

CHAPTER FOUR: STRATEGIC MARKETING PLAN SYNOPSIS

This chapter features the summarized SMP approved by the company and it is divided into the stages below.

The first stage was to gather information to make the situational analysis of the company; it focused on pointing out the market summary of the venture along with the main competitors in the target market. It involved doing a lot of research on the industry analysis due to the fact that it could be segmented into many parts and this was a key for picking the target market.

The following stage includes a deep analysis on the strengths, weaknesses, opportunities and threats that the company faces in attempting to enter a new market.

The third stage consists in selecting an accurate marketing strategy for the company's venture. Its development required a lot of time and effort due to the complexity of the project and the nature of the company. This part of the study also demanded an extensive research on the company's marketing mix. This stage is presented as an abstract due to advised discretion.

The fourth and last stage implies the abstract of the action plan along with its justification.

4.1 Situation Analysis

4.1.1 Environmental

4.1.1.1 Demographics

Manhattan is a borough of New York City, U.S.A. Its population is the third largest of the five boroughs in NYC, but it is the most densely populated county in the United States. The borough has an area of 33.8 mi² (87.5 km²), of which 32.01% is water (World Bank, 2006).

Manhattan is a commercial, financial, and cultural center of the world. It is also home to the headquarters of the United Nations and the seat of city government. Its commercial streets are characterized by several unique and diverse shops and boutiques; though a more recent incursion of transnational chains has caused it to increasingly resemble other American cities and suburbs at a higher density. Manhattan is the site of most of the city's corporate headquarters, like the New York Stock Exchange and NASDAQ.

Manhattan is one of the highest-income places in the United States with a population greater than 1 million people (Burden, 2006)

4.1.1.2 Economic

Manhattan is the economic engine of New York City. Its most important economic sector is the finance industry. There are more than 280,000 workers in this industry and the pay gap between them and the 1.5 million other workers in Manhattan keeps widening, raising concerns about the city's growing dependence on their extraordinary incomes (U.S. Department of Commerce, 2006).

Last year, the average weekly wage in Manhattan was US\$1,453, the highest among all the countries in the U.S. The national average was \$784. Wages in Manhattan are the fastest growing among the nation's 10 largest counties, according to the Bureau of Labor Statistics, U.S. (2006).

It all indicates that Manhattan has a prosperous economy; consumer spending is being boosted by low inflation rates, strong employment, and near record levels of consumer confidence. An economy like New York's, with growing monetary resources, has a strong demand for goods and services.

The giftware industry is benefiting from New York's healthy economy in which consumers have more disposable income to spend on gifts, decorative accessories, collectibles, and novelties.

4.1.1.3 Political-legal

The relationship between Canada and the United States has traditionally been one of the world's most successful bilateral relationships. Canada and the U.S. are each other's largest single trading partner. Canada accounted for a 22.4% of total of \$1,148 trillion of US imports on 2006² (U.S. Department of Commerce, 2006).

Nowadays, the relationship among these countries is in a serious set of new circumstances. The environment has changed over the past two decades, beginning with the dissolution of the Soviet Union, which had given a sense of predictability to U.S.-Canada relations. This shift in the world order leaves one remaining supremacy; the United States.

² Refer to Annex 6

In the mid-time, China is emerging as an economic source of power. Canada is no longer playing the middle power role it played successfully for a number of years. At the same time, the alternative to use force has never been so extensive throughout the world.

The events of September 11, 2001 altered the U.S. sense of security and made clear the threat of global terrorism to Americans and their nation. Among the early manifestations of the attacks were the delays and security concerns at the U.S. borders.

Finally the war in Iraq has produced deep divisions within the Western alliance, not least of all between Canada and the United States.

4.1.1.4 Socio-cultural

In the past decade, American cultural panorama has undergone numerous socio-cultural changes. As an “individualistic” culture, we can point out many behavioral attitudes that have an impact on *Abril's* market.

Gift-giving occasions abound in the U.S., a study by Unity Marketing (2005) on Americans' attitudes toward gift-giving found that nearly two-thirds reported giving gifts because they find it personally satisfying (65%), or because it makes the recipient happy (63%). Only 17% said they give gifts because they feel obligated to do so.

As the importance of the home as a place of leisure, an entertainment center, a workplace -as well as a private dwelling- grows; consumers are naturally turning to buying items that enhance this multipurpose environment.

4.1.1.5 Technological

Abril's products are artisans, in consequence, if the demand grows at a certain point and the company is not able to meet it, the companies that do have a faster manufacturing

system can override *Abril's* place in the market. With the same though we must also appreciate that no machine can produce a candle like the ones *Abril's* offers, each them being unique.

As an example of the influence technology has in *Abril's* products, we can mention some products that represent direct competition for the company: automatic air fresheners and electronic candles -readily available in the market.

4.1.2 Market Summary

The strength of the candle market is expected to be determined mostly by a sustained interest in home décor and relaxation, projected increases in the female population, in the purchasing power of women, and a strong economy that can support and inspire the continued purchase of premium candle products, such as *Abril's*.

4.1.2.1 Target Market.

These homeowners have a sense of permanency —as well as more living and storage space. Moreover, people in this age group typically are in their peak earning years. As a result of these factors, they tend to purchase more and better household goods, and to be more interested in decorating than people who view their housing arrangements and income levels as temporary.

The company possesses deep information about their target market; in order to better understand the profile of *Abril's* candle consumers, it has been segmented to the characteristics and factors detailed in the following lines:

Demographic: Women in the 25 to 44 age bracket.

Not necessary have a job, but if they do it is by choice, not necessity.

Are home-owners.

Married or engaged; belong to the middle or upper-class.

Form part to at least two social groups, business, athletic organizations, cultural groups, social clubs, etc.

Have attended college and their annual income is more than US\$60,000.

Geographic: The geographic market is the borough of Manhattan, NY (22 square miles) It has a female population of 807,661 which represents the 52.5% of the total population in the area.

Women between 24-44 years old represent the 27% of the total female population mentioned above.

The total targeted area population is estimated at 216,183 women.

Psychographic and lifestyle:

This segment closely associates validation and support with self-esteem.

They enjoy decorating and showing their homes.

They perceive themselves as with a tasteful, original and creative sense of decorating but are continually seeking for status-enhancing products such as luxurious, eye-catching, and/or unique items.

They like to shop at exclusive boutiques, specialty shops and home décor stores and dislike shopping at crowded places.

They are at least *somewhat* loyal to the brands they buy; they enjoy spending some of their discretionary income on gifts for friends.

4.1.2.2 *Industry analysis*

The use of candles in the home has increased dramatically over the last 15 years. Not only have candles experienced a heighten in popularity, but the types of candles available on the market and their proposed uses have augmented significantly. According to the National Candle Association (2007) candles are no longer intended for use only as interior decorating items, but are now marketed as art pieces, air fresheners, therapy and meditation items, and so on.

According to a study released by Unity Marketing (2004), scented candles are the first choice among home fragrance products. By 2004 total sales of scented candles were U.S.\$3.7 billion dollars. The candles market is emerging as one of the top growing markets for private label players; candles were ranked 15th among the 270 product categories in terms of unit volume sales in a study directed by The Boston Consulting Group (2005). Candles not only remain, but are also expected to be consumer's top pick for home fragrance and decoration element.

The candle industry remains extremely competitive. A noteworthy number of candles are low-priced, and consumers do not seem particularly brand-loyal. Moreover, the high cost of petroleum—an important ingredient in many candles—is intensifying margin pressure in this sector.

The giftware industry also benefits from Americans' propensity to travel, because those visiting friends and relatives rarely arrive to their destination empty-handed.

Some interesting data published by the National Candle Association (2007) is displayed in the following lines:

- Manufacturer surveys show that more than 95% of all candles are purchased by women
- Candles are used regularly in 60 to 70% of all U.S. households
- Votives, container candles, and pillars are currently the most popular types of candles with American consumers
- In 2005, total candle's imports amounted to US\$435 million. China has been the largest single source of imported candles since 1990. In 2004, China was the source of 48% of all imported candles
- The majority of U.S. consumers use their candles within a week of purchase.

4.1.2.3 Market trends

Sixty-six percent of women surveyed in 2006 use candles in their homes (Figure 6), a trend that is up 11 percent from 2005, according to Harris Interactive for the National Candle Association. However, only 49 percent consider candles part of their decorating scheme. The same percentage focus on a candle's color when buying compared to 79 percent who say scent is a key factor.

Figure 7

Women Who Used Candles in Home Décor 2005-2006



Source: National Candle Association (2006)

U.S. consumers are spending more time at home, which could mean increased demand for decorative products that enhance the smell and general aspect of the home environment. Candles represent a dominant share of this market, whether it is for stress relief, home fragrance, decoration or gift giving. Sales have increased by the recent trend of consumers spending more money on home furnishings than on themselves.

Aromatherapy and organic/natural products have become more popular among Americans. These health-oriented practices have helped them reduce stress, simplify life and improve their health. Products made with natural ingredients, especially soy wax, are less polluting and are in great demand.

There was also a marked shift in consumer taste generally toward the use of scented candles of all kinds (votives, pillars, etc). This fragrance delivery function augmented the more traditional use of candles for the type of light, ambiance, and decor they can provide.

Although there are more than 1000 different aromas for candles available in the U.S. vanilla and vanilla-based aromas have remained the most popular candle scent for almost a decade.

To sum up, three main key trends influencing candle purchases trends were identified in this study and are explained below:

All Natural – As the candle industry explodes, the market is becoming saturated, with many manufacturers and retailers offering similar candle formats and styles. Customers are now turning to their retailers, looking for something new and different, naming natural wax, textures and packaging as the key elements taking the market into the next generation in candles. Another factor attributing to the emerging trend of natural

candles is safety. Safety is a concern for consumers, with all natural vegetable oils and non lead wicks increasing in popularity.

Room Specifics – The market is experiencing many trends in home décor. Because of these trends, candles play an important role in this industry, with preferences for candle styles, colors and fragrances specific to certain household rooms (relaxing fragrances for the bathroom, fruit fragrances for the kitchen, etc.).

Fragrance & Color Trends – According to the NCA (2007), scented candles dominate the market. Fragrance is increasing in importance as a special element in the selection of candles for the home. Candle industry research findings indicate that the most important factors affecting candle sales are color, shape and scent. The heavy, perfumery fragrances of the past have given way to more natural smelling. Colors and fragrances are more complex, combining a variety of tones and shades making it difficult to identify an exact color or exact fragrance note.

4.1.3 Competition

The candle market, along with the giftware and decorative accessories industry has become highly competitive, with a large number of both large and small participants and relatively low barriers to entry.

The Reference U.S.A. database of businesses (2007) identifies 189 candle manufacturers in the United States. Most of these are small businesses. Since start-up expenses are generally small, producers of candles may enter and exit the market easily and frequently.

Abril's products compete with other scented and unscented candle, home fragrance and personal care products, and with other gifts within a comparable price range; like boxes of candy, flowers, wine, fine soap, and related merchandise.

The company's products compete primarily with the rest of the products inside the specialty and luxury-gift stores where it is distributed, as well as a variety of other retailers including department stores, and U.S. specialty retailers that carry candles along with personal care items and house-ware.

In the wholesale business, *Abril* competes with numerous manufacturers and many other importers of candles, home fragrance products and other home décor and gift items. There is also to be considered the limited space available in the wholesale customer locations for the display and sale of candles to consumers.

Some of the main competitors are part of large, diversified companies which have greater financial resources and a wider range of product offerings than *Abril* does. Most of the competitors source their products from low cost manufacturers outside of the United States.

Abril also faces strong indirect competition from substitute products, such as fragrance delivery products and flameless candles.

4.1.3.1 Main competitors

Taken together, the top five home fragrance and decorative elements marketers controlled 61.7% of retail dollar sales in 2002, according to the U.S. market report for home fragrances and decorative elements (2003). These leading marketers were S. C. Johnson & Son, Inc., Blyth, Inc., Yankee Candle Company, Intimate Brands, Inc. and The Dial Corporation.

4.2 SWOT Analysis

The analysis presented in the following table (Table 3) is considered a key to strategy development.

Table 3
SWOT Analysis

| STRENGTHS | WEAKNESSES |
|--|---|
| <ul style="list-style-type: none"> ○ The company has the ability to have a marginal decrease in the spread of fixed costs relative to each candle as sales increase. ○ Abril offers high quality handmade products that differentiates their products from the competition. ○ Abril's products are not seasonal, which represents an advantage for the company in any market. | <ul style="list-style-type: none"> ○ Lack of market presence in the US as a high quality candle manufacturer. No brand power. ○ As a small-medium enterprise (SME), if sales spike up more than planned it might be difficult to fulfill a large increase in orders. ○ The company has a limited marketing budget to generate awareness of Abril's products. ○ Abril doesn't have ongoing relationship with any re-sellers. ○ Inadequate packaging and labeling. ○ Relatively high prices. |
| OPPORTUNITIES | THREATS |
| <ul style="list-style-type: none"> ○ Expanding the business overseas will yield a great number of benefits to the company. ○ The growing gift and accessories industry imply that there is a growing demand for these products. ○ There is a growing market trend in buying organic and natural products; they give the customer a sense of security. ○ Candles represent 54% of total home fragrance sales with 7 out of 10 households in the US using candles on a regular basis. ○ Abril benefits from the North American Free Trade Agreement (NAFTA). Which allows the company to compete with larger firms without sacrificing their profit margin. ○ Similar culture and same language in the US. | <ul style="list-style-type: none"> ○ Fierce competition in the US in the candle industry. Many of the non-traditional candle retailers now offer some type of candles to the consumer. ○ Some people consider candles as "open flames" that pose a threat of fire to their homes, even when the threat from candles is nearly gone. ○ Battery operated candles (flameless candles) are a substitute product for real candles. Their market share in the candle industry is on growth. ○ A material decline in consumer's discretionary income could cause sales and income to decline. ○ Because Abril is not a diversified company, it depends upon the industry; the company lacks of flexibility in reacting quickly to unfavorable consumer trends or adverse economic situations. |

Source: Prepared in-house (2007)

4.3 Marketing Strategy

The abstract of the marketing strategy presented in the following lines summarizes the strategy developed for the company supported by a marketing mix and an extract of the action plan.

4.3.1 Strategy's Goals & Objectives

- Goal: Create Brand Knowledge
- Objectives: Position the company as desired.
Create brand awareness and image.

The marketing strategy proposed is based on the SWOT analysis and focused on the main objectives of the company. The strategy presented will seek to create consumer awareness, interest, and appeal regarding the products offered.

- Strategy: Build an image for *Abril*.
- Target Market: Middle or upper-class women within the age rank of 25 to 44 years old; who are continually seeking for status-enhancing products such as luxurious, eye-catching, and/or unique items for home-décor.
- Positioning: *Abril* designs and manufactures handcrafted, premium scented candles and offers them as affordable luxuries and consumable gifts to help people express themselves in their homes.
- Products: To always maintain the products offered available for the consumer.

Price: It will not differ from the price strategy the company is already offering; premium quality–premium pricing. A mark-up cost will be added.

Distribution: A two-step distribution channel through wholesalers and retailers will be used, along with missionary sales representatives. They will employ a selective distribution marketing strategy for distributing *Abril's* products to retailers, which will be regulated by a distribution policy.

Promotion: Develop marketing campaigns to back up the positioning strategy.

R&D: Build controls to smooth the progress of the strategies, measure market positioning status and the company's overall success in the market.

4.3.2 Marketing Mix

In brief, *Abril's* Marketing consists of the following approaches to product marketing, pricing, distribution, and promotion.

4.3.2.1 Product

Abril's Candles are created to achieve heightened elegance. These pillars of natural wax lend sophistication to any home through its artisan look and its captivating vanilla aroma; they also provide the customer with a unique experience, from buying the candle in its exclusive leave-made giftable-package to setting it alight and enjoying its splendid glow.

Abril's products competitive advantage is based on a main factor, unrelenting desire for the highest quality products, committing to use the finest quality ingredients.

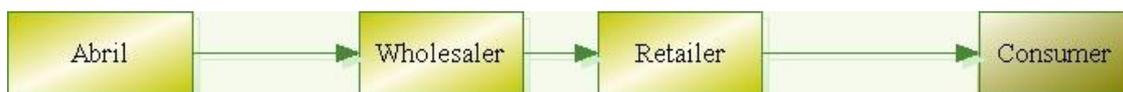
4.3.2.2 Price

Product pricing is based on offering high denotation products to consumers compared to the competition in the target market. The value of *Abril's* products is manifested in its premium price. *Abril* is aware of the price elasticity of its products and overall consumer demand.

4.3.2.3 Place.

Candles will be principally sold in specialty stores, gift shops, and home décor stores. *Abril* has chosen to use a short channel of distribution because they want to maintain personal relationships in the channel. Figure 8 illustrates the two-step distribution channel that the company is going to employ, which will provide the company with an important asset: they will have control over marketing efforts and therefore, improve the ability to build brand identity.

Figure 8
Two Step Distribution Channel



Source: Prepared in-house (2007)

This marketing channel uses wholesalers as immediate sources of funds through their purchases, and they also act as a powerful marketing arm to reach the appropriate retailers who will stock and sell *Abril's* products. The company will also supplement

these efforts with their own missionary sales representative to call on the retailers to assist in merchandising the line.

4.3.2.4 Promotion

Because *Abril's* budget is limited, it will keep its message simple, emphasizing its product's three key benefits; high quality, natural ingredients, and captivating aroma.

Initial advertisements in direct mail catalogs, woman magazines and newspapers will be launched. The company will also improve its brand awareness by participating in the next New York International Gift Fair.

4.3.3 Action Plan Abstract

In order to achieve the suggested marketing strategy, an abstract of the action plan is proposed in the paragraphs below. Based on the SWOT analysis, it could be said that the first step the company has to take it is to build an image for *Abril* in the target market, positioning the company as desired and create awareness of it.

Our main objective is to create brand awareness. In order to achieve this, the first step *Abril* will take is to use repetitive advertisement in newspapers and magazines which will transmit a simple message that is expected to awaken interest in *Abril's* candles, afterwards we will communicate the features and benefits of our products, i.e. the benefits of an aromatic ambience at home, the enhancement that decorative candles add.

A marketing campaign like the one presented will provide our target audience with some knowledge and comprehension of our product. After this second step has been achieved, the company will strive for the liking and promotion of positive feelings about our brand through conveying information, promotions and incentives. If we suppose that

40% of our target audience like us, our following step will be to achieve that at least 25% of our audience prefers our product amongst our competitor's. We shall know these goals have been obtained when the sensitivity of sales, and sales volume increase as well as advertising expenditures are justified.

Finally *Abril* shall develop and maintain a campaign to ensure regular use and repurchase using reinforcement advertisement and decreasing promotions and incentives.