

## 1. Resolution Proposal

### Part A

#### 1. Develop a situational analysis based on the following variables:

- a. PESTEL analyses
- b. Porter's Five Forces analyses)
- c. Ansoff Matrix
- d. SWOT analysis

##### *a) PESTEL analyses*

**Political/ Legislative:** The market of prescription of glasses and sun glasses is not very affected by legislation; however, brands have to be aware that the most important thing is that their glasses need to have good quality lenses, that don't deteriorate or false protect the consumer's vision. There is also a concern in the sunglasses market about the effect of the UV rays in the vision through UV protection laws.

**Economical:** Nowadays, we are living in a financial crisis which affects almost all of the population in the way that reduces the consumer's purchasing power. By having less money, the majority of them have the tendency to avoid buying products that are not essential to the basic needs of live. This affects mostly the sunglasses market because they are identified by the consumers as a fashion product and its main objective it is to make people look and feel good.

It is also important to refer that the sunglasses market is very affected by seasonality. Most of its sales occur in spring and summer (especially between April and August) when there is a higher exposition to sun; although nowadays, there is an increase of the use of sunglasses since they are gaining a major role in people's style.

**Social:** In social terms, fashion and trends play an important role in the style of people. Nowadays, we can find ads everywhere (television, internet, electronic devices, magazines, outdoors, social networks, etc); with so much exposure, people are very influenced by what other people wear, especially the social icons like singers, movie stars and other public figures. This influences the sunglasses market since the use by a celebrity can highly affect the sales of a brand, this type of behaviour is the result of the cult around celebrities.

**Technological:** Technologically, it is important that brands are always on the



lead; in this case, sunglasses should be lighter, more fashionable and there should be a constant improvement of lenses that make more effective the protection against UV rays and more adaptable to different weather conditions.

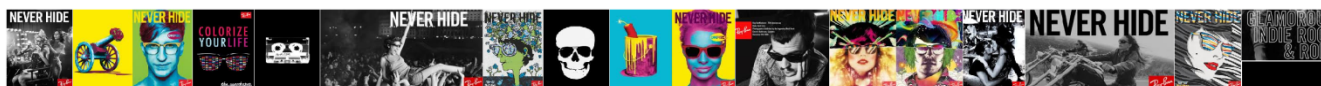
**Environmental:** Recently, it has been observed an increase of the importance of the ecological impact of companies, which has lead among other causes to the creation of a very important issue to companies: corporate social responsibilities. In this case, with all the information about pollution impact, there has been an increase of the acknowledgment of the situation of the ozone layer which increases the UV rays that reach the earth. This is an opportunity for the companies of sunglasses since the sunglasses will become a need for protection instead of a luxury and superficial item.



### ***b) Porter's Five Forces:***

**Competitive rivalry:** There are a large number of brands in this market that are highly competitive; which leads to a more fragmented market in which no company or group of companies controls and influences the rest. We can conclude from this that there is a medium level of competition, since although there is a lot of competition; the market is diluted by the existence of many brands with the same level of power in the market.

**Buyers:** The eyewear market is highly influenced by trends, which makes it unstable for companies and results in a high level of uncertainty. Consumer's preferences change constantly, according to style cycles, which give them some power. Besides this, as we said before, there are many brands in this market with similar power, which gives the customer a wider range of options to choose from. It is also important

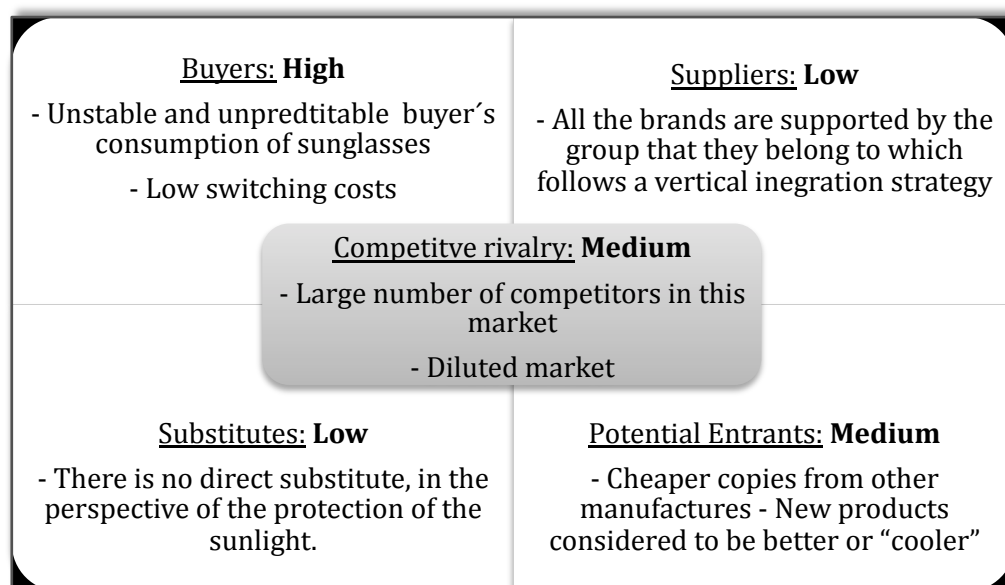


to consider that sunglasses consumption by person is increasing, which leads to more regular purchase moments; for this reason, and because sunglasses are not products of high prices like computers or cars, the switching costs for customers to change from one brand to the other, are lower. Considering all this factors, we can say that the buyer power is high.

**Suppliers:** In terms of suppliers the power is low due to the fact that all brands belong to company's groups such as Luxottica and Safilo, which integrate all brands in a system of vertical integration, which means that the production costs are shared between brands and integrated in the company. This means that there is no supplier outside of the company, so there is no need for price negotiation, which leads to no power from outside sources.

**Substitutes:** In the market of sunglasses, there is no direct substitute, if we consider the direct eye protection function. Nevertheless, hats and caps can protect you from the sunlight but no directly. In another perspective, we can consider that other accessories can play a trendier role in fashion; products like watches, necklaces can provide a similar "feeling" to the one experienced when you use sunglasses. Considering the perspectives presented, we can conclude that there is a low level of substitution because there is no direct substitute.

**Potential Entrants:** In terms of entry barriers, it is not very costly to enter the market considering that the brands present in the market belong to a company group in which the costs are shared. Recently, with the increase of purchase of sunglasses per person there has been an increase of low cost manufacturers that produce fake versions of the brand sunglasses. Another potential threat is the possible entrance of a brand with "cooler" or better sunglasses. This means, that there is a medium level of threat of potential entrants.



### c) Ansoff Matrix



		Product	
		Current	New
Market	Present	<u>Market Penetration</u>	<u>Product Development</u>
	New	<u>Market Extension</u>	<u>Diversification</u>

The Ansoff matrix allows us to define a company's strategy through the analysis of two variables: the level of newness to the market and in terms of the product itself. Considering both variables, we can position Ray-Ban as a follower of a market penetration strategy in which the company sells the same product in the current market; this strategy is used especially in cases in which the brand wants to obtain a higher level of loyalty from its customers.

#### ***d) SWOT analyses***

##### Strengths

- Recognised by the consumers as a quality brand, with quality products
- Strong Brand Image, associated with movie stars and personalities like Tom Cruise and Barack Obama
- Great variety and diversity of models of sunglasses
- Pioneers in creating the trend of the aviator style

##### Weaknesses

- Strong competition and existence of many of companies in the market
- Products are easy to copy
- Although they have innovated the models, there are still people that can still associate the brand as "old fashion"

##### Opportunities

- Invest in the new channels like internet and social networks
- Harness the power of the brand to enter other markets like the clothing market
- Inexistence of direct substitute products in sunglasses market

##### Threats



- Low entry barriers in the market
- Low cost manufacturers that produce exact copies of the models produced
- The reduction of buying power due to the global financial crisis
- Existence of substitute products in graduated glasses market such as contact lenses)
- Strong seasonality in the sun glasses market

## 2. Define what are the Segmentation and the Target of Ray-Ban.

### Segmentation

In terms of segmentation, the variables used by Ray-Ban to separate the customers in different segments are defined in demographical, social-economic, personality profile and also the consumer behavior towards the product. In demographic terms, the relevant data is related to sex and age; in a social economical point of view it is important the income of the consumers; and finally, it is also relevant to analyze the consumers through the lifestyle and personality profile and their attitudes toward the product.

### Target

Considering the variables presented before in order to segment the consumers, Ray-Ban defines its target group as people with ages between the 25 and 30 years old in which 70% belong to the male population. In terms of income, its consumers are considered middle, middle-high and high social class. Its



products are also focused to people that follow an alternative and vintage image, which represent to consumers their own differentiation in society. In addition to this, a relevant point of focus on customers for Ray-Ban is the attachment to the brand, which leads to the customers that are loyal to brand and recognize its history.

It is important to associate with this target the concept of tribal marketing especially if we consider that Ray-Ban focuses on the relationship that has gained over its customers. In this approach the relevant criteria is psico-graphic (e.g.: the motivations of the customers) which opposes to the traditional marketing in which social-economic and demographic elements were more important.





### **3. Define the product levels according to the 5 levels of product model of Kotler.**

#### *1. Core Benefit*

The fundamental need that consumers want to satisfy when purchasing sunglasses is the protection of the eyes from the damage caused by the sun.

#### *2. Generic Product*

*The version of the product that contains only the attributes or characteristics absolutely necessary for its function it's the sunglasses, composed only by the frame and the lenses.*

#### *3. Expected Product*

When purchasing Ray-Ban glasses, consumers expect that it has good quality, guarantee of the product, and comes with accessories such as resistant case and cleaning cloth.

#### *4. Augmented Product*

The attributes that differentiate Ray-Ban from its competitors are the original design from their sunglasses, the use of polarized lenses that better adapts from different environments and the use of anti-glare lenses.

#### *5. Potential Product*

In the future, Ray-Ban can develop new anti-scratching lenses that are harder to brake, and new frames more flexible that cannot be broken.

## **Part B**



1. "The models Wayfare and Aviator are two of the most imitated models in the world".

a. Considering the imitations that are being developed, in which ways is Ray-Ban developing its marketing-mix to protect the product and the brand?

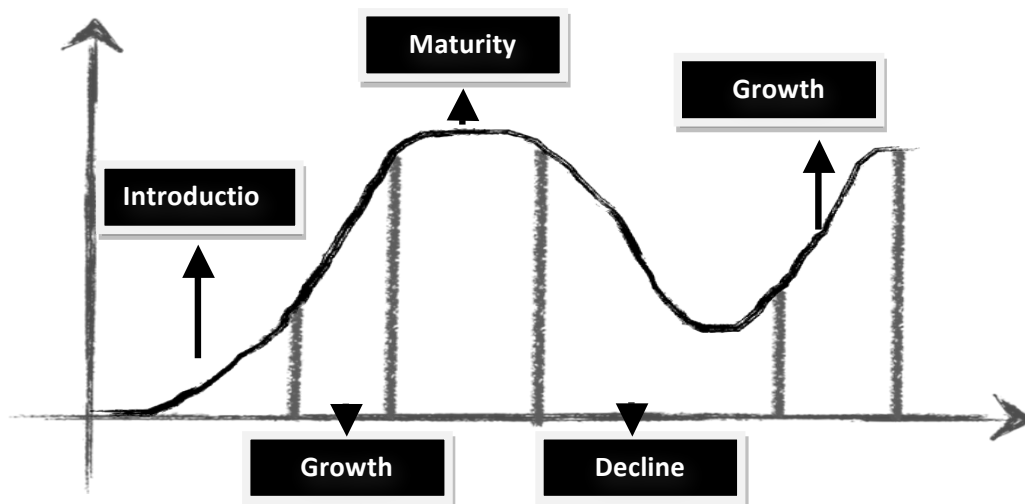
Points to mention:

**Price:** strategy of Premium price in order to differentiate the product for product value, which is relevant in this case, to ensure the customer that there is quality, design and uniqueness, the real thing.

**Product:** Development of special designs more difficult to copy; the rare prints that are very difficult to copy; UV protection that is used by Ray-Ban to differentiate the product imitated and the real one.

2. The Ray-Ban case is an interesting example of recovering an almost outdated product into a success again.

a. How would you design and explain the lifecycle of models like the Wayfarer and Aviator along this process?



b. How did you think Ray-Ban recovered from the phase of decline?



As it was said before, the Ray-Ban glasses were very popular during the 50's and 60's of the XX<sup>th</sup> century, but in the 70's there was a decline of this popularity. So, in order to increase sales again, Ray-Ban signed in 1982, a contract of \$50.000 per year with Unique Product Placement, putting the *Wayfarers* in various television shows and movies. The most famous examples are: Blues Brothers (1980), Risky Business (1983) performed by Tom Cruise (that year 360.000 pairs of sunglasses were sold), Miami Vice (TV series 1984-1990) and The Breakfast Club (1985). Also, many musicians wore this Ray-Ban's model, like Michael Jackson, Madonna or U2. All of these facts made the *Wayfarer* the sunglasses of the 80's. The *Aviator* model was also used in the movie Top Gun (1986).

However, during the 90's occurred again a decline of sales and unpopularity towards the Ray-Ban's sunglasses. It was in the year of 2001 that the *Wayfarer* suffered a redesign, the frames became smaller and less angular.

So, during the new century the Ray-Ban's marketing strategy (comeback strategy) has been based on: a return to the Wayfarer's original; rebellious styling; a viral marketing campaign and high-profile Public Relations events; and embracing new media alternatives such as MySpace.com.

**c. And considering the changes, what is the impact of being in the fashion market?**

Points to mention:

- Explain the phases applied to the case: Mature, Decline and Growth.
- Fashion market has short lifecycles due to different trends.
- Explain how Ray-Ban is reacting to it: making the "classic" always better and as a brand concept.

**3. Consider the evolution of market's dimension.**

**a. How can you justify it with the development of the sunglasses' role in the identity of the individual?**

Points to mention:

- Increase of sunglasses consumption
- What sunglasses represent to consumers
- Increase of consumption and importance as a definition of individual leads to a more regular use of sunglasses even in winter



- Wearing sunglasses it's not only a physical need, but also a fashion way of being.

When a person wears sunglasses, it's not always because the sun is affecting their vision. It's also about looking good, to be fashionable and to overhang themselves among the others. It's not only an accessory but also a part of the person personality and way of life. The type of sunglasses that you wear can reveal lots of information about you. It can say if you are an adventurous and extravagant person or a more classic one, more relaxed or shy.



There are people that are so obsessed about the feeling that they have when using them, that they wear it everywhere. They don't even care what other people think about them using sunglasses in indoor places. The emotion that this action gives to them it's so important that they don't even care what other people think. They don't care if they

think that doesn't make sense wearing those inside buildings, if it makes them feel good with themselves: "I always wear sunglasses. No matter where I am, I just do. I always have and most likely always will."

It's also important to refer that the feeling of buying an authentic product it's completely different than having a fake one. The sensation of having authentic sunglasses from recognised designers and brands like "Ray-Ban", "PRADA", "Dior", "D&G", among others, gives you a more fulfilled and accomplished sense than the other ones: "Buying counterfeit goods may actually make us feel less authentic — just like the cheap, knockoff sunglasses.". Even if the other people don't realize that you are not using an authentic product, you will never feel complete as you will when wearing an authentic one. You won't feel like belonging to that elite group, or to be totally true with yourself.

There is also the medical issue. Wearing cheap and fake sunglasses may save you money in the short term, but will probably going to cost you more in the future. If you use them for a long time, it may cause you problems in vision in long-term, because they don't have the quality lenses that the other authentic brands have.



**4.Using the next questions as guidelines, make some recommendations to the future of the brand.**

- a. Suggest if in the future the brand should follow the same strategy or adopt another one more appropriate.**
- b. Considering the Ray-Ban strategy from the previous question develop some guidelines in terms of Promotion.**