# Case Study: Pricing strategy for a Hair care brand [2015]

Cogitaas

Introducing CSF and MCV

❑ MCV or Maximized Consumer Value :
The total emotional and functional value attributed to a brand (in $) by consumers

❑ Consumer Surplus Factor(CSF) :
  o Ratio of MCV to Price
  o The surplus value perceived by consumer over and above the price paid.

❑ CSF is an indicator of **Brand Equity**

❑ **Higher the CSF of Brand, higher is its pricing power**

❑ High CSF also indicated that Brand will grow in long run.

Perceived Value ($)

Maximized Consumer Value ($)

Consumer Surplus Factor

Price ($)

Cogitaas
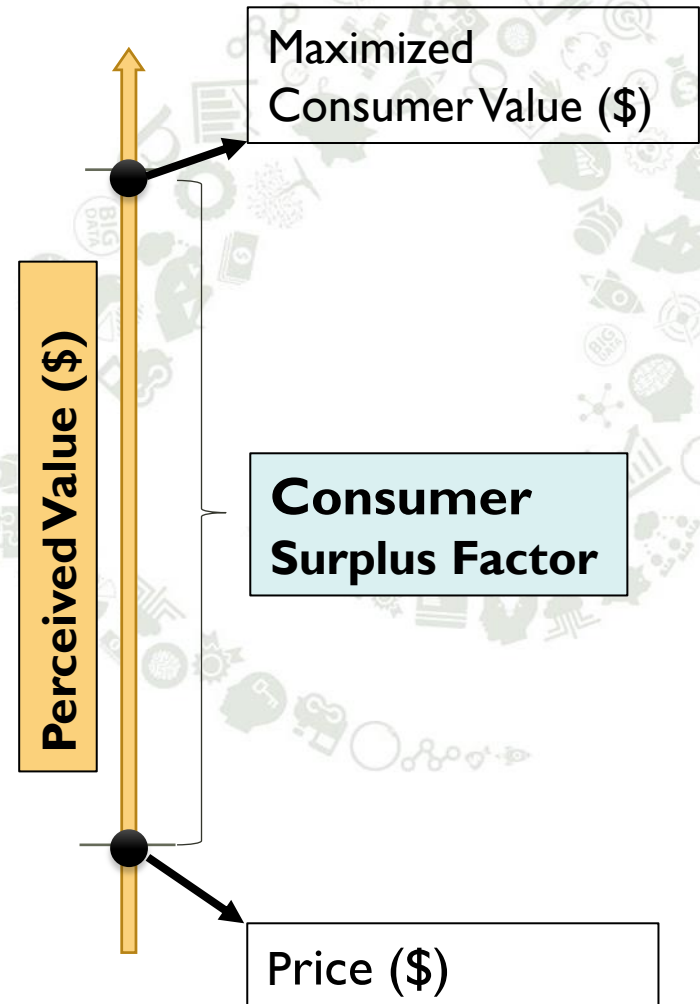
Pricing Study of a Hair Care Brand
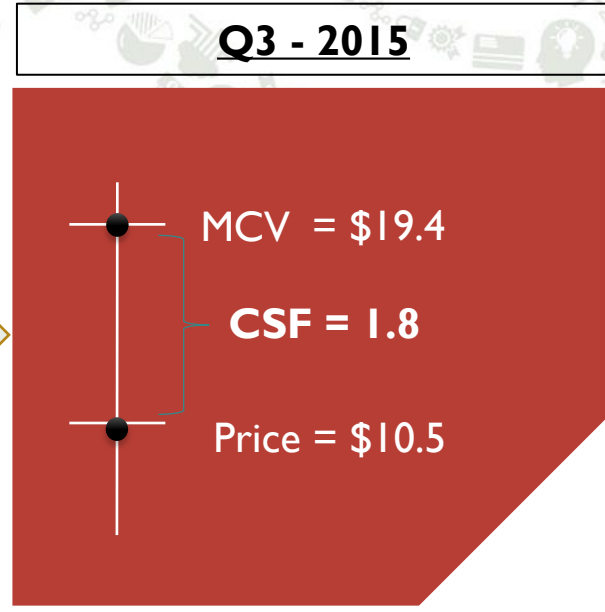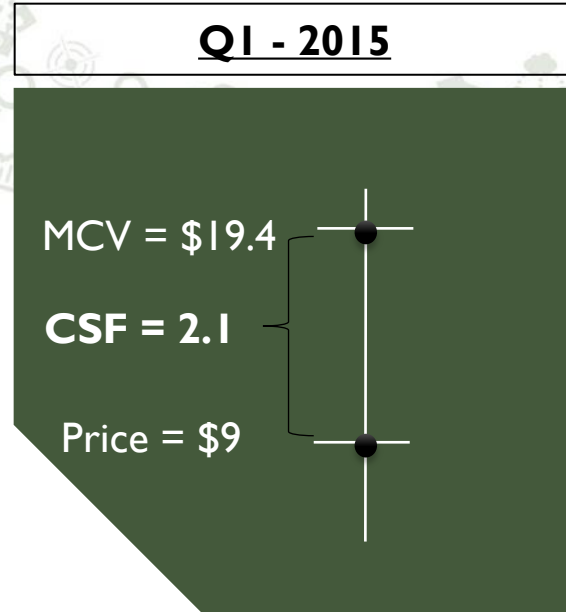
Analyzing a hair care brand in a competitive context :

❑ Determine if the brand is optimally priced or over priced

❑ Compare the pricing power of the brand vis-à-vis its close competitors

❑ Evaluate if the brand should benchmark its prices vis-à-vis Salon brands or Salon-inspired brands

❑ Infer impact on the brand's growth if it continues to operate at a) same price, b) increases price by 5% or c) reduces price by 5%

To answer these questions, we needed to measure the **Brand Equity of this brand and its competitors**.

Cogitaas applied CSF framework to answer these questions…

Cogitaas

Hair Care Brand's CSF

❑ MCV of the brand is $19/Eq – (Maximum value that a consumer derives from C1)

❑ Between Q1 and Q3 , the brand increased its price by 15%

❑ This increase led to reduction in CSF from a comfortable position of 2.1 to a relatively weak position of 1.8

❑ **CSF for a brand should be greater than or equal to 2 to ensure long term growth (CSF >=2)**

Q1 - 2015

MCV = $19.4

CSF = 2.1

Price = $9

After Price Increase

Q3 - 2015

MCV = $19.4

CSF = 1.8

Price = $10.5

Cogitaas

Consolidated results for the shampoo industry

❑Recommendation :

❑**The Brand does not command a pricing premium and therefore needs to reduce price**
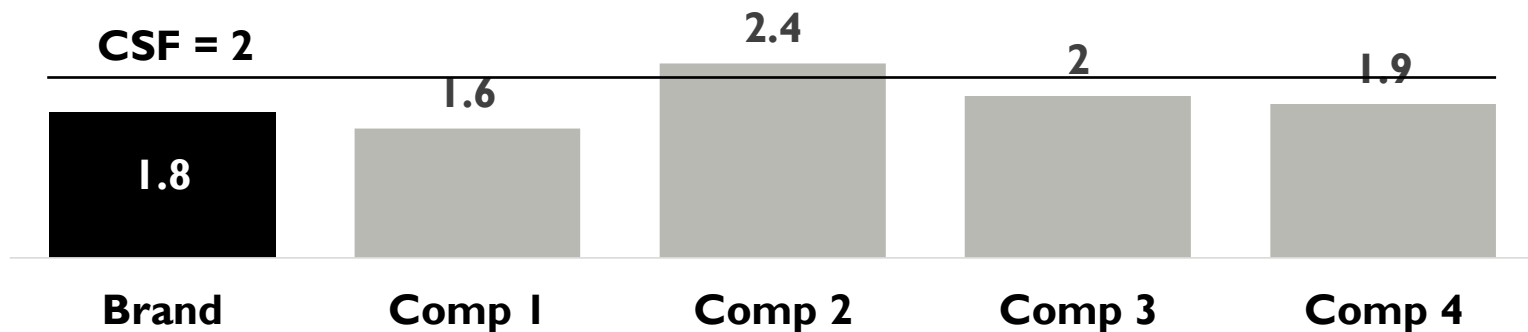
❑ Comp 2 has the highest pricing power owing to its high CSF

❑ Comp 3 does not have a high brand equity, but is playing on a sweeter price point

❑ Comp 1 is significantly overleveraged

❑ Comp 4 is a borderline case; its decline is more likely due to execution issues than any major problem with equity

CSF Comparison

CSF = 2

Brand	Comp 1	Comp 2	Comp 3	Comp 4
1.8	1.6	2.4	2	1.9

THANK YOU!

Email: contact@cogitaas.com

Cogitaas