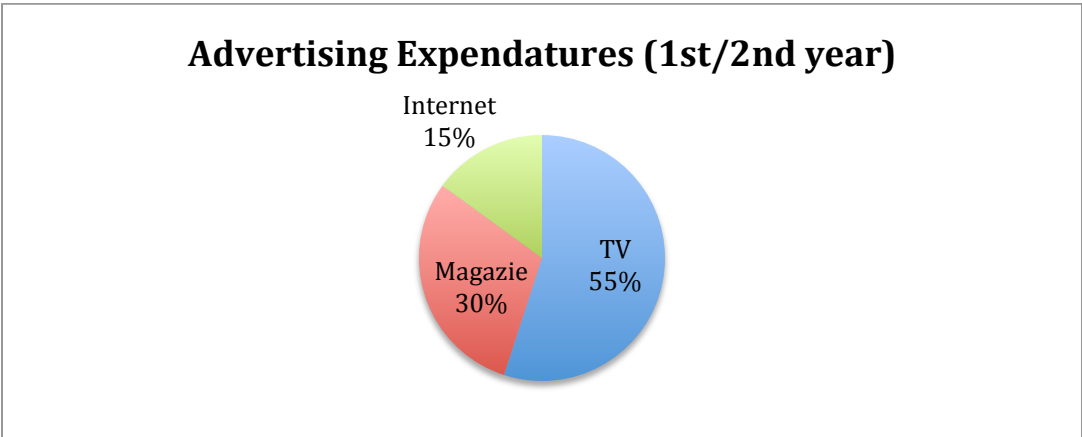
	Niche		Mainstream	
	Year 1	Year 2	Year 1	Year 2
Razor Unit Volume	1.0	1.5	3.3	4.0
Razor Production Unit Cost	\$5.00		\$4.74	
<b>Razor Production Cost</b>	<b>\$5.00</b>	<b>\$7.50</b>	<b>\$15.64</b>	<b>\$18.96</b>
Cartridges Unit Volume	4.0	10.0	9.9	21.9
Cartridges Production Unit Cost	\$2.43		\$2.24	
<b>Cartridges Sales</b>	<b>\$9.72</b>	<b>\$24.30</b>	<b>\$22.18</b>	<b>\$49.06</b>
Capacity Cost	\$0.61	\$0.87	\$1.71	\$2.45
Advertising	\$7	\$7	\$19	\$17
Consumer Promotion	\$6	\$6	\$17	\$14
Trade promotion	\$2	\$3	\$6	\$8
<b>Total Cost</b>	<b>\$30.33</b>	<b>\$48.67</b>	<b>\$81.53</b>	<b>\$109.47</b>



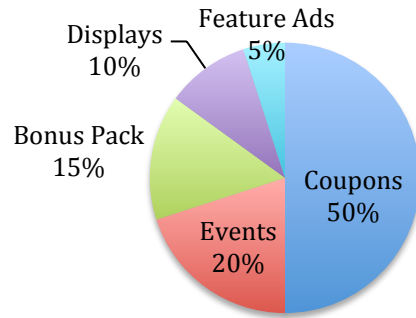
	Niche		Mainstream	
	Year 1	Year 2	Year 1	Year 2
<b>Operating Profit</b>	<b>\$8.16</b>	<b>\$38.47</b>	<b>\$5.89</b>	<b>\$58.07</b>

	Niche		Mainstream	
	Year 1	Year 2	Year 1	Year 2
Razor Unit Volume after Cannibalization	0.35	0.53	1.98	2.4
Contribution Per Unit for Razor	\$1.76			
Cartridges Unit Volume after Cannibalization	1.4	3.5	5.94	13.14
Contribution Per Unit for Cartridges	\$2.80			
<b>Total Cannibalization</b>	<b>\$4.54</b>	<b>\$10.73</b>	<b>\$20.12</b>	<b>\$41.02</b>
<b>Profit after Cannibalization</b>	<b>\$3.62</b>	<b>\$27.74</b>	<b>-\$14.23</b>	<b>\$17.05</b>
<b>Total Profit after 2 years</b>	<b>\$31.37</b>		<b>\$2.82</b>	

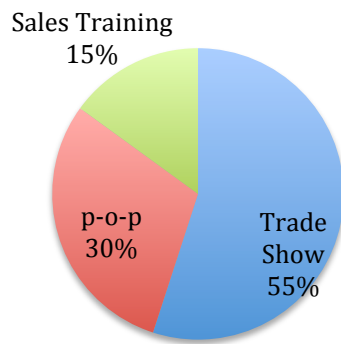
**Exhibit 6. Marketing Budget Allocations:**



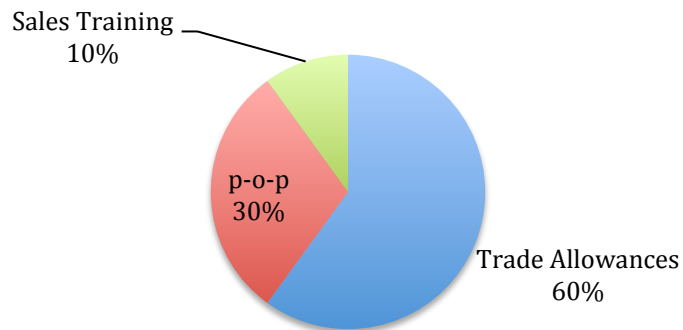
### Consumer Promotions Expenditures(1st/2nd year)



### Trade Promotion Expenditures (1st year)



### Trade Promotion Expenditures (2nd year)



**Exhibit 7. Marketing Budget Recommendations on niche positioning strategy (\$ in millions):**

	First Year estimated budget	First Year Allocation		Second year estimated budget	Second Year Allocation	
<b>Advertising</b>	\$7	TV	\$3.85	\$7	Same as the first year	
		Magazine	\$2.1			
		Internet	\$1.05			
<b>Consumer Promotions</b>	\$6	Coupons	\$3	\$6	Same as the first year	
		Events	\$1.2			
		Bonus Packs	\$0.9			
		Store Displays	\$0.6			
		Feature Ads	\$0.3			
<b>Trade Promotions</b>	\$2	Trade Shows	\$1.1	\$3	Trade Allowances	\$1.8
		P-o-p	\$0.6		P-o-p	\$0.9
		Co-op Ads	\$0.3		Co-op Ads	\$0.3