

An Analysis on Product Mix of Diptyque

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Abstract

This study employed a qualitative approach to examine the product mix management of Diptyque, a renowned French fragrance brand, as they contemplate transitioning their product mix. By analyzing the growth rate and relative market share, this research applies the BCG model and identifies one "star", one "cash cow", and two "dog" product lines. The findings from this investigation can assist Diptyque in formulating marketing strategies that will facilitate further company expansion.

Key words: fragrance brand, strategic marketing management, product mix, BCG matrix, case study.

1 Introduction

With the rapid economic development in China, there has been a significant surge in investment by fragrance brands. Consequently, these brands have developed product lines beyond fragrances, leading to the expansion into diverse markets. Diptyque is a fragrance brand that originated in France and was founded in 1961. They began launching their original fragrance products in 1963 and have consistently produced "beautiful, authentic items" that differs to other luxury and commercial brands. In 1993, the former enterprise Desmond Knox Leet passed away, and Mohamed Lataoui joined the team to expand the business overseas, making the brand more modern and mature. In 2005, Diptyque was acquired by Manzanita Capital, a London-based private equity fund.

In 2014, the French fragrance brand Diptyque entered the Chinese market and has been offering online services on Taobao since 2020. However, some consumers have claimed that they prefer

purchasing scented candles from offline channels as they would like to smell the scent of the candle before making a purchase. As a result, Diptyque has decided to provide a wider variety of product lines other than fragrances for online customers. Starting in 2023, Diptyque will expand its home decor products to include floor coverings, furniture, and paintings in the future. With these changes, Diptyque expects that home decor will account for up to 10% of overall sales within five years. These alterations in their product mix could potentially impact their sales. To retain customers, it is crucial for Diptyque to implement strategic marketing management strategies.

This work used case study research method and looked into the product mix of Diptyque, based on qualitative research on data and previous literature. In the first part of the research analysis, the paper listed and explained the four product lines including their product items and product depth. The second part of the paper analyse the data of growth rate and relative market share of each product line, which also introduces BCG model to classify product lines of Diptyque into one "star", one "cash cow" and two "dogs" product lines. Finally, the paper recommends the brand to introduce new product lines and increase the relative market share on personal fragrances as their addition tactics. The paper also gives a suggestion on the removal of personal fragrances and home decor product line, and reduction of the depth of bath&body care.

2 Literature review

2.1 Basic theory of strategic marketing management

Strategic Marketing Management refers to common business problems, such as increasing profits and sales revenues, developing new products, extending product mix, and managing product portfolios (Chernev, 2018). The research of Tien, Phu, and Chi (2019) shows that international marketing strategy can enhance a company's reputation and build strong brand awareness. It can also promote brand loyalty, leading to certain marketing advantages, such as lower marketing costs (Tien, Phu, and Chi, 2019). This paper will mainly talk about product mix and cover some new product development.

2.2 Managing product mix using the BCG matrix

According to Grant (2021), strategy involves objectives for the future and determining how they will be achieved. Therefore, the marketing strategy could be divided into two dimensions - the static and the dynamic. Henderson (1979) used to establish a matrix for the BCG, which involved the growth rate and relative market share of the product lines that could help for the setting of static and dynamic marketing tactics. The importance of BCG matrix is to hold a competitive advantage by sustainable trades, as the production needs to meet the total demand through the marginal costs. The model helps the company to allocate their product line efficiently, that aim to achieve an overall growth and maintain the balance (DUICĂ et al., 2014).

To help businesses further analyze its assets, the BCG matrix divides the business products into four categories. "Question marks" indicates the products in high growth rate, and with low relative market share. "Stars" shows that both, the growth rate and relative market share are in the highest position. "Cash cows" predicts that the products are in low growth rate, and relative market share is in high, and "dogs" displays that both growth rate and relative market share are in low position (Mohajan, 2017). The new product lines will go through each of the positions. Once a product line has been introduced, it is "question marks". As it grows positively, it will become "stars" and then "cash cow". Any product line will end as "dogs" when the rate and relative market share drop (Jones and Butler, 1988). Thus, DUICĂ et al. (2014) supposed two ways of success tactics and two failure trajectories on the development of product lines. Relying on the financial support brought by "cash cows", the company could either innovate a new product or adopt a strategy of growth of the market share on "question marks" to replace their "stars". At the same time, failure occurs when the company interests in their "stars" that reduces its market share into "question marks", or when they manage the market share of the "question marks" improperly that converted into "dogs".

Although the B.C.G matrix has been regarded as the original and famous matrix that is simple to use in the analysis of product mix, it has been challenged and doubted by researchers over times. However, Madsen et al. (2017) claimed that it is still alive and has left an imprint on management education and practice, so many practitioners still view it as an important corporate portfolio planning technique.

3 Research analysis

3.1 The product mix

Diptyque has 4 product lines: home fragrances, personal fragrances, bath&body care and home decor.

Product line	Product item	Product depth
Home fragrances	Classic candles	51
	Large candles	17
	Small candles	14
	Home cleaning	9
	Car diffuser	14
	Electric diffuser	11
	Reed diffuser	15
	Sprays	10
	hourglass	16
	Wax oval	5
	Refill	20
Personal Fragrances	Eaux De Parfume	18
	Eaux De Toilette	37
	Solid perfumes	14
	Hair mist	7
	Perfumed body care	30
	Perfumed bracelets	5
Bath & Body care	Hand care	24
	Body care	30
	Travel collections	12
	Refills	20
Home decor	Candle accessories	20
	Candle holders	25
	Decorative objects	14
	Vases	5
	Exclusive artisan pieces	8
	tableware	24

Table 1. Product mix of Diptyque

In 1963, Diptyque introduced their first collection of pure scented candles and established the home fragrance product line. Because of high quality and elegant aroma, its products were favored by famous designers and so that they used to decorate the scene in the clothing conference. The collections brought huge profits and became popular, even until today. The home candles are the major selling product of the company, which account for 70 percent of revenues, led by the best-selling Baies, a red currant-Bulgarian rose combination.

After the success of the scented candles, Diptyque used the opportunity to make perfumes as personal fragrances. In 1968, it launched its first eau de toilette, named L'Eauv. This product had a unique scent and was intended for both men and women, which brought public attention to it. As a result, Diptyque attracted famous perfumers including Oltvia Giacobetti, Olivie Pescheux, and Fabrice Pellegrin to join in. Eau de toilette makes up the remaining 30 percent of sales.

Diptyque expanded into the body care business in 2012, focusing on shower gels and basic moisturizers for all skin types. These products were designed to target the existing customers who wanted to enjoy Diptyque's fragrances in a new way, instead of people who were looking for more professional body care items.

Since 2021, Diptyque introduced home collection to enrich their product mix. These included limited-edition of special items which were jointly created by Diptyque and other artists and hand-craft producers (Grand View Research, 2021).

In total, Diptyque has product width of 4, average product length of 6.75 and average product depth of 15. Compared to its competitors like L'artisan Parfumeur, Diptyque has common product width but a higher range of product length and depth. Except home decor, home fragrances, personal fragrances, bath&body care product lines are all commercial goods produced in similar conditions. They are directly distributed from business to customer through online shops and in shop stores, so the product consistency is relatively high.

3.2 Product mix analysis

3.2.1 The growth rate of each product line

The company had refused to publish, so there is not much information available about their growth rate. This analysis examines the global growth rate situation and collects data from China to estimate Diptyque's growth rate. To ensure reliability, this study only considers information from the past five years, starting from 2017.

According to the report by The NPG Group (2019), artisanal fragrance was the fastest growing aspect of the market. Growth in home scents slowed compared to 2017, but diffusers were the fastest-growing in that market. The Times reported that sales at Diptyque are up 100% compared with March from 2018 to 2019 (Hilary, 2020). Similarly, during the Tmall International 618 event in 2022, the sales growing rate of home fragrance even reached 100% and shows a constantly increasing trend.

With the increasing disposable income of females, the potential market of personal fragrances also shows a huge growth. Yvonne Chan, the Managing Director of Diptyque China revealed that the overall growing rate of the perfume market in China was about 25% in 2018. However, Diptyque's growing rate of personal fragrances was even more than 35% (Pan, 2019).

Another data obtained by The NPD Group was that the skincare category grew by 13%, as a result of increasing consciousness regarding beauty (PR Newswire, 2019). At the same time, the annual growing rate of the Chinese skin care market was 15.1%, based on the Askci website. Therefore, this work took the data of about 14% to present the growing rate of bath&body care.

IBIS world data shows that the market size of the Interior Designers industry in the US has grown 4.8% per year on average between 2017 and 2022 (IBIS World, 2023). In China, this number is about 5.5%. Overall, home decor did not show an obvious increase and this work took the value of 5.2% to present the data.

3.2.2 The relative market share of each product line

Due to the lack of information online, this work calculated the total value of products in Diptyque and compared this data to its competitors to get the relative market share. The value was

collected in August 2023 during 1 month in Taobao as a method of sampling, as it was the biggest online shopping channel that may represent the choice of Chinese customers. This work compared Diptyque to Acqua di Parma, L'Artisan Parfumeur and Maison Margiela brands, considering the similar product mix.

The value of home fragrance sales has reached 3,622,160 yuan per month in the Chinese online market, which accounts for a relative market share of 6.51 times of its biggest competitors. The reason is because Diptyque was one of the earliest businesses that made scented candles, and home fragrance was its main product line.

In comparison, even though they are both fragrance products, the value of sales of personal fragrance product line attained 1,297,830 yuan per month, and was only 0.59 of the competitors. This is quite low because customers would prefer to purchase its home fragrance products instead of the personal fragrance when making decisions.

Bath& body care has a normal value of sales of 603,320 yuan per month, but it has an enormous relative market share of 7.76 times its biggest competitors. This is because Diptyque had developed this product line based on the potential customer needs. Also, Diptyque owns a wide range of products in the bath&body care product line, which provide more choices to the customers, resulting in its sales far exceeding the competitors.

The lowest value of sales among the other three products is home decor, which was only about 55,390 yuan per month. The reason for this low value of sales might be the few product items and narrow product depth. To calculate the relative market share, the other fragrance brands didn't contain the home decor product line, so this work compared the value of sales only to Maison Margiela and obtained the ratio of 0.84.

Product line	Growth rate/%	Relative market share
Home fragrance	100	6.51
Personal fragrance	35	0.59
Bath&body care	14	7.76
Home decor	5.2	0.84

Table 2. The growth rate and relative market share of each product lines in Diptyque

3.2.3 Analysis based on BCG matrix

Based on the data mentioned above, this work constructs a BCG matrix to analyse the current product mix of Diptyque.

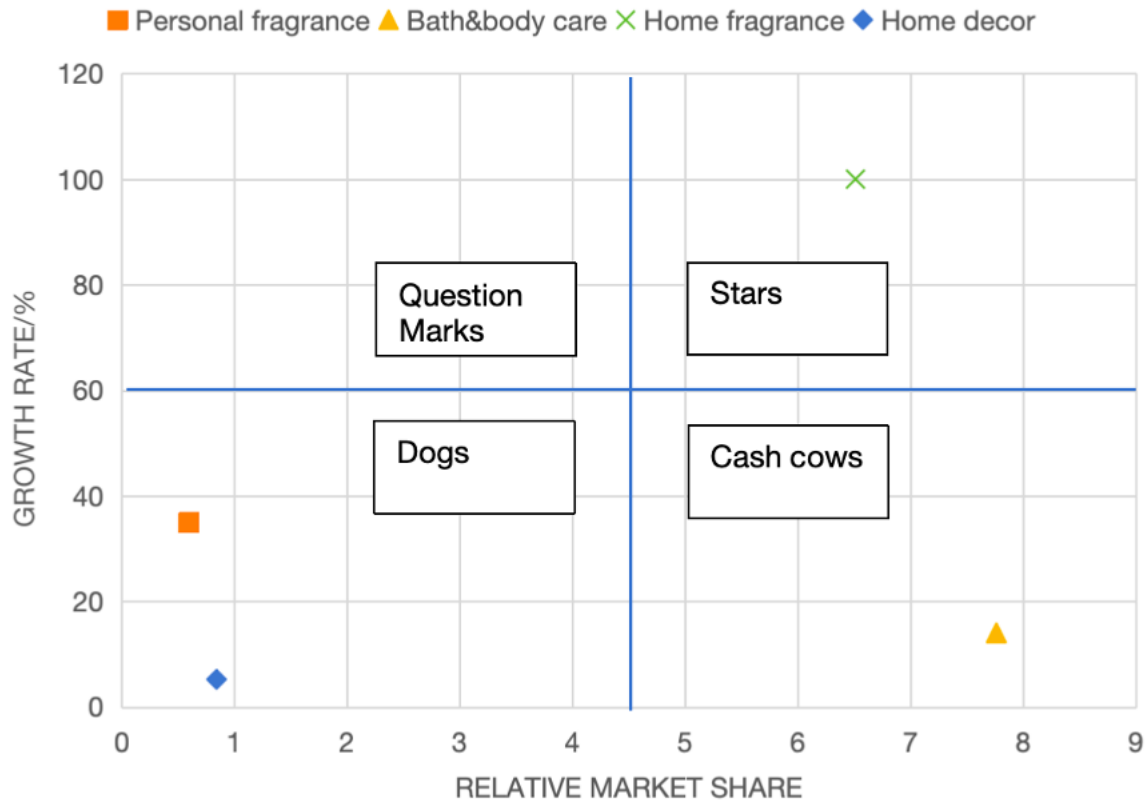


Figure 1: BCG matrix of each product lines in Diptyque

In Figure 1, it is clear that home fragrance is the "star" product. This is the main product that the company is going to focus on right now and in the future. Bath&body care is "cash cows" with high relative market share but low growth rate, which means it has reached its potentials that may experience a decline in the future. By contrast, the personal fragrance and home decor has both low growth rate and relative market share, which was considered as "dogs".

3.3 Product mix improvements and tactics

3.3.1 Product line addition tactics

The suggestions were especially for online shopping in China because of the source of data. In the matrix analysis, it is clear that Diptyque was doing well on having both "stars" and "cash cows" product lines for development. However, there was only one of them, which was a bit dangerous if the environment changes in the future. Therefore, the company could do some market research in order to introduce new product lines.

If the company wants to maintain their personal fragrance product line, they should increase their relative market share, especially the depth of their Eaux De Parfume and Eaux De Toilette. This tactic could develop the product line to "cash cows" and solve the problem above.

3.3.2 Product line deletion tactics

The other alternative changes that could be done to the personal fragrance product line is to remove it. There are even two existing "dog" products in total, which are personal fragrances and home decor. The company should reduce the investment of those who cannot generate profits.

Decrease the depth of bath&body care should also be taken into consideration, because it is going to decline in the future, and the company should rather concentrate on profitable products such as home fragrances.

4 Conclusion

Diptyque is a French fragrance brand which is now trying to expand their product mix to increase customers' choices. Based on the BCG model, this paper shows that there is one "star", one "cash cow" and two "dogs" product lines in Diptyque's product mix. This paper recommended the brand to introduce new product lines and increase their relative market share on personal fragrances, as it has only one "star" and "cash cow". The paper also suggests removing the personal fragrance product line as an alternative option, as well as the home decor product line because they have low growth rate and relative market share. In addition, Diptyque could reduce the depth of

bath&body care as they have a low growth rate.

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