

The Electric Shavers market in Brazil , 2006

By Sérgio Rebêlo , Managing Diretor for Factor de Solução /The Kline Group Latin America

Abstract

The paper summarizes the findings of the study conducted in Brazil, more specifically in the city of São Paulo, during the month of July Y06.

This study has relied on several different sources of secondary information as well as some primary research .Our study proved the Brazilian electric shavers market to be highly attractive. It is a growing, profitable market with a lot of potential .

1. Introduction

The focus of this paper is the electric shavers for men's category in Brazil.

For the purpose of market segmentation, though, products covered in this study are grouped into four main categories:

- Disposable Blades
- Dual Blades
- Interchangeable Blades
- Electric Razors

This study does not cover collateral markets of wet shaving such as shaving gels, after shave and others.

1.1. Methodological Notes

Unless otherwise specified, all prices and consumption volumes and values are reported on a 100% active basis in U.S. dollars converted from Brazilian Reais (R\$) as follows US\$ 1,00 = R\$ 2,44 (2005) = R\$ 2,93 (2004) = 3,25 (2003) = 3,53 (2002). Prices are based on average market values. It is important to mention that manufacturers and retailers prices and data in this report include taxes.

2. Brazil Overview - - Demography; Economic; Socio-Cultural Environment

Brazil comprises a territory of 8.5 million square kilometers and about 187 million inhabitants.

- Brazil is the biggest country in Latin America both geographically and economically.
- Brazil's labor force corresponds to 50% of the population; 50,8% earns up to "2 minimum wages" or about US\$ 318,18/month.
- 49% of the population is male and 51% is female. Among the male, 64 million are over 17 years old.
- The rate of annual population growth has fallen dramatically, from an average annual growth of 3.00% from 1950 to 1960 to 1.56% in 2005, with an outlook of 1,04% for 2006.
- According to the Brazilian Institute of Geography and Statistics (IBGE), more than 80% of the population now lives in urban areas, compared to 45% in 1960. The top 10 biggest cities in Brazil have more than 1 million inhabitants.

Other key statistics for Brazil are highlighted in Table 2-1.

Table 2-1

Selected Characteristics of Brazil, 2005

Characteristic	Value
Geographic size	8.5 million square kilometers
Population	187 million
Population growth	1.56%
Gross domestic product (GDP)	USD 629 billion
GDP growth	2,3%
Inflation rate	5,7%
Average exchange rate	BRL 1.00 = USD 0.409836

Source: *CIA World Factbook 2005*, Central Bank figures, and IPEA data.

The Federative Republic of Brazil consists of five geopolitical regions (North, South, Southeast, Northeast, and Central West) with 26 states and a district capital (Brasilia). From both a social and economic point of view, Brazil is a country of inequalities.

- The country has a multiparty political system with democratic elections for federal, state, and

municipal governments and representatives.

- The North region comprises seven states, the Northeast has nine, the Southeast has four, the South has three, and the Central West comprises three states and Brasilia.
- The Southeastern region has the highest population density, with more than 78 inhabitants per square kilometer, followed by the South (43), Northeast (31), Central West (7), and North (3).
- According to IBGE, the Southeast accounts for 58.7% of the Brazilian gross domestic product (GDP), followed by the South (16.4%), the Northeast (12.9%), the Central West (7.2%), and the North (4.8%).

In recent decades, Brazil has evolved from being primarily a source of raw materials into a diversified manufacturer that is increasingly integrated into the global economy through global sourcing and production.

- Raw materials and agricultural products remain important exports and have indeed grown in absolute terms, but they have fallen in relation to Brazil's overall manufacturing output.

Brazil's economic improvements in this economy are reflected by its main following indicators. Prospects for 2006 and 2007 are promising:

Parameter	2000	2001	2002	2003	2004	2005	2006(e)	2007(e)
GDP-annual, USD	602	510	459	493	534	629	664	700
GDP-annual growth, % (in Brazilian Reais)	4.36	1.31	1.93	0.50	5.2	2,3	3,5	3,6
Primary surplus, % of GDP	3.5	3.7	4.0	4.3	5.0	4,84	4,25	4,25
Public debt, % of GDP	49.4	52.6	55.5	57.87	51.87	51,6	50,5	49,2
Exchange rate R\$/US\$	1,8	2,85	3,53	3,25	2,93	2,44	2,42	2,59
Interest rate % (annual basis)	17,45	17,32	25,00	16,50	17,80	18,00	15,2	13,9

Sources: Central Bank figures and IPEA. (Research Institute of Applied Economics)

(e) - estimated by Brazilian Central Bank

In general, one can say that Brazil is still a relatively closed country for foreign trade. Electric shavers, for example, are subject to import tariffs of 23,8%, even considering there is no local production for these products in Brazil.

The Brazilian system of taxation impacts the cost of goods at each stage of the supply chain. The value-added tax is the final tax imposed on the end user.

- In Brazil, the taxation system is complex, as a variety of taxes are charged by the federal, state, and municipal government.
- These taxes are applied along the supply chain, from manufacturing output to end user consumption.
- Tax rates can differ depending on the product category and geographical location, among other factors.
- As a consequence, to equate the manufacturers' selling price and the retail price, both manufacturers and retail's sales data presented in this report include the taxes mentioned above.

3. Market Environment

This section presents the market profile of electric shavers for men in Brazil. This analysis summarizes important market activity for such category in a brief, concise fashion. It is divided into:

- Manufacturer's sales. An estimate of total sales of electric shavers through consumer outlets, including direct and mail order sales and other non-outlet distribution channels, in manufacturer's (factory) currency units, taxes included.
- Unit Volume. An estimate of the number of electric shavers sold in 2003, 2004 and 2005.
- Products/Pricing. List of main products and its characteristics. Example of local price points.
- Retail value. An approximation of the equivalent of manufacturer's sales at the retail level (taxes included).
- Distribution. % of sales of electric shavers by channel of distribution
- Competition. The profile of the competitors and the approximate value breakdown of manufacturer's sales or brand shares through consumer outlets by type of products performance.
- Promotion. A description of various promotional vehicles employed in the category.
- Outlook. A five year forecast of manufacturer's sales of the category, estimated on the same basis as the market data for the base year.

... A forecasts are made in product units and in constant currency units.

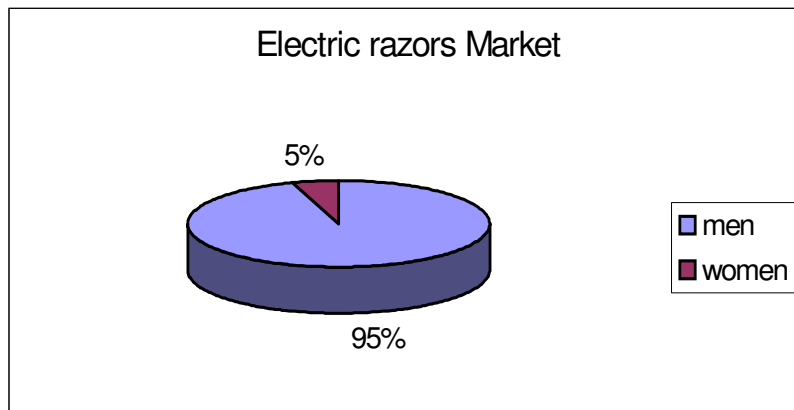
... The forecasts are based on our interviews with supplier in the market, past growth patterns, trends in the market, the likelihood of new product introductions, and changes in population, disposable income, consumer preferences, and the like.

Although the main focus of the study is on electric shavers, whenever possible we will highlight market data on other categories of shavers.

3.1. Manufacturer's Sales

The Brazilian electric shavers market is estimated at US\$ 13,1 million in 2005. Over 90% of this market is men's products...

**ELECTRIC RAZORS MARKET SIZE
IN 2005 - % BY TYPE OF CONSUMER**

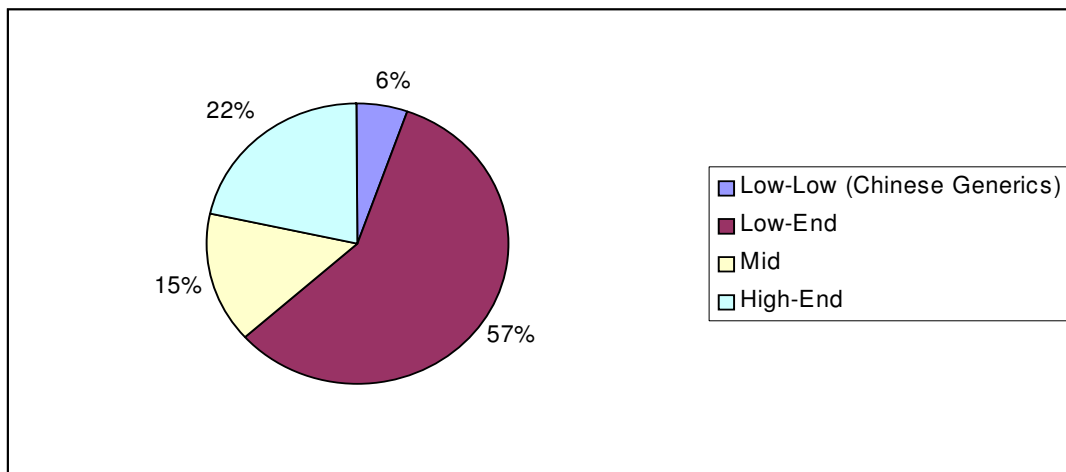


Source: Factor de Solução

...Most of the market is supplied with "low-end" products:

**ELECTRIC RAZORS MARKET BY CATEGORY OF ELECTRIC SHAVERS
-- IN VALUE (%)**

Note:



Low end (retail prices \$100 < x < 200 \$)

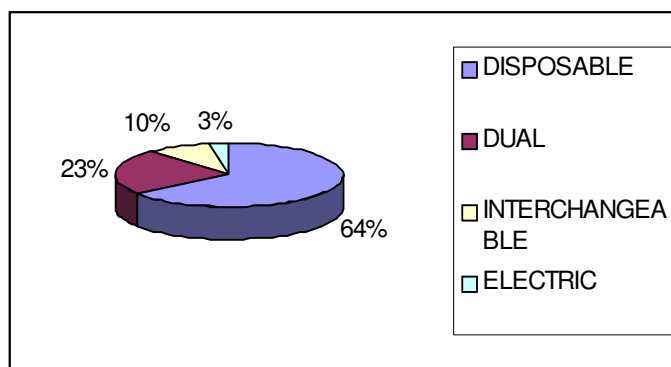
Middle-end (retail prices between 200 \$ and \$ 300)

High-end (>300 \$)

Source: Factor de Solução ,import statistics

Electric razor represents a minor share of the "value" of the total shaving market, or around 3% of it.

ELECTRIC RAZORS MARKET IN 2005 - - % IN VALUE OF THE TOTAL SHAVING MARKET IN BRAZIL



Source: Researcher based on interviews

3.2. Unit Volume

In 2005 about 200,000 units of electric shavers were sold in Brazil, against 180,000 units in 2004 and about 160,000 in 2003. As already stated, there is no local production of electric shavers in Brazil (100% imported products).

3.3. Historical sales

Electric shavers' sales have increased in value at an annual average rate of 35,33% since 2002. In volume, it has been growing at a lower rate. The difference between growth in units and values can be explained by the valuation of the Brazilian Reais currency against the USD in the last few years (what made prices in dollar higher). See table below:

Year	Units	US\$ Million (in manuf. Sales)	Change, % in value
2002	100,000	5,3	-
2003	160,000	7,1	34
2004	180,000	10	41
2005	200,000	13,1	31

3.4. Pricing / Product

We identified about 20 models of electric razors being sold in Brazil. Five from Philips, three from REMINGTON and five from BRAUN. There is also several from Chinese competitors. Philips is the only competitor with a full range product mix - - low-end/middle-end/ high-end products.

The following table shows the prices of the main electric razors products available in Brazil as well its main characteristics:

Company	Product	Price at retail level	Characteristics
Philips	Young HQ481	US\$ 114	2 round heads. First time shaving and few beer; System Lift & Cut, one blade lift the hair and the other cut the hair
	Classic HQ5824	US\$ 164	3 round heads. For classic man for a secure & efficient shave. System Lift & Cut.
	Cool HQ6849	US\$ 164	3 round heads that adapts with the facial contour. Sophistication for a comfortable shaving
	Speed-XL	US\$ 286	3 rotary and washable heads. Fast & perfect shave. Adapts with facial contour. Extra speed and close shave.
	SmartTouch-XL	US\$ 368	3 rotary washable heads. Extra close shave. Max performance & Speed. Adapt with your skin and facial contour.
Remington	MS3-2700	US\$ 106	Fast recharge, 3 Titanium blades
	R-960	US\$ 114	Fast recharge, 3 Titanium blades
	R-9190	US\$ 147	Triple suspension for a softer and easier shaving without skin irritation, 3 rotary Titanium blades.
Braun	Tri Control	US\$ 86	Performance for a close clean shave
	Free Glider	US\$ 109	Close Shave with smoother gliding
	Flex XP II	US\$ 143	Extra performance for an extra close shave
	Syncro Actively	US\$ 195	Extra closeness and skin comfort
	360 Complete	US\$ 242	Lifts missed hairs that lie flat to the skin. Remove more for one hair in a single stroke without pulling or tugging. Smart Foil captures hair growing from any direction. Micro oscillation that provides comfort and smoother gliding.

As already mentioned, all electric shavers sold in Brazil are imported. Philips imports it both from China (low end and middle end range of products) and the Netherlands (high-end product). REMINGTON is supposed to import all their products from China. We do not have information on BRAUN.

3.5. Retail Value

At retail prices (taxes included), the Brazilian electric razors market was estimated at US\$ 28.4 Million in 2005, or about 4% of the total shaving industry.

Total sales of razors and blades (electric + blades) reached US\$ 927 million at the retail level in 2005 and can be best viewed as shown below:

Category	2005 at retail prices
Disposable Blade	US\$ 597,8 Million
Dual Bades	US\$ 212,3 Million
Interchangeable Blades	US\$ 88,5 Million
Electric Razors	US\$ 28,4 Million
Total shavers market in Brazil (not included collateral products)	US\$ 927 Million

Razors and blades sales in 2005 by product category, brand and company are as follows.

Men's Razors and Blades Brand Shares 2005 - (% units sold and prices at retail level)					
Brand	Company	Sales	Price	Units sold	% in Volume
Disposable					
Gillette Prestobarba	Gillette	\$448.820.236	\$0,77	579.429.300	63,97%
Probak II	Gillette	\$3.724.649	\$0,41	9.088.144	1,00%
Sensitive shaver	Bic	\$44.695.791	\$0,65	69.023.880	7,62%
Bic Confort	Bic	\$67.043.687	\$0,77	87.014.147	9,61%
Personna	American Safety Razor	\$11.173.948	\$0,49	22.720.361	2,51%
Duo Fit / Duo Flex	Bozanno	\$9.311.623	\$0,45	20.654.873	2,28%
Others	Many companies	\$13.036.273	\$0,59	22.063.703	2,44%
Total Disposable	-	\$597.806.207		809.994.407	89,42%
Dual Blades					
Gillette Sensor Excel	Gillette	\$165.746.892	\$5,18	31.970.152	3,53%
Gillette GII	Gillette	\$2.793.487	\$2,05	1.365.954	0,15%
Twin Confort	Bic	\$25.141.382	\$0,65	38.825.933	4,29%
Trac II	American Safety Razor	\$8.380.461	\$1,21	6.931.635	0,77%
Ultrek System	Warner-Lambert	\$7.449.298	\$4,10	1.817.629	0,20%
Others	Many	\$2.793.487	\$2,64	1.059.389	0,12%

	companies				
Total Dual Blades	-	\$212.305.007		81.970.691	9,05%
Interchangeable blades					
Gillette Mach3	Gillette	\$57.732.064	\$8,51	6.782.197	0,75%
Schick Exacta II	Warner-Lambert	\$4.655.811	\$8,98	518.730	0,06%
BIC Comfort 3	Bic	\$21.416.733	\$4,09	5.230.914	0,58%
Tri-Flexxx	American Safety Razor	\$3.724.649	\$3,85	967.853	0,11%
Others	Many companies	\$931.162	\$6,36	146.465	0,02%
Total Interch. Blades		\$88.460.419		13.646.159	1,51%
Electric razor					
Chinese Generic	-	\$1.615.205	\$36,89	43.790	0,00%
MS3-2700	Remington	\$885.312	\$106,00	8.352	0,00%
R-960	Remington	\$595.080	\$114,00	5.220	0,00%
R-9190	Remington	\$613.872	\$147,00	4.176	0,00%
Young	Philips	\$3.739.770	\$114,00	32.805	0,00%
Clássico	Philips	\$5.898.096	\$164,00	35.964	0,00%
Cool	Philips	\$3.012.188	\$164,00	18.367	0,00%
Speed XL	Philips	\$4.269.125	\$286,48	14.902	0,00%
Smart Touch XL	Philips	\$6.158.475	\$368,44	16.715	0,00%
Others	Others	\$1.635.200	\$80,00	20.440	0,00%
Total Electric razors		\$28.422.323		200.731	0,02%
Total		\$926,993,956		905,811,988	100,00%

Source: Kline & Co; Euromonitor; Companies reports; retailers prices; estimates of the researcher

3.6. Distribution

Electric shavers are estimated to be sold through (in value):

- Electronic stores: 30% - 40%
- Duty Free shops: 5% - 7%
- Mass Merchandiser: 40%
- Supermarkets : 14% - 18%
- "Virtual Stores": 20%

We have been told that "mark-ups" used by retailers in this businesses are very high, over 80% - 100%.

3.7. Competition

Phillips is by far the Brazilian leader in the electric shavers market. It closed the year of 2005 with an estimated market share of 86% in value and 62% in volume (units).

Philips does have strong competitive advantages against its main competitors in Brazil. See attached 1 for Swot analysis of Philips and its main competitors.

The tables below show the percentage of market share for value and volume for the years 2005 and 2006 for Philips and its main competitors based on the imports statistics of 2005:

Shaving 2005		
	Volume	Value(FOB)
Remington	4%	4,80%
Panasonic	0%	0%
Philips	62%	86%
Others (*)	34%	9%

(*) Chinese generic brands mainly

Shaving 2006		
	Volume	Value(FOB)
Goodline	8,30%	5,00%
Remington	9,60%	8,80%
Panasonic	0,00%	0,00%
Philips	49,90%	77,20%
Others (*)	32,70%	8,00%

(*) Chinese generic brands

Source: Brazilian Government Statistics on Imports of electric shavers

Under the "others" you can find mainly Chinese generic electric shavers. However, it also includes some imports done by Duty Free shops in Brazil, which directly imports products from BRAUN and PANASONIC mainly (Duty Free shops share is estimated at 2% of volume and 6% of electric shavers value).

On the other hand, if you look at the shaving market as a whole (including disposable, blades, etc.):

- Gillette leads the men's razors market with estimated about US\$ 270 million in sales for 2005; 73% of the total market.
- Bic comes in second place with a total of about US\$ 64 million in sales for 2005 representing 17% of total categories sales.
- American Safety Razors comes in third place with a total of US\$ 9,4MM and a share of 2,5% for the same year.
- Philips holds the seventh position with US\$ 10,7 M and 2,87% of the total razors market in 2005.

Estimated sales of all categories razors and blades for men by company in 2005 are shown below:

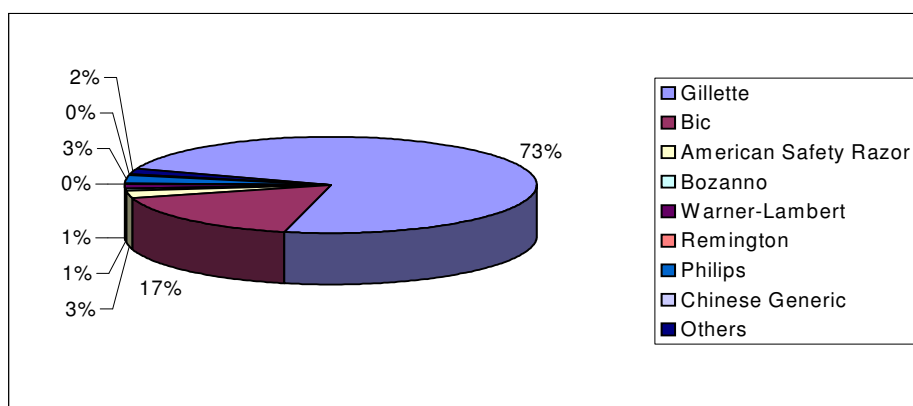
Total razors and blades market 2005 - Sales in US\$

Company	Units	Price/unit	Manufacturer Sales	Participation
Gillette	628.635.746	\$0,43	\$271.526.931	72,94%

Bic	200.094.873	\$0,32	\$63.319.037	17,01%
American Safety Razor	30.619.849	\$0,30	\$9.311.623	2,50%
Bozanno	20.654.873	\$0,18	\$3.724.649	1,00%
Warner-Lambert	2.336.359	\$2,07	\$4.842.044	1,30%
Remington	17.748	\$47,20	\$837.706	0,23%
Philips	118.753	\$89,97	\$10.684.099	2,87%
Chinese Generic	43.790	\$14,75	\$646.082	0,17%
Others	23.289.997	\$0,32	\$7.358.449	1,98%
Total market	905,811,988	\$0,41	\$372,250,620	100,00%

Source: Euromonitor; Companies reports; estimates of the researcher

Total razors and blades market 2005 - Manufacture sales in %



3.8. Promotion & Communication

The total razors business (electric + blades) spent an amount of about US\$ 17 MM in promotion and advertising in 2005. Around USD 1,8 MM was designated to electric shavers, which represents about 10% of the total investments made by the "shavers" industry as whole.

The "promotion" of electric shavers is very limited when compared to "blades". It is given in printed media, online media, events, sponsorships, merchandising and merchandising in TV shows and as POS Materials. By the way, almost of this is done by Philips.

On the other hand, the promotion of "blades" is concentrated on the powerful and traditional TV and cable TV advertisements, as follows:

Blades only - - total expenses in Promotion and communication	
Midia	2005 (.000 US D)

Outdoor	100
Newspaper	20
Radio	624
Cable TV	3,894
Magazine	500
TV	10,062
Total	15,200

Source: Philips based on advertising agency (DDB/DM9) report; adjustments made by the researcher

The following pages summarize both the promotion channels and communication concept of key competitors of this market segment

Gillette (Indirect competitor):

- Products main focus: Gillette Prestobarba; Gillette Mach 3 Champion; Launch of Mach 3 Turbo
- Communication strategy: Focus on TV and print; shows through demonstration of product that it offers the highest technology in shaving. Also associates satisfaction in shaving with woman's approval.
- Brand promise: A smooth, closer and less irritating shaving, as the blades adjust to the curves of the face. High excellence in execution. More lubrication and Progressive aligned blades. Smooth blade edge coating and incredible glide and comfort.
- Support: innovative blades, more flexible microtensors, lubricant steamer. Adjustable blades on springs, easy to clean and rinse, rubber handle.
- Brand develops promotion with famous athletes:

... "Buy Gillette Mach 3 Turbo, answer a question at the website and try for trip to Madri to be coached by David Beckham".

... "Buy Gillette Mach 3 Champion and try for Audi A3 Turbo".

- Sales promotion:

... "Buy Gillette Prestobarba and try for 20 houses and a car"

... "Buy Gillette Prestobarba and try for 4 prizes of R\$40.000 in gold bars"

... "Buy Gillette and try for 30 Pickups Montana"

... "Buy Gillette and a movie ticket and win another one free".

- Tagline: "A comfortable shaving even when the hairs grow against the common way. The best for men."

In 2006 Gillette focused its communication on the World Cup event, communicating that the brand is an official sponsor of the event. They have also used the endorse of Kaka (Brazilian soccer) to launch a special edition of the product with a new design. "Champion in all senses" is its tagline.

Bic (Indirect competitor):

- BIC is a very well known and accepted brand in male shaving with blades.
- Communication strategy: focus on TV; approach with humour on shaving: uses a famous soundtrack to incorporate and repeat the name of the brand a lot of times.
- Brand promise: A comfortable shaving. Close and Comfortable shave. Soft shave for sensitive skin. Light (weight). Disposable.
- Support: Offers 2 models: one for normal skin and another for sensitive skin, both with 2 razor blades, lubricant streamer, rubber handle.
- Tagline: " The choice for guys like you."

Remington (Direct competitor):

- Remington has already entered Argentina, Chile and Brazil with its foil range in the process of introducing rotary.
- Products main focus: Travel Shaver, PowerClean, MicroFlex
- Brand Promise: Extra close, comfortable and flexible shave. Strong visual features. Close and comfortable shave. Titanium coated blades
- Support: Dual track rotary head with ComfortFlex technology and Ultra thin foils with ComforTech design. Very easy to clean.
- Tagline: "TRUST YOUR LOOK TO REMINGTON. We're the hair technology experts-it's all we do!"
- Express warranty: Not satisfied in 30 days, consumer can get their money back. Special promotions as in "father's day": "Buy a shaver and take another Titanium blade" for free.

Philips:

- Main products focused: 2-headed, Sensotec, Cool Skin, Smart Touch XL.

- Brand promise: Shave more with one stroke. Less irritation, smooth and refreshing shave. Effortless and fast shave. You can shave dry anytime and anywhere.
- Support: Innovative shaving system integrated with NIVEA FOR MEN lotion. Shaving rings in three shaving heads.
- Tagline: "Your perfect shave is just a Philips shaver away! Whatever your personal shaving requirements, Philips has a top-quality electric shaver for you – wet or dry".
- Sales "express warranty": 90 days tryout. Then you have the choice to buy it or not or if you have bought it before trying and are not satisfied with the product, you can have your money back.

Panasonic and **Braun** have no consistent promotion & communication activities in Brazil in the area of electric shavers.

3.9. Outlook

As it was said before, the Electric razors market has been growing at about 12% per year in volume and over 35% in value.

The table below shows the growing relation of units and income:

	2003	2004	2005
Units	160,000	180,000	200,000
Value	\$7,1 MM	\$10 MM	\$13,1 MM

The scenario for the next years can be projected upon some assumptions such as:

- R\$ / USD exchange rate: not expected to vary significantly for the next years.
- Awareness of Electric shaving system: it is expected that the category segment will become more popular among Brazilians as a result of increased investment in promotion / communication.
- Technological need: As we are in the technological era, most of the people wants to have the coolest, best designed, more innovated and many times the most expensive products. These needs can surely help to boost electric razors sales.
- Based on the above, we estimate that the market of electric shavers in volume will grow in a faster path (than in the near past) for the upcoming years. Please see below:

	2006	2007	2008	2009	2010	2011
Units (*)	228,000	260,000	296,000	338,000	385,000	439,000
Value (**)	\$14,93 MM	\$17,00 MM	\$19,00 MM	\$22,00 MM	\$25,00MM	\$28,00 MM

(*)estimated average rate of growth 14% for the next 5 years (**) assuming flat average prices in USD(2005basis)

6. Consumer

6.1. Consumer habits and buying behavior

In Brazil the Philips main electric razors market consists of males, with average monthly income of over 2,000.00 USD and aged over 15 years old. It represents about 11,5 million to 14 million people, of which only 2% are users of electric shavers. See customer's profile, segmentation and habits below :

- "Blades" are by far the most used method of shaving in Brazil
- Almost 70% of the population have never tried another method than "blades"
- From the electric razor users, most have got it as a gift. From these last ones, almost half got it from their fathers and nearly one third from their girlfriend/wife ;
- Generally, people are given an electric shaver in normal days when there is nothing special happening, also in birthdays is very common to win one.
- From the people who have bought their electric shavers, a big share have bought it in supermarkets and Electro-Department stores as follows:

The market can also be clustered by the types of users of electric shavers by profile and needs, as follows:

- Sensitive skin (about 30% of the current users of electric shavers in the target market): Recognize the importance of a nice look after shaving, but their skin is fragile and easily irritated. So it is a painful shaving. They don't believe that one method should be used for their whole lives, but they don't know about all existing methods. They partly agree that is worth buying an electric shavers and still prefer not to do it. More frequently viewed in men from 30 to 35 years old that use disposable blades.
- Hedonist and vain person(45%): Believe that it is important to shave for a better look. Face shaving as a pleasure and appreciate the privacy of the moment. Like to know the news about shaving products and think it is worth using the best shaving system. Are the ones with less skin

irritation and less cuts. Most common in men between 25 and 29 years old, of B class and electric razor users.

- Expert and every time user (24%): Men that consider themselves as the ones who know best about all shaving methods. For them, shaving takes too long, so they hate the idea of doing it. They want a practical and useful job, and strongly believe that an electric razor is worth buying. From all men, they are the least vain.

We have also learnt that Philips and Panasonic are the most known and valued brands for electric shavers in Brazil. It is interesting to note that Panasonic has such a strong positioning even considering they do not have an electric shaver business in Brazil.

7. Conclusions

By virtually any measure, the electric shavers market is very attractive. For the future, prospects are likely to be even more promising as well as the challenges.

The electric shavers market in Brazil is still relatively small, but it has been growing fast both in volume and value terms. The potential is enormous considering that just a minor share of consumers use electric shavers. Philips currently holds a comfortable position in this market and has been responsible for shaping the industry standards. Philips has been enjoying growth in both its volume and value, leading to high profitability levels. Moreover, the local operation has no significant investment on assets which makes it even more attractive from the financial metrics points of view.

This is such a favorable scenario that it will generate equally threatening challenges for Phillips to keep the business at this pace. By expanding the market, new comers are bound to join in. What barriers could be created to minimize it? How can they make the "pie" grow as well as their profitability and market share?

It will certainly require a different approach together with a considerable amount of investments... In advertising and promotion, since they need to change consumer's habits and also make Philips brand the consumer's first choice/option if and when they decide to use an electric shaver. Their challenge is to induce substitution and attracting first time buyers. This involves top money! In distribution and supply chain, trying to maximize their strengths in this area by capacitating retailers sales people, having a lean supply-chain which would require less investments from the retailers (in inventory, for

example), and also increasing the capillary of the distribution. Strategically, Philips must be prepared for a possible shift in the orientation of its distribution channels as the business grows in size and proves itself. In terms of products, eventhough their current portfolio seems to fit the market pretty well, what kind of changes will they have to face once the "pie" starts growing in different directions? Adjustments will definitely have to be made. Philips may become increasingly willing to respond to new needs in terms of varieties and service. Prices will have to be a subject of such consideration as well.