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**Diversification Analysis**

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**Executive Summary-**

**Background**

Yankee Candle Company, established by Michael Kittredge II in 1969 in the state of Massachusetts, is now the world’s largest scented candle company. With over 150 fragrances, Yankee sells candles and other scented products and home accessories nationwide, grossing over $800 million in revenue in 2012.

**SWOT Analysis**

Yankee Candle Company has several strengths, including a strong customer base, researched and perfected candle quality, and several large retail chains currently selling Yankee brand products. However, their premium products are priced somewhat expensively. To some extent, their market is narrow, specific more so to an adult female demographic. The company also loses brand recognition by not adequately using their company logo. Yankee’s founder has a son who owns and operates a candle company that could one day pose as a competitor to Yankee Candle Company.

**Diversification Analysis/Recommendations**

Yankee Candle Company could penetrate their current market by a punch card system and a recycling program. Because Yankee is already familiar with the business of scented products, they could begin a new line of scented products for health and beauty. Yankee’s new line of scented bath soaps, exfoliants, salts, lotions, and hair care products could be used in massage and/or day spa chains and sold in Bath & BodyWorks.

**Company Profile-**

The birth of Yankee Candle Company occurred in 1969, when 17-year-old Michael Kittredge II melted crayons into candles for his mother’s Christmas present in their garage in South Hadley, Massachusetts. After finding his niche, Kittredge began Yankee Candle in South Deerfield, Ma, and over the years it grew into a multimillion-dollar business and tourist destination.

Yankee Candle employs 1,600 people at its headquarters in South Deerfield, Ma, and the majority of their candles are made by master chandlers (candle makers) at the factory in nearby Whately, Ma. Today, Yankee offers over 150 fragrances through a base of over 500 retail locations nationwide, making it the largest scented candle company in the world. Yankee reported $844.2 million in revenue in 2012 and $201.2 million in profit. The company, “also provides a wide range of seasonal and specialty scented candles, home fragrance products, car fresheners and candle accessories.” (http://www.yankeecandle.com/about-yankee-candle/company-profile/t)

In 1998, Kittredge sold 90 percent of his Yankee shares for an estimated $400 million. Since 2009, at age 61, he is now working with his son, Michael J. Kittredge III, 22, who is president of Kringle Candle Company in Bernardston, Ma.

The Chicago-based buyout firm, Madison Dearborn Partners acquired Yankee Candle for $1.6 billion in 2006, but is rumored to be preparing to sell it, according to a March 2013 report in a Massachusetts newspaper, The Republican. “Madison Dearborn is now working with Barclays and Bank of America Merrill Lynch on a sale process that is still in the early stages, according to the Reuters story”. (http://www.masslive.com/businessnews/index.ssf/2013/03/yankee\_candle\_to\_be\_sold\_according\_to\_re.html)

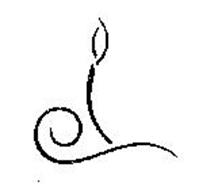
**SWOT Analysis-**

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| **Strengths** | **Weaknesses** |
| ·       Well known brand with loyal customers  ·       Product quality  ·       Sold in other chain retailers  ·       Candles are consumable products | ·       Expensively priced  ·       Purchases are based on discretionary spending  ·       Logo use for brand recognition  ·       Very specific market demographic |
| **Opportunities** | **Threats** |
| ·       Market scented soaps and lotions  ·       Partner with spas or massage chains  ·       Open more Yankee Candle Villages | ·       Kringle Candle Company  ·       Several other cheaper brands |

**Strengths:**

* Yankee Candle is a premium brand, known for its variety of fragrances and quality. Most consumers of Yankee candles know this, so they are willing to pay a little extra to “get what you pay for” and are repeat customers.
* The quality of a Yankee candle is unmistakable, as their largest jar candle is said to burn 110-150 hours. (<http://www.yankeecandle.com/customer-service/safety-and-burn-times/t>) Even their smallest votives burn for up to 15 hours. In addition, Yankee candles burn evenly, so there is not a substantial amount of unused wax left around the side of the jars. They also burn very clean and do not smoke while they are lit.
* Not only does Yankee Candle Company have their own chain stores found in malls and shopping centers, but Yankee candles are also sold in many large retail chains like Target, Bed Bath & Beyond, Hallmark, and Ulta.
* Fortunately for Yankee Candle Company, their candles do not last forever. Because they are consumable products, customers have to make repeat purchases.

**Weaknesses:**

* Because Yankee sells premium candles, they are sold at a premium price. Some consumers might view their product as too expensive, especially taking into consideration that candles are consumable products.
* Candle purchases are based on what customers want, not necessarily what they need. The decision to make the purchase is completely based on discretionary spending, and economic trends play a huge role in what percentage of earnings will be discretionary.
* Yankee Candle Company uses its name more than its logo. Their logo looks like this,but nobody would recognize this as Yankee Candle Company. There is no

brand recognition based on seeing the company’s logo alone because Yankee chooses to always state “Yankee Candle” along with the flame logo.

* Yankee Candle Company has a specific market demographic. Unfortunately they can only cater to about 50% of the population. Although there are some masculine fragrances, most of their line is vibrant colors mixed with fragrances women love.

**Opportunities:**

* Yankee could use their knowledge and previous research on making scented products to develop a new health and beauty line. The company already has a huge presence in the adult female demographic, which is the same demographic most health and beauty lines maintain.
* By penetrating the massage and day spa chains, Yankee has the opportunity to grow their market beyond the individual consumer to consumers making purchases for their small businesses and to larger industry retailers like Massage Envy and The Woodhouse day spa.
* Yankee Candle Company has made their candle making facilities a family vacation destination. There are two locations for the Yankee Candle Village. One at headquarters in South Deerfield, Ma, and the other in Williamsburg, Va, where, “from watching animated, singing characters to celebrating Christmas year 'round, they're both quite unusual places where your whole family can experience an enchanting mix of shopping and entertainment”. (<http://www.yankeecandle.com/about-yankee-candle/visit-our-flagship-stores/t>)

For such a popular brand, only two locations is not enough.

**Threats:**

* In 2009, Yankee Candle Company founder’s son, Michael J. Kittredge III, 22, with the mentorship of his father began Kringle Candle Company. Although he says Kringle is, “a different business model and a path my father never took”, there is always a chance of Kittredge following in his father’s footsteps by selling Kringle for a profit. “Yankee Candle has become such a huge corporate operation now. I remember it as the small family-owned business.” (<http://www.masslive.com/business-news/index.ssf/2013/03/yankee_candle_to_be_sold_according_to_re.html>)
* Another more obvious threat is the fact that there are several brands that sell candles at a much cheaper price. A prime example is Mainstays, which is a home décor line carried by Walmart. Their large jar candle, comparable in size to Yankee, sells for $5 on the shelves at Walmart. ([http://www.walmart.com/browse/decor/candlescandleholders/ mainstays/4044\_133012\_925499/YnJhbmQ6TWFpbnN0YXlz?\_refineresult=true&33012%27%2F%26gt%3B%27%2F%26gt%3B&facet=category%3ACandles&ic=60\_0&pref\_store=5889&ss=false&tab\_value=online](http://www.walmart.com/browse/decor/candlescandleholders/%20mainstays/4044_133012_925499/YnJhbmQ6TWFpbnN0YXlz?_refineresult=true&33012%27%2F%26gt%3B%27%2F%26gt%3B&facet=category%3ACandles&ic=60_0&pref_store=5889&ss=false&tab_value=online))

**Diversification Analysis-**

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| **Markets** | **Products** | |
| **Current** | **New** |
| **Current** | **Market Penetration:**   * Punch Cards * Receive discount for recycled jars | **Product Development:**   * Scented bar soaps and body wash * Scented bath salts and exfoliants * Scented lotions * Scented hair care products |
| **New** | **Market Development:**   * Partner with massage therapy chains * Partner with day spa chains * Make a presence in Bath & Body Works | **Diversification:**   * Penetrate massage therapy chains with current candle product line and new scented lotions line * Penetrate day spa chains with current candle product line and new scented soaps, exfoliants, and hair care product lines * Introduce health and beauty line to Bath & Body Works |

**Market Penetration: Current products in the current market**

Yankee Candle Company could institute a punch card program with their current loyal customers. Customers could decide if they wanted to be on the punch card system, but the incentive could be for every ten jar candles purchased, you get the eleventh free. If Yankee gave a choice between another jar candle or a $25 gift card, the gift card could be given as a gift to friends, possibly creating new loyal customers.

Another market penetration idea could be to encourage their current customers to save their old jars from used candles, and bring them in to be recycled. Upon receipt of the used jar, Yankee could offer a 15-20% discount off that customer’s next jar candle purchase. This would cut material costs for Yankee by reusing old jars, and look good for Yankee Candle Company’s reputation by being “green”, therefore creating better public relations.

**Product Development: New products in the current market**

Because Yankee Candle Company already utilizes, “master perfumers to develop Yankee Candle fragrances for optimal performance” to market scented items that are “rigorously screened, reviewed and tested by our highly experienced team of fragrance professionals”, they could begin a new line of scented products for health and beauty. (<http://www.yankeecandle.com/about-yankee-candle/our-promise/t>) The new product lines could consist of scented bath soaps, exfoliants, salts, lotions, and hair care products to be sold in retailers where Yankee already has a presence. Two huge retailers that already sell both Yankee brand premium candles and health and beauty products are Bed, Bath, & Beyond and Ulta Beauty. This would make launching their new product line a very smooth transition.

**Market Development: Current products in a new market**

Yankee Candle Company could partner with massage and/or day spa chains like Massage Envy, Beauty Brands, or The Woodhouse day spa. The delightful smell of a burning premium Yankee candle when customers walk through the door would serve for a better overall ambiance for these retailers. The homey, relaxed feeling their customers have at the massage parlor or spa would help the revolving door of loyal customers, therefore secondarily benefiting Yankee Candle Company. Aromatherapy could also be marketed with certain packaged deals, giving the customers a chance to choose what scent they wanted while getting a massage, wax, or facial.

**Diversification: New products in a new market**

If Yankee Candle Company were successful with launching their new line of health and beauty products, they could then also launch their new scented soaps, lotions, and hair care products inside their new partnerships. Massage Envy could take advantage of Yankee’s new scented lotions and oils, while day spa chains like The Woodhouse day spa could begin their operations with Yankee’s new scented soaps, exfoliants, and hair care products. Bath & Body Works would be another great market for Yankee Candle Company because they already sell both candles and health and beauty supplies.

**Recommendations and Opinions-**

The punch card system and recycling program both are great ideas for encouraging Yankee’s current customers to make repeat purchases. With Yankee’s knowledgeable foundation of fragrances, it is a logical step to create a new scented product line within the health and beauty industry. Yankee could build a different but substantial market among American and International women with skin and hair care items. By partnering with Massage Envy and day spa chains like The Woodhouse day spa, it would help grow Yankee’s new market.

Another seemingly great avenue for Yankee’s new health and beauty product line would be Bath & Body Works. However, considering Bath & Body Works sells it’s own name brand scented soaps and lotions, the company would likely not bring on another competing line. They could be a great new market for Yankee’s candle line though. The better avenue for Yankee’s new line would be Bed, Bath, & Beyond and Ulta Beauty, as they carry a wide range of competing brands and Yankee already has a presence there with their candle product line.

**Conclusion-**

From humble beginnings Yankee Candle Company has evolved into a multi-million dollar business and the largest scented candle company in the world. The corporation manufactures quality products for a loyal customer base. With such a strong following, it makes sense for Yankee to diversify by branching into the health and beauty industry and marketing scented lines of soaps, lotions, and hair care products. Penetrating the massage therapy and day spa chains and retailers like Bed, Bath, & Beyond and Ulta Beauty would help in Yankee’s product development within a new market. This diversification seems like a wise and profitable move for all involved.

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