

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



The beauty of competition - A case about Matas A/S

By:
Casper Tønning
Chris Johnson
Oskar Hoff

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

Editor

Mats Urde
Associate Professor
mats.urde@fek.lu.se

Head of master's course Corporate Brand Management (BUSN35), part of the master's program International Marketing and Brand Management.
Lund School of Economics and Management, Sweden.

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WRITTEN CASE

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CASPER TÖNNING

CHRIS JOHNSON

OSKAR HOFF

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Copenhagen, Denmark. 2018. The morning was still early when Helle Poulsen¹ made the familiar turn into the parking lot at the Matas headquarters in Allerød. Despite the early mornings, the hour-long commute to the outskirts of the Danish capital had taken some time to get used to but had become an appreciated time to gather her thoughts and prepare for the day's objectives. As she headed towards the entrance, Poulsen felt both nervous but also the very same excitement as the cold November day on which she was appointed the new CEO of Matas a few months back. The current freshness in the air and the sun's warmth was a welcome surprise to the otherwise rainy and windy spring weather the Danes had become more familiar with. Helle Poulsen could not help but hope that her leadership would bring the same energy to Matas as the weather was providing herself this morning. The absence of colleagues inside the office building hinted that she still had some time before the board meeting to discuss the new strategy - a task she ultimately was appointed for. They were all well aware of the situation and the many challenges that Matas found themselves in. Poulsen truly believed that the new strategy would enable the organization to abandon its negative trend and become the renowned and successful brand it once was. In the end this was her opportunity to turn this once great retailer around and shape a better future for the company.

History of Matas

To understand the history of Matas, you would first have to understand the history of the druggist. In the mid-to-late 1800s, pharmaceuticals and apothecaries were the latest craze. And just as with today's abundance of Social Media Managers, the 1800s did experience a surplus of pharmacists. So the new surplus-pharmacists of the 1800s put on their innovation-hats and started a drugstore business (making them a druggist instead of pharmacist) which sold, among other things, chemicals, feed,

¹ *Helle Poulsen is a fictional character.*

photographic supplies, washing detergent, herbs and spices. Many also prepared creams, hair tonics, aftershave and skin tonic.

Fast-forward to the 1940s. A small group of Danish druggists had realised the potential of bulk discounts and had started purchasing products collectively. The purchasing arrangement proved to be a success which attracted more drugstore owners, and in November 1949, **MAT**erialisternes **Aktie**Selskab, later known as Matas, was founded. The first year saw a turnover of 537,000 DKK but had to record a loss of 24,50 DKK – the only loss ever recorded in Matas’ history. Already in 1950 Matas consisted of 60 stores countrywide.

Between 1956 and 1960 Matas started their journey of becoming a household name in Denmark. Matas changed from being individual drugstores with a collective trade agreement into presenting the Matas brand as one (**See Exhibit 1**). This was done by introducing the first common logo as well as a written constitution for all Matas products demanding that “Products sold in Matas may not contain hazardous chemicals and that the contents should, with regards to weight and size, accurately reflect the description of the contents given on the packaging, while maintaining the same, uniform standard of quality.” Soon after came the publication of the first 700.000 copies of Matas’ household distributed newspaper, a print run that was 4,5 times larger than that of the country’s leading newspaper.

In 1967, Matas developed their own Matas branded products, which today is famously known as “de stribede” meaning “stripes” as a reference to the stripe design of the packages. At the time of launch, the stripes included skin tonic, toner and moisturising lotion, but today the product brand has been extended to almost all product categories within Matas (**See Exhibit 2 & 3**).

Throughout the 90s, environmental issues started to play a significant role in Matas. The Matas environmental fund was established in 1994 and they also became the first Danish retailer to launch a country wide Matas return system allowing customers to return packaging and thereby ensuring recycling.

The 00s came with many new innovations and actions. Firstly, the total number of Matas stores reached its peak of 292 stores but was later decreased to 260 (**See Exhibit 4**) as a result of an acquisition by the private equity firm CVC Capital Partners which closed stores with negative results. It was also during this time that Matas opened their first webshop in 2008. Secondly, the “Stripes” was re-developed in 2006 and became at the forefront when offering quality, health and environmentally friendly products. Later Matas’ loyalty program, Club Matas, was launched. Already in 2012 did Club Matas exceed more than 1 million members and in 2015, 3 out of 4 Danish women aged 18 - 60 were members of Club Matas. Today, Matas is a go-to-store when customers are searching for beauty and personal care products and carries more than a thousand brands.

A service powerhouse

The year is 2015 and Matas is one of the retailers in Denmark with the highest level of brand awareness (**See exhibit 5**), as a matter of fact, Matas claims that 98% of Danish women know the brand. Furthermore, a market-share analysis (**See exhibit 6**) indicates that the “Stripes” are one of the strongest product brands within the beauty and personal care category in Denmark. One of the things that Matas is well-known for is their high level of service and knowledge. The company is seeing investments in employee training and education as a vital part of their DNA as well as success. This is reflected in their motto: “*Det gode råd gør forskellen*” meaning “*Good advice makes the difference*”. Matas is the only retailer in Denmark, within their category, which offers employees an official education. The program has been made specifically for employees of Matas in cooperation with their suppliers and some of the leading vocational schools in specialty retail. The main emphasis of the education is on product training, relevant physiology and customer service where 200 new employees graduate annually from the two-year long program. The service-minded and knowledgeable personnel have become a vital part of the Matas brand and is one of the things that differentiate them from the competition.

Declining growth rate, increased competition and “your grandmother's cosmetics”

Even though Matas has a high level of brand awareness and is well-known for its unique level of knowledge and service, they are not living in the land of milk and honey. Already in 2014 did the company begin to see a downward trend in their growth levels and in the fiscal year 2015/2016 did the overall growth rate hit -0,2% (**See Exhibit 7 & 8**). In the period between 2014/15 and 2017/18 Matas share price fell by 69%, corresponding to a reduction in the company's value of more than DKK 3 billion. By the release of the annual report 2017/18, Helle Poulsen expressed herself in the following manner “*The numbers speak for themselves, confirming that Matas needs to set a new course to reverse the trend. In the past financial year, we therefore took the first steps to transform our business. (...)*”.

The management of Matas found three main reasons for the negative growth rate. The first reason was changes in consumer behaviour. Matas started to see an increase in customers asking for products in the sustainable or “green” category as well as an overall focus on health. Further, the customer journey was changing with digital touchpoints playing a larger and more prominent role in the way consumers purchased cosmetics and personal care products. Especially in the mass beauty category (e.g. Maybellene, Neutrogena, Garnier and L’oreal) there was a growing tendency of consumers looking for information and inspiration online before purchasing. This brings us to the second issue for Matas. With the growing focus on digital touchpoints also came a wave of both domestic and international digital-only

competitors. While the product range of Matas includes brands from cheap to luxury categories, most online competitors focus on the mass beauty category. And since the online competitors did not have to deal with the costs of running physical stores, they were able to cut prices.

But not only did Matas get attacked by new competitors online, also in the offline setting were competitors coming in like a freight train. The offline competitors were especially low-cost supermarket conglomerates such as Coop and the Salling Group, which together own a far majority of supermarket chains in Denmark. The retailer “Normal” which offers very low prices as a result of a business model built on parallel import, was also expanding rapidly in Denmark.

The last major issue for Matas was to be found in their image. Matas’ long history in Denmark has resulted in several generations knowing and using their brand. While this in itself does not sound like a problem, there were indications that Matas was seen as “your grandmother's cosmetics shop”, which seemed to be less appealing for the younger target group. From extensive customer research, an 18-year old woman even said in an interview that *“Matas is very basic. There's nothing that makes them stand out and there's nothing that makes you dislike them. It's just a store that is everywhere.”* Further on, Matas stores had been upgraded sporadically, leading to a non-coherent store layout and appearance, especially between the flagship stores and the smaller satellite stores (See Exhibit 9 & 10).

Management Question

Despite a high level of brand awareness and being well-known for their service and expertise, Matas were facing new challenges. As the company stated in their annual report 2017/18, *“Our customers like the Matas they know, but they are also calling for renewal”*. This leads to our management question:

Taking the role of a consultant team for Matas and Helle Poulsen, how would you suggest Matas to turn the negative growth and dwindling share prices around?

Exhibits

Exhibit 1 One of the first Matas brand stores.



Exhibit 2 (left) & 3 (Right)
and 2010 respectively.

Examples of “de stribede” product brand in 1967



Exhibit 4 Matas stores in Denmark, 2016.

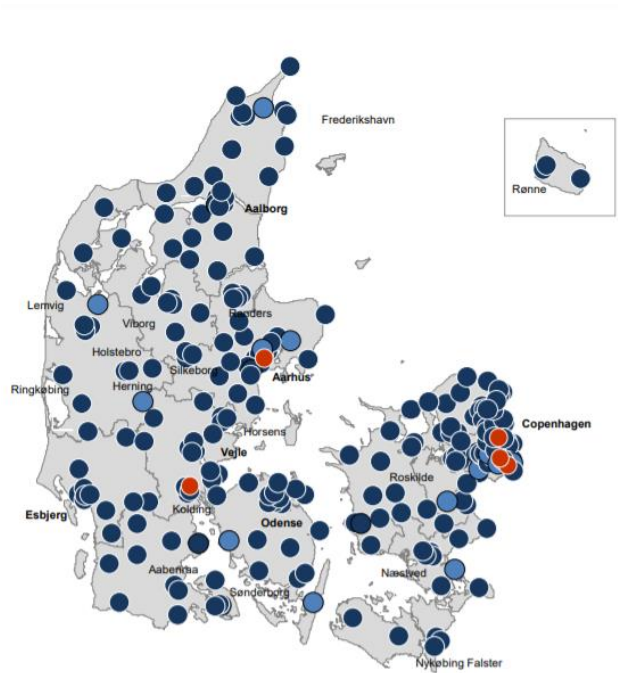


Exhibit 5 Matas Brand Position, 2014.

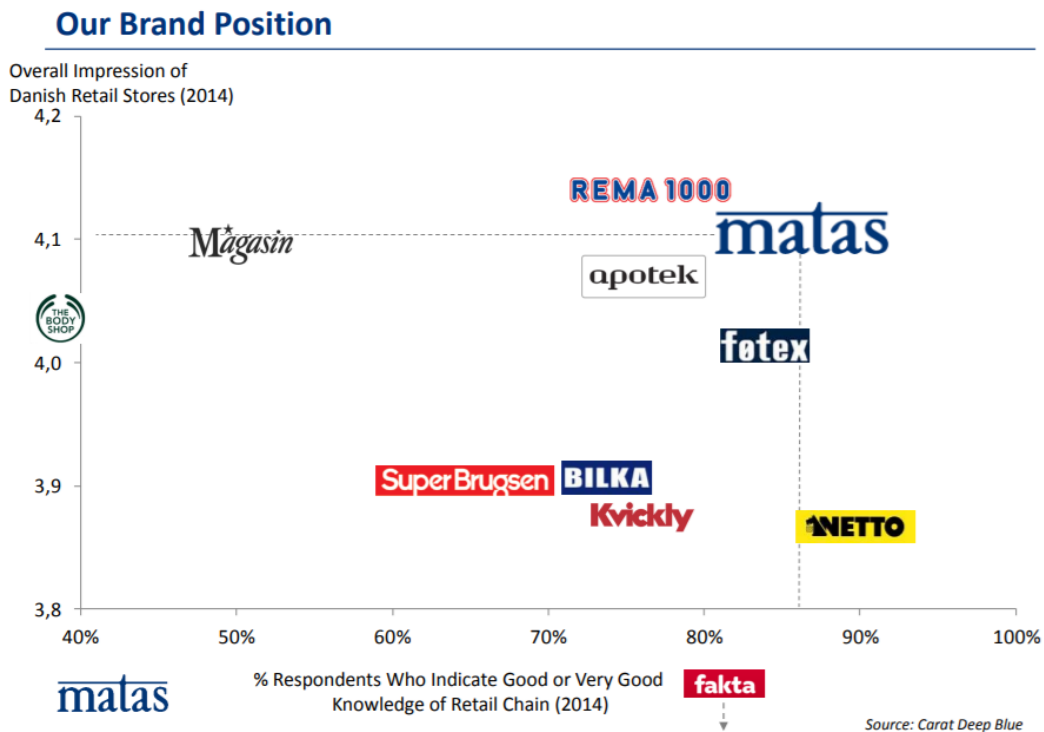


Exhibit 6 Matas “stripes” market share in Denmark in 2012.

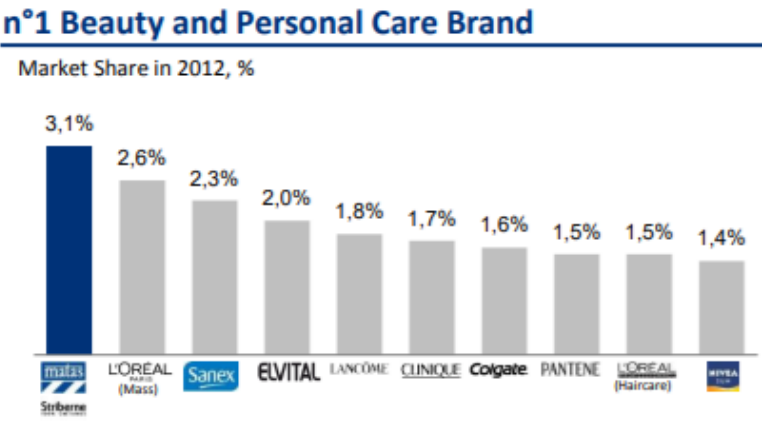


Exhibit 7 Matas Revenue development between FY 11/12 and FY15/16.

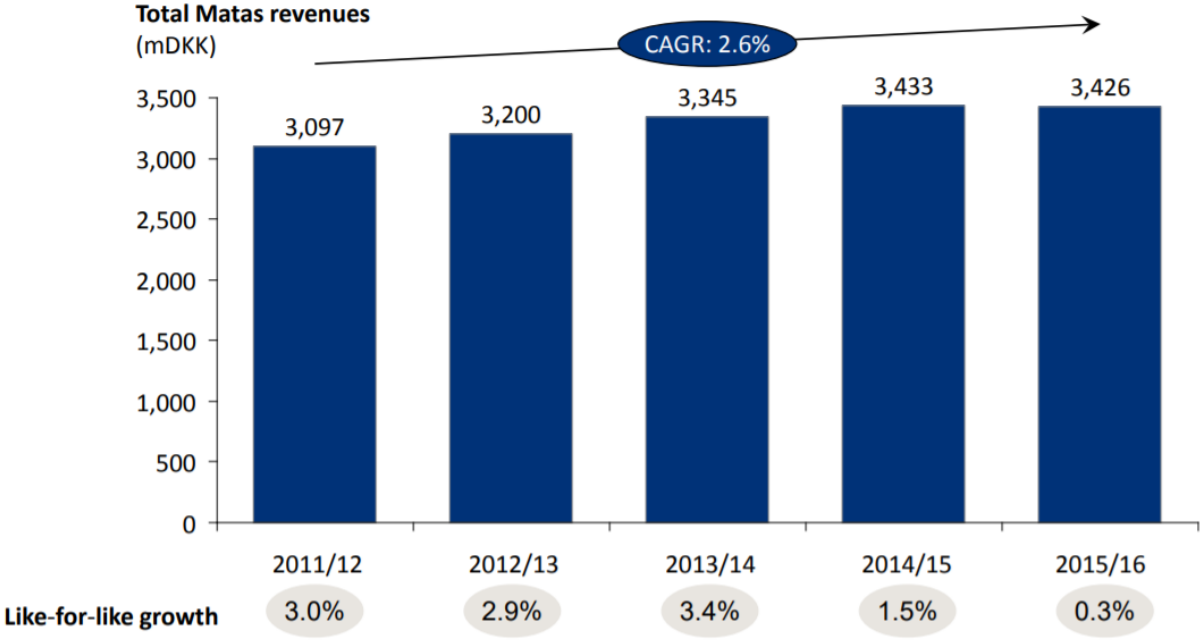


Exhibit 8 Matas Revenue between FY 11/12 and FY 15/16.

	2011/12	2012/13	2013/14	2014/15	2015/16
Sales	3,097	3,200	3,345	3,433	3,426
Sales Growth	3.5%	3.3%	4.5%	2.7%	-0.2%
LFL Growth	3.0%	2.9%	3.4%	1.5%	0.3%
Gross Margin (%)	45.6%	46.0%	46.1%	46.5%	46.8%
EBITA Margin (%)	17.2%	17.1%	17.1%	17.5%	17.2%

Exhibit 9 & 10 Matas stores (Satellite store, Viby & Flagship Store Rødovre)

