Gillette – Launching 'The Fusion'

Introduction to Gillette

Global Gillette is a business unit of Procter & Gamble. It is the successor of The Gillette Company, which was founded by King Camp Gillette in 1901 as a safety razor manufacturer. It was based in Boston, Massachusetts, USA. On October 1, 2005, The Gillette Company finalized its purchase by Procter & Gamble, a deal worth 57 billion US dollars.

As a result of this merger, the Gillette Company no longer exists. This merger created the world's largest personal care and household products company.
Before the merger, Gillette had grown to become a leading global supplier of products under a variety of brands. In addition to Gillette, the company marketed under Braun, Duracell and Oral-B, among others. (Gillette.com)
Some of Gillette's profit and sales may not have been due to the direct worth of the product but due to it being presented to the public from a well known company. In 1999 Gillette as a company was worth $43 US billion and it was estimated that the brand value of Gillette was worth $16 US billion. This equates to 37% of the company's value which is the same as Mercedes-Benz, one of the world's largest car manufacturers. Its net sales for the year 2005 were $56,741 million and today it has a presence in over 200 countries. (Pavitt, 2006)

Competition

In the raging razors war between Gillette and its competitors, customers judges razors on the basis of Durability, Ease of use, Convenience, Cost, Smoothness of shave and Hygiene/Environmental value.
In all these benchmarks, Gillette has outshone its competitors in the past. It is the largest supplier of razors and razor blades in most of the world's major econo-mies. Its United Kingdom market share is 60 per cent by value and 40 per cent by volume, while that of Wilkinson Sword (its only full range competitor) is 20 per cent by value and 23 per cent by volume. The only other supplier of significance in the United Kingdom is Biro Bic Ltd (Bic), which just supplies disposable ra-zors and has a market share of 15 per cent by value and 30 per cent by volume. (Classic Shaving website)

Introducing the 'FUSION'

In early 2006, Gillette launched a new 5-bladed razor system with great fanfare.
The razor, known as the Fusion, has lubricating strips on both the front and back sides. It has blades spaced 30 percent closer than its predecessor MACH 3 Turbo system. It has two variants, manual and battery powered.

The move renewed an ongoing blade battle with Wilkinson Sword, the shaving unit of Energizer, which launched a four-blade razor, the Quattro in 2005. The move ate into Gillette sales and sparked a legal battle between the two companies. (Aoki 2006)

Wilkinson Sword later added a battery-powered Quattro to its lineup in December 2005. In response, Gillette's Fusion -- in both manual and battery-powered models -- hit North American stores in early 2006.

"The Schick (which markets under Wilkinson Sword in Europe) launch has nothing to do with this, it's like comparing a Ferrari to a Volkswagen as far as we're concerned," Chairman, President and Chief Executive of Gillette, James Kilts, told Reuters.

Gillette Fusion

Gillette Fusion is the latest in shaving technology, featuring five closely spaced blades to give Gillette's best shave ever. The Fusion also features a trimmer blade on the back side of the unit for precision areas such as the sideburns and under the nose.

It comes in a pack Containing one Fusion Razor plus two blade cartridges.

Gillette Fusion Power

Gillette Fusion Power is battery powered and adds micro-pulses to the 5 blade shave of the Fusion. These vibrations help to give a smooth and comfortable shave. Fusion power also has the trimmer blade.

Other features include a micro-chip that regulates the voltage and blade action, a low battery indicator light and a safety switch that shuts the razor down after 8 minutes of continuous operation.

A single pack contains one Fusion Power razor, one blade cartridge, one AAA battery

Size of the Market

According to Gillette itself, the wet razor and blade industry has annual sales of $2.4 billion in the U.S. and $10 billion globally. (Gillette News Release 2005)

Cost of Fusion
The manual version has an initial retail price of £9.99 ($17.99) with two cartridges. The power model hit stores at the same time and comes with a single cartridge and a AAA battery for £7.99 ($14.99).

Additional (Replacement) blades for both versions of Fusion, Fusion Hydra Shaving Gel, Fusion Hydra (Soothe) After Shave Balm and Fusion Hydra (Cool) After Shave Balm are also available complementing the Fusion.

Markreting Environment Factors

Gillette has a long an illustrious history in wet safety razors sector but threats from Quattro and other factors led Gillette to the release of the Fusion. Some prevailing marketing environment factors at the time of launch are listed below:

1) The razor and blades business has seen very rapid growth over the past 15 years and the competition is fierce. This can be seen in the table below detailing new line released by Gillette since 1990.
- Razor with spring-loaded blades (Sensor, 1990)
- Razor with microfins (Sensor Excel, 1995)
- Razor with three blades (Mach3, 1998), later with variants
- Razor with battery power (M3Power, 2004)
- Razor with five blades (Fusion, 2006)
- Razor with rear trim blade and batter power (Fusion Power, 2006)

2) By 2005, the Gillette Mach3 and M3Power series had reached a steady state for both market penetration and consumption volume. This called for a

newer and better product to be launched. The Fusion was ready to be born. (Gillette News Re-lease 2005)

3) With the introduction of Quattro into the market by arch rival Wilkinson Sword, Gillette began to loose market share.

4) The success of the Mach 3 series also diminished the fears that consumers might not be comfortable with more than two blades. Gillette also learned from its competitors that customers were whole heartedly accepting four blade systems. Therefore, introducing a 5-blade razor was possible and perhaps a good idea. However, due to the international nature of the business, not everyone would be able to get their hands on this new product nor would everyone be able to pay a hefty amount.

5) A research on M3Power series showed that in the combined razor market, older customers are more inclined to purchase the older models, while the new product lines are proving to be popular among young customers.

6) The Venus series of female razors are based on their Mach3 counterparts. The Venus models feature different grip shapes and lengths than their Mach3 counterparts. Fusion is so far only available for male customers and thus they are the primary target market.

7) Customer awareness has increased with time (Al Ries et al, 2001). As with the Mach3 razor, the Fusion's 5 blades have strengthened the perception that the inclusion of additional blades is more of a "marketing gimmick" to get people to spend more on replacement blades. This notion was carefully examined but the success of Quattro required a quick and solid response.

8) Gillette was led to examine their existing razor brand portfolio by the success of Quattro. It was evident that the only growing sector was the 4 and 5 razor battery powered market. Success of Mach3 and Venus lines in previous years and the excellent reputation of Gillette as a market leader meant that it was realistic and financially viable to launch a new product at this time.

9) Gillette with its extremely strong brand recognition around the world had a dominant share in its market. Yet this success was only in the manual 2 blade (sensor and sensor excel lines) and 3 blade markets. Interestingly Gillette went directly from 3 to 5 razors without launching a 4 blade system.

This was because the rival Wilkinson Sword beat them with its 4 blade system. Gillette now had to position its self in the market such that its superiority is maintained.

10) The other major lines i.e Sensor, Sensor Excel, Mach3, M3power and Venus all had ridden high on the fashion and lifestyle image that they brought to the young customers (Gillette News Release 2005). They were also strongly associated with convenience and durability. Gillette now had to make a decision on whether to support any of its previous products.

When fusion was launched, active marketing and advertising support was withdrawn from the previous brands in the US and Europe although it continues at a reduced level in Asia and Africa.

11) A threat of substituted products has lingered around for Gillette for some years now. Electric razors have flooded the market in recent years. Big names like Philips and even parent company P&G’s subsidiary, Braun, have won over a large number of customers. Therefore, it was important for Gillette to be technologically innovative and at the cutting edge of technology.

Following a detailed review of the dynamics of the marketplace, Gillette chose to introduce a totally different system and brand which would be suitable to focus support on.

Gillette’s Response

To counter the threat from competition and the prevailing market environment, Gillette had to come up with a marketing strategy that would ensure its dominance in the sector. To achieve this, it would mean growing its overall brand share.

Classic Models

One of the classical models that it adopted is the ‘razor and blades’ business model (also called the "bait and hook model" or the "tied products model"). It works by selling an initial "master" product at a subsidized price and making the profit on high margin "consumables" that are essential to the use of the master product. The master product may actually be sold at a loss, in

order to "capture" the customer into using the consumable product. (Baker, 1976)
In this case, the master product is the Fusion Safety razor (initially priced at £9.99/£7.99 per unit) and the consumables are the replacement razor blades and the AAA size batteries needed for Fusion Power. A pack of eight Replacement blades would cost the buyer £19.99.

In addition, the Fusion would also require AAA batteries. In 2004, Gillette expanded this business model with its M3Power system which was also a vibrating safety razor with proprietary blades and standard batteries. A consumer wanting to buy the M3Power would also be inclined to buy batteries for the main unit, which was conveniently placed next to the razors in super markets (beer-diaper model). In this way, Gillette’s mother company, P&G still benefits from the sales of Duracell Batteries, which it also owns. The same could easily hold true for Fusion. Therefore, Gillette had two of its favorite business model at its disposal from the offset.

Pre-emption

Gillette chose to go directly from 3 blades to 5 blades system because it wanted to pre-empt its competitors which were busy producing and promoting four blade razors.

Looking in to the Future

The Fusion comes with two high quality blades. On average, this would last a user 6 months after which replacements have to be purchased. In the next few years, Gillette would have to shift its resources and energy from marketing the Fusion to promoting its replacements blades.

The launch

The launch of the Fusion was an immediate success (for details refer to marketing communication methods) and it rapidly established itself with a significant market share in the US and Western Europe. It has not done so well in geographic locations such as Asia and Africa mainly because of the high costs. In Developed Asian countries such as Japan, Wilkinson Sword has a strong presence and the Fusion did not impact the Japanese market significantly.

The Growth-Share Matrix

A growth-share matrix will help Gillette to analyze Fusion and its previous product lines. It will help it to allocate resources and can be used as an analytical tool in marketing Fusion, product management and its brand portfolio-analysis. (Cooper, 1995)

We will now attempt to study the GS matrix Gillette may have used before, during and after the launch of Fusion.

• Cash Cow: Before the launch of Quattro by competitors, The Mach3 series was fast becoming a cash cow for Gillette. Its market share was high in a slow-growing industry. Gillette was happy to own it because it was in a 'mature' market and was generating cash in excess of the amount of cash needed to maintain the business. All Gillette had to do was 'milk' it continuously with little investments such as introducing new versions of basically the same razor. This however changed when competitors entered the market.

• Dog: The older 2 blade Sensor lines can be classified as dogs, because they had a low market share in a mature, slow growing industry. Although very successful during the 90s, they could not generate enough cash now to maintain Gillette's market share. The only reason Gillette was still marketing this series, at a much reduced level than before, was its low cost and some loyal customer following.

• Question mark: the Fusion may be classified as a Question mark at present because this line is growing rapidly and thus consume large amounts of cash, but because it is still establishing itself, and only the men's version has been launched yet, they have a low market share. It also is not generating the cash it has the potential to.

• Star: The Fusion, it is predicted in two years time would have a very high market share in a fast-growing industry. The hope is that it would become the next cash cow for Gillette, Sustaining the Fusion's market leadership may require extra cash, but this is worthwhile if that's what it takes for Fusion to remain a leader. When growth will slow down, the fusion would become cash cows, if they are able to maintain their category leadership.

Planning the Future

After the success of M3Power, it was evident that if Gillette was going to become dominant in the wet razor market it would need to achieve further substantial growth in the multi-razor sector. The question was whether this could be achieved by growing the existing brands in their present markets or through new products development (NPD).

If it was to be the latter, what form should the product take and what target market segment should it be aimed at? Deciding on this and then recommending a project plan was the marketing team's first task. In order to achieve this, it had to make use of Gillette excellent research standing and a strong research budget of 1940 Million US Dollars (according to its own 2005 Fact sheet). The marketing team has to cover all market research, product, process and packaging research and development; the acquisition of equipment; adaptation of the production lines and the sundry additional capital expenditure.

According to Bernhard Glock, the global marketing manager at Gillette, 'We really wanted to develop a product that would give us a relatively long term competitive advantage in the razor market. He explained that this meant the new features should satisfy customer needs and in ways not previously achieved. This required truly innovative solutions that would require a unique selling point (USP).

Gillette for this purpose would need a specification and production technique that couldn't be copied easily by the competitors. This would avoid competing on price, helping maintain the retail price and margins and differentiate their product by competing on true product advantages. This is exactly what Fusion achieved. No other competitor has 5 blade systems so far, one year AFTER the launch nor has anyone copied Fusion's texture.

Market Analysis

The first action to take for the marketing team was to commission additional market research to supplement the data that Gillette collects regularly. The aim would be to understand all aspects of the market, including customer's current buying patterns to see how the market was moving and how well all its segments were served. A series of tests were used to explore customers' perception and preferences.

The market analysis results were very revealing. They confirmed that blade systems with 3 or more razors had a good market and was particularly popular among young males. It showed that customers primarily selected their ideal razor on convenience and most had clear preferences for style and image. They would be willing to pay more for these if the product met their requirements. There were four distinct customer types in the razor market.

Customers seeking convince, style and image, health and hygiene and customer who went for brand name alone. The largest segment seeking convenience represented 32 percent of the population's preference (compared to 30 per cent who had fashion on their minds) and this sector was dominated by both young and adult customers. Gillette dominated this segment with its M3Power razor but with competitors launching new products, Gillette was loosing ground in this sector,
The qualitative research indictated that the customer's perceptin of the ultimate razor was 'a really convinent to use, stylish, branded, multi blade razor with additional features'.

The main problem was Gillette had relied too much on their 3 blade systems that since 1998 it had not moved up from the 3 blade stage. These also lacked the hygienic functions that competitors had made use of, like the use of Vitamins and Aloe Vera strips. Hence, a paradigm shift was needed across the company.
At the same time, there was a noticeable trend in when razors were actually purchased by customers. 70 percent of people made their actual purchasing decision based on how long their razors will last. Research indicated that on the average, customers change their razors systems only every 2 years. But, another important factor in the razor sector is the sale of replacement blades, which customers change more often.

From these results, the Gillette marketing team decided that there was a major opportunity to exploit the functionality and long lasting blades sectors within the Gillette portfolio.

This created a major marketing opportunity and provided a basis for the product concept 'a stylish razor with 5 blades, with added hygienic and convenience functionality which will last more than 2 years'.

The Problems

Why was this potentially lucrative market not already being served by Gillette or by its competitors? Strategically, it was important that Gillette to enter this segment if it was to achieve dominance, but the technical solutions were not nearly so easy to solve. Gillette has the skills, the expertise and the budget to produce a razor that would meet all technical requirements. However, there were two main problems. Firstly, the hygienic ingredient Aloe Vera is expensive to product artificially and requires chemical expertise rather than manufacturing expertise. It is also an ingredient that has limited shelf life and is subject to quality deterioration over time. Secondly, 5 blade razors were simply perceived to be too many within Gillette and possibly among customers. It would take committed and sustained promotion methods to win over skeptical customers.

Solutions

Once the marketing opportunity had been defined, it was time for a project team to be formalized. A core NPD team comprised of skilled manufacturers, technicians, production, finance and marketing representative, chemical scientists. Beyond the core team, the Gillette advertising team was also involved.

After detailed discussions and meetings, it was decided to produce a test (beta) product. Extensive tests were carried out on the test product and after careful analysis; a green signal for production of the final product was given. The innovations in the razor's handle design, use of Vitamin E and Aloe Vera lubrastrips, battery operation and a sixth trimmer blade were made. The other important innovation was the packaging. Fusion would come in a blue package while Fusion Power would have orange packaging. For the first time in Gillette's history, user manuals were written for this truly technological advanced razor.

Gillette also decided to have their own displays in stores around the world insuring standardization and to attract customer attention. The user display units also displayed Fusion blades, and other accessories such as shaving gels complimenting the new razors. These displays also served as advertisements.

Marketing Communication Methods

The company planned to spend a reported $200 million to support the launch of the Fusion. The launch date was set for Feb. 5, Super Bowl Sunday in the US, to attract maximum attention. It started off by launching not one but two Television ads, at a total cost of $6 million. Gillette took out ads in every major men's magazine, from Sports Illustrated to Esquire. Media and Sports celebrities were hired to glorify this razor system (David Beckham being one of them).

Gillette blanketed the earth with ads and promotions, desperate to make Fusion its flagship shaving product.

"There were enormous resources behind getting that product to retail," says Paul Fox, spokesperson for Gillette. "Mach III is considered one of the best consumer product launches ever, and the investment behind Fusion was even greater than that." A critical part of that launch for P&G was timing product availability and visibility in stores with the date of the launch. In the first week alone, 180,000 promotional Fusion displays were sent out to stores. They varied from self-contained perforated cardboard boxes that fold into shelf-level promotions, to entire pallets that were rolled into the middle of su-permarket aisles.' (Gillette News Release 2005)But just sending out the displays wasn't going to be enough. Gillette also made sure these displays were filled up at all times using RFID technology, thus maximizing 'display compliance' rates they expected from retailers. (Classic Shaving)

Gillette concentrated their efforts on making sure the in-store promotional displays that adorn retail store floors were set up in time to coincide with Fusion's massive marketing and ad campaign. The displays were placed where they were most visible to customers.

Product Life Cycle

The Product Life Cycle refers to the succession of stages a product goes through. As with other products, the conditions Fusion is sold under will also change over time.

It is anticipated that Fusion will go through the following five stages:

1. New product development stage
As the Fusion is developed, Gillette will have to invest in market analysis, research, production, marketing etc. This will be an expensive phase. Since no sale revenue will be achieved, losses may be incurred. Fortunately for Gillette, M3Power still has a market that will allow it to absorb losses over a short time.

2. Market introduction stage
In this stage, costs will be high because of promotion activities. The sale volume may also be low to start with as customers get their head around the idea of a 5 blade system. There will also be no or little competition at this stage because competitor will watch for acceptance of the product by customers and segment growth (if any). Losses may be incurred.

3. Growth stage
In this stage, the costs might have to be reduced due to economies of scale. As with previous products, Gillette might even decide to price Fusion to maximize market share. Sales volume will increase significantly yielding profits. Customer awareness will increase and competition will begin to enter the emerging market and offer equally good or even better and innovative products.

4. Maturity Stage
Fusion will reached its mature state when costs will be low as it establishes itself in the market and will need no publicity. Sale volume will reach their peak in this stage. Prices may tend to drop due to the proliferation of competing products. As with Sensor and Mach3 before, Gillette might introduce newer versions of Fusion with small improvements (Line extensions or core product revision).

5. Decline or Stability stage
At this stage, costs will become counter-optimal. Sale volumes will decline or stables resulting in prices and profitability diminishing. Making profits will become more of a challenge. At this stage, Gillette will start promoting replacement blades for the main system more vigorously as they will still be needed by customers.