Prelude case Procter & Gamble: feeling the heat

Applying pressure

Consumer products giant Procter & Gamble has felt pressure in recent years as shareholders expressed their concerns over what they saw as the company's sometimes lacklustre performance. Shareholders and stock-market analysts pressed the company to develop new products to beef up its stable of long-term successes like Pampers, Tide and Crest, which were competing in mature, saturated markets.

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The company responded with a wave of new products. Some, like Dryel, a home dry-cleaning product, and Fit, a rinse for fruit and vegetables, failed to register with consumers. Others, however, like Crest Whitestrips, a tooth-whitening system launched in 2000, reached the company's new-product goal of $200 million (€165.3 million) in first-year sales. Such successes are not enough, however – P&G has to keep the new products coming if it is to reach its goals of 4 to 6 per cent annual sales growth and double-digit earnings growth.

Pain relief

To meet its ambitious growth goals, P&G developed a new-ventures unit, staffed with employees whose job was to develop new-product ideas and then pass them on to the appropriate business unit for development. The new-ventures unit examined the $3.3 billion pain-relief market to see whether the company had any skills that it might apply to that market. It already knew much about this market due to its previous marketing of Aleve pain reliever (since sold to Bayer). Further, from its work on Pampers, Charmin and Bounty, the company also had excellent knowledge in paper technology.

Merging these two capabilities, P&G's researchers developed the idea of the 'external analgesic' – a product that consumers could use externally to provide long-lasting warmth to specific areas of the body where they experienced pain. After seven years of consumer and scientific testing, in early 2002 P&G announced that it would launch ThermaCare HeatWraps.

P&G designed ThermaCare for the temporary relief of minor muscle and joint aches and pain associated with over-exertion, over-use, strains, sprains and arthritis. Women could also use the product for temporary relief of minor menstrual cramping and associated back pain. The HeatWraps were portable, air-activated, disposable (single-use), self-heating devices that provided a continuous low-level therapeutic heat (104°F or 40°C) for up to eight hours.

The HeatWrap was a small pad that resembled a very thin diaper and came in shapes designed for the lower or upper back, the neck or arm, and the abdomen. When the consumer opened the package, the HeatWrap was exposed to air. Inside the wrap were a series of oval-shaped heat discs that contained a mixture of naturally heat-generating materials: iron, carbon, sodium chloride, sodium thiosulphate and water. The air penetrated a perforated film that controlled oxygen permeability. The iron in the heat discs began to oxidise, and the chemical process generated the heat. The process was basically the same one that manufacturers of hand warmers had used for years. However, P&G had found a way to use its paper technology to sustain and control the heat-generating reaction.

Doctors and pharmacists recommended that people who experienced muscle pain due to exercising should first apply packs for up to 20 minutes at a time, three to four times per day for one to two days, accompanied with a pain reliever, such as aspirin or aspirin-like products. They recommended that the patient should then use heat therapy.

P&G recommended that consumers wear the HeatWrap for at least three hours and up to eight hours, repeating the process each day for up to seven days. Users could wear the HeatWraps under their clothing and go about their normal routines. Consumers were warned that they should not use the HeatWraps with other externally applied medications like lotions or ointments due to the risk of a skin reaction. When finished with the HeatWrap, consumers could dispose of it in the household rubbish, as all materials in the products were environmentally compatible.

Wrapping it up

P&G's marketers were excited about what they saw as a breakthrough product. The company planned to price the product at $6.99 (€5.79) per box at retail, producing a 25 per cent profit margin for retailers, well above the margin for other pain-relief products. The package contained either two wraps in the back size or three wraps in the neck, arm or abdomen sizes.

The company planned to concentrate on US sales during the first year. It decided to allocate up to $90 million for an integrated, promotional campaign to introduce ThermaCare. If successful, the new product would be introduced into P&G's major European markets in the second year. To design the campaign, P&G hired D'Arcy Masius Benton & Bowles, an advertising agency it had used for many years.

The agency knew that a breakthrough product needed a breakthrough promotion programme. After all, P&G was offering a unique product that presented consumers with many new concepts at the same time. Consumers would not be familiar with the product or how it worked. How could the advertising and promotion keep consumers from just shrugging and taking another pain pill? How could it educate consumers about what ThermaCare was, what it did, and how it was different from other pain-relief strategies? How could it help P&G make ThermaCare a household name? Will the advertising and promotion be different for the European market? [1]

Questions

1. What are possible target audiences for ThermaCare? In what buyer-readiness stages will these target audiences be?
2. What issues will the advertising agency face in designing messages for the selected target audiences? What message 'theme' or 'headline' summarises the positioning that you'd recommend for ThermaCare?
3. What recommendations would you make to P&G and D'Arcy to help them develop an integrated promotion strategy for ThermaCare in the US and European markets? Be sure to deal with the issues of setting the overall promotion mix, selecting a message source, and collecting feedback.