

Gillette case

Business



Executive Summary Gillette is a world known multinational company in shaving products market and holds more than 70% market share (Hartline 2007) in this segment. Since its very inception in 1901, Gillette has always been envied for delivering the finest shaving care products both for men and women. Besides, it has also diversified its product lines extending it to toothbrushes, toiletries, stationeries, cosmetics and other household appliances.

Originated in Boston, Gillette has been dominating its domestic market in the United States since starting and then slowly and gradually becoming a global leader. This case study provides an overview of the constant product innovation by Gillette throughout its' history and scope for further research and development in an innovation driven wet shaving market. The case also discusses the strategy of Gillette for further expanding its dominant market share around the world under the ownership and guidance of Procter and Gamble (P; G) and making Fusion – a first five-bladed razor its flagship brand.

While doing this Gillette also has to face stiff competition from its premier competitors, Wilkinson Sword-Schick Company and BIC. Though being at the top, Gillette now deals with the problem of product innovation in a somewhat stagnant and mature shaving market and needs to find other ways to remain on top. The possible solutions relate to acquiring its competitors' business, developing and expanding the women's market and further reducing the prices to reach more customers.

It calls for some broad recommendations and implementation. SWOT Analysis Internal Strengths • World leader in producing extraordinary shaving care products of world class quality through constant innovation and successful in most of them • Holding a major share of the global wet shaving market (more than 70%) (Hartline 2007) • Huge financial resources at its disposal giving Gillette an edge over the others for extensively undertaking Research and

Development (R; D) activities for product development and innovation • Well established production and marketing channels worldwide • Diversification of Gillette's product lines to toiletries, cosmetics and other home appliances, thus providing a complete range of shaving solutions • Fair price of all the major shaving products (customers get the value for money) • Differential marketing i. e.

it adopts different marketing strategies for different market segments from country to country (Hartline 2007)

Internal Weaknesses • Some analysts consider that Gillette is growing slowly in the world market and is still below its' actual potential (Hartline 2007) • Past diversification activities and acquisitions have not been very successful (Hartline 2007) • Gillette's involvement in too many lawsuits increase the company costs and also affect its' brand value (Hartline 2007) • Predominant reliance on single product line- 2/3rd profits from razor blade and razor division • Delayed response to competitors' moves The company seem to diversify haphazardly External Opportunities • Increasing demand for personal grooming products worldwide due to sociocultural trends • A huge

portion of global population both men and women shaving with a razor blade

- No close competition from any other company (Schick claims only 18% of the market and BIC holds about 5%) (Hartline 2007)
- Majority of Gillette's sales is generated outside the United States (more than 60%) (Hartline 2007)

External threats Many industry analysts believe that Gillette has come to an end of its' historical product innovations in the already grown-up wet shaving market

- Industry analysts believe that Schick may introduce a six-bladed razor anytime in response to Gillette's five-bladed Fusion
- Growing

popularity of use and throw away disposable razors (serious competition

- from BIC in this segment of the market)
- Problem of cannibalization with

most of its products Problem Identification and Analysis Today no company

can survive in any type of market without continuous development and

innovation of its products and services.

Product innovation can be in terms of introducing/creating a new

product/service or significant improvements in the existing one in relation to its technological specifications, components and materials, incorporated

software, user friendliness or other functional characteristics (Weyrich 1998).

Gillette has always followed the concept of innovation, making it a part of its corporate culture, the result is some technologically superior products in the consumer products industry and most importantly, sales boosting for the company.

Annexure 1 provides details (Gillette Fusion Case Study 2008) of some of the razor innovations introduced by Gillette over the years including the first

double-bladed razor in 1971 (Trac II), loaded blades in 1990 (Sensor), the

three-blade razor in 1998 (Mach3) and finally the five-bladed razor in 2005

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(Fusion). These include both manual and battery operated versions. It also introduced razors specifically for women like Sensor, Sensor Excel in 1993 and Venus.

Some of its products sales hit \$ billion mark winning many awards also for technology.

But the game of innovation has often turned ugly with each of the company trying to bring in something new every time and filing lawsuits against each other. This is what happened when Schick introduced Quattro- the world's first four bladed razor in 2003. This also created the battle for upmanship. The main problem discussed here in the case is that how Gillette can further enlarge its already dominant market share in an industry which is purely based on innovation and where many analysts believe that the companies in this market segment have reached the end of meaningful product innovation.

Given this what marketing strategies should Gillette adopt as it moves into the future to maintain Fusion as P&G's 24th billion dollar brand? This is significant if Gillette wants to remain ahead of its competitors and maintain its dominance.

Generation and Evaluation of Alternative Solutions Innovations take time and we can see that (refer Annexure 1) there is a big time difference between different razor innovations done by Gillette (last one being Fusion, 2007).

Given the limited scope of something new to come-up in the shaving market too early, Gillette may adopt the following strategies to maintain its current

leadership in the future as well with reference to Fusion: 1) A Merger, Acquisition and Collaboration- Gillette has done this in the past also, acquiring the business of its competitors or providing the product/service in collaboration like when Wilkinson Sword due to its limited resources could not compete with Gillette sold much of its blade business to the latter.

Adopting this technique even today can reduce its competition significantly especially in the disposable razors segment where BIC is the leader. This way it can gain BIC's market share which is very strong in Europe. But as case data shows Gillette's most of the acquisitions have not been successful and have also led to a decrease in its market share. 2) Gillette can also reduce the prices of its razors and replacement cartridges to be more competitive in future.

When compared to Schick and BIC's prices Gillette is at a disadvantage irrespective of superior technology. Presently many people may be shaving with other company's razor considering only the price factor especially in the underdeveloped and developing countries. Most of its razors and cartridges' price is high compared to Schick and BIC. Following the price reduction strategy can surely create new customers adding to the size of its market and may also increase the frequency of buying by existing customers, thus maintaining the market share.

But heavy expenditure on R&D and promotional activities ultimately increases the selling price of the product which also cannot be avoided. 3) Gillette should also focus on Women's market as this market is still

underdeveloped (especially in Europe where only one-third women wet shave) due to less number of women shaving with a razor compared to men.

So Gillette should introduce razors specifically for women (the last one was Venus in 1998) and further penetrate the market. Recommendations

Considering the above alternatives, the more urgent for Gillette is to cut down the prices keeping in view the competition in future and defending its market share. Because people today want good quality products at reasonable prices and what may seem as reasonable today may tend to be looked as costly tomorrow by the customers, in spite of good quality.

Consequently people may go for other brands' Shaving blades and Razors which will decrease Gillette's market share and profitability in the long run.

Implementation

Gillette, rather than conducting R; D activities in its own laboratories should decentralize them and hire well-reputed agencies/organisations specialising in it because setting up own laboratories and then hiring experts is a very costly affair especially considering the size of Gillette. The direct impact will be in the form of reduced prices of its products and saving millions of dollars also which can be further reinvested or else used in marketing the product.

This will automatically expand its market share by creating new customers and maintaining the present ones by increasing the frequency of their buying.