



CASE STUDY – BIC: QUESTIONS

Group I

1. Bruno Bich prefers not to classify his products as disposable. Why does he admit that? How can they change that image on consumer's mind? (2 points)

Bruno Bich prefers to assume that BIC's products are just not rechargeable. The idea of something disposable is that it just can be used once or twice and then it has to be thrown away, be discarding for the fact that it becomes obsolete. Next table shows some differences between disposable and non-rechargeable products:

Table 1 – Differences between disposable and non-rechargeable

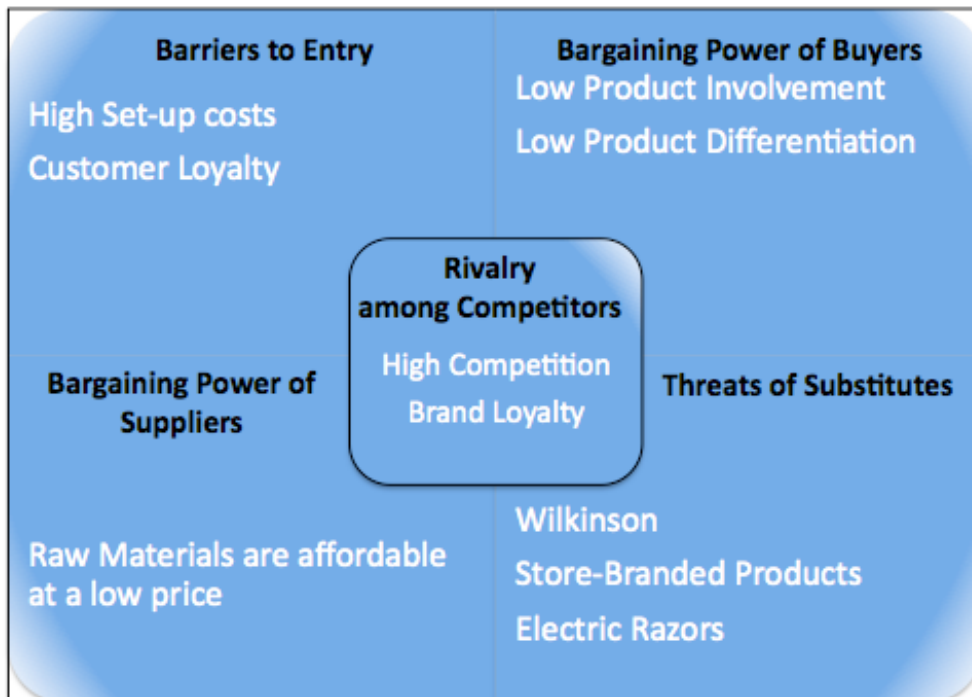
Disposable	Non-rechargeable
Lower price, however, need intensive purchase	Affordable price
With no environmental concern	Opportunity to acquire the improved products (upgrades) when the oldest ones lose their usefulness*
Conveys the idea of low quality	Higher turnover of products and ideas (more innovation)
Products with the basic features	Constant concern to offer value-added in the next improvement

*when the product has a high price and there is an upgrade, the consumer won't buy the new innovation because the cost of this change is medium-high.

In the second part of the answer can be said that there are ways to convey the idea intended to achieve, namely:

- Positioning emphasizing the aspect of being non-rechargeable,
- Promotional campaigns with the concern to show the difference between the two concepts,
- Highlight the component of environmental responsibility (which goes against the disposable),
- Demonstrate (in ads, for instance) that the BIC operates in markets where durability isn't a critical success factor.

2. Analyze the market according to Porter's 5 forces. (2 points)



3. BIC's perfume failed. Identify the main reasons. Suppose that BIC wants to re-launch the product. Develop a short marketing-mix for the introductory phase of the Product Life Cycle. (2,5 points)

BIC perfume, as all the other BIC products, follows the rule of 'low price / best quality possible'. This might work in some kind of products, but might not on those that a person seeks some experience and exclusivity. This works very well with endorsement and BIC was very good on that, getting all the celebrities in for a huge advertising campaign. The sense of belonging/wanting to be like the celebrity would work that way. But several reasons influenced BIC Perfume's success:

- **No story-telling:** As Bruno Bich said: the concept was great, we just forgot that a perfume must carry with it a certain element of dream". This dream is highly important on the perfume's market. With declining sales, fragrance makers look to tell *stories* to promote their scents – storytelling is an effective way to appeal the consumer.
- **Pricing:** BIC's philosophy of getting the best quality product for the minimum price, and even though the product might be good, it is not appealing on the eyes of consumer for this kind of products, as a low price might be perceived as low quality.
- **Wrong distribution channels:** Buying a perfume is an experience that mostly every people do at a perfume shop: Wide range of products are available, specialized staff, possible to trial the different fragrances, coherent merchandising appeal. It makes it a unique place to buy this product. BIC perfume seemed to follow and intensive distribution. The product was placed at drugstores, supermarkets and mass merchandisers. As said on the case, "The objective of this strategy was to follow the BIC's policy of offering highest quality products at lowest prices and

products which are convenient to buy and convenient to use". Mass merchandisers may be able to create an in-store appeal in order to sell the product, but not supermarkets and drugstores. This distribution method is breaking all the experience of buying a perfume, which is not a convenience product, therefore the channels might need to be adapted (selected distribution, for example).

- **Packaging:** If we compare the different bottles and packagings on the market, we realize they all have a unique and appealing identity, which is what makes them so interesting on a first-look. BIC Perfume has nothing on that. Really basic bottle, its shape is not appealing, even reminding BIC lighters.

Introduction Strategy

It is possible to define strategies for each cycle of PLC, in order to make it long-living. Hereby we define some small suggestions on how to adapt the line throughout the life-cycle, according to theoretical information (the answer does not need to include theoretical information, although it might be a good support to develop a coherent marketing-mix adapted to this specific context):

- **Strategy**

Product: *B il and B elle* (BIC's name might not be accepted on the perfumes market, therefore there's a reference of "B", from the verb 'to be' – sense of belonging to the brand / the brand define something that make people want to be).

Price: Skimming strategy – high price – higher perceived quality

Distribution: Selected perfume stores

Communication: In-store communication and trial

4. Characterize the process of purchasing of a lighter in terms of consumer decision making (e.g.: involvement, decision rule, risk). Try to define at least 3 consumer profiles and their buying behavior for this kind of products. (2,5 points)

When characterizing the process of purchasing a lighter in terms of consumer decision making, we might put ourselves into the mind of the consumer and ask why they need it. Actually, a lighter is a very common and useful product that everyone has at least at home. A lighter can be useful to light a candle, to light a fireplace or a campfire, to light the stove or the heater and to light a cigarette (smoking consumers) but, it can be a very powerful weapon when used for other purposes.

There are different types of light consumers and there are also different types of lighters. Each customer has his own purpose when buying a lighter. There are those who just buy the cheaper lighter, which they have in front of them just, mainly to lit cigarettes or just to have around the house to light the stove or a candle.

However, there are also those who care about the type of lighter and the design just because they like to have a good lighter or a fashion lighter, either because they are collectors or even high involved with the product.

And those who worry about the safety of the lighter! For example, consumers who have children at home.

So, accordingly to the consumer buying decision methodology, we can describe some main phases that a consumer usually goes by:

1. **Problem Recognition:** Consumer recognizes that needs a lighter.
2. **Information search:** The consumer does a search on the lighter market and evaluates the different possibilities that have.
3. **Evaluation of Alternatives:** Consumer identifies the lighters that suit his criteria (price, quality, design and safety).
4. **Product Choice:** Consumer chooses the lighter that he thinks is best serving his needs and identifies with their criteria.
5. **Involvement:** It depends. As mentioned before, there are different types of consumer who will have different types of involvement. A consumer who merely buys a cheap lighter to meet a need, will not take into consider variables such as quality and design. Basically he will decide looking mainly to the price, meaning that does have a low involvement with the lighter. But a consumer who takes into account design and quality of the lighter is willing to pay more for it. In this case, this kind of consumer already has an involvement with the lighter.

Examples:

Smoker Consumer



- 1 → Recognize that need a lighter to smoke.
- 2 → Don't search.
- 3 → Don't evaluate alternatives.
- 4 → Goes to the near shop and buy the cheaper lighter.
- 5 → No involvement.

Safety Consumer



- 1 → Recognize that need a lighter.
- 2 → Search in the market.
- 3 → Evaluate the different lighters with their criteria (safety).
- 4 → Choose the most safety and cheaper lighter and buy it.
- 5 → No involvement.

Fashion Consumer



- 1 → Recognize that need a lighter or desire a new one.
- 2 → Search in the market.
- 3 → Evaluate the different lighters with their own criteria (quality and design).
- 4 → Choose the most fashion and high quality lighter and then buy it.
- 5 → There is an involvement.

5. Considering that BIC wants to launch its phones in Portugal, develop a SWOT analysis for this purpose. (2 points)

Strengths	Weaknesses
<ul style="list-style-type: none"> - Friendly and easy to use (basic phone); - Ready to go (battery charged and SIM in place); - It comes with 60 free minutes (valid for 2 months from the activation); - It comes with a prepaid "mobicarte" refill card, so you pay as you go; - It's sold over the counter in convenient places (supermarkets, tobacco shops, newsstands, train stations, airports); - Product's positioning meets BIC's image: useful, simple, quality that lasts for the right price; - Low price. 	<ul style="list-style-type: none"> - Basic features and physical appeal (colours); - Even though the price is low, for a little bit more people may want to buy a more complex phone for the same purposes; - You can only use 10 minutes instantly; - May be perceived as a disposable phone / short-lived.
Opportunities	Threats
<ul style="list-style-type: none"> - People's higher dependence on phones; - People may start looking at cheaper alternatives due to the crisis; - Potential successful segmentation: children and elderly; - Targeting specifically usage (travelers, 2nd phone); - There are no ready-to-go phones in the market. 	<ul style="list-style-type: none"> - It can quickly appear a similar offer from the competitors; - Competitors with higher-level products and similar/cheaper prices; - It can harm the eco friend image of BIC (known as disposable) - batteries are extremely pollutant.


6. To evaluate the shavers' market, prepare a GE/McKinsey matrix and make conclusions about the best strategy for BIC in this segment. (2 points)

Identify and classify the competitive strength:

Industry Attractiveness	Weight	Rating	Grade
Barriers to entry	0,1	2	0,2
Bargaining power of buyers	0,3	2	0,6
Bargaining power of suppliers	0,1	4	0,4
Rivalry among existing players	0,2	2	0,4
Threat of substitutes	0,3	2	0,6
Total	1		2,2

Business Unit Strength	Weight	Rating	Grade
Point of sale promotional actions	0,15	4	0,6
Brand reputation	0,2	3	0,6
Profit margin relative to competitors	0,3	5	1,5
Distribution network	0,2	4	0,8
Differentiation	0,15	3	0,45
Total	1		3,95

Elaborate the GE/McKinsey matrix:

		Business Unit Strength		
		High	Medium	Low
Market Attractiveness	High	(2,2); (3,95)		
	Medium			
	Low			

The company is positioned in the “try harder” quadrant, with high business unit strength and medium market attractiveness. The possible recommended strategies are:

- Invest for growth
- Invest to expand existing segments

- Search for new segments
- Build on existing strengths in order to maintain competitive ability and to challenge the leader

7. From the information provided in the case study, what stage of the product life cycle are ball point pens in? (1,5 points)

From the information provided in the case study, the ball point pens are in the maturity stage. ("They continue to win new customers while managing to retain current customers. As many industry specialists observe with amazement, they have yet to reach saturation!"). In this stage, the most profitable one, sales continue to increase even if they do so at lower pace, and advertising and promotion expenditures are reduced because the brand awareness is strong. Since the product is in the market for a long time, what happens is that competing products *may* be very similar at this point, increasing the difficulty of differentiating the product. Competition may result in decreased market share and/or prices. During this stage, the primary goal is to maintain market share and extend the product life cycle.

8. There are two potential pricing strategies applicable in the introductory phase of a product life cycle. From the information given in the case study, which of these strategies does Bic appear to have chosen for the introduction of their different product lines? Has Bic consistently chosen the same pricing strategy? Is there any information in the case which gives you an insight into the corporate strategy on pricing? (1,5 points)

BIC used a penetration pricing strategy to introduce their different products. They did this in order to gain market share rapidly and they kept the same philosophy throw the life cycle of the products. BIC has consistently chosen the same price strategy to all their products, to introduce them and throw their life cycle. When BIC introduced lighters, shavers, windsurf material and even the perfumes line, the price strategy was always the same – good quality products for an affordable price.

"If we look at some products/services in the market from 1950 to 1995, we realize that the price of a stamp has multiplied by over 18 times, a metro ticket by over 31 times and that of the traditional BIC crystal ball point only by twice. Some people might say that it's normal that the price of the ball point pen hasn't climbed, as the company has other products to leverage profits and that the product hasn't changed since its launch. We could accept that, since the pen's appearance hasn't changed. However, if we go further on the question, the reality is that the pen had many improvements on its features, including the weight, 25% less today than in the past.". This show us consistent is BIC's price strategy. They barely change the price of the traditional crystal ball point. And even thought it might not look, the products suffer some quality changes.

This happens because BIC has the philosophy of "offering consumers around the world maximum service at minimum fair price".

We can also see in the case that in order to never raise the prices and continue to offer quality at the same right price, they make innovation efforts in the producing methods. The second BIC's rule is "to reinvest profits in the product in order to improve quality and reduce selling price."

9. People may perceive low price as low quality. Despite the fact BIC reinforces its message through high quality and low price standards, how does the company may overcome this paradox, not changing its business model? (2 points)

Low price doesn't mean always low quality, however in case of high-end products it means a challenge to the companies to reflect for consumers the quality and reliability of the brand. BIC can get over this issue very well and, nowadays, is seen as a trustable and quality brand for most of the consumers, due to:

- **The years in which BIC is present in the market** - is a well known company that keep following consumers over the years – "Almost fifty years after the introduction of the BIC ballpoint, their first product the company continues to win new customers, managing to retain the current customers as well."¹
- **BIC's multiple tests to their products before they go to the market** – this add a unique safety and quality to their products, hard to shatter - "As an example on the quality commitment, each disposable lighter sold in the US is subjected to no less than 60 controls, these tests being four times more rigorous than norms. BIC spent over 15 million € to develop the patented Child Guard lighter which is equipped with a security and making it impossible for a child to light it."². The responsibility of the brands with its products could not always be communicated rightly for the market and being transparent. However, through its strong market presence and day-to-day with consumers, BIC consolidated this image and now is recognized by consumers as a mark of quality and reliability.
- **BIC's policy of providing to its customers the best quality for the least fair price** – "offer the highest quality products at an affordable price to the consumers",³. Over the years, the presence of BIC in the lives of consumers became familiar and the quality and functionality of their product was proved by itself. Therefore, in consumers' mind BIC is a quality brand that sells cheap and it can be proved when we use their products.

¹ In Case Study

² In Case Study

³ In Case Study

10. Propose new markets/products in which BIC can get in. (2 points)

Suggestion: use the Ansoff's Matrix to identify opportunities.

To avoid errors such as the Perfume, we think that BIC should follow a simple, clear and objective strategy on the products they want to develop.

Although the company has in recent years entered into markets (e.g.: windsurf), that might not be the ones which are the most associated with a brand, which in consumers' minds is synonymous of ball points, we consider that a safe strategy is to develop new products in a market that BIC does already operates in.

After a careful analysis on the company portfolio, we consider it appropriate to develop new articles, which production costs are not the highest, so it allows BIC to maintain their vision of "fair price, accessible to all". On the stationary market, the company could develop a calculating machine or even a printer, which prints cartridges, could be refilled and so could have a long time period of usage.

Another product, which also could be seen as a development in an existing market - barbershop and body care - consists on creating a deodorant for men. BIC currently offers in addition to shaving machines, products such as shaving cream and aftershave balm. The introduction of a deodorant does not seem unreasonable at all and has the possibility to be successful in the market.

With the scientific market growing so fast and taking into consider the continuously concern about the environment, we must visualize the future with green products. The usage of fossil fuels (oil, gas, petrol, and diesel) could be diminished and other substitute products should start being created.

BIC, as pioneer company could develop batteries to be used in the lighters. For instance, using a resistance as the same used in car lighters and with a small alkaline green battery (not rechargeable) they can create a very innovate product and environmental friendly.

If the strategy goes by assuming the risk and doing diversification, BIC can go into some markets but always having in mind their vision "fair price, accessible to all".

We considered that entering in a market, which is new to the company and geared towards children from 10 to 14 years and based on a campaign "Back to School", BIC could create a sub Brand - *BICool* - and exploit this segment. Many are those who at this age, a long with the mobile phone, wish to have the first watch. Simple, functional, one color, fashion, just like the old Swatch, but at a considerably lower price.

It is also at this age that children begin to receive their first pocket money from parents. As such, the use of a wallet is fundamental and BIC could have here another business opportunity.

More related to technological markets, but remaining with a diversification strategy, BIC could develop a **USB key**, with storage capacity, but with a different format. Here we thought about drawing a USB key with a ball point format, so that in one hand we could differentiate by creativity which adds value to the consumer but on the other hand to maintain a level of association to the core business of the company.

