

## Video Case 6

### *Building the Right Relationships with the Right Customers*

#### Case in Point: P&G

Consider something as simple as laundry detergent—you put your dirty clothes in the washer, dump in some detergent, and press a button. It seems so simple until you visit the grocery store and are confronted by that long sprawling aisle with shelf after shelf of detergents accosting the eyes with color and assaulting the nose with scents. How many different detergents do people really need? Well, P&G has found that people need a surprising number of different laundry detergents. P&G alone accounts for many of the competing brand names you might see on the shelf, such as Cheer, Dreft, Era, Gain, Ivory, and Tide.

Why does P&G have so many brands that seem to be competing with each other? The answer is that each one of these is a distinct brand with its own image, own marketing, and own target market. For example, Dreft is a gentle detergent with no harsh chemicals that is designed to wash out completely from fabrics. Dreft is the number one choice of pediatricians and comes in a gentle pink container with a mother and baby on the label. Ivory Snow extends the Ivory soap brand's classic image of old-fashioned purity and simplicity to laundry. Era touts its advanced stain-removing enzymes that can "fight your family's tough stains." Gain is marketed for its "smell that says clean" scent. Each brand offers some unique combination of value and special features.

P&G's strategy of diverse targeted brands in each category extends around the world. Overseas, P&G sells other brands of detergents such as Daz, Ariel, Bold, Bonux, Dash, Fairy, Myth, Rindex, and Vizir alongside some of the familiar U.S. brands. The same brand can even serve different targets in different countries. Whereas Dreft is marketed for cleaning baby clothes in the United States with its claim as the pediatrician's favorite, it is marketed for gently cleaning delicate fabrics in the United Kingdom with its claim of being recommended by the International Wool Secretariat and the Cotton Council International.

P&G also targets consumers' different preferences for the form of the detergent. These options can differ by country. In the United States, P&G offers only two alternatives: powder or liquid. But in the United Kingdom, P&G offers four forms: powder, tablet, liquid, and liquid tabs. Some overseas brands also target hand washing with higher sudsing action desired for non-machine washing applications. With all the combinations of brands, scents, additives, forms, and package sizes, P&G offers hundreds and hundreds of different SKUs (Stock Keeping Units) in just this one category of laundry detergent. And this doesn't even include all the supplementary fabric-care products, such as separate bleaches, fabric softeners, prewash stain fighters, or specialty products such as the Dryel home dry cleaning kit.

P&G even creates subtargets within a single brand. For example, Cheer comes in six different formulations: regular Cheer, Cheer Free & Gentle (free of dyes and perfumes), Cheer Complete (with nonbleach cleaning booster), Cheer High Efficiency Liquid (for high-efficiency washing machines), Cheer

Fresh Linen (crisp fresh scent), and Cheer Dark Formula (twice the fade-protection for dark clothing). Nearly every Cheer detergent comes in either powder or liquid and in a variety of packaging styles—from petite single-wash boxes for coin laundries to mega-econobox-packaging for discounters such as Costco.

Cheer isn't the only hypersegmented anomaly in the P&G line up. Tide has some 29 different combinations of formulations, scents, additives, and liquid or powder alternatives. Marketed with an "It's Got to Be Tide" motto, this premium-brand detergent is the number-one best-selling brand in the United States. A \$3 billion brand, Tide could be a FORTUNE 500 company all by itself.

Adding new segments through new product formulations is a serious task at P&G. For example, P&G realized that some consumers wanted the pleasant feel created by a fabric softener but didn't like the hassle of adding a separate product during the middle of the cycle. So P&G went to work. Combining Tide with one brand of its fabric softeners, Downy, required careful study. "We ran a test of more than 125 different concepts among thousands of consumers and this was a leading idea," said P&G spokesperson Randy Chinchilla. The winning combination was "Tide with a Touch of Downy." Even a seemingly narrow product such as Tide with a Touch of Downy comes in two forms (liquid or powder), three scents, and five sizes for a total of 30 new SKUs.

Convincing consumers that they need a 150-ounce bottle of the April Fresh scent version of the liquid form of Tide with a Touch of Downy is only half the challenge for P&G's segmentation efforts. The company must find extensions that retailers will also accept. In fact, some SKUs don't just target consumers, they target different types of retailers. A discounter such as Sam's Club is unlikely to carry the little 50-ounce bottle of Tide liquid, while a convenience store is unlikely to carry the mammoth 300-ounce bottle of that same product.

As huge as the laundry detergent aisle seems, shelf space is a critically scarce commodity and a zero-sum game. Retailers can't stock every one of the 30 SKUs of new Tide with a Touch of Downy. P&G knows that if the retailer wants to add a new product, then the retailer must take something else away. P&G hopes that the brand taken away will be a competitor's brand. Yet retailers are wary of removing products—3 percent of customers switch retailers when the store stops carrying a preferred product. Careful testing and market data help P&G convince the retailer that it will increase its sales per square foot if it adds one or more SKUs of the new product.

Laundry detergents are a microcosm—this one category is only one small part of the total consumer packaged goods space. A careful trip down any aisle of any grocery store will uncover a similar proliferation of SKUs in every category: multiple mustards, tons of toothpastes, or a plethora of disposable paper products. P&G is just one company creating brands and line extensions to cover the diverse space of consumer and retailer needs.

#### Questions for Discussion

1. What are some of the product dimensions that P&G targets?
2. Discuss how P&G might balance brand extensions versus cannibalism to optimize the total number of SKUs available.
3. Discuss targeting and brand extensions from the retailer's perspective.