

Session 1.1 Looking Ahead at Marketing's Future at P&G

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How does the largest advertiser in the world determine the branding strategy for its products? Procter & Gamble (P&G) was faced with the challenge of determining what branding strategy would help the company reach more of the world's consumers. The company was faced with the following strategic choice: Should the company keep the premium brands and introduce new brands into the medium- and lower-priced tiers, or should the company create megabrands that could cross price tiers?

The company decided to introduce a new learning approach that would be defined by looking at both developed and developing markets, brand successes and failures, P&G and non-P&G experiences within the categories, and consumer goods versus non-consumer goods in other industries. The objectives were to create an infrastructure for ongoing learning, leverage past experience, tap into diversity of perspectives, and create apostles who would expedite the adoption of learning. The approach was global in nature and the project objective was to assess the merits of extending premium brands with lower-priced offerings. The major concerns over the megabrands strategy were equity erosion and cannibalization.

Three main findings emerged from the study. The first was that the company should appeal to target consumers on an emotional, relevant level. This should be done by understanding the underserved groups and tailoring what is being delivered to delight them and to provide value. The second key finding was that differentiation is critical. The brand extensions needed to be designed for the target consumers, who have different needs than the current consumers. Cannibalization is minimized when the premium users are not interested in the lower-priced offerings, and vice versa. The third finding was that line extensions can actually build brand equity by improving consumer value, creating relevance for more consumers, increasing depth of awareness, and deepening the relationships with the brand.

P&G's commitment to learning about brand extensions continues as they enter phase two of the study. The company's commitment to learning and continually advancing best practices is high and increasingly necessary in the rapidly changing marketing world.